

CHAPTER 2

Identifying and Selecting Projects

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Chapter Concepts

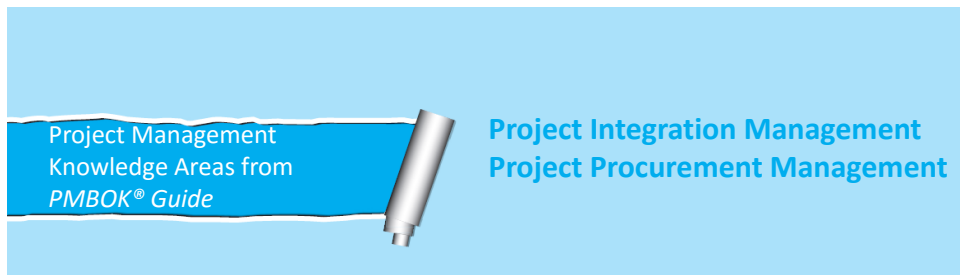
- How projects are identified and selected
- A project charter
- Outsourcing projects using a request for proposal
- The proposal solicitation process

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Learning Outcomes

- Discuss how projects are identified
- Explain how projects are prioritized and selected
- Identify and describe at least eight elements of a project charter
- Prepare a project charter
- Prepare a request for proposal

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Hornet's Nest

Canada's CF-18 Background

- Aging fleet
- First CF-18s from 1982
- Interoperability with US and allies
- Stealth and aerial refueling capabilities
- Single pilot and single engine

Risks and Benefits

- Lone pilot survivability
- Second pilot help survival
- Single engine failure
- Second engine could limp home
- Less range and less stealth of 2-engine/2-seat plane
- Financial position
- Military priorities

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To Outsource or Not to Outsource

Background

- 500 vehicles and pieces of equipment
- Repair, use, maintenance, and fueling
- All departments' -- fire, police, public water, parks and recreation, education, and administration
- Parts room inventory over \$300,000 with many obsolete parts

Key Objectives

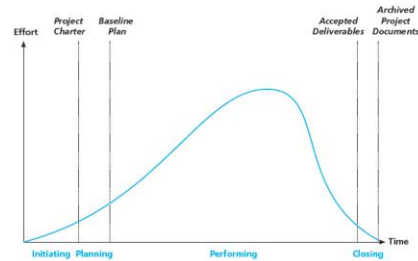
- Increased productivity for operations and technicians
- Increased on demand availability of parts
- Reduced downtime
- Reduced paperwork
- Improved monitoring
- Reduced administration
- Eliminated inventory and inventory control (especially obsolete parts)

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Project Identification

- Start of Initiating phase
- Recognize need, problem, or opportunity
- Various ways for identification
 - Organizations strategic planning
 - Response to unexpected events
 - Group organized to address a need
- Important to clearly identify need to determine if worth pursuing
- Use decision making process to prioritize and select project with greatest need

FIGURE 1.3 Project Life Cycle Effort



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Project Selection

- Evaluate needs, costs, benefits
- Determine which are projects
- Select project
 - Develop criteria
 - List assumptions
 - Gather data
 - Evaluate each opportunity
- Combine “gut” feelings and quantitative information to make decision

FIGURE 2.1 Project Evaluation and Selection Form

PROJECT EVALUATION AND SELECTION			
EVALUATION CRITERIA	PROJECT A	PROJECT B	PROJECT C
Investment (\$)	\$700,000	\$2,100,000	\$1,200,000
Return on Investment	9.1%	18.3%	11.5%
Time to Market	10 months	16 months	12 months
Increase in Market Share	2%	5%	3%
Risk	Low	High	Medium
Chance of Success	High	Medium	High

Comments

Project A: Major competitor already has similar product and may reduce price.
 Project B: New technology may not work as expected.
 Project C: Product features may not be accepted in some international markets.

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Student Discussion

Describe the positives and negatives for this development project.

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Possible responses to Student Discussion

- Describe the positives and negatives for this development project.

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- Positives**
 - All projects will be evaluated on common criteria
 - Project A gets to market in the least time
 - Project B gains the greatest market share
 - Project B has highest ROI
 - Projects A and C have high chance of success
- Negatives**
 - Prices for each project have great differences; implying that each has a different level of effort for the project solution
 - Project B has high risk and medium chance of success
 - Project C may not be accepted globally
 - Project B may put the company reputation at risk if the technology does not work as expected

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Project Charter

Purpose

- Provides sponsor approval
- Commits funding for the project
- Summarizes key conditions and parameters
- Establishes framework to develop baseline plan

Possible Elements

- Project title
- Purpose
- Description
- Objective
- Success criteria or expected benefits
- Funding
- Major deliverables
- Acceptance criteria
- Milestone schedule
- Key assumptions
- Constraints
- Major risks
- Approval requirements
- Project manager
- Reporting requirements
- Sponsor designee
- Approval signature

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Student Discussion

Examine the project charter and comment on

- the completeness of the information
- possible evaluation criteria

FIGURE 2.2 Project Charter

Project Charter

Project Title: Create ASTRA Corporation Online University

Purpose: Currently ASTRA Corporation offers and provides education and training programs for its employees that are delivered face-to-face in classroom settings. Online training has been requested by ASTRA employees at the company's six locations in North America and five locations in Europe. This project is authorized to create ASTRA Corporation Online University, an education and training component that will provide online training programs for employees.

Description: ASTRA will issue a request for proposal to select an external contractor to design, develop, deliver, and evaluate the online environment for 20 courses that have been identified as critical information for the majority of ASTRA employees. ASTRA has identified the 20 courses from the current face-to-face course offerings in the corporate training catalog. The language of instruction will be English. Feedback for the initial six courses available online will be evaluated for availability, requirements for synchronous and asynchronous experiences, and effectiveness during the initial three-month pilot. At the conclusion of the six-course pilot, the contractor will provide a written report and a presentation to ASTRA's Vice President for Human Resources of the results of the evaluation and recommended changes for availability, training experience, and effectiveness. The remaining 14 courses will be available online at the conclusion of the pilot. At six months, nine months, and the conclusion of the first year of training offerings, the contractor will present reports of enrollments and course evaluations.

Objective: The objectives of the implementation of the 20 critical courses are twofold:

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Possible responses to Student Discussion

- Examine the project charter and comment on
 - Completeness of the information
 - Possible evaluation criteria

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Objective: The objectives of the implementation of the 20 critical courses are twofold:

- Completeness of information
 - Describes the project that needs to be addressed
 - Lists requirements, constraints, assumptions, and risks
 - An RFP could be developed from the charter's information
- Possible evaluation criteria
 - Meets the purpose
 - Cost
 - Reduces delivery costs by 26% the first year
 - Experience
 - Risks
 - Appropriate instructional strategies

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Preparing a Request for Proposal

- Decision made to outsource to external resource
- Comprehensively describe project requirements
 - Includes need, problem, or opportunity description
 - Allows contractors to develop a thorough proposal
 - Facilitates the development of evaluation criteria
- May be communicated informally or formally, in writing or verbally

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Guidelines for Developing an RFP

- State project objective or purpose
- Provide a statement of work
- Include customer requirements
- State deliverables the customer expects
- State acceptance criteria
- List customer supplied items
- State approvals required
- State type of contract
- State payment terms
- State schedule and key milestones
- List format and content instructions
- Indicate due date
- Include evaluation criteria
- Include level of effort or funds available

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Student Discussion



Examine the RFP example. What additional questions need to be answered?

FIGURE 2.3 Request for Proposal

February 1st
 To Whom It May Concern:
 AJACKS Information Services Company is seeking proposals from contractors with relevant experience to conduct a market survey of the technical information needs of manufacturing firms nationwide. The objectives of this project are:

1. To determine the technical information needs of manufacturing firms nationwide, and
2. To recommend approaches to promote the purchase and utilization of AJACKS Information Services by such firms.

This project must provide adequate information for AJACKS Information Services Company to determine

- Future information products or services, and
- The best methods for delivering these products or services to its customers.

The contents of this request for proposal (RFP) are to be considered confidential information.

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Possible responses to Student Discussion

- Examine the RFP example. What additional questions need to be answered?

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- Future information products or services, and
- The best methods for delivering these products or services to its customers.

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1. Statement of Work
The contractor will perform the following tasks:
Task 1: Identify Technical Information Needs of Manufacturing Firms
Conduct a survey of manufacturing firms nationwide to determine their specific needs for external to their firms technical information. The assessment should determine the various specific types of technical information needed and the frequency with which each type of information is needed.
Task 2: Determine the Best Approaches to Promote the Purchase and Utilization of AJACKS Information Services by Businesses
The survey should include an identification of the firms' perceptions of the most effective direct and indirect marketing approaches that influence the firms' decisions to both purchase and utilize specific services or products, in particular, information services.

2. Requirements
The survey should determine the various specific types of technical information needed and the frequency with which each type of information is needed.
The survey should identify the current sources for the various types of technical information that are used by manufacturing firms, their frequency of use, and the firms' perception of the value (benefit, cost, accuracy, timeliness) of each source. It should determine the various methods the firms currently use to access these sources of information. The survey should determine the average and range of funds (both internal to the firm and external fees) that firms currently expend for obtaining the various types of technical information.

(continued)

- Will AJACKS supply the names of the firms to be surveyed?
- What manufacturing industries are the target?
- What marketing information already exists?
- What are the page limitations for the proposal and supplemental information?
- What is an acceptable return rate on the survey?

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Soliciting Proposals

Solicitation

- Notify potential contractors
 - Identify selected group in advance to send copy
 - Advertise in selected journals, newspapers, or websites
- Maintain competitive situation
 - Provide equal information to all bidders
 - Hold bidders' meeting to answer questions

Conditions

- Requirements are sometimes communicated verbally instead of via a formal RFP
- All RFPs start with identification of a need, problem, or opportunity

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Critical Success Factors

- The need must be **clearly defined** before preparing a request for proposal (RFP).
- When selecting a project from among several needs or opportunities, the decision should be based on which project will **provide the greatest overall benefits** compared to its costs and possible consequences.
- Having a well-understood **evaluation and selection process** and a well-rounded committee will increase the chances of making the best project selection decision.
- Establish **quantitative** project success **criteria**, or expected benefits.
- A good RFP allows contractors to understand what the customer expects so that they can prepare a thorough proposal that addresses the **customer's needs and requirements**.
- A request for proposal should include a statement of work, customer requirements, expected deliverables, and the **criteria** by which the customer will **evaluate** proposals.
- An RFP should provide instructions for the **format and content** of contractor proposals so that the customer will be able to make a consistent and fair comparison and evaluation of all the proposals.
- Customers must be careful not to provide information to only some of the contractors because it would give these contractors an unfair **competitive** advantage in preparing their proposals.

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Summary

- The initiating phase of the project life cycle starts with recognizing a need, problem, or opportunity for which a project or projects are identified to address the need.
- Sometimes organizations identify several or many needs but have limited funds and people available to pursue potential projects to address all of those needs. In such cases, the company must go through a decision-making process to prioritize and select those projects that will result in the greatest overall benefit.
- Project selection involves evaluating potential projects and then deciding which should move forward to be implemented.
- Once a project is selected, it is formally authorized using a document referred to as a project charter, sometimes called a project authorization or project initiation document.
- In some cases, an organization does not have the expertise or staff capacity to plan and perform the project or major portions of the project, and therefore decides to have the project completed by an external resource (contractor) and prepares an RFP.
- Once the RFP has been prepared, the customer solicits proposals by notifying potential contractors that the RFP is available.
- Not all project life cycles include the preparation of a written request for proposal by a customer and subsequent submittal of proposals from contractors. Some endeavors move from the initiating phase, where a project is identified and selected, into the planning and performing phases of the life cycle.

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Chapter Questions

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Question 1

- Why is it important to do a thorough and detailed job of needs identification?

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Question 2

- Describe a situation in your life in which you performed needs identification.

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Question 3

- Why is it important to select the right project before you begin working?

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Question 4

- Describe how a business selects which projects to work on when there are numerous projects that could be done.

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Question 5

- Which elements of a project charter would you use to help plan if you have a project that does not require a project charter? Why?

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Question 6

- Give examples of situations in which a business might develop a request for proposal.

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Question 7

- Give examples of situations in which an individual might develop a request for proposal.

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Question 8

- Why is it important for a business to try to quantify the expected benefits of implementing a solution to a problem?

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Question 9

- What should be contained in a statement of work?

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Question 10

- What is meant by customer requirements?
Why must they be precise?

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