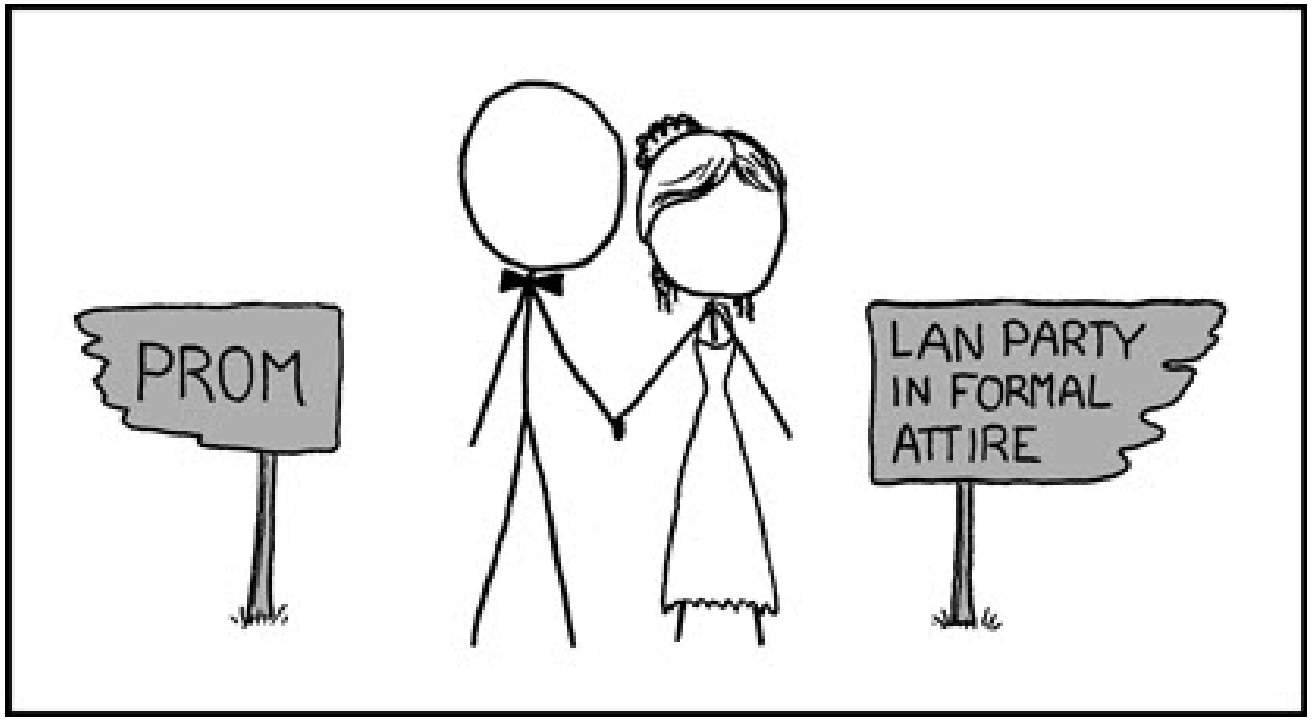
Info6007
Project Management in IT

Lecture 10 – Initiation, Stakeholders, and Closing - Dr Steven Sommer



Analysing “Formal” Stakeholder Needs (www.xkcd.com)

Supporting Materials

- Required Readings
  - 8Ed: Ch. 4 (141-154, 172), Ch. 13
  - 7Ed: Ch. 4 (148-157, 175), Ch. 13
- Practice Questions
  - NPV Exercise slides;
  - 8Ed & 7Ed:
    - Ch. 4, Ex 3 (Fig 4-4 and 4-5 only) and Ex 4;
    - Ch. 13: DQ3.
- References
  - Schwalbe, K. 2015, *Information Technology Project Management* (8e) Cengage Learning

Lecture Objectives

- Explain the drivers of new projects
- Perform a very basic evaluation of a project proposal, including the calculation of its NPV, ROI, and payback period
- Explain the role of project sponsors and project champions
- Describe and evaluate the stakeholder project management processes
- Complete, evaluate, and utilise a stakeholder register and a stakeholder analysis including a power/interest grid
- Describe the project completion processes.

Agenda

- Initiation
  - Business Drivers
  - Project Evaluation
  - Economic Evaluation
  - Sponsors
- Stakeholders
- Closing

Quiz

- Why do projects materialise?

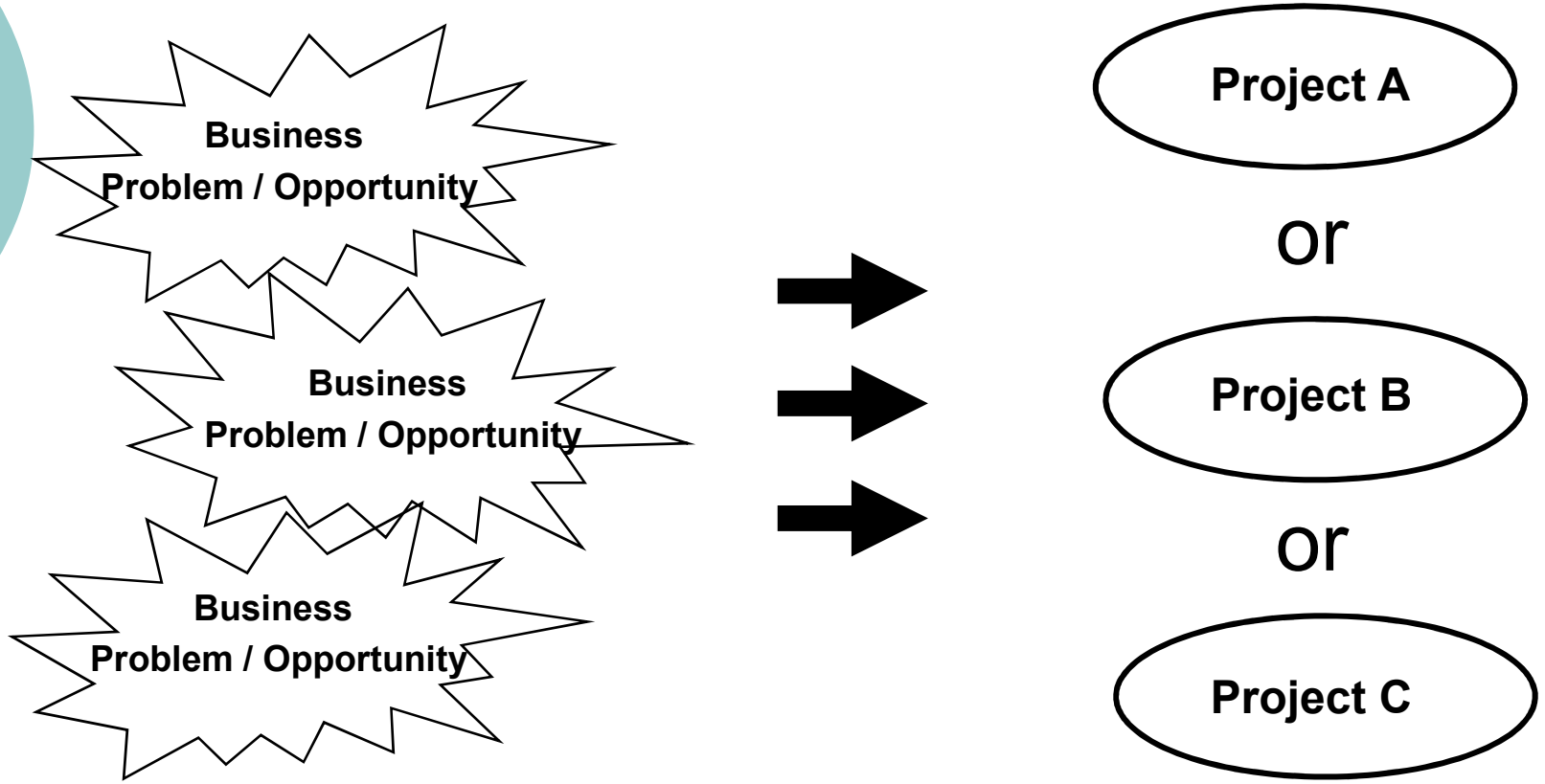
Business Drivers for Projects

- Strategic Projects
  - Drive Competitive Advantage (Make more money by having something others do not)
    - E.g.., google search
  - Threshold Capabilities (Required to compete in market at all – "pay to play")
    - Build New Capabilities for entering new markets
    - Change in Legislation (GST, Y2K)
    - Basic Requirements (Phone, Network, Financial Systems, Inventory Management, …)
- Operational Projects
  - Operational Efficiencies – doing existing things better (faster / more accurately / cheaper)
  - Replacing failing/aged systems (out of support, …)

Business Case for a Project

- A **business case** is a document that provides financial and business justification for investing in a project
- Typical contents:
  - Introduction/Background
  - Business Objective
  - Current Situation and Problem/Opportunity Statement
  - Critical Assumptions and Constraints
  - Analysis of Options and Recommendation
  - Preliminary Project Requirements
  - Budget Estimate and Financial Analysis
  - Schedule Estimate
  - Potential Risks

Why evaluate projects?

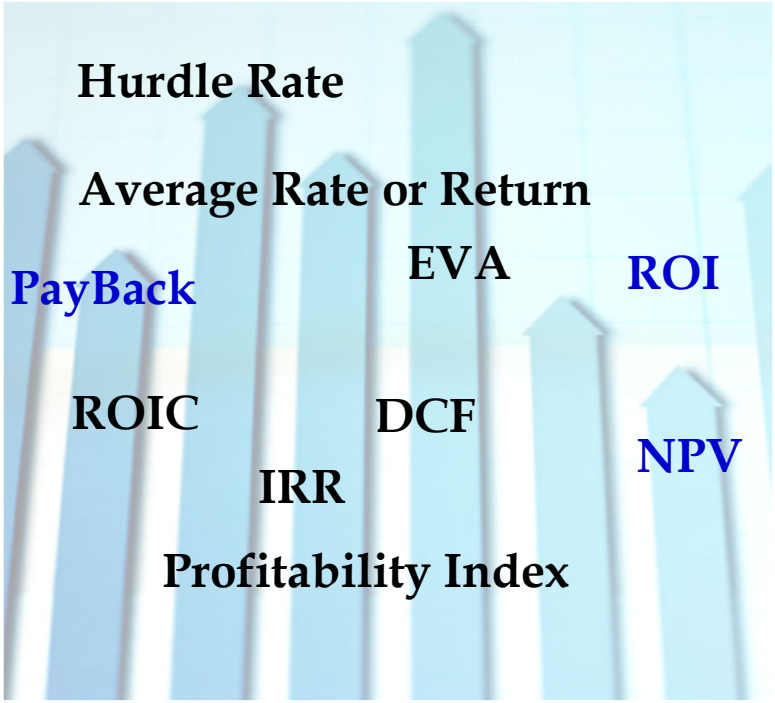


- Best-in-class organisations have a process for defining, evaluating and selecting projects.
- Evaluating which project generates the most value is challenging

Economic Evaluation

- There are many ways to evaluate and compare the financials of a project
- The choice of model will depend on the organisation's internal valuation approach.
- And hence, so will project choice

- Some economic evaluation models include



NPV – Net Present Value

- I borrow money at 10% p.a. and owe the bank huge amounts of money
- I am ambivalent to
  - $100 today
  - $110 in 1 years time
  - $121 in 2 years time
- To me all these amounts are ‘equal’
- They each have (to me) a NPV of $100
- ’10%’ is my ‘discount rate’.

Calculating NPV

A_n is Amount of cash flow of year n

r is the specified discount rate

$$\text{NPV} = A_0 + \frac{A_1}{(1+r)^1} + \frac{A_2}{(1+r)^2} + \frac{A_3}{(1+r)^3} + \frac{A_4}{(1+r)^4} + \cdots$$

$$Eg., \quad 100 + \frac{110}{1.1} + \frac{121}{(1.1)^2} = 300$$

- Quiz: Is it better to have revenue with a lower or higher NPV?

NPV Example

$$\frac{1}{(1+r)^n}$$

Discount rate	8%					
Assume the project is completed in Year 0			Year			
	0	1	2	3	Total	
Costs	140,000	40,000	40,000	40,000		
Discount factor	1	0.93	0.86	0.79		
Discounted costs	**140,000**	**37,200**	**34,400**	**31,600**	**243,200**	
Benefits	0	200,000	200,000	200,000		
Discount factor	1	0.93	0.86	0.79		
Discounted benefits	**0**	**186,000**	**172,000**	**158,000**	**516,000**	
Discounted benefits - costs	(140,000)	148,800	137,600	126,400	**272,800**	←**NPV**

Schwalbe, Fig 4-5

Practice Question

- You are evaluating project “Lobster”. The project will take one year to complete. It’s only cost is $500,000 paid (up front) to Sommer Corporation. The anticipated savings are $300,000 at the end of the second and third years. There are neither costs nor benefits in year 1. Calculate the NPV
  - The appropriate company discount rate is 15%.
  - Use a calculator, but not excel.

Return on Investment

- **Return on investment** (ROI) is calculated by subtracting the project costs from the benefits and then dividing by the costs.
  - ROI = (total discounted benefits - total discounted costs) / discounted costs

- Quiz: Is a higher or lower ROI better?

ROI Example

Schwalbe, Fig 4-5

Discount rate	**8%**					
Assume the project is completed in Year 0			**Year**			
	0	**1**	**2**	**3**	**Total**	
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Cumulative benefits - costs	(140,000)	8,800	146,400	272,800		
ROI →	**112%**					

(516,000-243,200)/243,200 = 112%

Practice Question

- What is the ROI for project lobster

Payback Analysis

- The **payback period** is the amount of time it will take to recoup, in the form of net cash inflows, the total dollars invested in a project.
- Payback occurs when the cumulative discounted benefits exceeds zero.
- Many organizations want IT projects to have a fairly short payback period.
  - Assumes the shorter the payback period the lower the risk and the better the investment

Payback Analysis

Schwalbe, Fig 4-5

Discount rate	**8%**					
Assume the project is completed in Year 0			**Year**			
	0	**1**	**2**	**3**	**Total**	
Costs	140,000	40,000	40,000	40,000		
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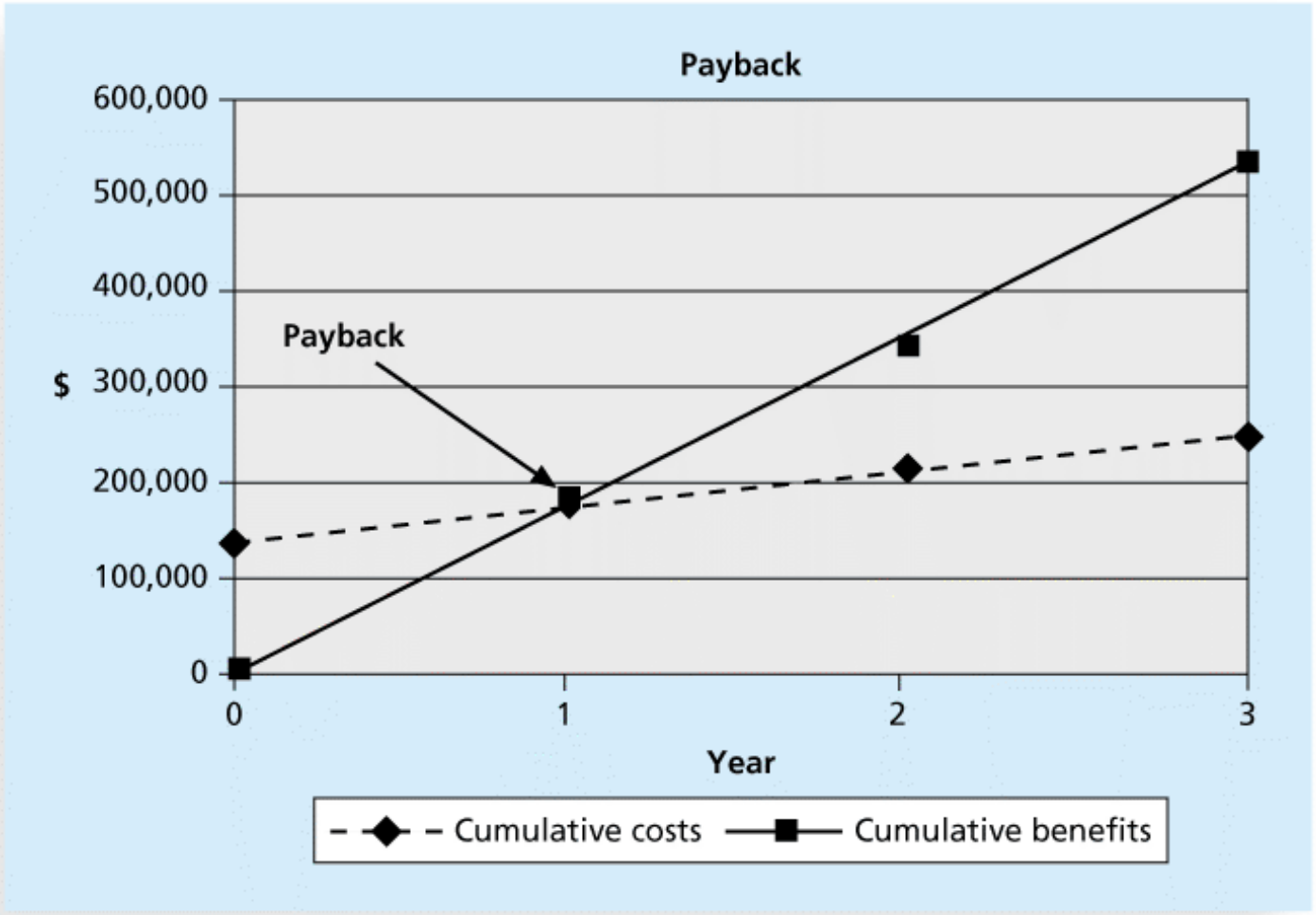
Cumulative benefits - costs	(140,000)	8,800	146,400	272,800		
ROI →	**112%**					
		Payback In Year 1				

Charting Payback Period

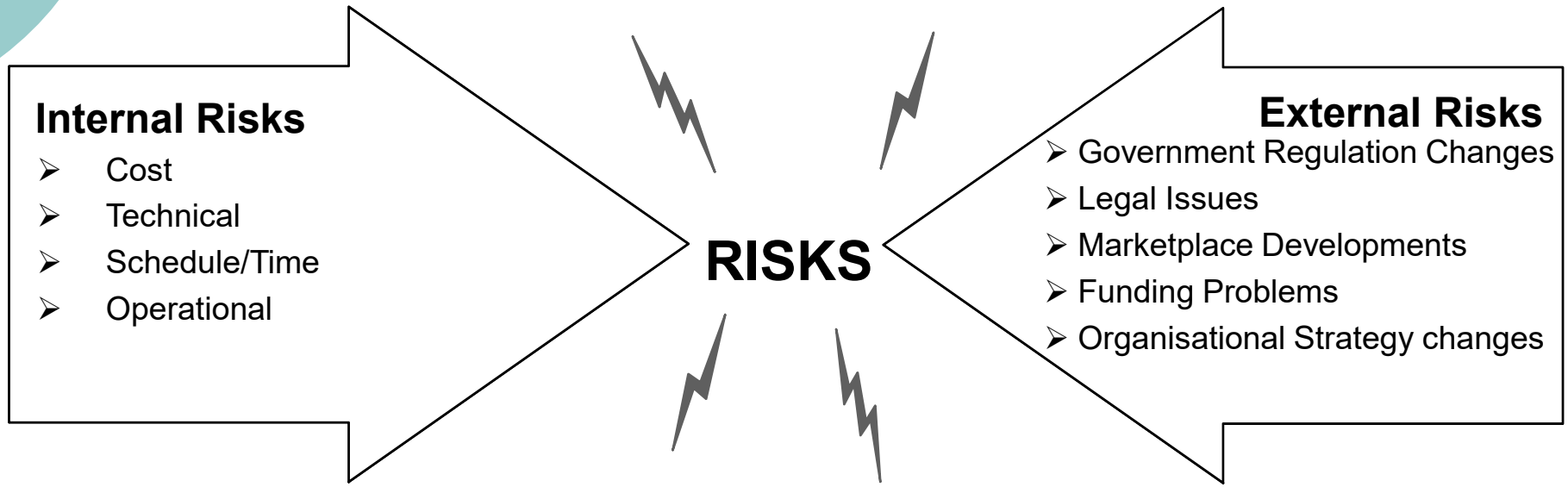


Schwalbe, Fig 4-6

Practice Question

- What is the payback period for project Lobster?

Business Case includes risk evaluation



Indications of High levels of risk

- New type of project for the company
- Project scope, objectives, and deliverables are not clearly defined or understood
- Many possible alternatives are perceived
- Technical information is lacking
- The technical process and design are not mature
- Standards for performance are unrealistic or absent
- Costs, schedules, and performance are not expressed in ranges
- The future timing of activities and events is vague
- Design lacks production engineering input
- Prototype of a key element is missing
- There is a higher-than-usual R&D component
- Similar projects have been delayed or cancelled
- A wide variation in bids is received
- Some key subsystems and/or materials are sole source
- No appropriate contingency plans have been developed

Project Sponsor and Champions

- Without top management commitment, many projects will fail
- Projects should have a **Project Sponsor** who has overall responsibility for the project. They should be a very senior manager – often the Head of Business Unit. They
  - Do not have day-to-day involvement in managing the project
  - Provide project direction, leadership, mentoring, and support for the PM.
  - Ensure project has appropriate resources
- Some projects also have a senior figures called **Champions** who acts as a key proponents for a project

Why do projects fail?

Level 1 Factors or you're dead in the water:

"To manage a project without an effective executive sponsor is to visit hell on Earth".

http://www.thomsettinternational.com/main/articles/articles_toc.htm

Agenda

- Initiation
- **Stakeholders**
  - **Stakeholders**
  - **Processes**
  - Identifying & Stakeholder register
  - Planning & Stakeholder analysis
  - Managing & Issue Logs
- Closing

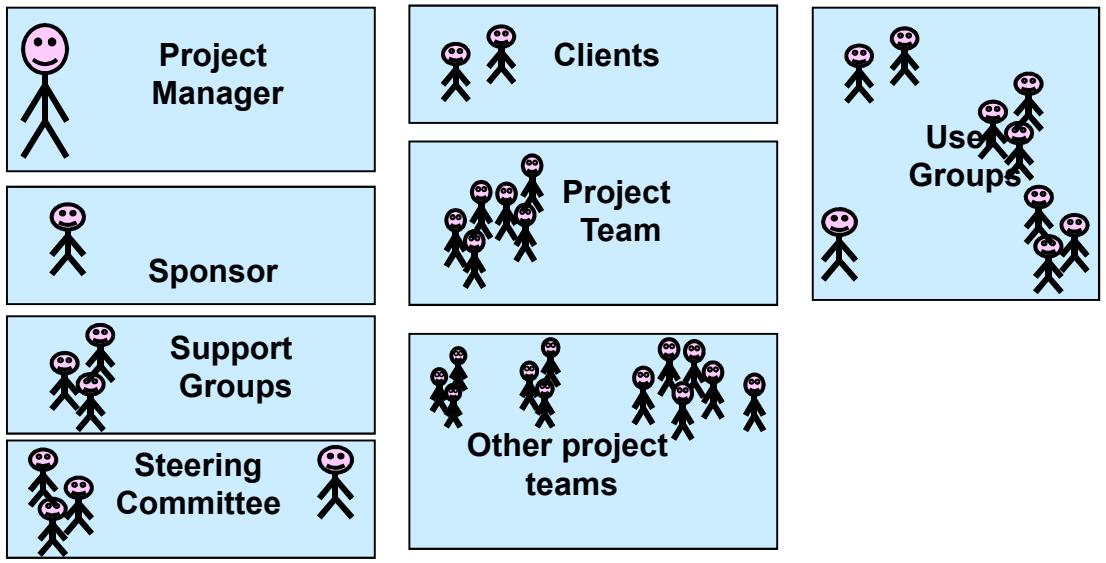
Stakeholders

- **Stakeholders** are all the people or organisations who are impacted by the project and therefore, who must be proactively 'managed'
- Because stakeholder management is so important to project success, the Project Management Institute decided to create an entire knowledge area devoted to it as part of the Fifth Edition of the PMBOK® Guide in 2012

Quiz

- Name the stakeholders

Internal Stakeholders



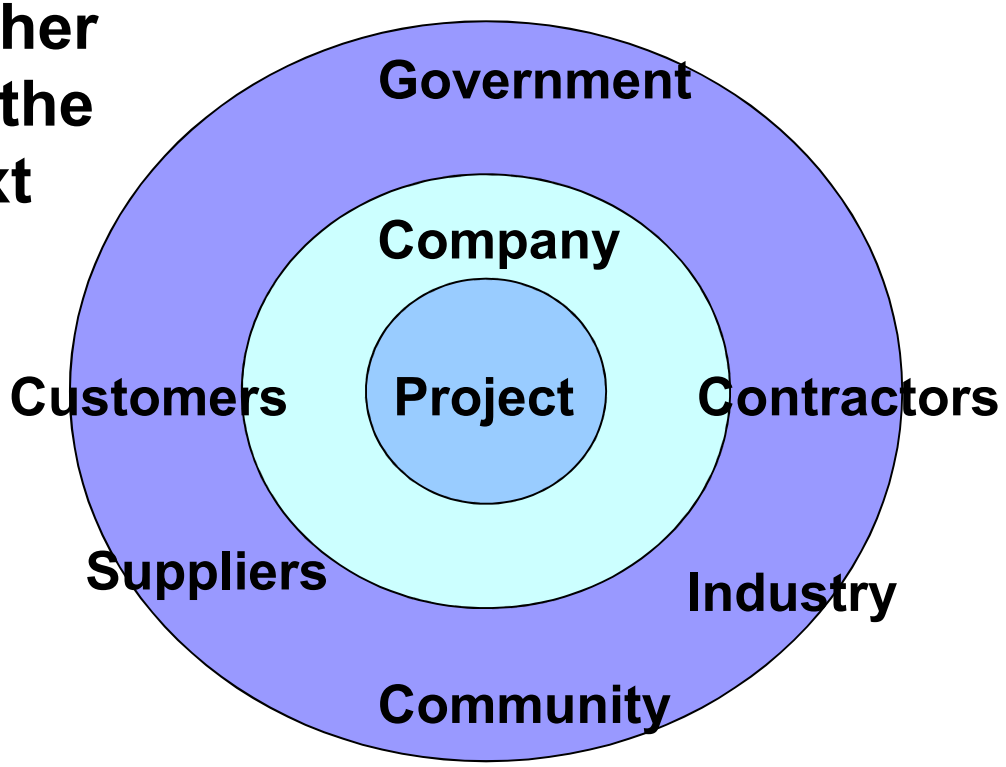
These people are called 'stakeholders' because they have a 'stake' in the success of the project

Refer: Thomsett "The Busy Person's Project Management Book", p7-8

External Stakeholders

There may be other stakeholders in the project context

For example:



Why do projects fail?

Level 1 Factors or you're dead in the water

- Lack of stakeholder buy-in:

  Without consensus among stakeholders as to the scope, objectives and quality requirements of the project, the project manager cannot effectively manage the project.

http://www.thomsettinternational.com/main/articles/articles_toc.htm

Project Stakeholder Management Processes

- **Identifying stakeholders**: Identifying everyone involved in the project or affected by it
- **Planning stakeholder management**: Determining strategies to effectively engage stakeholders
- **Managing stakeholder engagement**: Communicating and working with project stakeholders to satisfy their needs and expectations, resolving issues, and fostering engagement in project decisions and activities
- **Controlling stakeholder engagement**: Monitoring stakeholder relationships and adjusting plans and strategies for engaging stakeholders as needed

Identifying Stakeholders – Stakeholder Register

- A **stakeholder register** includes basic information on stakeholders:
  - **Identification information**: The stakeholders' names, positions, locations, roles in the project, and contact information
  - **Assessment information**: The stakeholders' major requirements and expectations, phases of the project in which stakeholders have the most interest, etc.
  - **Stakeholder classification**: E.g., Is the stakeholder internal or external to the organization?

Sample Stakeholder Register

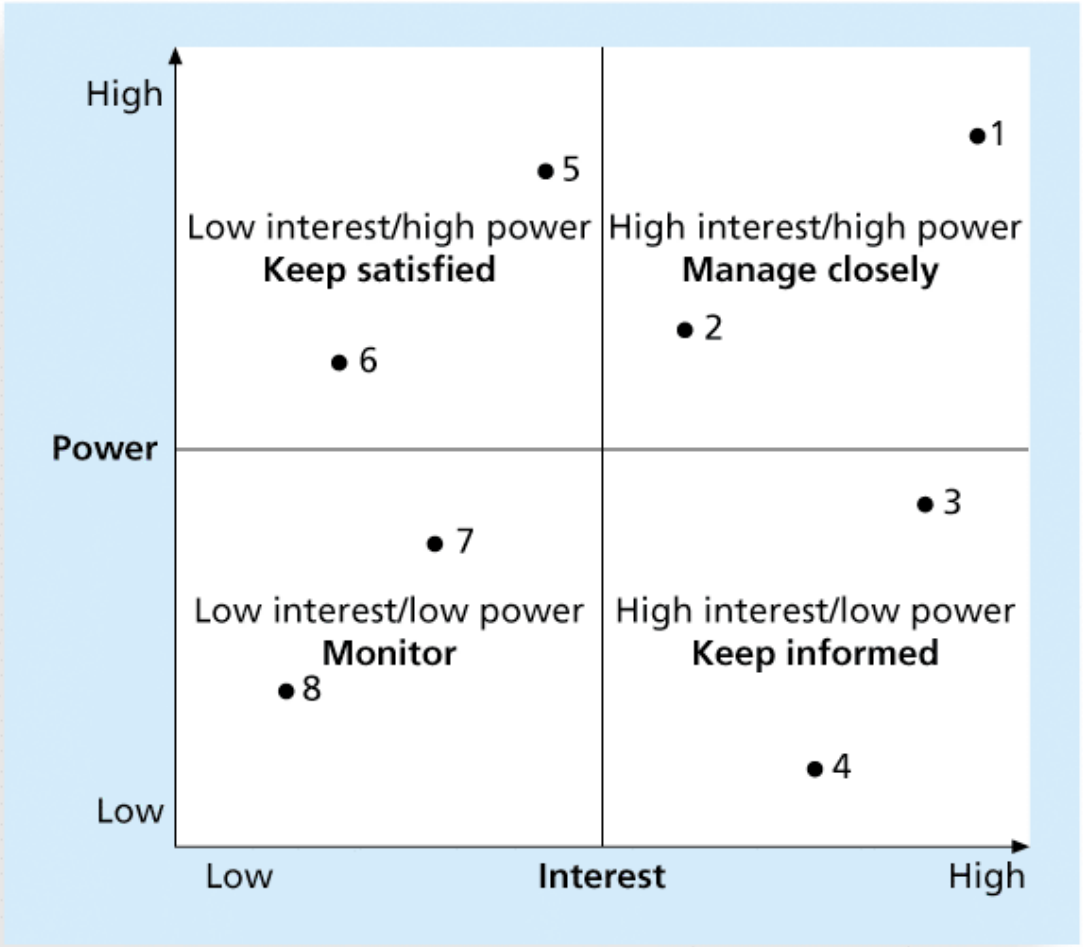
Name	Position	Internal/ External	Project Role	Contact Information
Stephen	VP of Operations	Internal	Project sponsor	stephen@globaloil.com
Betsy	CFO	Internal	Senior manager, approves funds	betsy@globaloil.com
Chien	CIO	Internal	Senior manager, PM's boss	chien@globaloil.com
Ryan	IT analyst	Internal	Team member	ryan@globaloil.com
Lori	Director, Accounting	Internal	Senior manager	lori@globaloil.com
Sanjay	Director, Refineries	Internal	Senior manager of largest refinery	sanjay@globaloil.com
Debra	Consultant	External	Project manager	debra@gmail.com
Suppliers	Suppliers	External	Supply software	suppliers@gmail.com

Schwalbe, Table 13-1

Planning Stakeholder Management

- After identifying key project stakeholders, you can use different classification models to determine approaches for managing stakeholder relationships
- A **power/interest grid** can be used to group stakeholders based on their level of authority (power) and their level of concern (interest) for project outcomes

Power/Interest Grid



Schwalbe, Fig 13-2

Categorising Engagement Levels of Stakeholders

- *Unaware:* Unaware of the project and its potential impacts on them
- *Resistant:* Aware of the project yet resistant to change
- *Neutral:* Aware of the project yet neither supportive nor resistant
- *Supportive:* Aware of the project and supportive of change
- *Leading:* Aware of the project and its potential impacts and actively engaged in helping it succeed

Stakeholder Analysis

- A **stakeholder analysis** documents important (often sensitive) information about stakeholders such as:
  - Stakeholders' names and organizations.
  - Their roles on the project.
  - Unique facts about each stakeholder.
  - Their level of influence on and interest in the project.
  - Suggestions for managing relationships with each stakeholder.

Sample Stakeholder Analysis

Name	Power/ Interest	Current Engagement	Potential Management Strategies
Stephen	High/high	Leading	Stephen can seem intimidating due to his physical stature and deep voice, but he has a great personality and sense of humor. He previously led a similar refinery upgrade program at another company and knows what he wants. Manage closely and ask for his advice as needed. He likes short, frequent updates in person.
Chien	High/ medium	Resistant	Chien is a very organized yet hardheaded man. He has been pushing corporate IT standards, and the system the PM and sponsor (Debra and Stephen) like best goes against those standards, even though it's the best solution for this project and the company as a whole. Need to convince him that this is okay and that people still respect his work and position.
Ryan	Medium/ high	Supportive	Ryan has been with the company for several years and is well respected, but he feels threatened by Debra. He also resents her getting paid more than he does. He wants to please his boss, Chien, first and foremost. Need to convince him that the suggested solution is in everyone's best interest.
Betsy	High/low	Neutral	Very professional, logical person. Gets along well with Chien. She has supported Debra in approving past projects with strong business cases. Provide detailed financial justification for the suggested solution to keep her satisfied. Also ask her to talk to Chien on Debra's behalf.

Planning Stakeholder Management

- After identifying and analyzing stakeholders, project teams should develop a plan for management them
- The stakeholder management plan can include:
  - Current and desired engagement levels
  - Interrelationships between stakeholders
  - Communication requirements
  - Potential management strategies for each stakeholders
  - Methods for updating the stakeholder management plan

Sensitive Information

- Because a stakeholder management plan often includes sensitive information, it should not be part of the official project documents, which are normally available for all stakeholders to review
- In many cases, only project managers and a few other team members should prepare the stakeholder management plan
- Parts of the stakeholder management plan are not written down, and if they are, distribution is strictly limited

Managing Stakeholder Engagement - Issue Logs

- Understanding the stakeholders' expectations can help in managing issues
- Issues should be documented in an **issue log**, a tool used to document, monitor, and track issues that need resolution
- Unresolved issues can be a major source of conflict and result in stakeholder expectations not being met
- Issue logs can address other knowledge areas as well

Sample Issue Log

Issue #	Description	Impact	Date Reported	Reported By	Assigned To	Priority (H/M/L)	Due Date	Status	Comments
1	Need requirements categorized as mandatory and optional	Cannot do much without it	Feb. 4	Ryan	Stephen	H	Feb. 8	Closed	Requirements clearly labeled
2	Need shorter list of potential suppliers—no more than 10	Will delay evaluation without it	Feb. 6	Debra	Ryan	H	Feb. 12	Open	Almost finished; needed requirements categorized first
Etc.									

Schwalbe, Table 13-4

Exercise

- In groups, create for one of your projects:
  - A stakeholder register
  - A power interest grid
  - A stakeholder analysis
- Time: 20 mins
- One team to present

Agenda

- Initiation
- Stakeholders
- **Closing**
  - **Reasons for Completing**
  - **Completion Process**
  - **Acceptance**
  - **Final Project Report**
  - **Post Implementation Review**

Quiz

- Why do projects stop?

A. Causes of Completion / Termination

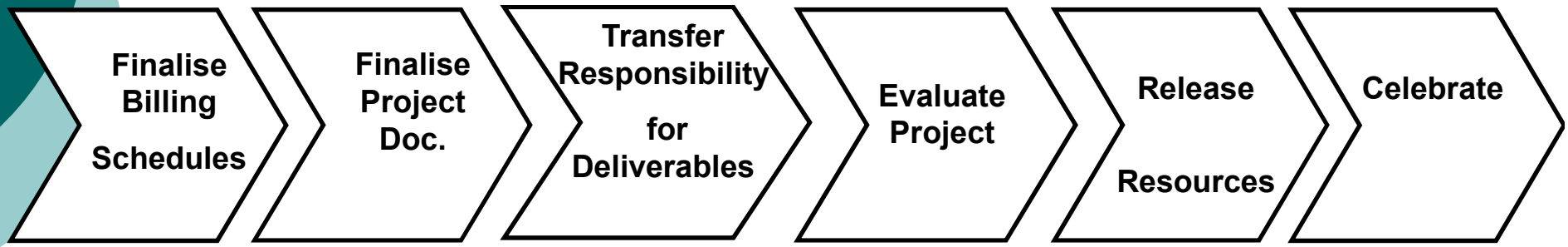
1. Project is delivered successfully
   - Moves from 'project mode' to 'IT Service Management'
2. Project is terminated as a result of Go/No Go checkpoint/meeting:
   - Project "off track" - business case will not be realized
   - Market has changed - business case assumptions are no longer valid
   - Product is no longer required
   - Key resources are not available
   - One or more new projects are considered higher priority

Quiz

- What must be done as part of closing off a project?

B. Project Completion Process

Sample



- Agree on final billing schedules
- Notify vendors and customers
- Finalise project invoices

- Formal acceptance by customer
- Completion Checklists updated
- Maintenance Docs finalised
- Archive project doc. (legal or company required period)

- Create definitions for new roles
- Create new performance measures
- Handover product, training, docs (support and user)
- Transfer maintenance and warranty

- Post Mortem
- Final Project Report
- Issues / Open change requests

- Release resources to providing organisations
- Redeploy non-people assets
- Vacate real estate

- Celebrate success
- Acknowledge effort
- Reward as appropriate
- Allow people time to ‘say goodbye’ and prepare to move into new project

C. Sponsor/Stakeholder Acceptance

This is the most important closure requirement

- Must Show: All deliverables complete
- Must Happen: Project sponsor/stakeholder's formal acceptance and signoff of the project
- Likelihood of acceptance improved when:
  - Acceptance criteria clearly defined early (contained in the Project Charter)
  - Knowledgeable Sponsors and key stakeholders recognize personal stake in success and are kept closely involved throughout

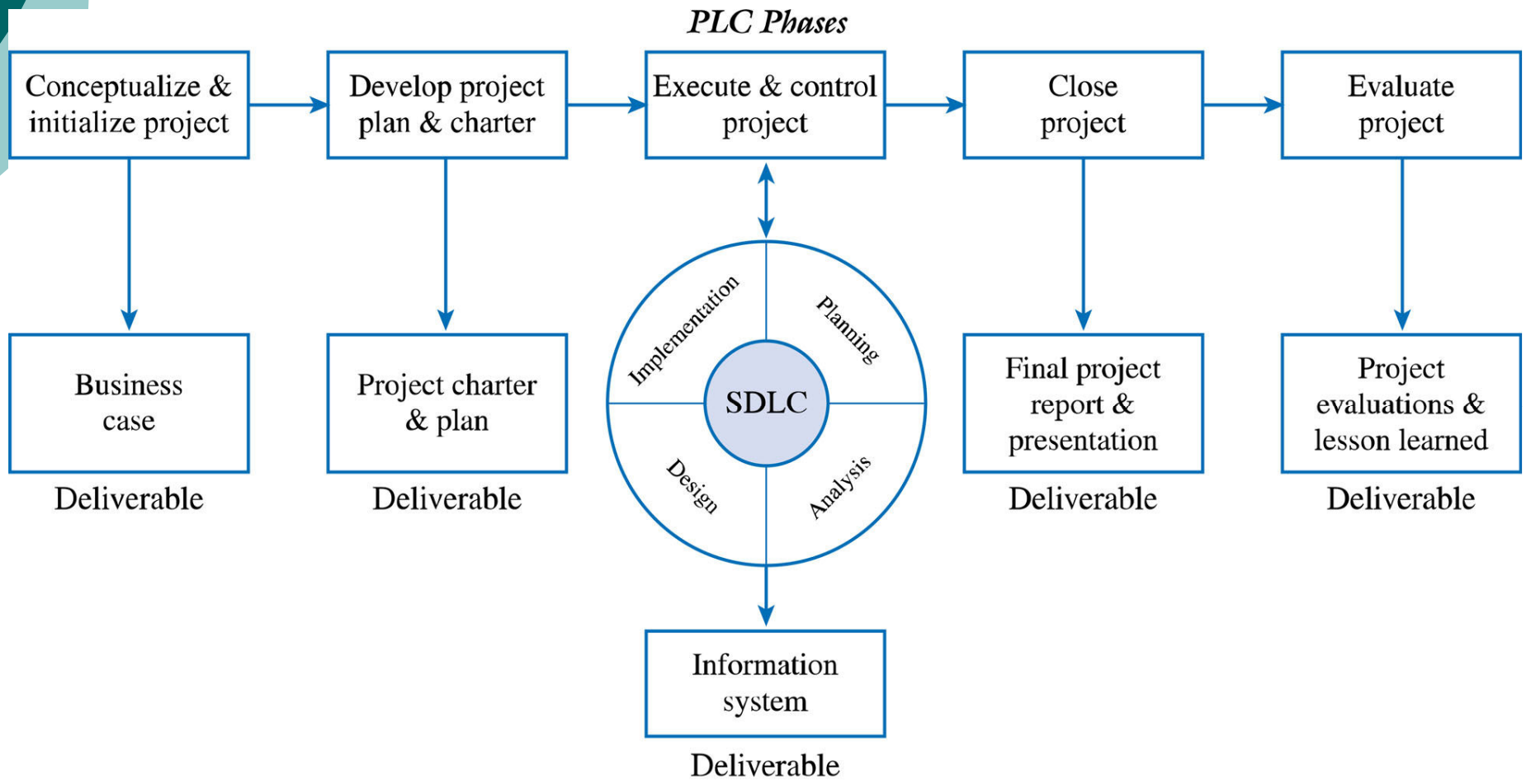
D. Final Project Report - Content

- Project Objectives
  - What were they, Were they achieved?
- Did deliverables meet specifications?
- Project performance analysis- plan vs actual
  - Schedule - Milestones, checkpoints
  - Effort
  - Budget / Costs
- Project results
  - Include reasons for significant deviations plan vs actual
  - Focus on what was done well and what needed to be improved
  - Focus on how it was done not what was done
- Recommendations
  - Performance
  - Process improvements
- Issues – open and still to be resolved

E. Post Implementation Review

- Extract Project "Learnings"
  - Also sometimes called a Post Mortem
  - A reflective statement that documents important things an individual learned from working on the project
- Contributes to the PM's (and key project team member's) experience
  - Always strive for successful projects, but you often learn more by your failures than successes
    - The best way is to learn from failures from others
- Critical for improvement in project based companies
  - Build feedback into Management systems
  - Build into Project training material

Project Life Cycle Phases – Summary



Summary

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  - Business Drivers
  - Project Evaluation
  - Economic Evaluation
  - Sponsors
- Stakeholders
  - Stakeholders
  - Processes
  - Stakeholder register
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  - Issue Logs
- Closing
  - Reasons for Completing
  - Completion Process
  - Acceptance
  - Final Project Report
  - Post Implementation Review

Practice NPV question

- Determine the NPV, ROI and payback period for project Albatross.
  - Costs: 300m pa for 3 years, paid in advance, at the start of each year
  - Discount rate is 10%
  - Revenue: 250m at the end of the second year and 500m at the end of years 3 and 4.