MANAGING WORK & COSTS

Lecture 1 – Project Implementation

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1 Chapter Introduction

While managing work and costs, the project manager's focus at all times should be directed towards the objectives of the project and on how the work is progressing to those objectives. The Project Manager should be aware of the dangers of managing for the sake of fully utilizing resources (keeping people busy!) or managing in order to "tick the boxes" (doing the paperwork!) The principles outlined in this chapter will help a project manager to fulfill one of his/her basic responsibilities - Monitoring & Controlling the work of the project. We will introduce some practical aspects of setting up a project which will allow us to track its progress to completion.

2 Principles of Monitoring and Control

Once work has started the Project Manager can move more fully into a "monitor and control" mode. Let's start with some definitions from the PMBOK:

Monitor: Collect project performance data with respect to the plan, produce performance measures and report and disseminate performance information.

Control: Compare actual performance with planned performance, analyse variances, assessing trends to effect process improvements, evaluate possible alternatives, and recommend appropriate corrective action as needed.

Therefore monitoring is concerned with the collection and distribution of data while controlling involves detecting variation and a making a decision in response to the variation. (Note: This decision may be to do nothing!)

2.1 Some Practicalities of Monitoring and Control

Before a PM enters into the monitor & control cycle above she needs to determine:

a) What parameter of the projects to measure
b) Which metric is appropriate for each parameter
c) How (and when) to collect the information

Given that the project manager is responsible for all that happens on the project, the scope of control could be extensive. Here is a representative list of possible monitor & control points:

In practice monitoring of progress is largely measured using parameters similar to those below:

Parameter	Possible Measures
Achievement	Milestones passed, Work packages completed
Money	Labour costs, fixed costs, capital costs
Effort	Person hours expended
Deliverables	Lines of code tested, houses built etc.

Having decided the appropriate parameters the PM must ensure that monitoring and reporting processes and systems will deliver the required information in a timely manner. On larger projects project management software will be used to support this requirement.

2.2 Project Authorisation

Before committing time or resources to a project a project must be satisfied that the initiation of the project has been approved at the appropriate level. The form of authorisation can vary depending on the nature of the project engagement (internal or external) and on the profile of the project. Authorisation acts as a blocker to inappropriate project progress without proper sign off. This prevents money being wasted needlessly on projects.

Reasons for project authorisation include to:

- Control the use of capital expenditure in the best interests of shareholders and other stakeholders;
- Announce that approval has been given for the project to start;
- Communicate details of the project nature and scope throughout the organization;
- Announce the project's name and number as it will appear in all accounts and reports;
- Announce key project milestones and financial targets;
- Announce the name of the project manager and confirm his or her authority to manage
  the project;
- Define any restrictions or limits on expenditure, in cases of provisional authorizations.

Authorisation usually triggers a chain reaction and gets others formally engaged in the project - contractors, subcontractors, suppliers, consultants etc. 3rd parties engaged in a project may instigated their own authorization procedures – orders, contracts etc.

2.3 Project Authorisation – contractor's viewpoint

Project authorization - means that the contractor has been instructed by the owner, customer or client to proceed with the project on terms – can be a contract, a purchase order or (less desirably) a letter of intent.

Can be issued as a 'project authorisation' or perhaps 'works order'. This document carries essential data that define the levels of expenditure authorized (the departmental and purchasing cost budgets), planned start and finish dates, details of the customer's order, pricing information, invoicing and delivery instructions and so on.

One vital item on a project authorization is the signature of a member of the contractor's senior management. That is the signal that the project is properly authorized, that work can begin and that costs can be incurred or committed.

3 Managing from the Start – Initiating the Project

Start as you mean to proceed!

The project must be established correctly in order for a Project Manager (PM) to be able to monitor & control effectively. In particular, the project manager must make sure that:

- **The project is authorised appropriately**
- **The project is described and understood to a sufficient level of detail**
- **The project is registered and linked to necessary systems**
- **The project starts!**

Let's look at these in some more detail:

3.1 The project is described

The project manager must secure the clearest possible authorised description of the project. This description is important as it will become the reference point for all future elaboration and expansion (or reduction) of the project. It will act as a **baseline** against which to measure the progress of the project.

There are many documents types which can be used to describe projects:

- Statement of Work (SOW)
- Contract
- Project Charter
- Scope Statement

- Work Breakdown Structure
- Project Specification/Project Plan
- Technical Specifications
- Pro Forma checklists

For engagements involving external contractors, SOW's and contracts will prevail. Charters and Projects Specifications are more likely to be used on "internal" projects. At a minimum the project charter should include:

- Identification of the project manager and his/her authority to apply resources to the project
- The business purpose that the project was undertaken to address, including assumptions and constraints
- Summary of the conditions defining the project
- Objectives and constraints
- Project scope (inclusions and exclusions)
- Key stakeholders and their roles
- Risks Involvement by certain stakeholders

3.2 Authorisation Documents issued by the project owner:

Can depend on size and impact of the project

3.3 Charter and contract

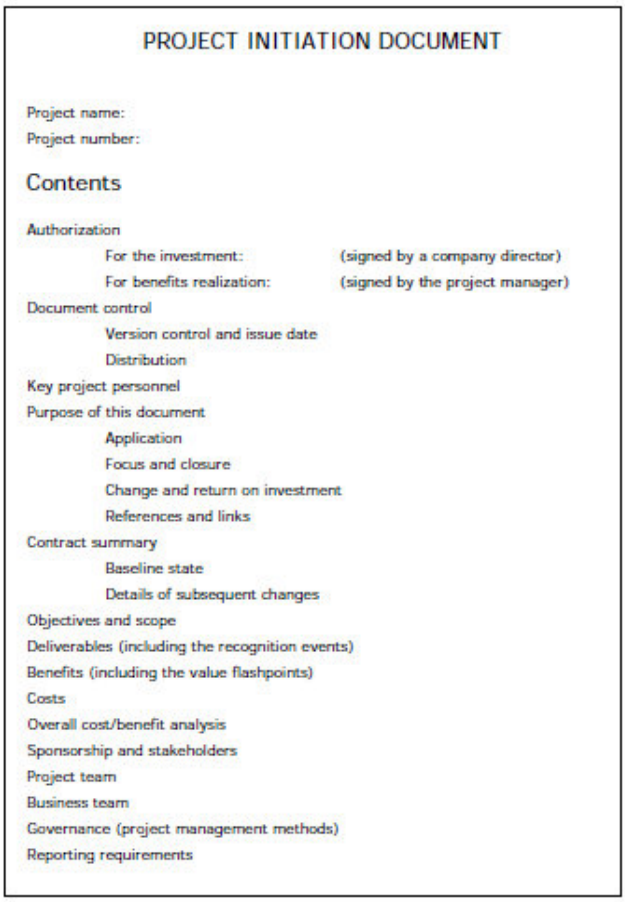
Charter – sets out objectives – prepared for approval by senior managers. The business plan is reflected item by item. Chartered then gets translated and described in a c contract.

Contract - working document that establishes the project in the organization under the nominated project manager. The contract is internal, between the project manager and the board of directors.

Somewhat cumbersome, expensive to administer and can delay the start of work unnecessarily for many months.

3.4 Project Initiation Document (PID)

Alternative to the contract / charter - Can fulfill the dual role of charter and contract



PROJECT INITIATION DOCUMENT

Project name:
Project number:

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3.5 Internal Memorandum

Used sometimes on small projects – issued by senior managers to the department / project manager responsible. Binds the project owner and the departmental / project manager. It is important that the project is authorised by signature of the senior manager who sponsors the project, irrespective of the physical form of authorisation document used.

3.6 Project Registration and Numbering

Formal 'entering into system' of the project – for accounting, planning, progressing and other admin procedures can now be put in place.

ID Number to project – used in drawings, documents and other project documentation. Project authorisation used to track staff costs / time sheets etc.

Typical items of information included o the Project register include:

- Project title
- Start date and (eventually) closure date
- Project manager responsible
- Project number
- The customer
- The customer's order number or letter reference.

3.7 The project is registered and linked to systems

The project needs to be linked to the ongoing work of the organisation and project information needs to be made available to people within and outside the project team. Customers of this

information include the project manager & team, portfolio & Programme managers, accounting, purchasing, IT, contractors etc.

The first step in this process is to register the project according the practice of the organization. Registration on a log or a database will usually assign a unique reference number to the project. Other information required could be:

- Project name
- Project brief summary
- Project manager name
- Sponsoring manager
- Budget reference
- Date initiated
- Due end date

Additional Information is required if it is an external contract:

- Customer name
- Customer reference

PROJECT REGISTER				Date of last revision		
Project number	*Project title*	*Project manager*	*Customer*	*Date opened*	*Comments Special restrictions*	*Date closed*

3.8 The project is started

A key success factor in all projects is the presence of a motivated team with a strong sense of purpose and a clear understanding of individual roles and responsibility. Bearing in mind the old proverb “A good start is half the battle” the project manager will aim to build such a team from the earliest possible opportunity. A project kick- off (or handover) meeting is frequently used for this purpose.

This meeting should be convened by a senior manager and attended by:

- The Project Manager
- The sponsoring Senior Manager or Client
- The Project Team
- Managers of Functional Departments providing resources to the project
- Any others who provide input to or will receive benefit from the project

The overall objectives of a kick off meeting are:

- To clarify and communicate the objectives and features of the project to all those involved
- To secure or reinforce the commitment required to the project
- To enable the project team to meet (possibly for the first time)
- To set any strategic context for the project and begin to focus everyone on the end objective and on their role in achieving it.
- To Start the Project!

3.9 Starting the Work

MANAGING WORK & COSTS

Following the project kick off meeting the PM must move swiftly to keep the momentum going. At this point he must ensure that his Project Communication Plan is in place.

This plan outlines for the team how information will be captured, reported and acted on. It should include:

- Process for managing documentation
- Organisation charts & reporting lines
- Governance & Meeting schedules
- Progress Reporting Process
- Task Responsibility matrix

An initial project team meeting should be held as soon as possible after the kick off meeting. The PM can use this opportunity to brief the team on the communications plan and any other information which may not be covered at the kick off meeting.

Part of this briefing should be an agreement on the work tasks to be completed. The task responsibility matrix (or RASI) is a powerful tool for achieving understanding and commitment to tasks. A sample is given in appendix 1. This can be supported at the initial meeting by a short term task list for each individual which may be extracted from the project schedule

Appendix 1

Responsibility Assignment Matrix (RACI)		
R	Responsible	Those who work to achieve the task
A	Accountable	Ultimately accountable for completion of the task / project
C	Consulted	Those whose opinions are sought (2 way communication)
I	Informed	Those who are kept up to date on progress (1 way communication)

Project Task	**Sponsor**	**Project Manager**	**Head of Sales**	**Designer**
Purchase Enquiry		C	A	R
Preliminary Design	C	R	I	A/R
Approve Designs	A	R	I	R
Planning	I	A/R	C	C