Chapter 2: Project evaluation and programme management

Question 1: Identily the major risks that could affect the success of the Brightmouth College payroll project and try to rank them in order of importance.

- **Budget constraints:** The project may face budget overruns, which could negatively impact the success of the project.

- **Schedule delays:** Delays in completing the project on time could lead to missed deadlines, which could also negatively impact the success of the project.

- **Lack of stakeholder support:** The project may not receive the necessary support from stakeholders, including management, employees, and vendors, which could result in resistance to change and a lack of buy-in from those who will be using the new payroll system.

- **Technical challenges:** The project may face technical challenges, such as compatibility issues with existing systems, data migration difficulties, and software performance issues, which could hinder the successful implementation of the payroll system.

- **Lack of resources:** The project may be understaffed, leading to increased workload and reduced efficiency for team members, which could result in decreased quality and higher risk of failure.

- **Data privacy and security concerns:** The project must ensure that sensitive employee information is protected, which could be a major risk if security measures are not adequate.

- **User acceptance and training:** The project must ensure that employees are adequately trained and have a positive experience with the new payroll system, which could be a risk if users are resistant to change or have difficulty using the system.

These risks can be ranked in order of importance as follows:
- Lack of stakeholder support
- Budget constraints
- Schedule delays
- Technical challenges
- Data privacy and security concerns
- Lack of resources
- User acceptance and training.

Question 2: Explain why díscounted cash flow techniques provide better criteria for project selection than net profit or return on investment.

Answer:

Discounted Cash Flow (DCF) techniques provide a more comprehensive and accurate criteria for project selection compared to net profit or return on investment (ROI) for the following reasons:

"Time value of money concept"

Discounted cash flow method- It is a method of evaluating the project. This method estimates the future free cash flow and discount them by using the current discounted orannual rate. If the calculated value is higher than the initial investment or current cost of investment, the opportunity is good and project should be approved.

Discounted cash flow method vs return on investment-Discounted cash flow method provides the actual cash flowsthat are discounted with the current annual rate, this method usesthe "Time value of money concept". Time value ofmoney concept helps in calculating the present worth of the futurecash flows as we know that money that is received today worth morethan the money that is received in future.ash flowsthat are discounted with the current annual rate, this method usesthe "Time value of money concept". Time value ofmoney concept helps in calculating the present worth of the futurecash flows as we know that money that is received today worth morethan the money that is received in future.

- Time value of money: DCF takes into account the time value of money, meaning that it adjusts the value of future cash flows to their present value, reflecting the fact that a dollar received in the future is worth less than a dollar received today. This is important in project selection as it provides a more accurate representation of the expected financial return.

- Incorporates all cash flows: DCF takes into account all relevant cash flows associated with a project, including the initial investment, operating expenses, and expected future cash flows. In contrast, net profit and ROI only consider a limited subset of cash flows and can therefore provide a misleading picture of the financial viability of a project.

- Better reflection of risk: DCF techniques, such as the Net Present Value (NPV) method, consider the expected cash flows and the cost of capital, which can reflect the risk associated with a project. In contrast, net profit and ROI do not account for risk, which can lead to suboptimal project selection decisions.

- Supports decision-making: DCF provides a clear and measurable criterion for project selection that supports decision-making and helps to avoid biases. By considering all relevant cash flows and the cost of capital, DCF provides a comprehensive and objective assessment of the financial viability of a project.

In summary, DCF techniques provide a more accurate and comprehensive criteria for project selection compared to net profit or return on investment, as they take into account the time value of money, consider all relevant cash flows, reflect the risk associated with a project, and support decision-making.

Question 3: An insurance company has examined the way that it settles house insurance claims. It decides to introduce a new computer-based claims settlement system which will reduce the time taken to settle claims. This reduction in effort is partly achieved by enabling the claims clerk to obtain the information needed directly, rather than having to go through other departments. Also, as part of the new process/ new repair work will be allocated by the insurance company to authorized builders, decorators, plumbers etc, rather than the claimant having to make arrangements to 8et estimates and so on.

A. Explain the possible benefits and disbenefits that might be generated by this application. Note that the benefits could come under the following headings:
Mandatory compliance
Quality of service
Productivity
More motivated workforce
internal management benefits
Risk reduction
Economy
Revenue in hancemenVacceleratíon
Strategic fit
How could the actual benefit be assessed in each case?

B. When the application is implemented, some of the claims staff at the insurance

Company complain about the additional stress of dealing with irate customers grumbling about tradespeople being slow to do repair work, or about poor quality workmanship. Also, in some places, there are shortages of qualified repair people leading to delays in getting work done.
Which projected benefits are being affected by these developments?
How would you deal with these problems?
How would you assess your success in dealing with these problems?
a. Benefits and disbenefits of the new computer-based claims settlement system:

- Mandatory compliance: The new system could ensure compliance with industry regulations, which could reduce the risk of penalties and legal action.
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- Quality of service: The system could improve the speed and accuracy of claims settlement, leading to a higher level of customer satisfaction.
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- Productivity: The new system could increase the efficiency of the claims settlement process, leading to reduced processing time and cost.
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- More motivated workforce: The new system could reduce the administrative burden on claims staff, which could increase their motivation and job satisfaction.
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- Internal management benefits: The new system could provide improved reporting and data analysis capabilities, which could aid in decision-making and improve overall management of the claims settlement process.
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- Risk reduction: The new system could reduce the risk of errors in claims processing, leading to reduced financial exposure for the insurance company.
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- Economy: The new system could result in cost savings through increased efficiency and reduced manual effort.
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- Revenue enhancement/acceleration: The new system could result in faster claims settlement, leading to improved revenue and customer retention.
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- Strategic fit: The new system could align with the insurance company's overall strategy and goals.
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- Assessing actual benefits: To assess the actual benefits in each case, the insurance company could conduct surveys, analyze customer feedback, and

compare pre- and post-implementation performance metrics such as processing time, cost, and customer satisfaction levels.

b. Issues and solutions:

The projected benefits being affected by the developments include quality of service and more motivated workforce. The complaints from the claims staff about dealing with irate customers and the shortages of qualified repair people could negatively impact customer satisfaction and employee morale.

- To deal with these problems, the insurance company could:
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- Provide additional training and support to claims staff to help them effectively manage customer complaints and expectations.
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- Develop contingency plans to manage shortages of repair personnel, such as partnering with multiple repair companies to ensure adequate coverage.
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- Monitor customer feedback and satisfaction levels closely and take proactive steps to address any concerns.
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- Review and adjust the repair allocation process as needed to ensure that work is completed in a timely and satisfactory manner.

Assessing success in dealing with these problems: To assess the success in dealing with these problems, the insurance company could measure customer satisfaction levels, monitor employee morale, and track performance metrics such as processing time and cost. Additionally, the company could conduct periodic surveys and focus groups to gather feedback from customers and employees on the effectiveness of the solutions implemented