He mea tuku nā:

Te Wānanga o Aotearoa

Business

KŌNAE AKO 1
Magazine

Project Initiation

Te Tohu Whakahaere Kaupapa

Certificate in Project Management

Level 4

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Kōnae Ako 1 outline

Introduction

In this first kōnae ako of the Certificate in Project Management we introduce the basics of project management. **Project management** is a system for planning, organising, and executing projects of any size. Applying project management knowledge and techniques will help you maximise your chances of finishing your project on time, on budget, and to the specifications required.

The project management process has five distinct stages. In Section 1 of this magazine we provide a basic overview of all five stages and how they fit together. This will prepare you for more detailed explanations that will be given throughout the rest of the programme. In addition to the **five stages**, this section introduces you to the importance of project management and what it takes to be an **effective project manager**.

Sections 2 and 3 cover the first stage of any project: the **initiation stage**. This is when you are considering a project and working out whether it is worth your time and money. You can think of the initiation stage as a **feasibility study**, which helps you decide whether to go forward with the project. These sections take you through the process of working out what you want to achieve with your project and setting the basic outline of what you are going to do. The final goal of the initiation stage is to get approval for a **full business case** for the project.

In Sections 4 and 5 we look at the skills and personal qualities project managers must have to be effective in their role. In Section 4 we focus on common business skills that are important in project management – such as communication skills, organisational skills, and critical thinking skills. We also cover personal qualities such as **professional** and **ethical** behaviour, **social** and **cultural** responsibility, and how to conduct yourself well in a **multicultural** and **bicultural** business environment.

In Section 5 we focus in on the roles of project manager as both a **manager** and a **leader**. After a discussion of the difference between management and leadership, we cover topics such as creating a project vision, motivating the project team, and how to be an ethical leader. Finally, we will look at the many different leadership styles that a project manager can use and how to choose the leadership style that will best suit both yourself and your project.

Learning outcomes

1. Develop a draft business case for a project.
2. Develop a full business case for a project.
3. Demonstrate behaviour and skills that support the initiation of a project.
4. Project manager qualities are identified and explained in relation to problem solving within a project.

Special boxes and icons

As you read through the kōnae ako magazines you will often come across special text boxes and icons. These boxes and icons are used to structure the content, and to point out things that will help you get the most from the programme.

Explanations of each of these features are as follows.

D DEFINITION:

A definition box is used to explain an unfamiliar term or piece of language. These are especially common near the beginning of each section, as we introduce new ideas.

E HEI TAUIRA:

Example:

These are fictional (made up) stories used to illustrate a concept or a particular point. Although the people in an example may not be real, the situation and concepts they deal with can happen in many projects. It is a good idea to think about how they might apply to you or your project.

Occasionally you will see dark boxes with quotations in them. These might be from famous people, or sometimes characters from movies or books.

> ***"Life itself is a quotation."***
>
> *- Jorge Luis Borges*

Although these quotes might be amusing, their real purpose is to show different ways of thinking about the situations you encounter. Perhaps they will help to inspire you, or make you think differently about the opportunities you have!

Discussion questions:

These are questions for you to think about and discuss with your kaiako and other tauira (or even friends or whānau outside the classroom, if you want to). Your kaiako is likely to ask many of these questions during contact hours.

People will often have different opinions about these questions, and that is a good thing: it means that they are thinking about what they are learning! When you are taking part in a discussion, remember to also say why you think something. Hearing the reasons behind what you say may help other students see things in a way they had not thought of, and this can be very valuable.

Pātai:

Although discussion is a valuable tool for helping us to develop our thoughts, sometimes it is more important to consider or reflect on something by ourselves. Pātai are questions intended for that purpose – they are things you may wish to consider for yourself. You should not feel that you have to share your thoughts about these pātai with others, but may do so if you wish.

NGOHE:

Activities in this workbook should be used to reinforce your learning.

TĪWHIRI:

The content in the kōnae ako magazines is quite detailed, and it explains what you need to do to make use of the information in the programme. However, sometimes there is a shortcut or an easier way to do something, or some other tip that is useful. In those cases we use a Tīwhiri box. These will usually be suggestions about how to do something, or make being a project manager easier or more effective.

USEFUL WEBSITES:

The internet is a very important resource for project managers, and many useful resources are available online. We use Useful Website boxes to show where resources relevant to the programme can be found.

- *Is the Internet Down?* - https://istheinternetdown.com/.

Factors to consider:

The content of the kōnae ako magazines has been carefully chosen, so that it will be useful to you in your role as a project manager. However, sometimes there are additional factors which you will need to be aware of. These may be related material which will be of interest, or it may be to provide background or context for the main content. Sometimes it may even suggest alternative approaches for you to consider.

Occasionally, you will find boxes of emphasised text. This is for points which are critically important – make sure you pay attention to what is in them!

Emphasised text

Projects often involve making use of calculations or formulae. These are provided in the same style as emphasised text, and will usually be accompanied by an example to show how it works.

Equations

Key points

- *Key points appear at the end of each major subsection of the kōnae ako magazine.*
- *They are used to summarise the most important points, and add interesting information to the end of a subsection.* ❖

1.0 Introduction to project management

Many things that people do in business are **projects**. A project is a piece of work that is **not business as usual** and for this reason brings with it its own set of **challenges** and **risks**. Projects range from small undertakings, such as creating and launching a website, to huge ventures, like designing and constructing a skyscraper.

Without a system that can help plan, monitor, and complete a project, even the smallest project risks failure. This system is called **'project management'**.

The good news is that the same basic principles and processes apply to **every** project – from creating a website to building a skyscraper. This programme will cover all those principles and processes, giving you a good foundational knowledge of project management that you can then apply to a wide variety of projects.

Section 1 of this kōnae ako introduces you to **projects**, **project management**, and the role of the **project manager**. We then move on to the **five stages of the project life cycle** – initiation, planning, execution, monitoring and controlling, and closing. Every successful project includes all five stages, so it is important that you have a good general understanding of how the overall project management process works.

Learning outcomes covered

1. Develop a draft business case for a project.
4. Project manager qualities are identified and explained in relation to problem solving within a project.

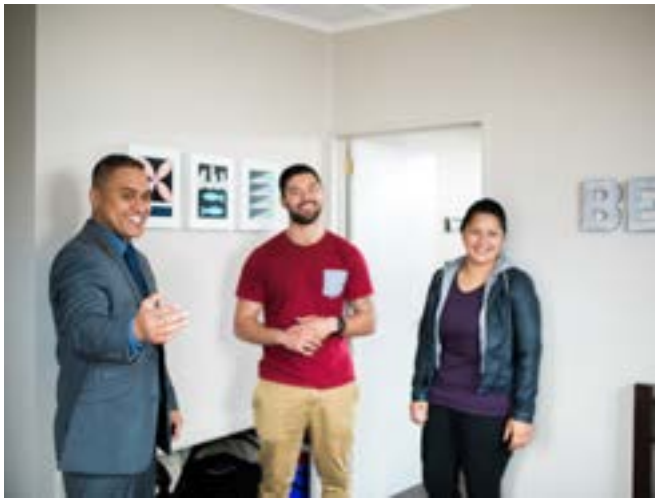
1.1 Projects and project management

> ***"Trying to manage a project without project management is like trying to play a football game without a game plan."***
>
> *– Katherine Tate*

The two essential parts of any project are the **project** itself, and the **project manager**. For this reason, we must first get a clear understanding of what makes an activity a project, as opposed to just business as usual.

A business has its own **business model**, which is the process it uses to create value for its customers and profit for itself. Implementing this process is **business as usual**. For example, a hotel provides accommodation, while a restaurant serves food and beverages. Most businesses are very good at implementing their business model, mainly because the process has been repeated and refined over and over again. So, for example, the average hotel will have hosted thousands of guests and the average restaurant will have served thousands of customers.

As the saying goes 'practice makes perfect'. By doing the same thing over and over, businesses become very good at it – this means there is a low risk that they will make large mistakes, especially costly mistakes. Business as usual is familiar and reasonably predictable. **Projects are not like this** – they involve doing something that is **not business as usual**.



1.1.1 What is a project?

DEFINITION:

Project: A temporary endeavour undertaken to create a unique product, service, or result.[1]

PMBOK. (2021).

Unlike business as usual, a project is a **temporary** endeavour – you do not repeat the same project over and over. For this reason, the risk of mistakes is much higher for projects than it is for business as usual. **Project management exists to manage this risk**.

It would be good if businesses could just stick to business as usual – they could just do what they are familiar with, and profits would keep rolling in. However, this is not possible since the business environment is always changing, and businesses compete to improve their offerings to customers. Therefore, businesses need to balance two competing needs:

1. The need to **maintain** current operations ('business as usual') by ensuring profitability, efficiency, quality customer service, and a good brand image.
2. The need to **change** business operations in order to remain competitive and keep up with changes in the wider business environment.

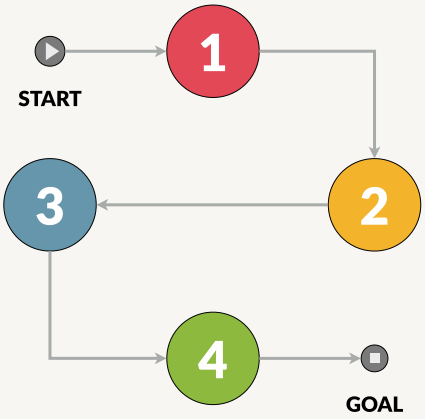
Change, such as introducing a new product or changing the business location, is not business as usual. It will involve a temporary endeavour to bring about the change – this will be a **project**.

When we are trying to work out whether a piece of work is business as usual or a project, we can use the criteria shown in Figure 1.

[1] Project Management Institute. (2021). p. 245.

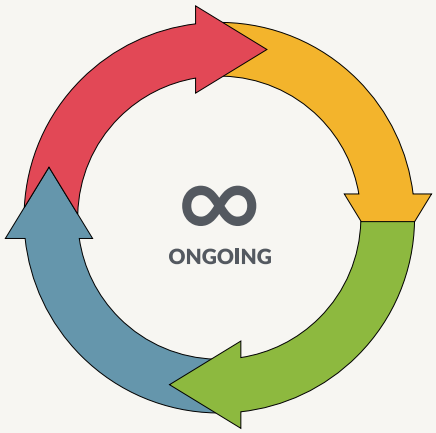
Figure 1: Projects vs. business as usual[2]

PROJECTS



- Temporary activities with definite beginning & end
- Produce a unique product, service, or result
- New original work
- Always ends when objectives are met

BUSINESS AS USUAL



- Ongoing activities that have no definite end
- Produce a generic product, service, or result
- Repetitive work
- Usually does not end when objectives are achieved

A project has a definite beginning and end

A project is different from business as usual because a project always has a **beginning** and an **end**. For example, a clothing shop does business as usual when it is buying clothes wholesale, setting up displays, and selling clothes to customers. This process will keep going unless the business winds up, but in the meantime it continues indefinitely.

A project is not like this: it must have a **definite beginning** and a **definite end**. A successful project ends when it achieves its **goal** (or 'output'). For example, the owners of a clothing shop may decide to double the storage space at the back of their store. The project will begin when they start preparing the business case for the additional storage space and will end once the space is complete and ready for use. This is different from the usual business of the shop, which may go on while the storage space project is in progress.

Factor to consider:

Note that not every project successfully achieves its goal. Some projects suffer what is called an **early close**. While this can sometimes be a failure, it does not have to be. For example, after writing the business case for the extended storage space, the clothing shop owners could find that the benefits of the space do not justify the costs. The project would therefore close early and not reach its goal – but this is a **good** thing, since if it had proceeded, the business owners would have lost money.

[2] Upwave.io. (2021).

A project produces a unique product, service, or result

The output of a project is something **unique**. It can be many different things such as:

- A **product**. This could be a standalone product, or one that is part of something larger, like a new IT network or the routers that it requires. It could also be a new **type** of product – for example, a fashion designer could create an innovative shoe design. Or instructional designers could develop a new programme to teach students about project management.
- A **service**. This could be a service itself, such as hosting a particular business conference, or it could be the ability to provide a new service. For example, a motel could upgrade to be able to host business conferences.
- A **result**. This could be a document or other outcome. For example, a scientific research project could tell us about the effects of a chemical on our water supply. As another example, a farm project may involve making changes to infrastructure to be compliant with new legislation.

All these **outputs** will result in changes in the organisation. These changes are called **outcomes**. In turn, these outcomes help the organisation realise the **benefits** of the project. For example, a business might set up new sales software (output), meaning sales are processed quicker and more accurately (outcome), resulting in reduced costs and increased sales and revenue (benefit).

A project is a single, complex activity

A project is not a collection of different, unrelated activities. Everyone who works on a project focuses on the same thing – they work towards the same **final goal**. For example, the tradespeople who are extending the storage space for the clothing retailer all work together for a common purpose, even though they are completing different tasks.

Since projects are often complex, most have a **team** that comes together just for the project. Some small projects can be done by someone working alone, but most will require a team. An important part of project management is getting the right people to do the right things at the right time in the right place, and in most cases to do it together working as a team.

A project has a budget

The aim of the project is to achieve the goal within the budget. When we talk about a project's budget, we are usually talking about its monetary cost. However, projects usually use other resources as well. For example, people, and sometimes spaces. Sometimes it is very easy to put a money value on these resources; at other times, it can be harder. Whatever the project, there will be a set amount of **resources** available for completing it – part of project management is making sure that there are enough resources to complete the project and that the project does not take up significantly more resources than originally planned.

A project has specific timeframes and performance requirements

Time is also a resource, so a well-managed project needs proper timeframes. This will involve setting due dates and times for individual stages of the project, and for the project as a whole. In addition, each part of the project and the project itself must be done to a set standard. For example, when building an extension to a premises, the extension has to meet proper safety requirements.

A project involves uncertainty and risk

With business as usual, you have a good idea of what the outcomes will be, and the risks are usually minor (although some industries and types of businesses can be quite risky). With a project, things are more uncertain. Even if you have a good idea of a project's goal, you may not know what needs to be done to reach that goal, or how much money and time it will take. Uncertainty creates **risk**. For example, a project is more likely to end up blowing out your budget due to unforeseen events. Or it could easily end up taking far more time than you had allotted.

With any project, there is also an increased risk of failure – you risk losing the time and resources invested. In some cases, you may be able to revise the project goal and still create a benefit. However, sometimes projects just fail and experience an early close. As noted above, this is not always a bad thing – an early close often saves you from wasting even more time and resources on a project that is not going to work.

We might think that the increased level of risk is a reason not to do any projects. This would be a mistake – often the risk of not doing a project is even

greater. Consider a business that never changes its products because it thinks the change is too risky. That business is likely to lose customers to other businesses that are prepared to take on the risk of developing new and improved products.

Furthermore, while projects involve uncertainty and risk, the whole point of project management is to reduce uncertainty and risk. You want the only risks associated with the project to be **reasonable risks**. A reasonable risk is one where the potential benefits justify the risk taken in putting resources and time into a project.

A project has a single point of ultimate responsibility for delivery

This is the **project manager**. It is the project manager's responsibility to make sure that the project runs smoothly and is completed on time, within budget, and to an acceptable quality. The project may be owned or funded by someone else or be someone else's idea, but nobody else has direct control over the day-to-day running of the project: **only** the project manager has that.

With this responsibility comes great power: the project manager has a lot of leeway when it comes to making changes to the project. However, as we will see, this leeway is not unlimited, and the project manager may need to come back to the project owner to get permission to make major changes. For example, the project budget may allow for cost overruns of up to 10%, but anything over that will require approval.

TĪWHIRI:

Being able to answer these five questions will give you a good general overview of any project:

- What is to be done?
- Who is going to do it?
- When must it be done by?
- What resources are there available to do it?
- What standard of work is needed?

Discussion questions:

- *Can you think of any large projects you have been involved in? What where they? Who was in charge?*
- *Can you think of any projects that you organised or were in charge of? What were they? How well did they go?*
- *How were the projects you were involved in organised? Do you think they were well organised, or not?*

1.1.2 What is project management?

DEFINITION:

Project management: The application of knowledge, skills, tools, and techniques to project activities to meet project requirements.[3]

PMBOK. (2021).

[3] Project Management Institute. (2021). p. 245.

Projects bring with them unique risks compared to business as usual. Ultimately, project management is about working to **control** and **reduce** these risks so that the project has the best chance of its **outcomes** producing the desired **benefits**. To do this, project managers apply project management knowledge, skills, tools, and techniques. They do this in three main ways:

- **Conception.** The project manager plans out the project in great detail, making sure it is feasible and setting out its goals, schedule, budget, as well as assigning personnel to tasks.
- **Implementation.** The project manager then puts this plan into action, carefully monitoring progress and making changes where necessary.
- **Closing.** As the project comes to an end, the project manager makes sure that all final responsibilities are fulfilled, such as paying suppliers, handing over the completed output to the owner, and making sure that all the project documentation is organised and stored.

In other words, the project manager makes sure everything in the project is **planned properly** and **done properly**, and **ties up all loose ends**.

The project manager **oversees** the project. Normally, they do not work on the project themselves. If they do some of the project work, then this does not count as project management. Consider, for example, a project of building a workshop. This would include creating blueprints, putting in a foundation, and then installing floors, walls, a roof, and wiring. None of this work is project management. Project management is making sure the work done to design and build the workshop is carried out as planned and is done properly. For example, part of this would involve making sure the roofing contractor does not arrive before the frame of the workshop is put up.

Why use project management?

If a project is defined as a temporary endeavour undertaken to create a unique product, service, or result, then it is true that people complete projects all the time.[4] They often do so without any specialist project management knowledge or training. For example, a joiner might want to install a tool rack on her workshop wall, so she just buys the rack she wants and screws it into place.

Someone might rightly ask why bother with project management when people complete projects all the time without it. The answer is that examples like the tool rack are very simple projects with not a lot of cost or risk. The joiner is perfectly capable of choosing the right tool rack and already has the skills needed to install it – spending time writing out a detailed plan for the tool rack would be a waste of time and resources.

However, when a project is more complex, involving more people, higher costs, and a longer timeframe, there is more uncertainty. The chances of things going wrong, and the costs of failure, are likely to be much greater. In these cases, the time and effort put into using project management knowledge and training will be more than justified.

Project management is 'tailorable'

As you will see throughout this programme, project management uses lots of different tools, generates a lot of documents, and can get very complex. Huge, risky projects will use all of these tools (and even more that are not covered in this programme). However, small projects might only need to use some of them. For example, a small project might need a schedule and a budget, but not need a complicated quality management system. The good news is that, for any particular project, you can use only the tools that you need.

What this means is that project management is **tailorable**. There is no 'one size fits all' approach for every project. Part of the skills of an effective project manager is knowing which project management tools to use for any given project. You may even find some project management tools are useful to you in your daily life or in other aspects of your organisation not related to project management.

[4] Project Management Institute. (2021). p. 245.

DEFINITION:

Tailoring: Involves determining which processes… should be performed for the project. The project manager and project team should take into consideration the size and complexity of the project when determining which ones to perform.[5]

Project Management JumpStart. (2018).

A lot of the basic project management knowledge you will learn in this programme can be applied to projects of any size. You will find it useful whether you are building a storage shed, a skyscraper, or something in between. It will also be useful to you if you are involved in someone else's project, such as if your business is a supplier and you have to deal with a project manager – your project management knowledge will make you a much more effective supplier.

Other benefits of project management

In addition to lowering the risks and uncertainties involved in projects, there are several other reasons why project management has become more important, in particular, for businesses.[6]

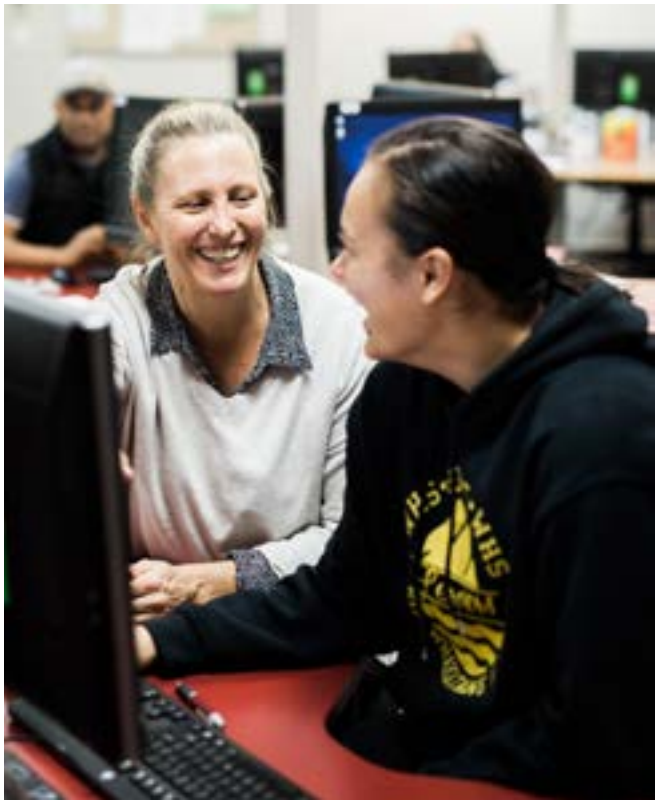
The **pace of change** is a lot faster than it used to be. Consider how fast technology is changing – compare your current smartphone to the type of cell phones around twenty years ago. Businesses need to evolve to keep up with changes in their industries and this will require projects. A common example is a business developing its social media presence or setting up a webstore.

Projects are now a lot more **complex** than they used to be. For example, installing a new payment system for a retail business used to just mean buying a mechanical cash register. These days, most payment systems do much more than just take payments. For example, many are tied into accounting software and the business website. Setting up a new payment system may require changes to other software and systems.

With the threat of global climate change and increased concern about the environmental impacts of business, it is important for organisations to adopt **sustainable practices**. Businesses may need to become more sustainable to remain competitive or even to meet government regulations. They may even choose to do so because it is part of their vision, mission, or business values. Whatever the reason, making a business more sustainable will likely involve one or more projects that change the way the business operates.

Customer choice has become much more important in business. Customers often want products and services that are specific to their needs; if a business does not provide exactly what they want, they will go elsewhere. Moving to provide a wider range of products or services, or giving customers more choice about how they customise their purchases, will be a project.

We said that a project is a 'temporary endeavour' that is not **business as usual**. However, for businesses in fast-moving industries, what counts as normal can change suddenly and often. A business which opens today may have to make big changes every 2 or 3 years as opposed to every 10 years. These businesses need to change frequently – since effective change requires projects, project management skills and knowledge will be essential.



[5] Heldman, K. (2018). p. 21.

[6] Larson, E., Honig, B., Gray, C., Dantin, U., and Baccarini, D. (2014). pp. 10-13.

E HEI TAUIRA:

Example: Don's Donuts

Don has owned a small chain of donut shops for over 40 years. For the first 15 years he was in business, he did not have to make many changes. After all, once you could make great donuts, the rest was easy.

But in the late-1990s, things started to change. Don noticed that more customers were using the internet, so he decided to get a basic business website. He thought that he could do this once and then not have to worry about it ever again. But after 3 years, his children started making fun of his website and showing him other websites for similar businesses. They all looked much more modern than Don's old website.

As a result, Don had his website redesigned. He paid a lot so he would not have to change it again soon. But technology got better, and soon he was forced to pay for another upgrade. After 25 years Don has changed his website 6 times!

To add to this, Don had to start using digital technology in other areas of his business. Where he could once manage everything on paper, starting in the mid-2000s he had to use more complex systems. These have had to be upgraded as well. Most recently, Don introduced a smartphone app so that customers can order their coffee and donuts and have them waiting when they enter one of his stores.

However, it is not only technology that has changed. Don remembers what his shops used to look like in the early-1990s: he sold 5 different kinds of donuts and filter coffee only. Now he sells 30 different kinds of donuts, along with muffins, sandwiches, and cakes. He sells 16 different coffee-based drinks and 15 kinds of tea. This has required changes to his equipment and layout, as well as changes to his suppliers and processes.

Although all of these changes cost time and money, Don understands that if he had not changed, he would have gone out of business years ago. And these changes were all projects – Don made a business case for the changes, planned them, and made sure that they were carried out. Some changes went smoothly, others he struggled to implement while also running a chain of stores. It would have helped Don if he had project management skills.

Factors to consider:

Projects can fail for a number of reasons, for instance:

- lack of support
- unrealistic timeframes
- lack of a budget or a poorly managed budget
- unclear outcomes / expectations
- unrealistic resources
- politics / legislation
- lack of a 'big picture' for the team
- poor planning
- lack of leadership

Failure can be expensive, but it can also result in other costs – for instance, lost opportunities, dissatisfied customers, loss of innovation, and lower employee engagement and morale.[7] Understanding project management and its techniques can help a project manager avoid these mistakes.

Key points

- *A project is not 'business as usual'.*
- *A project is a temporary endeavour with a beginning and an end that produces a unique product, service, or result.*
- *Project management is a special body of knowledge that deals with the planning and executing of projects. These projects can be of any size and any complexity – the basic principles of project management apply to all of them.*
- *Project management is fundamentally about reducing the additional risk and uncertainty that comes with projects.*
- *Project management can be quite complex and may involve using many tools. The good news is that it is tailorable – you are often able to choose a smaller set of tools for a smaller project.*
- *Since the business environment changes so quickly, businesses must be able to make changes more quickly. These changes will involve projects.* ❖

[7] Kogon, K., Blakemore, S., and Wood, J. (2015).

1.2 The project manager

> ***"Ehara taku toa i te toa takitahi, engari he toa takitini."***[8]
>
> *– Māori proverb*

Project managers do many of the same things other managers do, such as overseeing a team, planning work schedules, and so on. The skills they need to do these tasks are the same skills that any other manager needs – if you are already in a management role, you will likely already have these skills.

The difference between ordinary managers and project managers has to do with what they manage: a project manager manages projects rather than organisations or departments that are engaged in business as usual. This means project management requires additional skills and often requires a different sort of person than ordinary management. This means you will likely have to develop these additional skills and also think about personal development if you are to be an effective project manager.

DEFINITION:

Project manager: The person assigned by the performing organisation to lead the project team that is responsible for achieving the project objectives.[9]

PMBOK. (2021).

1.2.1 The project manager vs ordinary manager

Unlike ordinary managers, project managers do not have the luxury of 'business as usual'. For example, if you are managing a restaurant, you are usually dealing with established policies and processes. A project manager, on the other hand, is doing something **new** – they cannot rely on things running 'normally' because projects are not 'normal' business.

For instance, while a regular manager will be dealing with long-term staff, a project manager will usually have to organise a team of people who may have never met, let alone worked together. This means project managers may need more extensive team building skills than an ordinary manager. Similarly, the project manager may need to work with organisations that the business has never worked with before, such as contracted businesses or new suppliers. They will need to be able to manage all of these organisations so that everyone's contribution to the project is on time and to specifications.

Another difference is that a project manager is much more likely to be managing people with specialised skills which the project manager does not have themselves. For example, a project manager might be in charge of carpenters, electricians, IT service providers, accountants, and plumbers. Hardly anyone is an expert in all these things, but a project manager will need to make calls involving all of them. Project managers have to be good at working out who to trust. They must be skilled listeners and be able to ask the right questions to get the information they need.

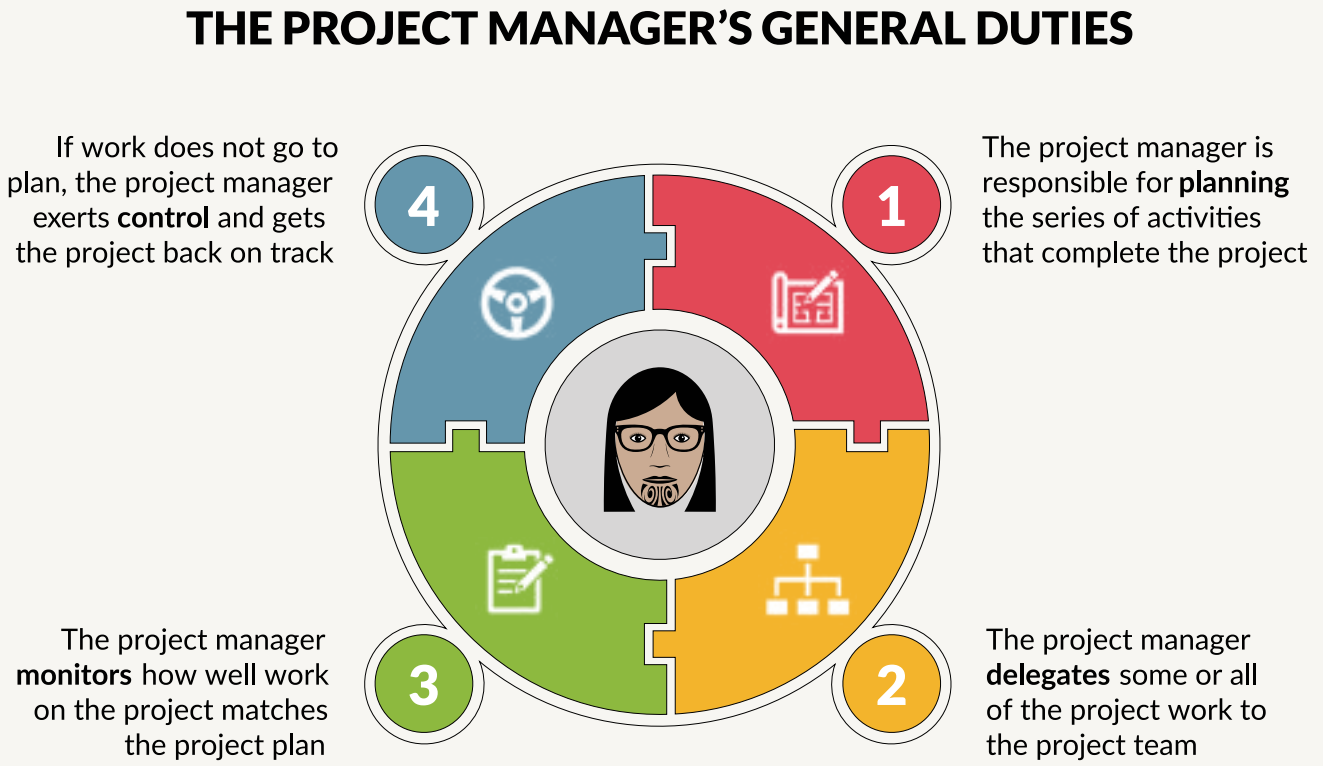
[8] Success is not mine alone, it comes from the work of many.

[9] Project Management Institute. (2021). p. 246.

The project manager's main duties

A project manager's general duties mainly fall under the four headings of **planning**, **delegating**, **monitoring**, and **controlling** (see Figure 2).

Figure 2: The project manager's general duties



When you look at Figure 2, it would seem that most of these general duties will be similar to those of ordinary managers. After all, most managers delegate, monitor work, and exert control. However, the main difference is that the project manager will be doing a higher level of **planning**.

Project planning is highly specialised work which we will cover in the next kōnae ako. The project manager will spend a lot of time planning out the activities of the project before they start actually managing the work and the team. This requires project managers to have an unusual eye for detail as well as the ability to remember everything about the project plan. This is because any change to one part of the plan is likely to cause changes elsewhere – a project manager needs to be able to quickly understand what the consequences of any change will be for the rest of the project.

Management vs. leadership

Although people think they are the same, management and leadership are quite different.

- **Management** is about organising and controlling a group of people to achieve a set goal or goals. For example, a manager will draw up rosters, supervise, and check that work is done to expected standards.
- **Leadership** is about being able to influence people, to inspire them, and bring them along with you. It is about thinking ahead, bringing change, and getting other people to trust in your judgement and your vision. While management is mostly about organising people to do things, leadership is about convincing them that what you are asking them to do is valuable and worth their best efforts.

It should be clear that a project manager must be **both** a manager and a leader. They must be **great managers** because without their organisational skills, work on the project would quickly become chaotic. They must be **great leaders** because projects involve a lot of risk and uncertainty – those working on the project need to be led by someone who can communicate **a clear vision of success**. A good way of thinking about this is to use the following equation:

People + Process = Success

A project manager must manage **processes** – schedules, budgeting, planning, and so on – but they must also lead **people**. You may be a 'people person' who likes managing people but struggles with processes. Or you may be a 'process person' who likes processes but struggles with managing people. The formula above shows that, to be an effective project manager, you need to be effective at both – because **both** are essential.

Pātai:

- *How would you evaluate your own skills as a manager and a leader? Be honest about your abilities.*
- *Think about your strengths: what are you good at?*
- *Think about your weaknesses: what could you improve? For example, do you find it hard to remember complex information? Do you have issues with creating a vision for others to follow? Or do you have problems communicating your vision?*

1.2.2 Becoming an effective project manager

Although a lot of project management is about management and leadership, you will also need other personal qualities. The good news is that these qualities can often be developed with practice.

- **The ability to set goals and plan ahead.** A project manager must be able to plan well. They must be able to work out the steps needed to get to a goal, and what is needed to accomplish each step. They also know how to create a detailed plan which is easy for others to understand. At the same time, like a chess player, a project manager must be able to see a few moves ahead. If they have a good idea of what could happen, they can plan in advance for changes they might need to make.
- **Being a good communicator.** Building and maintaining good relationships with other people is an important part of project management. A project manager needs to be able to communicate clearly. This includes being good at verbal communication (talking) and written communication – as well as being a good **listener**.
- **Having time management skills.** Project work can be complex and time consuming and your time and attention will be in high demand. A project manager must be able to manage their own time well. Even if you work many hours every day, you will not be a successful project manager unless you organise and use that time wisely.
- **A willingness to be involved and to lead by example.** Be prepared to 'get your hands dirty'. A

good project manager is willing to get involved in carrying out some tasks when needed (provided they have the skills needed for the task). This helps motivate the team, because they can see that their manager is willing to do what they ask others to do. It also lets the project manager see how the job is experienced by team members, making it easier to understand and deal with problems.

- **An open mind and the ability to problem solve.** A project manager needs to be open-minded – to pay attention to what other people have to say and consider ideas that may not match their own. They are willing to learn and realise that they do not always know best. They can look at a range of information and then use it to solve a problem or make a decision.
- **The ability to work well with other people.** Most of a project manager's role is working with people. This means they should understand how people tick and how to keep them focused and motivated. This is why 'emotional intelligence' is so important – it is about being able to understand other peoples' emotions, and your own, and using this understanding when you interact with people.
- **Having credibility.** If someone is 'credible', they are someone who can be trusted and respected – someone who other people **believe** is capable of being a good project manager. A project manager earns credibility by showing good judgement, behaving professionally, and using their skills to accomplish project goals.
- **Showing professionalism.** This is about how well a project manager does their work and how well they represent themselves as someone reliable and competent. Professionalism involves being the kind of person who others want to work with. It includes being competent, behaving ethically, presenting yourself appropriately and tidily, and taking responsibility.
- **Being honest and trustworthy.** The project manager needs to be seen by the team as a moral exemplar: someone who behaves the right way and always does the right thing. The project manager must tell the truth and must be seen as trustworthy by the team. Everyone involved in a project needs accurate information – a project manager never lies to their team. A team that does not trust their project manager will not be as effective or motivated as a team that does.
- **Being resilient and adaptable.** A project manager must be able to cope with stressful situations and be the kind of person who does not give up easily. They must have the mental, emotional, and physical toughness to finish a project despite setbacks (as long as the project is still feasible and desirable). They must also be able to respond to changes – when a project does not go to plan, the project manager needs to rethink things and find solutions.
- **Making difficult decisions.** While in many cases the right decision will be obvious, there will be times when things are uncertain – this happens quite regularly in projects, which are more uncertain than business as usual. Project managers will sometimes be called on to make decisions without having all the information they would like. They may also find themselves in a situation where they need to make a recommendation for the project to close early (without achieving the original goal). It is important that they make the best decision they can in these circumstances, but also that they take responsibility for the decisions they make.
- **Showing kaitiakitanga (guardianship).** Kaitiakitanga refers to the responsibility people have for protecting valuable taonga (assets / resources / treasures) such as the environment. A project manager must consider how their projects impact on the wider environment – and how they can minimise these impacts.
- **Treating other people fairly and with respect.** Although they are in charge, a good project manager is not a dictator. A project manager should respect other people, and their skills and opinions, and treat everyone equally and fairly. They also need to be able to work with people from a range of backgrounds – this means being aware of, and respecting, other cultures.
- **Showing assertiveness and confidence.** A project manager must be assertive. While a lot of project management is about delegating work, sometimes project managers need to take charge. Being assertive is not only useful for this – it also shows that the project manager is confident. Their confidence spreads to others, giving the team more confidence in the project.
- **Demonstrating humility.** A project manager understands that everyone involved with a project is important. A project manager is not worth more than anyone else, or less. Showing humility involves being

willing to listen to others, ask for help when you need it, and admit when you are wrong.

- **Demonstrating courage.** While it is important to admit when you are wrong, it is also important to stand firm when you know you are right. This might mean doing a lot of work to persuade others or gathering evidence to support your view.
- **Having good knowledge about the project.** A project manager does not need the specialised knowledge that people working on a project have. However, they do need to have good knowledge of the project area. For example, the project manager for a commercial building project will need a reasonable knowledge of building work and regulations.
- **Being able to use computers and software.** While a project manager *could* run a project using a notebook and wall calendar, this would be **extremely** inefficient. Digital tools are very helpful for project managers – especially when you get into planning and monitoring your projects. This means a project manager needs to know how to use many types of software or be willing to learn how to use them.

We will cover these skills and qualities in more detail in Sections 4 and 5 of this kōnae ako.

Pātai:

- *Which of these qualities do you already have?*
- *Which of these qualities do you need to develop?*
- *Do you think that any of these qualities can be learned 'on the job'? If so, which ones?*
- *Are there any of these qualities that you think will be hard for you to develop? If so, can you think of ways you could work on getting those qualities?*

1.2.3 Other project roles, governance, and stakeholders

As we have already said, people are important to projects. This means not just the people who will contribute directly to the project, but also others who may have an interest in it or be affected by it. The project manager is only one person within a wider group of people related to a project.

When we say that people are important to a project, we are referring to both:

- people who have specific **roles** in the project, as well as
- other **stakeholders** who might not have direct involvement but who have an interest in, or are affected by, the project.

DEFINITIONS:

Stakeholder: An individual, group, or organisation that may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project.[10]

Role: A defined function to be performed by a project team member.[11]

PMBOK. (2021).

Stakeholders are anyone who has some interest in a project. A subset of stakeholders for a project are people who will have clearly defined **roles** in the project – these roles usually involve **responsibilities**.

So, for example, a business next to a busy construction site is a stakeholder because it has an interest in the construction project – it will be affected by the noise, the dust, the coming and going of vehicles, and so on. However, the business has no role in the project because it is not part of the project team. On the other hand, the people working on the project, such as the project manager, have set roles in the project, but are also stakeholders because they have an interest in the project's success.

It is important that stakeholders and roles are identified as early as possible in the project.

[10] Project Management Institute. (2021). p. 250.

[11] Project Management Institute. (2021). p. 249.

Clearly defining roles and stakeholders helps the project manager organise the project by delegating responsibilities and managing the project's impacts on the wider community. It also helps the project manager understand who has **power** over the project, so that they can take steps to make sure that those people's concerns do not get in the way of the project's success. For example, in any large-scale construction project, the local council is likely to be an important stakeholder with considerable power.

Roles

At the start of a project, the project manager will have to make a list of all **roles** in the project and start thinking about who will be filling them. Roles can be shared or combined, but the responsibilities of each role need to be given to someone. Some of the roles people can have in a project include:

- **Project executive.** The person or organisation who initiates and pays for the project. Sometimes they are known as the **funder** or **sponsor**. The executive is the project manager's partner throughout the project, sharing responsibility for success or failure.
- **Project manager.** The person who has the authority to run the day-to-day operations of the project.
- **Senior user.** Represents the people who will be using the result of the project. For example, this might be someone who will be using a product or providing a service. They will be looking to see that the result of the project meets the needs and expected standards.

- **Senior supplier.** Represents the people who are designing, developing, facilitating, or implementing the outcomes of the project.[12] They can be held accountable for the quality of the outcomes. For example, for a project involving creating a new website, the website developer is likely to be the senior supplier.
- **Other project team members.** These are usually the people who will be doing the work of the project. Without them, there could be no project.

Governance

Some people can take on **governance** roles in the project. Project governance provides the basic framework for how project decisions are made. It includes your organisation's policies and rules that apply to all projects. For example, every project requires **accountability** – that is, some oversight that makes sure the project is proceeding as it is supposed to. Those in governance roles are the most important stakeholders in a project and almost always have the most power. While they will usually include those responsible for funding the project (or their representatives), governance roles can be taken by other stakeholders as well.

Other stakeholders

Many people and organisations that do not have a governance or working role in a project will nevertheless have an interest in it. Again, at the start of a project, the project manager needs to identify all these stakeholders. The project manager then needs to work out what power they have over the project and how their concerns and interests should be managed. Examples of other stakeholders include government, councils, local residents, shareholders, customers, creditors, neighbouring businesses, and suppliers.

[12] Prince2Wiki. (n.d.).

Discussion questions:

- *Why is it important for a project to have clearly defined roles?*
- *Why are the senior user and senior supplier such important roles in a project?*
- *How many different kinds of stakeholders can you think of? Why are stakeholders so important?*
- *How can a project manager manage stakeholders?*

Key points

- *The project manager is the person ultimately responsible for the day-to-day management of a project.*
- *An effective project manager needs to be good at planning, communicating, time management, and problem solving. They also need to be professional, honest, adaptable, and confident, and to treat other people fairly and with respect.*
- *Roles within a project include the project executive, the project manager, the senior user, the senior supplier, and other members of the project team.*
- *Stakeholders are people who have an interest in, or will be affected by, the project.* ❖

1.3 Stages of a project

> ***"If you can't describe what you are doing as a process, you don't know what you're doing."***
>
> *– W. Edwards Deming*

In the introduction, we said that there are some basic principles and processes that apply to **every project**. The most fundamental of these is the **project life cycle** – while every project is different, all projects go through the same basic stages. In project management, these are:

- starting the project (the initiation stage),
- organising and preparing a project (the planning stage),
- doing the actual work (the execution stage),
- monitoring the work (the monitoring and controlling stage), and
- closing the project (the closing stage).

DEFINITION:

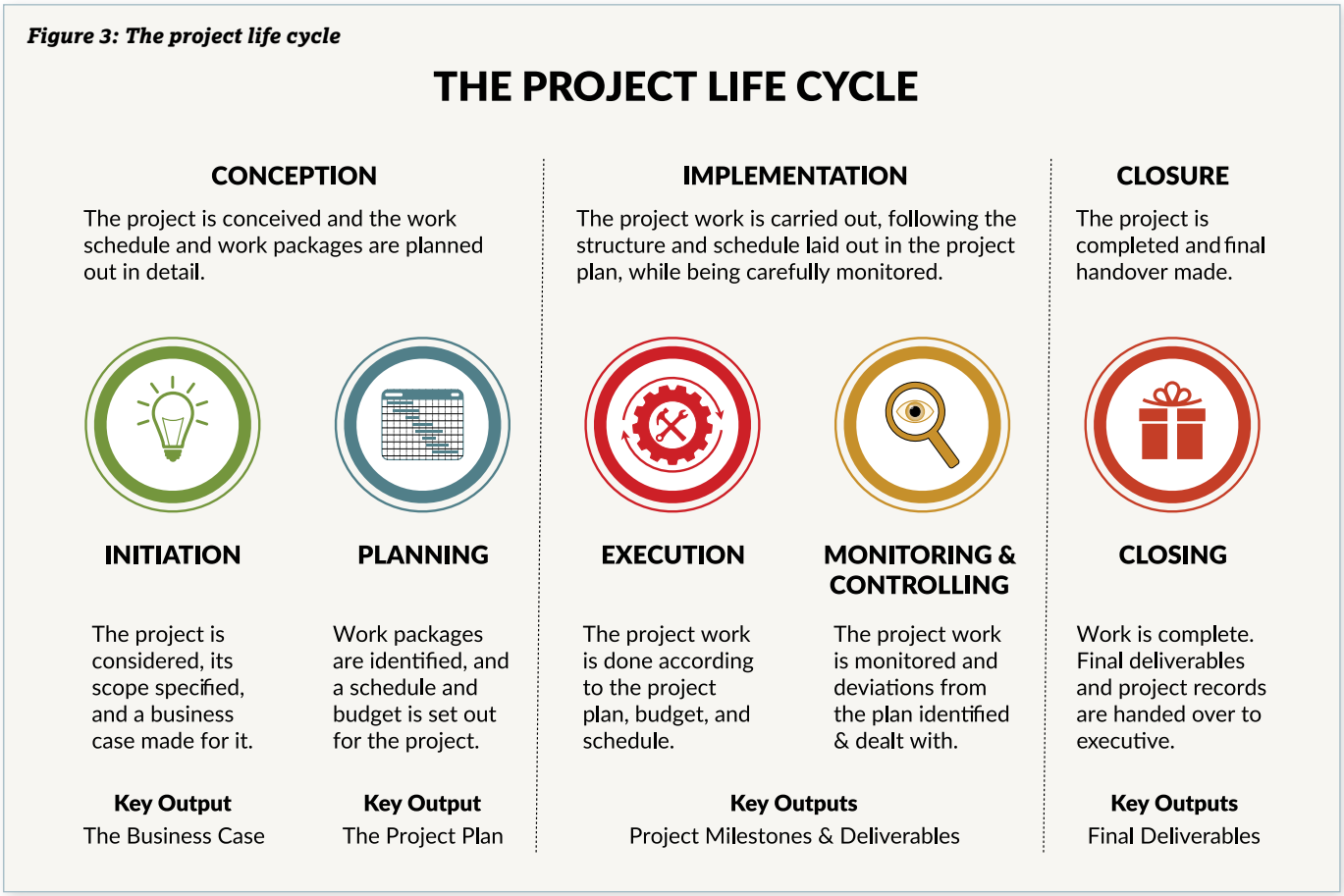
Project life cycle: The series of phases that a project passes through from its start to its completion.[13]

PMBOK. (2021).

[13] Project Management Institute. (2021). p. 245.

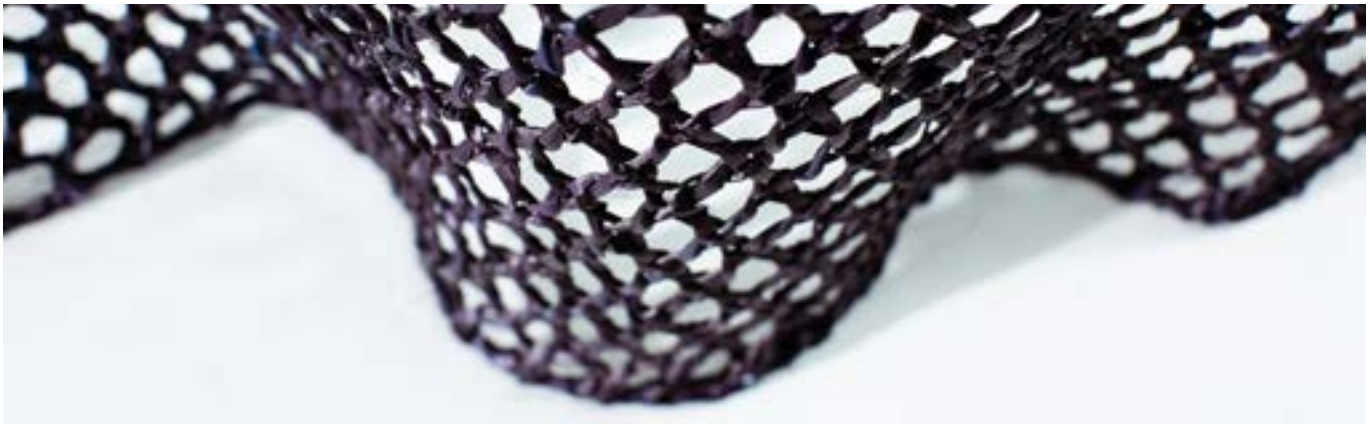
The five stages (or 'life cycle') of a project are shown in Figure 3. We can also think of them as three overall phases: **conception**, **implementation**, and **closure**. Conception is where the project is thought up, justified, and planned. Implementation is where the project work is actually done. Closure is where the completed project has all loose ends tied up.

Figure 3: The project life cycle



By managing a project in stages, you can ensure that the project is properly initiated before work starts on delivering the project's outputs. The stages also provide points where you can decide whether the project is still viable and where important decisions are made before further work is carried out.

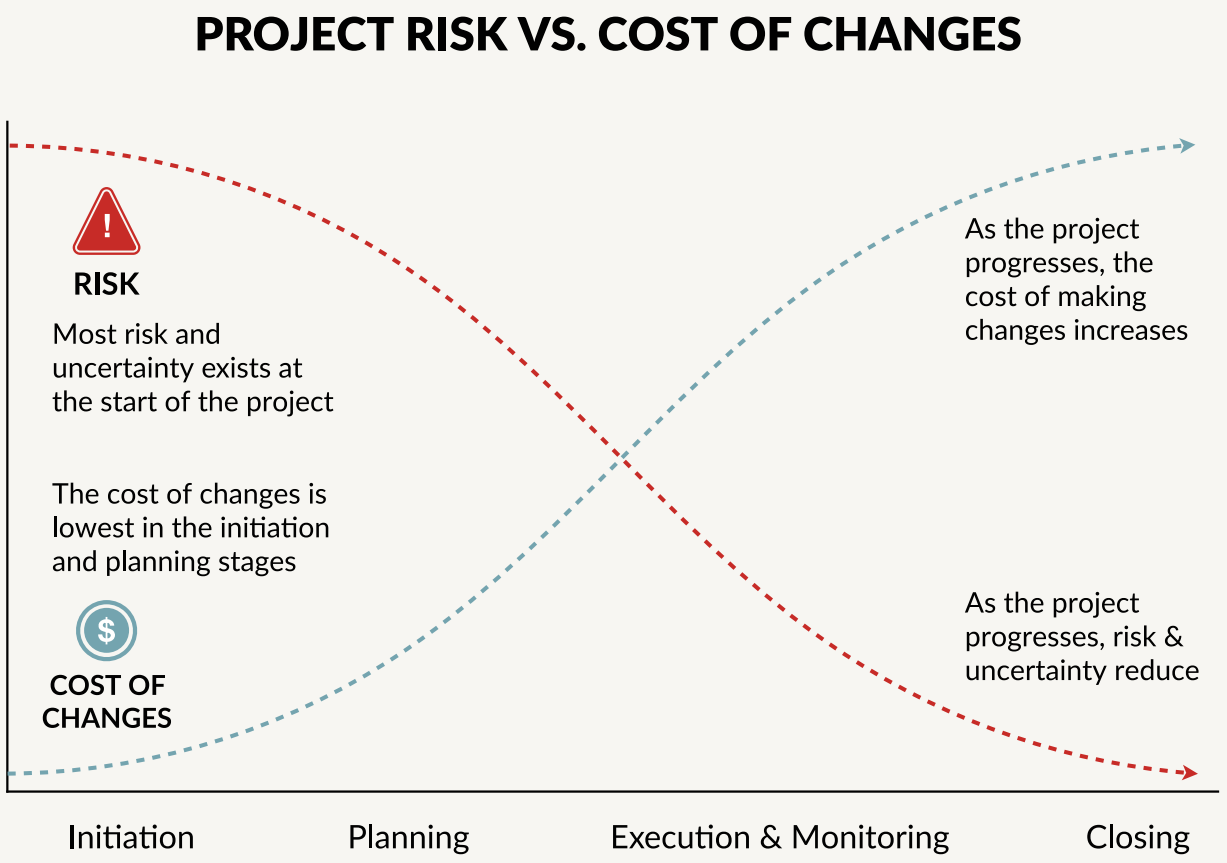
The project starts with the initiation stage, then moves on to the planning stage. After that, the execution and monitoring stages will overlap. In other words, while the team is executing the work of the project, the project manager will be monitoring and controlling that work. This allows the project manager to identify any problems that arise and deal with them in a timely manner. As each part of the project is completed, the project manager will mark it off as done.



Risk and costs

The basic point of project management is to keep control of risks and costs while achieving the project's goals. Figure 4 shows the relationship between the project life cycle, the level of risk, and the cost of making changes.

Figure 4: Risk vs. cost of changes



Early in the project life cycle, the level of risk is very high. However, the cost of making changes is very low. For example, when a company is thinking about introducing a new product, they may not know if people will buy it, if they can really make it, or if it will really work. Work done in the initiation and planning stages largely answers these questions and lowers the level of risk.

At the same time, it is very cheap to make changes to a project during the initiation and planning stages, because the changes will usually be on paper. Once you start actual work on the project, the cost of changes increases. For example, if the company making a new product discovers a problem during production, fixing that problem might mean having to redo all the tooling and buying new machines, which would be very expensive. This is why you need to get the initiation and planning stages right – it will save you a lot of money and time in the long run.

Similarly, the costs and staffing of a project typically increase through the life cycle, peaking in the execution stage and falling off as the project closes (see Figure 5).

Figure 5: Costs and staffing levels by stage

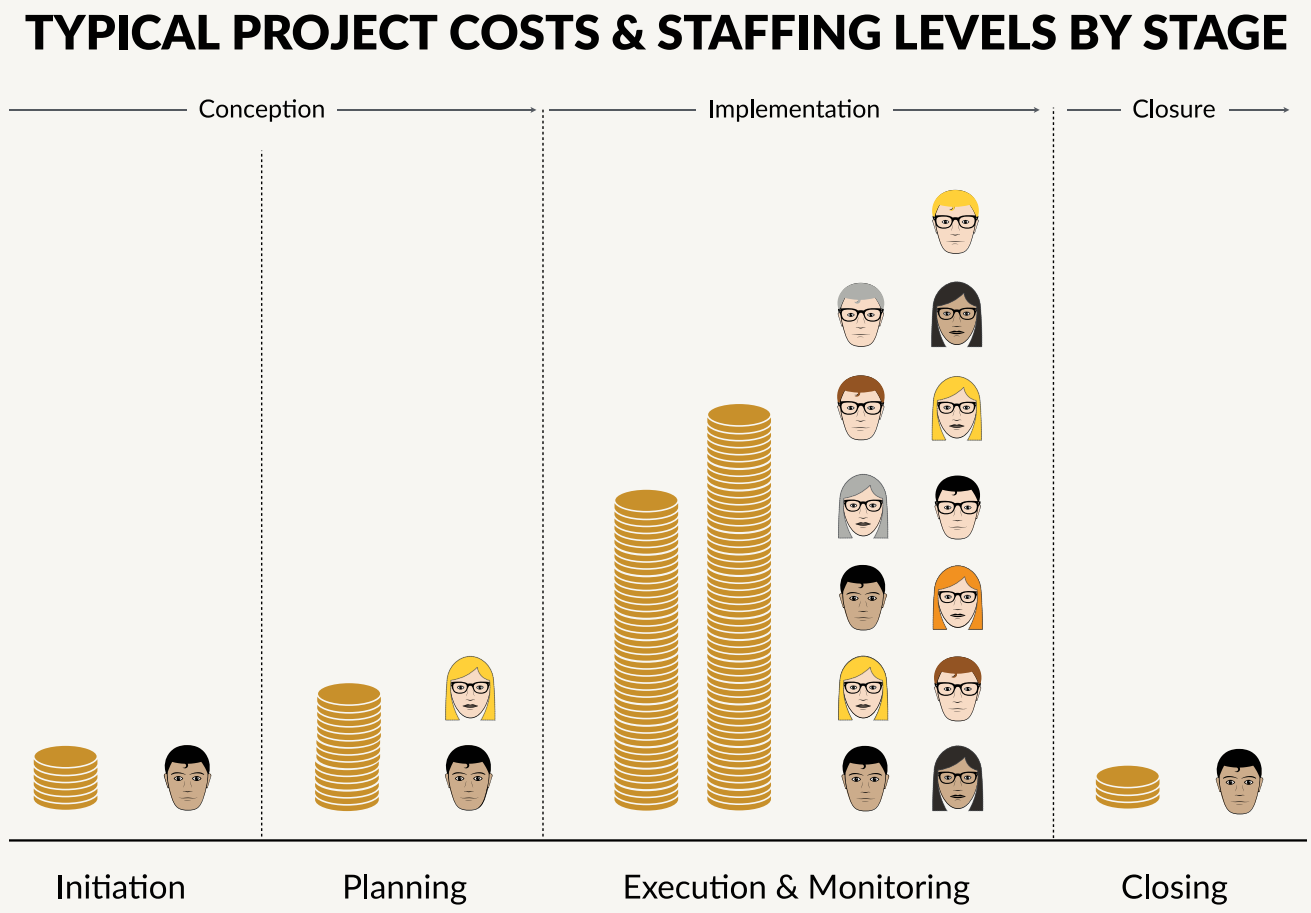


Figure 5 shows us that it typically costs much less to initiate and plan a project than it does to execute one. Again, this shows us the value of getting the initiation and planning stages right. If work done in the initiation stage or the planning stage shows that the project is not feasible, then the project can be closed early at a lower cost.

Discussion questions:

- *Why is monitoring and controlling a project so important?*
- *Why do you think there is a separate closing stage in the project life cycle?*

1.3.1 The initiation stage

The first stage in any project is the **initiation stage**. At this stage, you are considering a project and working out whether it is worth doing – you are not yet making a detailed plan for the project. Think of the initiation stage as a **feasibility study**, which will help you decide whether to go forward with the project.

The goal of the initiation stage is to get approval for a written **full business case** for the project – this is the **key output** of the initiation stage. One of the core principles of project management is that all projects must always be **justified**. This means that you must have a sound business case for starting a project, but also for continuing one. For instance, if circumstances change and the business case is no longer sound, the project must be changed to make business sense or otherwise closed early.

DEFINITION:

Business case: A document designed to understand the business need for the project and to determine whether the investment in the project is worthwhile.[14]

Project Management JumpStart. (2018).

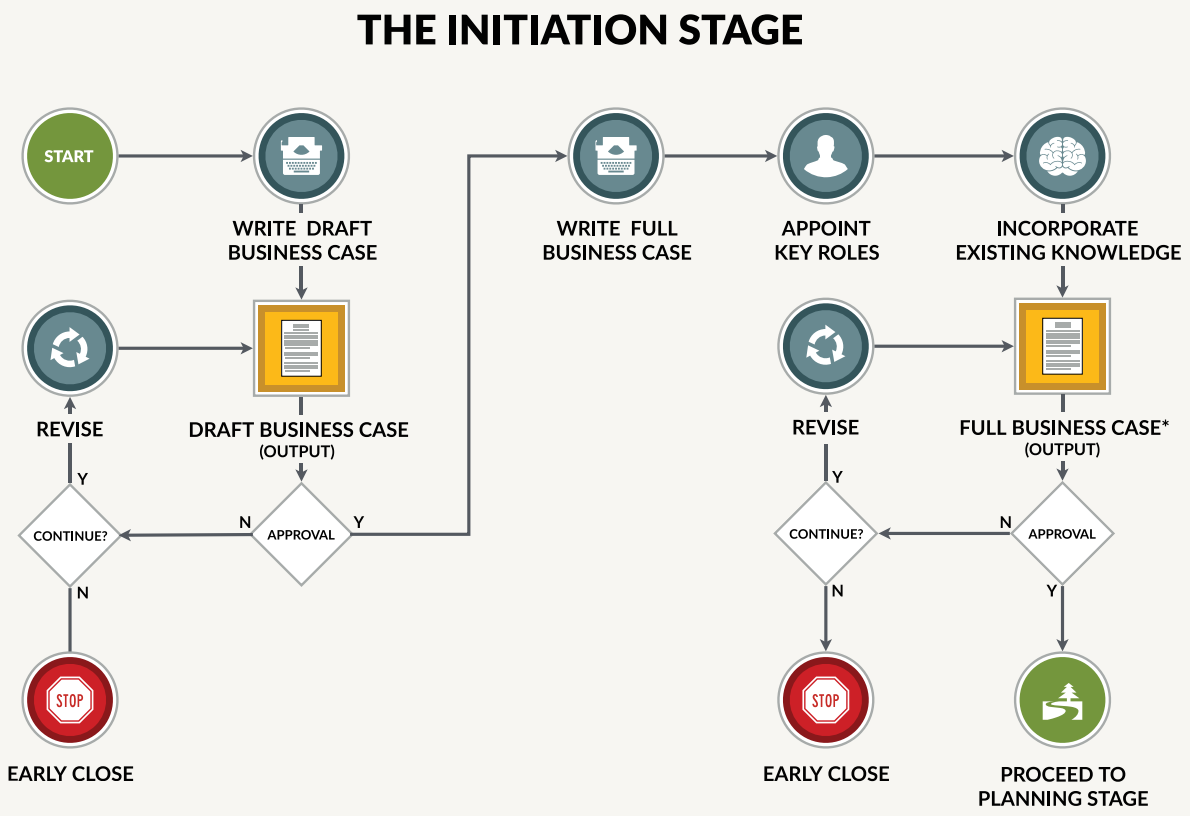
To understand the needs that a project will meet, you must consider the needs and wants of stakeholders. For a business, the most important stakeholders will be the business owner, employees, and customers. However, it will also need to consider suppliers, the council, and the local community.

TĪWHIRI:

It can often be worth making a **stakeholder list**. This is simply a list of everyone who will be affected by the project. List these people as groups if you can (e.g., 'my neighbours'). Then work out what impact your proposed project will have on them. Order the list to place the most important stakeholders at the top. Remember, for projects in your own business, **you** may be the most important stakeholder.

The aim of the initiation stage is to work out, at a very basic level, whether the project will create a benefit for an organisation. The steps of the initiation stage are shown in Figure 6.

Figure 6: The initiation stage



*Full business case includes: executive summary, expected benefits and impacts, scope statement, costs, timescale, risks, and project key roles

[14] Heldman, K. (2018). p. 63.

Every project begins with a **draft business case**. This should be a document, about half a page to a page in length, that identifies a need and shows how that need can be met by a project. It should also include your best estimates of cost and timeframes. Lastly, the draft business case should list the benefits and impacts of the project.

The completed draft business case is then taken to the **executive** (also called the 'funder' or 'sponsor') for approval. In business, the executive is often the business owner or the company directors. If you are in business by yourself, it is likely you will be the executive. For very large businesses, the executive might be a lower level manager – someone in charge of a part or division of the business. The executive could also be someone external to the business.

The executive is almost always the most important stakeholder. After all, they are paying for the project, and have a lot of power over it. If the executive approves the draft, you then write a full business case. If they do not, you can revise the draft business case and submit it for approval again (see Figure 6).

Sometimes, there will be no way to make the draft business case work. This shows you that the project is not feasible. You then just stop the project – which is called an **'early close'**. On the other hand, if the draft is approved, you move on to writing the full business case.

TĪWHIRI:

If you are managing a project for your own business, you are the executive. In that case, you will try to make the best case you can before moving on to providing a more detailed business case. However, you need to be careful. People are often not very good at seeing the faults in their own ideas. If you can, talk with a business mentor – they might be able to see problems with your project that you cannot see.

The full business case is a much larger document. In fact, it will be as big as it needs to be to include all relevant information. We will cover the full business case in more detail in Section 3 of this kōnae ako, but the basic contents are as follows:

- **Executive summary.** Introduces the project, its goals, the need for it, and the proposed solution (including why that solution was chosen over others).
- **Expected benefits.** A list of all positive outcomes expected from the project.
- **Expected impacts.** A list of all negative outcomes expected from the project.
- **Scope statement.** This describes **exactly** what will be accomplished by the project (usually including the **'final deliverables'** which will be handed over). It must be very detailed. The scope of a project is very important because you want to avoid **scope creep**, where the project (and cost!) keeps getting bigger and bigger.
- **Costs.** The financial costs of the project listed in detail.
- **Timescale.** How long you expect the project to take.
- **Risks.** These are things that might happen – both negative (threats) and positive (opportunities).

Once these parts are written, you then identify and assign the **key roles** for the project (see Section 1.2.3). These will typically be governance roles such as the project executive, senior user, and senior supplier, but will also include the project manager and perhaps important project team members. The idea is to show the governance structure for the project – who will have authority and over what.

Lastly, before submitting the full business case to the executive you look to **incorporate any existing knowledge** that you or your organisation has. For example, if the organisation has experience from previous projects that is relevant to this project, you will include it in the business case (for example this might be information related to certain common risks).

As with the draft business case, the full business case needs approval before you can proceed. You may have to revise it to get approval (and there is always the chance of early closure), but, if approval is given, you will move on to the planning stage.

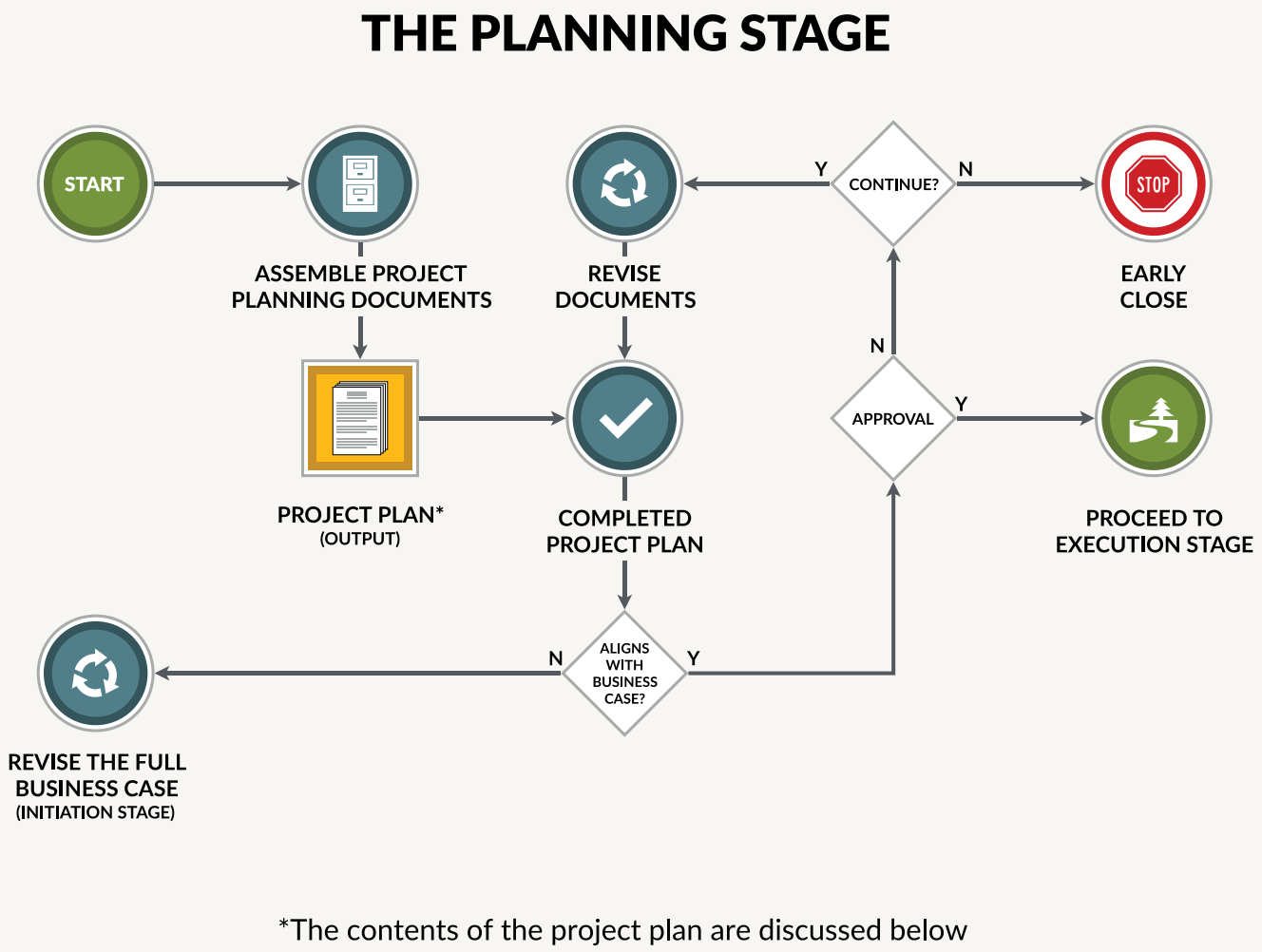
Discussion questions:

- *Why is it worth writing a draft business case?*
- *Why is 'scope' so important when writing a business case for a project?*

1.3.2 The planning stage

Project planning is the heart of project management. You plan out, in detail, how the project work will be done and checked. This involves assembling a number of documents which together comprise the **project plan**. This will be used throughout the remaining project stages to carry out the project work and monitor its progress. Once the complete plan is approved, work can start. The steps of the planning stage are shown in Figure 7.

Figure 7: The planning stage



*The contents of the project plan are discussed below

Looking at Figure 7, you can see that the process is similar to the initiation stage in that you have to get approval before you proceed to the execution stage. However, there is one important difference: you need to check that the plan aligns with the business case before getting approval.

This represents one of the most important principles of project management:

The project plan must always align with the full business case.

There is a very good reason for this rule. The full business case demonstrates that the project is **feasible**. That is, the project can be achieved at a reasonable balance of positives over negatives, is affordable, and does not involve excessive risk.

If you make changes in the project plan that are not in the business case, you have **not** made the case that these changes are feasible. If your project plan does not align with your business case, you will need to check the plan for mistakes. If there are no mistakes, you will have to go back to the initiation stage and revise the business case so that it does align.

For example, a project's business case may have a strict timeframe so that labour costs are kept affordable. However, when the project plan is completed, it is discovered that it is not possible to complete the project within this timeframe – another two weeks will be needed. The project manager then needs to return to the business case to see whether adding two weeks to the schedule is feasible.

Contents of the project plan

In most cases, the documents needed for the project plan are as follows:

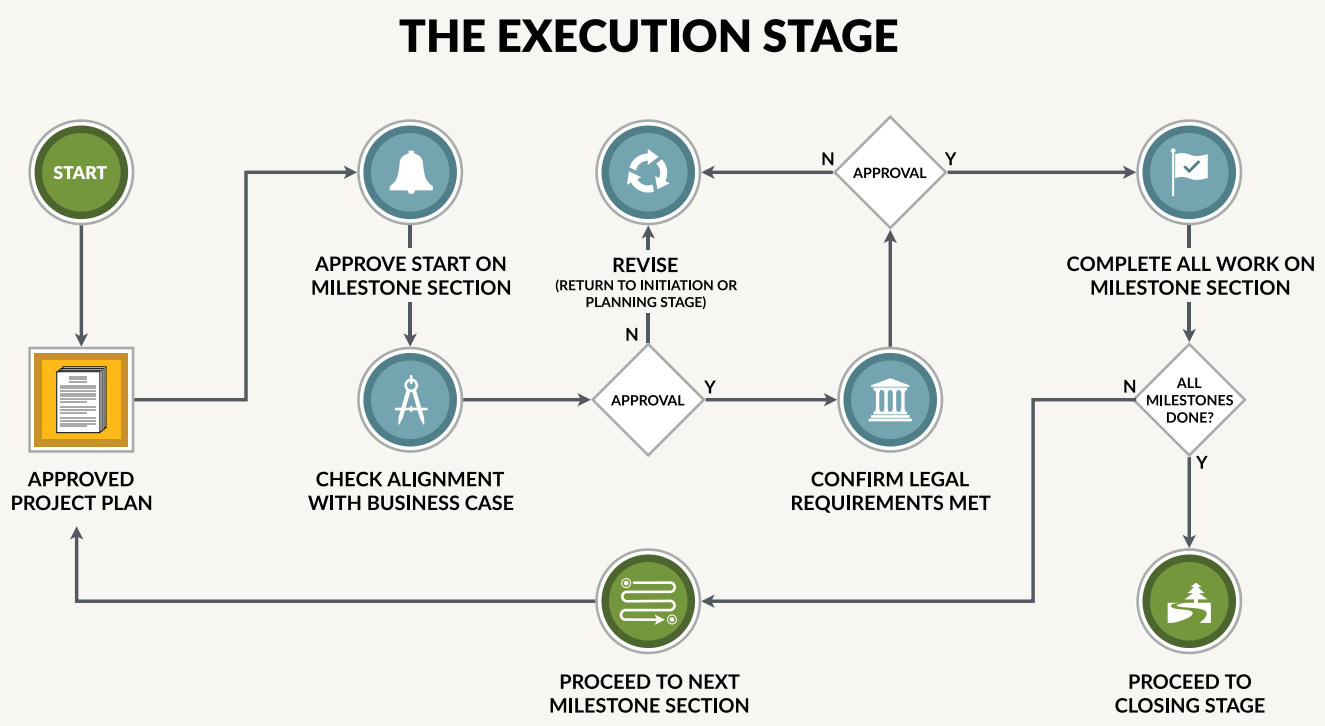
- **Full business case.** This was completed as part of the initiation stage.
- **Work breakdown structure (WBS).** This lists all the **deliverables** of the project – each item within the project that must be completed and checked off. The individual deliverables are broken down into smaller **activities** and organised into **work packages**.
- **Milestone list.** Once the WBS is completed, the project manager must detail all the **milestones** in the project. These are places where work will be checked, and where approval is needed before work can continue.
- **Resource management plan.** While you can include basic information about what resources you will need to complete the project in the WBS, you can also create a separate resource management plan. This lists every resource required, the activities that each resource applies to, where you will get each resource, and when it will be used.
- **Project network diagram.** Using the contents of the WBS and milestone list, the project manager can create a diagram that sets out all activities and milestones needed to complete the project.
- **Project schedule.** Using the project network diagram, the project manager creates a schedule for the project. This shows when everything will be done.
- **Project team structure.** This is an organisational chart showing how authority is distributed amongst the project team members.
- **Quality management plan.** This sets out the required quality checks for each milestone, including who will do them.
- **Project budget.** The key tool for controlling costs, the budget sets out the cost of each work package and sets out any tolerances for cost overruns.
- **Risk register.** This lists all risks identified in the business case and explains how each risk will be managed.
- **Communications management strategy.** Details the type and frequency of communications with stakeholders, such as monthly reports or press releases.
- **Project logs.** You will need to set up various logs to act as records of what happens in the day-to-day management of the project.
- **Change control.** This sets out who is responsible for **authorising** changes to the project and records all changes made to the project.

You can see that there is quite a lot of information in the project plan. This is by design – you need this information to make sure that the project work is done efficiently and to specification.

1.3.3 The execution stage

During the execution stage, the actual work of the project is carried out. Team members complete activities and reach milestones. The project manager coordinates people and resources, follows the project plan, and keeps in touch with stakeholders. The process of the execution stage is shown in Figure 8.

Figure 8: The execution stage



In the execution stage, the project manager's main responsibilities are leading and motivating the project team, making sure that work is done on time, and keeping track of progress.

As you can see from Figure 8, work is executed in **milestone sections**. These are series of tasks that lead up to a milestone (a checkpoint). The project work keeps moving through milestone sections until there are none left, and then proceeds to the **closing** stage. Note that there are checks required before work begins – the project manager has to check (again) alignment with the full business case and has to confirm that any legal requirements related to the work are met (such as health and safety standards).

The execution stage and the next stage, monitoring and controlling, happen **at the same time**. That is, you monitor progress and make checks as work is being done.

HEI TAUIRA:

Example: Rocket launches

A useful way of understanding project milestones is by comparing it to the system used to launch rockets into space. A rocket launch always has a series of checkpoints during the countdown. At each one, checks are made to ensure everything is working properly. If a check is failed, the countdown stops, and the rocket cannot launch. Every checkpoint must be passed before the rocket can launch. Sometimes, problems might mean that the launch is cancelled.

Early closure

Not every project succeeds. Preferably, serious problems are discovered in the initiation or planning stages before too much time or money has been spent. However, sometimes project-ending problems are only discovered once the work has started. If the problem cannot be resolved, the project is an 'early closer' and you must move on to the closing stage of the project life cycle.

TĪWHIRI:

Early closure does not mean that the project manager failed. Even the best planned projects still have some level of risk and sometimes changing circumstances cause a project to close. Even so, if a project suffers an early close, the project manager cannot just stop work and walk away. It is important to close a failed project properly – you must work out what went wrong and try to learn from it.

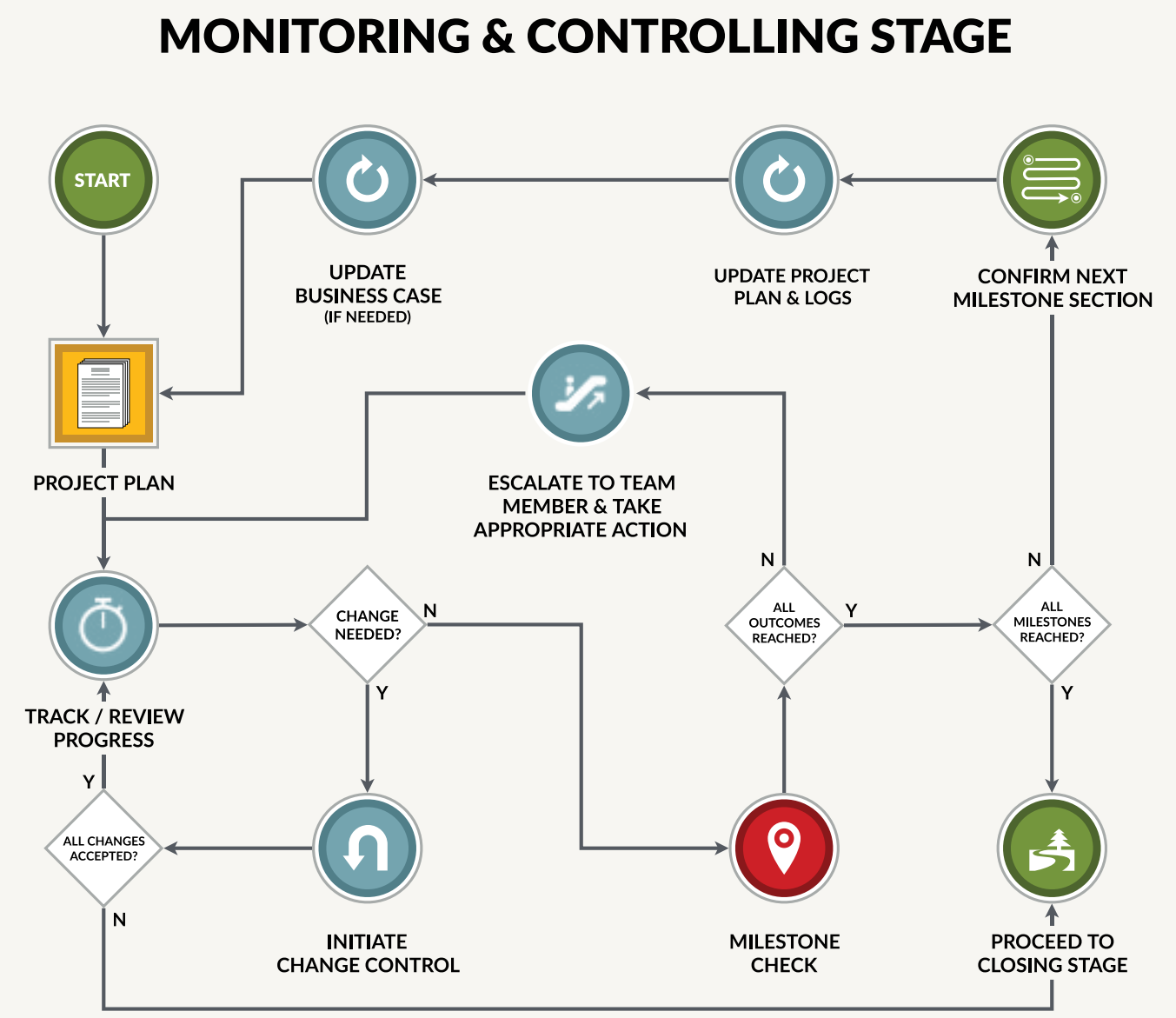
Discussion question:

- *Why should you try to learn what you can from a cancelled project?*

1.3.4 The monitoring and controlling stage

As noted, monitoring and controlling happens at the same time as execution. The project manager **monitors** the project to make sure that expectations are met and exercises **control** to ensure the project plan is followed. Sometimes the unexpected happens – the project manager must then decide what to do. The process of the monitoring and controlling stage is shown in Figure 9.

Figure 9: The monitoring and controlling stage



The process looks more complex than it actually is. The project manager uses the plan to track and review progress and authorises or gets permission for any necessary changes. Milestone checks show when all outcomes have been completed (the project manager will have to chase people up if they are not). Once the milestone is reached, the project moves on to the next milestone. Once all milestones are reached, the project moves to the closing stage.

Monitoring and controlling creates a lot of **information** as the project manager will have to update various logs and record any changes. To keep all this information organised, the project manager will use a **project management information system (PMIS)**. While this can be done using pen and paper, software is usually a more efficient option. We will cover setting up a PMIS in a later kōnae ako.

The project manager has to keep **control** of the project. There is no point monitoring a project if you notice problems but never act. It is when action must be taken that that the project manager's leadership qualities are most important – they must take responsibility and bring others along.

Sometimes changes will be required and sometimes these changes will move beyond the tolerances or 'wiggle room' set out in the project plan. If this happens, the project manager will have to seek authorisation to change the plan and then make sure that the revised plan aligns with the business case (if it does not, the business case will have to be revised).

Factors to consider:

There are six aspects of project performance that the project manager needs to control:

1. **Time.** When will the project be finished?
2. **Costs.** Is the project affordable?
3. **Scope.** What will the project deliver?
4. **Quality.** Will what the project delivers be up to standard?
5. **Benefits.** Why are you undertaking the project?
6. **Risk.** How much risk are you prepared to accept?

Discussion questions:

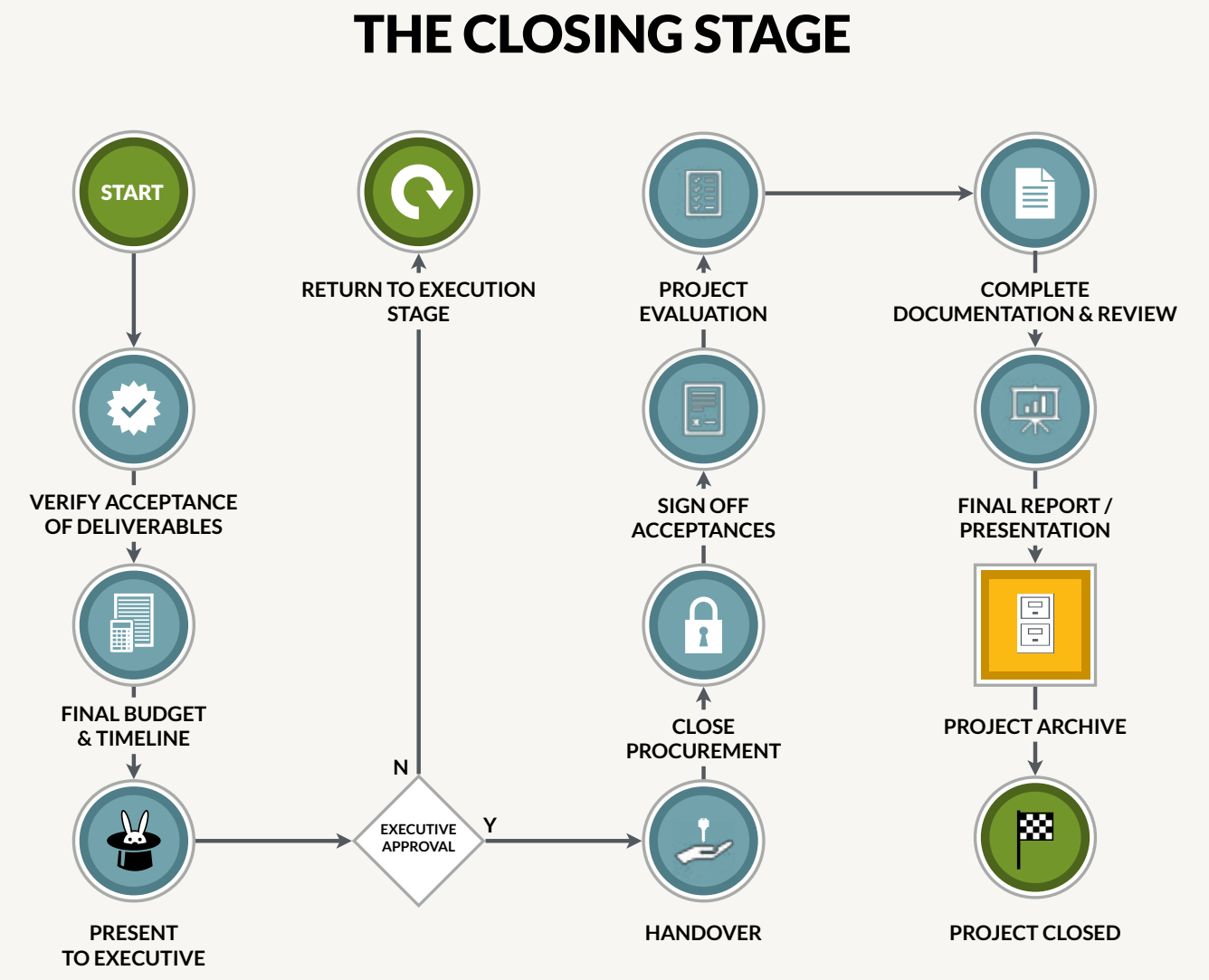
- *Why is it important to monitor the progress of a project?*
- *Why does the project manager have to keep records of everything that happens in the project?*
- *What will happen if you monitor, but do not control, a project?*
- *Why is communication so important?*

1.3.5 The closing stage

Unlike 'business as usual', a project has a definite end. This might be because the project closes early, but usually it is because the project is successfully completed. In either case, it is important that a project is **closed** properly – the final deliverables need to be signed-off and all 'loose ends' tied up.

The closing stage also includes **evaluating** the project and making sure that you learn whatever you can from the experience. Too often, people leave a successful project and do not understand what made that project a success. Remember, part of the initiation stage is **incorporating existing knowledge** – you gain a lot of this knowledge through evaluating past projects. An outline of the closing stage is shown in Figure 10.

Figure 10: The closing stage



Project closing

At the end of the project it is important that stakeholders accept the final outputs. In particular, the **executive** must sign off on the project to give formal acceptance. Closing a project includes:

- **Verifying acceptance of deliverables.** Making sure that each and every milestone in the project plan has been met.
- **Final budget and timeline.** Includes all approved changes. You must know the true cost of the project and how long it took – and compare it to the original budget and timeframes.
- **Executive approval.** The project manager must get formal approval from the executive to show that the results of the project are acceptable.
- **Handover.** This is handing over the output of the project to the executive (the final deliverables).
- **Closing procurement.** The project manager must ask for final invoices from everyone involved in the project. These must be paid in full.
- **Signing off acceptances.** Any acceptances required must be signed off. For example, contractors that have done work on a project may need you to sign an acceptance to acknowledge you are satisfied with the work they have delivered.
- **Creating the final report.** Often, the project manager will be required to give a final report on the performance of the project to the executive or other important stakeholders.
- **Saving the project archive.** Projects create a large amount of information. It is important that this information is stored properly because it could be useful for future projects.

Project evaluation

Once it has been formally closed, the project should be evaluated. This is a chance to examine the outcomes of the project – and to understand what worked and what did not. Proper evaluation can provide lessons that will be useful for future projects.

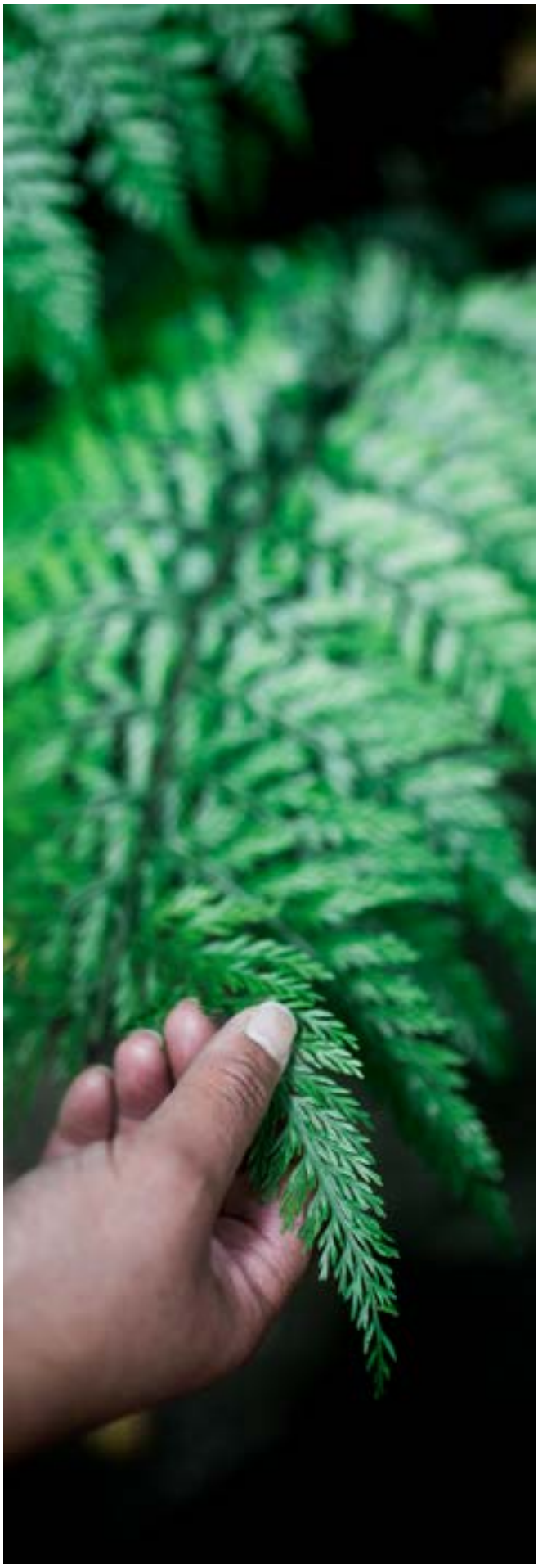
Often it will be useful to have an **evaluation meeting** with team members and other important internal stakeholders. Topics that can be covered in the meeting include:

- **Outcome.** Was the result of the project what was expected or originally planned?
- **Schedule.** Was the project completed on time? Were some parts delayed? Why?
- **Budget.** Was the project within budget or over budget? If there were budget problems, what were the causes?
- **Problems.** Were there any problems with the project? How were these managed? Could they have been managed better?

Some project managers might also want to hold a meeting with external stakeholders. This is a good way to find out how the project impacted them. Such meetings can also provide useful information to guide future projects.

Discussion questions:

- *Why is it so important to close a project properly?*
- *Why is it important to evaluate a project once it is finished?*



Key points

- *A project has five stages: initiation, planning, execution, monitoring and controlling, and closing. The monitoring and controlling stage occurs at the same time as the execution stage.*
- *The initiation stage involves preparing a business case that justifies the project.*
- *The planning stage involves breaking the project down into deliverables, activities, and milestones, and producing a schedule, budget, and other project plan documents.*
- *The execution stage involves carrying out the actual work of the project.*
- *The monitoring and controlling stage involves tracking progress on the project and exerting control when needed (for example, when changes are needed).*
- *The closing stage includes final sign-off of the project and a project evaluation. It is always important to close a project properly.* ❖

2.0 The initiation stage

The initiation stage sets your project up for success. The key output of the initiation stage is the **full business case**. This is a document that shows the project is **desirable** and **viable** – in short, that it is worth doing. You will need to get approval for the full business case before you can proceed to the planning stage.

The entire project is based on the full business case. It is one of the most important documents you will write for the project. However, the full business case is quite a lengthy document that requires a lot of work. For this reason, it is best to start with a shorter **draft business case** of up to a page in length.

The draft business case allows you to quickly identify any big problems with your proposed project. If these problems cannot be solved, the project will close early. This should not be considered a failure – the short amount of time you spent writing the draft business case has saved you from spending even more time and resources on a project that is not going to work. On the other hand, if the draft business case looks good, this indicates it is worth spending more time exploring the idea. You will show the draft business case to the **project executive** (or funder or sponsor) to get approval before starting to write the full business case.

This section focuses on producing the draft business case – which we will look at in detail in Section 2.2. But before then, in Section 2.1, we will cover the first and most essential step of project management: **finding a suitable project**.

Learning outcome covered

1. Develop a draft business case for a project.

2.1 Identifying a need

> ***"We can only see a short distance ahead, but we can see plenty there that needs to be done."***
>
> *– Alan Turing*

In the previous section, we introduced the five stages of the project life cycle. The first stage is the initiation stage (refer back to Figure 6 in Section 1). In Section 2.2 we will cover the parts on the left-hand side of Figure 6, ending with the draft business case (or early closure if you are unlucky) – this is the first part of the initiation stage.

However, before you can start the initiation stage for a project, **you need a desirable project**. That is, you must identify a **specific need** for your business or organisation, along with outcomes that would meet that need.[15] The need gives you the **reason** for the project and the outcomes show what you hope to **achieve** by successfully completing it.

Every project must address a need

It might seem odd, but a lot of money and time has been wasted on projects that were not really needed. This is why you must make a good case for a project. If you cannot clearly explain to someone else why you need to do the project, it will be difficult to get approval from the executive. If you cannot explain it clearly to yourself, it is likely that you do not know whether you need it. It can help to start by writing a short paragraph that briefly explains what the project is and why you need to do it.

The expected outcomes of a project should meet the need

For a project to work, the outcomes must meet the respective need. For example, if a retail business needs to expand its operations to another town, a new premises is one way of meeting that need. Or, if a restaurant needs to attract more customers, then some kind of marketing campaign will meet that need.

Again, if you cannot clearly explain to someone how the project outcomes will meet the need, it will be difficult to get approval. Think carefully about what would solve the problem. You might have more than one option to meet the need – you will likely be looking for the option that has the best balance of benefit (often long-term benefit) over cost.

2.1.1 Needs and wants

In business, as in other areas of life, it can be hard to know the difference between what you **need** and what you **want**. After all, most of us have cupboards full of items that we bought but never get much value from. It is the same in business – does a small business owner really need to lease an expensive new vehicle or could they do just fine with their existing car or even no car at all?

Needs

It can be tempting to say that a business need is something that a business would fail without and everything else is just a want. This is **not** the right way to think about it – a business that only ever does the bare minimum to avoid business failure is most likely missing out on potential earnings. Consider the example of Jess.

[15] Sometimes you may have multiple needs which could be addressed by a single outcome.

HEI TAUIRA:

Example: Jess

Jess owns a café in a small town in the Waikato. The business has been operating for 3 years and makes a healthy profit. Most of her customers are locals, but quite a few come from the next town over because they like the quality of food and the dining experience.

Some of these customers ask why she does not open another café in the next town – after all, they say, they would buy from her more if they did not have to travel so far just for a meal. They also tell Jess that many other people they know are fans of her café, but they only buy if they happen to be travelling through town.

Jess talks about the possibility of expansion to the person who owns the store next door. They say there is no need for Jess to expand – the survival of her business does not depend on it, and she already has a perfectly good café that makes money. Jess knows this is true, but mere survival has never been her goal for the business. She is more ambitious than that: she wants to see how far she can grow the business.

The example of Jess shows that business needs can (and probably should) be much more than survival. What counts as a need for a business really depends on the **goals** and **vision** that the owner has set for the business. Even so, sometimes a business will have needs that are essential to its survival. For example, another business might only be viable if it has the capability to service a large area – for this business, it really could be a case of 'expand or die'.

There might also be **opportunities** that are too good to turn down. For example, Jess may not have planned to expand, but a café owner in the next town offers to sell her their business. If this happens to be in an attractive premises, in a great location, and at a very reasonable price, it could be the perfect opportunity for Jess to expand.

Needs are going to be of the following kinds:

- **Survival needs.** Those where the business **will fail** or make significant losses unless the need is met. These will usually be the most pressing and urgent needs – often they will be about responding to competition or changing industry conditions and requirements.
- **Goal-oriented needs.** Those needs the business must meet if it is going to meet its **goals** (assuming these goals are reasonable).
- **Outstanding opportunities.** These are things that are **too good to turn down**. They will provide an obvious benefit to the business, even if they are unexpected and unplanned.

Wants

Wants are things that can be done without. Not meeting them will not cause the business to close or to fail to meet reasonable goals. Similarly, not meeting a want does not mean missing out on an excellent opportunity. Instead, wants are luxuries or 'nice to haves'. Often, they will be opportunities that might provide small benefits or something you had always wanted to do but will result in little financial gain.

It can sometimes be hard to separate needs from wants, especially in our personal lives. We might feel that we need an expensive smartphone when a basic cheaper version would be enough. While it can sometimes be okay to pursue wants in our personal lives, doing it in business is often a bad idea – you just end up spending money you did not need to.

For example, an expensive, high-powered computer network might make a business premises look modern and sleek and give the business owner a sense of pride. However, if the business only needs these computers to do the kind of work that could easily be done by a typical laptop and generic software, they are likely to be a terrible waste of money.

If you are trying to work out whether something is a need or a want, ask yourself: **"What would happen if the business did not have the thing?"** If the answer is that there would be little or no difference to business success, then it is probably a want rather than a need.

Similarly, you can see whether something is a need or a want by asking: **"Is there a cheaper alternative that will allow for the same outcome?"** If there is, then it is probably a want rather than a need. The cheaper alternative might be the real need, or you may already have the cheaper alternative and already be using it.

Dealing with several needs

It is possible that you will identify several different needs, and it is likely that you cannot start projects to meet all of them at the same time. In this case, rank needs in order of importance – the most important are the ones you will create projects to meet.

Generally speaking, **survival needs** will come first – if you do not address them, the business will fail or experience significant losses. Depending on the level of urgency, you might have to act quickly. It is better if you have no survival needs at all. Note that, quite often, responding to survival needs can be avoided by planning ahead and developing a strategy and goals that factor in changes in the industry.

Goal-oriented needs and outstanding opportunities are less urgent than survival needs, but still important. Pursuing these needs can make the business less vulnerable in future. However, which goal-oriented need is most important will depend on the circumstances. Usually, you will be working towards your business' long-term goals, but a great opportunity could come along and change things. There is no hard and fast rule here – it depends highly on the circumstances and your vision for the business.

TĪWHIRI:

Clearly defining the business need that drives the project will help you to define the project's goals and scope in the full business case (see Section 3.1).

Determining outcomes

Once you have identified a need, the next step is to identify what **changes** need to be made to meet this need. These changes are called **outcomes**. For instance, if the need is more customers and increased revenue, the outcome might be a marketing campaign to draw in new customers. The specific **outputs** that will result in this outcome, such as marketing emails or social media campaigns, are figured out later.

As another example, if the need is increased storage space, the outcome is more storage space. The output that delivers this outcome could be a storage shed or perhaps even a redesign of existing storage facilities to make better use of vertical space. Each set of outcomes you identify to meet the need (even if there is only one) will be the goal of a **project**.

Discussion questions:

- *How would you explain the difference between a 'need' and a 'want' in regard to business projects?*
- *Have you ever been involved in (or been aware of) a business or organisational project that you think reflected a want more than a need? How much did the organisation benefit from the project? Do you think you would have carried out that project if you were in charge and had seen the business case for it?*

2.1.2 Stakeholders

Any project will have **benefits** (good things that will result from the project) and **impacts** (bad things that will result from the project). But these are generally benefits and impacts **for people and organisations**.

For example, a successful project might make a company more profitable. This will provide **benefits** to itself as an organisation but also to its **shareholders** in the form of increased share value, dividends, or profits reinvested back into the business. It may also provide benefits to the **local community** in terms of improved service and facilities.

However, the project might also have **impacts** – negative consequences for certain people or organisations. For example, the project work could cause significant noise and disruption to neighbouring businesses and their customers. While the project could create huge benefits for the organisation carrying it out, other businesses might suffer financially while the work is being carried out.

It is important to identify everyone who is benefited or impacted by the project – either by the **goals** of the project and/or by the **means used** to achieve the goal. That is, either by the **outcomes** or the work done **during** the project. Anyone who will benefit from or be impacted by the project has an interest in it, and some of them will have the power to influence the project, either in a positive or negative way. In project management, these people are called **stakeholders**.

D DEFINITION:

Stakeholder: An individual, group, or organisation that may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project.[16]

PMBOK. (2021).

Factor to consider:

You may have noticed that the above definition of stakeholder includes only individuals, groups, and organisations. However, projects can also create benefits and impacts for the natural environment and other species that depend on the natural environment. In this programme, we take a wider view of benefits and impacts that includes the natural environment. We will deal with this in detail later on in the programme.

Who are your stakeholders?

One of the project manager's essential tasks in the initiation stage is **identifying stakeholders**. You cannot know whether a project is feasible unless you know the likely benefits and impacts, and you cannot know the benefits and impacts without knowing **who or what** the project will affect.

Stakeholders will include both those within your organisation and project team (internal stakeholders), as well as those outside of it (external stakeholders).

- **Internal stakeholders** will usually be easiest to identify, such as the person or organisation who is paying for the project. Other internal stakeholders may include employees, managers, shareholders, and members of your project team.
- **External stakeholders** often include customers but can also include suppliers, client businesses, neighbours, local hapū and iwi, local councils, and the local community. All businesses are different, so the number and types of stakeholders may vary – there is no standard list.

External stakeholders can be harder to identify, especially when they have no direct involvement in the project. Sometimes it is only when a project is publicly announced that the stakeholders will identify themselves.

E HEI TAUIRA:

Example: Te Āwhina

Te Āwhina inherited some family land in a small, quiet bay on a beautiful lake in the North Island. As a successful and wealthy businesswoman, she has decided to realise her dream of building an exclusive fishing lodge. Te Āwhina thinks that this can only be a good thing for the local economy and local community.

However, when the project is announced, there is a public uproar. Unknown to Te Āwhina, the bay and surrounding land have been a popular summer spot for boaties and swimmers for decades. Te Āwhina's family had never minded this since they had never developed the land. A petition circulates in the town asking the council to forcibly buy the land and turn it into a public park.

Even though the land is private property and clearly belongs to her, the petition has caused a big headache for Te Āwhina. She is concerned that if she goes ahead and builds the lodge, the local community will not be supportive of it and the business will suffer.

[16] Project Management Institute. (2021). p. 250.

Create a stakeholder register

Early in the initiation stage of a project, you should start making a **stakeholder register**. This is just a list of all those who will benefit from or be impacted by the project.

DEFINITION:

Stakeholder register: A project document that includes information about project stakeholders including an assessment and classification of project stakeholders.[17]

PMBOK. (2021).

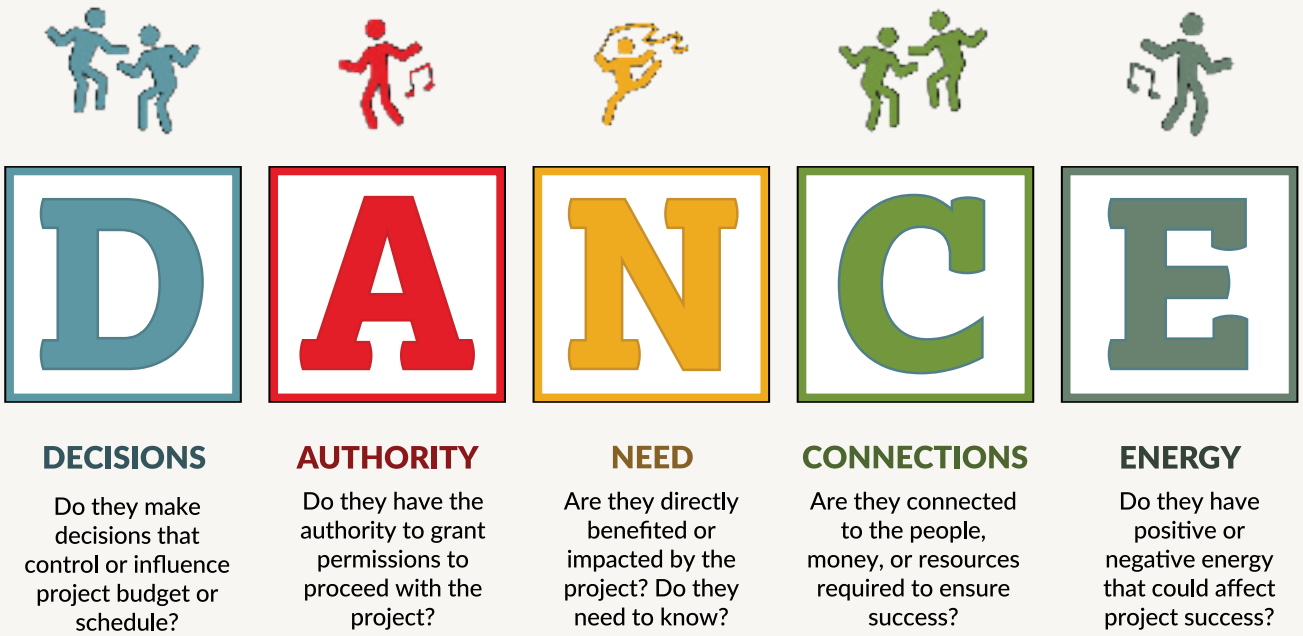
The list should show all internal and external stakeholders and say how important each of them is. You can then estimate what benefits and impacts the project will have on these stakeholders. As you learn more about the project, you can add more detail to the stakeholder register, such as contact information and communication needs for each.

Identify key stakeholders

The example of Te Āwhina above shows why project managers need to identify **stakeholders** as early as possible. This is because some stakeholders will have a lot of **power** and **influence** over the project – they can often determine its failure or success.

We call those people and organisations that have a lot of power and influence over a project its **key stakeholders**. To help you think about which stakeholders are key stakeholders, you can use the DANCE tool (see Figure 11).

Figure 11: The DANCE tool[18]



[17] Project Management Institute. (2021). p. 250.

[18] Kogon, K., Blakemore, S., and Wood, J. (2015).

It is usually easy to identify those who make the **decisions**, have the **authority** to grant permission, or **need** to know about the project because it directly benefits or impacts them.

Less obvious are those people with **connections** – they may not be decision-makers, but they can influence other stakeholders or processes.

You also need to consider stakeholders who have enough positive or negative **energy** to influence the project. Those with negative energy can bring down team morale and disrupt project work. Those with positive energy can improve team morale and help move the project work along smoothly.

Stakeholder energy levels can be due to their level of **interest** in the project. For example, Te Āwhina thought that nobody would care about her fishing lodge project or raise concerns about what she did on her private property. However, she discovered that, regardless of whether locals were entitled to use the property, they cared a lot about the project, and this motivated them to come out in strong opposition to it. In contrast, if the public had little or no interest in Te Āwhina's project, there would have been little or no resistance.

Stakeholder surveys

It is all well and good to sit down and think about how stakeholders will be affected by your project. However, our own opinions often get in the way when we try to think about other people's situations. This means that there is often no better way of finding out how your project will affect stakeholders than by **asking them**.

If you talk about the project with internal stakeholders, you might find out useful information. For example, there might be a lot of resistance, when you had expected none. On the other hand, some of these stakeholders could notice impacts you had not spotted. This will help you judge the feasibility of the project.

You can also conduct a **stakeholder survey**. This can be informal, where you just chat to people. However, it can also be more formal, where you prepare a list of questions to ask stakeholders. The idea is to get reasonably accurate information of what other people think about your proposed project.

Surveys can be a great source of information, but you need to be careful about the number of people surveyed (the **sample size**). If you survey a small number of people, you might find that their opinions do not represent the majority of stakeholders. The more people you can survey, the more likely it is that your information will be accurate.

You then need to be able to turn the results of the survey into useful information. Often this will be just adding up how many people think the project is a good idea, a threat, and so on. Sometimes this will take a bit of time, but it is worth it. Consider what Te Āwhina would have discovered if she had surveyed the locals about her project – instead of being blindsided by their opposition, she could have prepared a strategy to deal with it.

It is best to use your own good judgment when deciding whether it is worthwhile conducting a survey. There are a lot of projects (especially internal business projects) which do not require feedback from the local community. For example, if you are making changes to your internal storage space, it will not bother any external stakeholders, so you do not have to worry about their views.

However, for some projects, stakeholder input could be critical, and a survey might be needed very early on. For other projects, a survey may be useful, but a waste of time and effort at the very beginning of the project when you are writing a draft business case. Instead, it might be better to 'ask around' to get a general idea of stakeholder views. A proper survey can then be carried out once the draft business case has been approved and you have the 'go ahead' to write a full business case.

Factor to consider:

You will want to focus on your key stakeholders. If they are likely to have a lot of power over your project, try to get as much input as possible, as early as possible. The more information you start with, the less uncertainty you will experience later. In particular, try to identify project impacts that you had not thought of. Also ask stakeholders about their expectations for the project and their communication needs.

Discussion questions:

- *Why is identifying stakeholders so important in project management?*
- *Can you think of an example of a recent major transport project in Aotearoa that had significant impacts on external stakeholders? If so, how well do you think stakeholder relationships and impacts were managed throughout the project?*
- *Can you think of some examples of projects for your organisation that would have very negative impacts on external stakeholders? Are there ways in which these impacts could be managed?*
- *What does it mean to say that the natural environment is, in some sense, a stakeholder?*
- *What kinds of people would typically have a lot of power and influence over a project?*
- *What type of questions would you include in a stakeholder survey?*

2.1.3 Project desirability and viability

At this stage you should have identified a need and one or more outcomes – this forms the basis for a **project**. However, before you move forward, you need to work out whether the project is both **desirable** and **viable**. Give honest answers based on the best information you have. At the very beginning of the project you have limited information – you will gather more information later if you decide to keep going.

Is the project desirable?

The **desirability** of a project depends on its benefits and impacts to stakeholders. If a project benefits all internal and external stakeholders, then it is obviously worth thinking about. On the other hand, if a project benefits nobody, it is best left alone. Most projects will be a mix: they will benefit some stakeholders, but impact others. Quite often, they involve both benefits and impacts to stakeholders.

For example, renovating a shop front is usually good for a retail business, but the noise and the work would have a negative impact on pedestrians and neighbouring businesses. However, if your renovations brought more customers into the area, this could potentially benefit the neighbouring businesses as well.

The desirability of a project depends on the following:

- **The project outcomes.** Will the expected outcomes meet the need you have identified?
- **Available options.** Is this project the only way to meet the need or are there other options you could consider that might be better?
- **The benefits and impacts.** In general, the overall benefits of the project should be significantly greater than the impacts.

Keep in mind the last point: other people and organisations matter, as does the environment. In particular, projects that provide a lot of benefit to internal stakeholders (you and your organisation) at the expense of significant impacts to external stakeholders and the environment should be avoided.

Is the project viable?

Just because a project is desirable does not mean that it can be done. Some projects are just not feasible. Consider and provide your best answer to the following:

- **Available resources.** Do you have the resources to complete the project? This includes people with the right kind of skills as well as equipment and financial resources. You will need to list the resources required to meet the project goals and then compare this list against what resources you have available. Also factor in what resources you could reasonably expect to source from elsewhere. For instance, if you do not have enough money to carry out the project you may be able to attract an investor, apply for external funding, or secure a loan.
- **Timeframes.** How long will the project take, and do you have enough time to complete the project? When would you be expected to start, and could you be ready by that time?
- **Risk.** How much risk is involved in the project? If things go wrong or there are delays, will you still be able to finish it? Would project failure put your business at risk of failing as well?

Remember that much depends on **when** you ask these questions. A project that is desirable and viable for a business right now may not be later on. Similarly, a project that you cannot really do now might become an option in the near future. For example, a project might

be beneficial to your business, but you do not yet have the resources you need to complete the project.

Again, at this stage you are just looking for the most obvious reasons to go ahead or not go ahead with the project. As you proceed through the initiation stage you will find out more. What you need now is just the basics – enough to start writing your **draft business case**.

Discussion questions:

- *Is it necessarily bad if you discover that a project is not desirable or feasible after a couple of days' work? Why or why not?*
- *The very early stages of a project can involve quite a lot of brainstorming. How good are your brainstorming skills? Is there any way you could improve them or get someone to help you?*

Key points

- *The initiation stage is where you determine whether a project is both desirable and viable.*
- *Every project must address a need – make sure that any need you identify is a genuine need.*
- *Every project will have stakeholders – part of the initiation stage is to identify all the stakeholders. Focus on key stakeholders who will have a lot of power and influence over the project.*
- *Consider the resources you have available to complete a project – without the required resources or any reasonable way of accessing these resources in the near future, your project will not be feasible.* ❖

2.2 Draft business case

> ***"All the revision in the world will not save a bad first draft."***
>
> *– T.E. Lawrence*

Up to this point you will have gathered basic information about the project. If things look good so far, your next task is to start writing the **business case** for the project. You must write a business case because one of the main principles of project management is that a project needs **justification** – that is, it needs to be worth doing. The business case provides this justification.

This justification needs to be **ongoing**. Circumstances may change and may affect the viability or attractiveness of a project. The business case is a **living document** – it must be **continually assessed and updated**, taking account of new information to make sure that the project is still justified. If it turns out that the project is no longer justified and changes cannot be made to justify it, the business case shows the need for **early closure**.

DEFINITION:

Business case: A document designed to understand the business need for the project and to determine whether the investment in the project is worthwhile.[19]

Project Management JumpStart. (2018).

Again, to avoid wasting too much time on a non-viable project, you start by creating a **draft business case**. This is a very short document of one-half to one page that outlines the business need and your intended solution. If you get approval to move past the draft business case, you go on to writing the **full business case**, which is the primary output of the initiation stage.

Factor to consider:

Those who are in key roles in the project have different responsibilities regarding the business case. (Remember, some of these roles may be combined.)

- The **project executive** ensures that the business case is written and approved, although the writing of the business case can be delegated to someone else (e.g., to the project manager).
- The **project manager** is responsible for writing the business case, and for assessing and updating the business case throughout the project life cycle.
- The **senior user** is responsible for specifying the benefits of the project, and for ensuring that the expected benefits are realised.
- The **senior supplier** is responsible for confirming that the outputs required can be delivered within expected costs and are viable.

Discussion questions:

- *Why does the project's business case always have to be up to date?*
- *What is worse: continuing with a project that is no longer justified, or closing it early and accepting losses made to date on the project?*

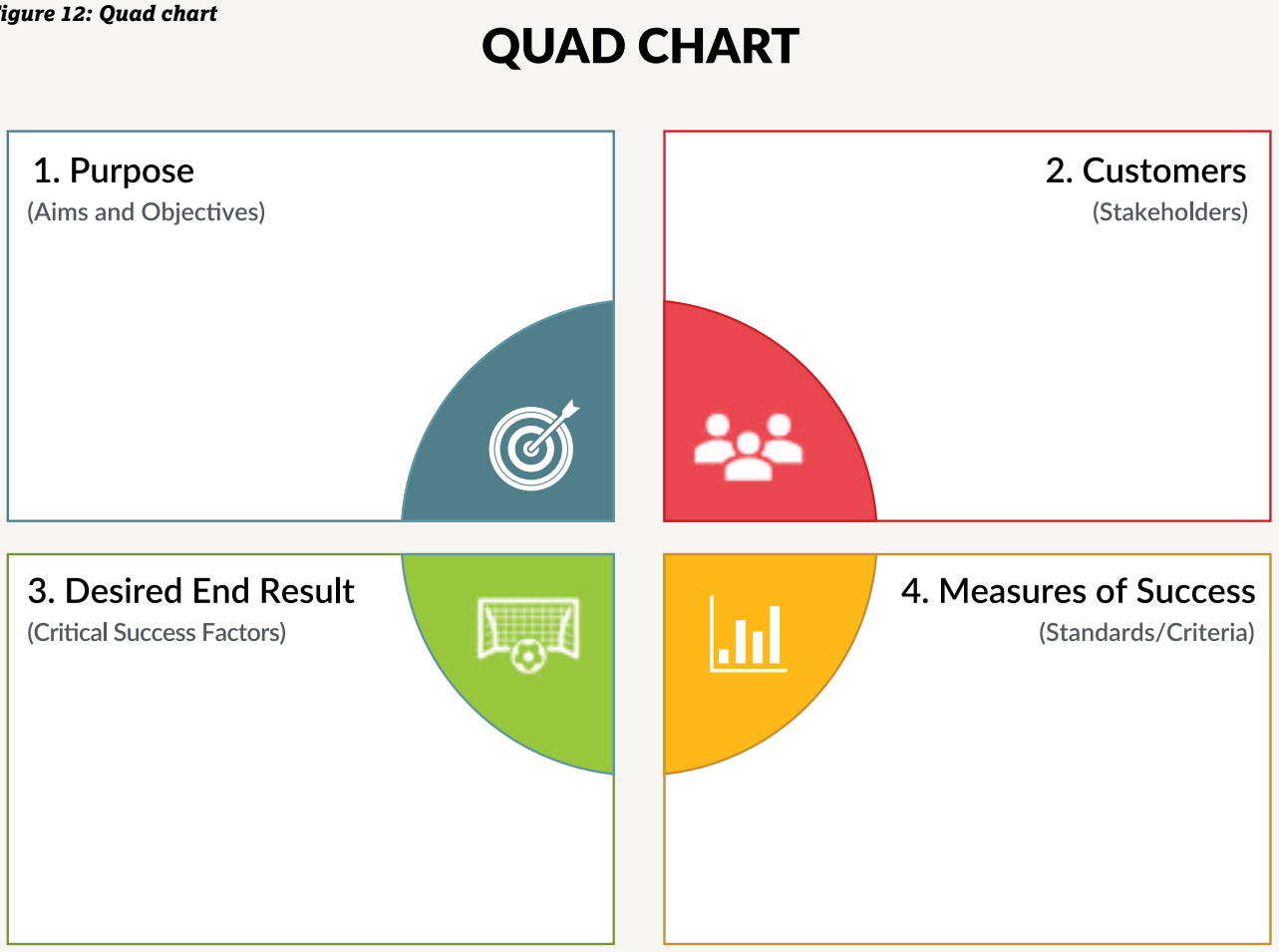
[19] Heldman, K. (2018). p. 63.

2.2.1 Quad charts

At this stage of the project, you are starting to organise the information you have already collected. A **quad chart** is a useful tool you can use to help choose which information to include in a draft business case.

This is a single page chart that gives a basic outline of the project (see Figure 12). Being able to fill it out clearly and quickly shows that you have a good grasp of the basic idea behind the project.

Figure 12: Quad chart



You fill the quad chart out as follows:

1. **Purpose** (Aims and Objectives). What do you want from this project? Why are you doing it? This section should outline the reasons for undertaking the project. Remember, a project should deliver the desired outcome that addresses the need.
2. **Customers** (Stakeholders). Identify your stakeholders. Who is the project for? Who will you involve in this project? Who will be affected? Note any negative impacts on stakeholders and state how and why these impacts will occur.
3. **Desired End Result** (Critical Success Factors). What do you want to achieve as a result of this project? 'Critical success factors' are the things the project must achieve to be a success. If even one of these is missed, the project will be a failure.
4. **Measures of Success** (Standards / Criteria). How will you measure progress and success during the course of this project? This will include the costs of the project, deadlines to meet, as well as any revenue it brings in. However, keep in mind that there is more to business success than financial gain – you will need to consider the **multiple bottom line** (see Section 2.2.2).

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 1

The Arohanui Southern Development Trust is a charitable organisation that supports business in its local area. It provides mentoring and business advice, and sometimes provides funding for local business start-ups and projects that benefit the community.

Jill Winiata and Bob Bobson are both trustees of the trust (Bob is the chairperson) as well as local business owners and fishing buddies. One day when out fishing a local river, they watched as several plastic takeaway containers branded with local business logos and other items of trash floated past them.

Bob said, "That can't be good for the fish… or the river."

Jill, who has a science degree, replied: "It's worse – those are only the plastics you can see. There are millions of microplastic particles in our waterways. Those are really bad for the fish, the river, and even us once they get into the food chain. Water is a taonga and we do nothing but abuse it."

Over the next hour or two they talked about all the other pollution problems in the local area, from littering to poor waste management. It was a depressing conversation, but at least they caught two fish each – although Bob was not keen on eating them after hearing about microplastics.

"This is terrible. Someone needs to do something about this," said Bob.

"Why not us?" said Jill. "It's our community and our whānau. Who better than us? The trust has money for business events. Let's plan an event for local business owners and other stakeholders that we can put forward for the other trustees to consider. We can invite experts to talk to us about how to make our community more sustainable and lower our environmental footprint."

Bob thought this was an awesome idea. Jill was so enthusiastic she started looking at what would be needed for the event when she got home. She did some research online and drew a quad chart, which detailed the outline of the hui she wanted to hold for local business owners.

1. Purpose (Aims and Objectives) To hold a hui that aims to improve sustainable business practices in the local town and surrounding area by educating local business owners about sustainable practices and options available to them. The reason for the project is that our local area suffers unnecessary pollution for which local businesses are a primary source.	**2. Customers (Stakeholders)** Local business owners, council, local community organisations, iwi, subject matter experts. Impacts: Some of these people may be being asked to make changes to their business practices, changes which could cost them money and time. Some business owners may feel targeted and uncomfortable if their practices are singled out.
3. Desired End Result (Critical Success Factors) That local businesses are informed about sustainable choices available to them. That local businesses sign a commitment to improve sustainability. That local businesses follow through on implementing at least some of these changes, leading to lowered environmental pollution.	**4. Measures of Success (Standards / Criteria)** The hui needs to cost on or under $10,000, which is the maximum level of available funding. We need to have at least five expert-led sessions over the course of a day. We need at least 50 business attendees. The hui must be held before the end of the year, preferably before December 10.

2.2.2 Writing the draft business case

The purpose of the draft business case is to give a **very brief** outline of the business case. This is so that the project executive (or whoever has the authority to approve it) can understand the costs and benefits of the proposed project. They can then decide if they want to proceed with further investigation. The draft business case needs to be short (half a page to a page) and written in a simple way that explains why the project is both feasible and desirable.

Once you have written the draft business case, you must seek approval from the project executive. If it is approved, proceed to writing the full business case (see Section 3 of this kōnae ako). If it is not approved, find out why. You can then see if it is possible to make changes to the proposed project. For example, you could make changes to parts of the project that result in higher benefits or lower impacts. The revised draft business case can then be submitted for approval.

In some cases, you will find that there is no way to make a good business case for any version of the idea. If this happens, it is time to look for another way to meet the business need. That means a different project!

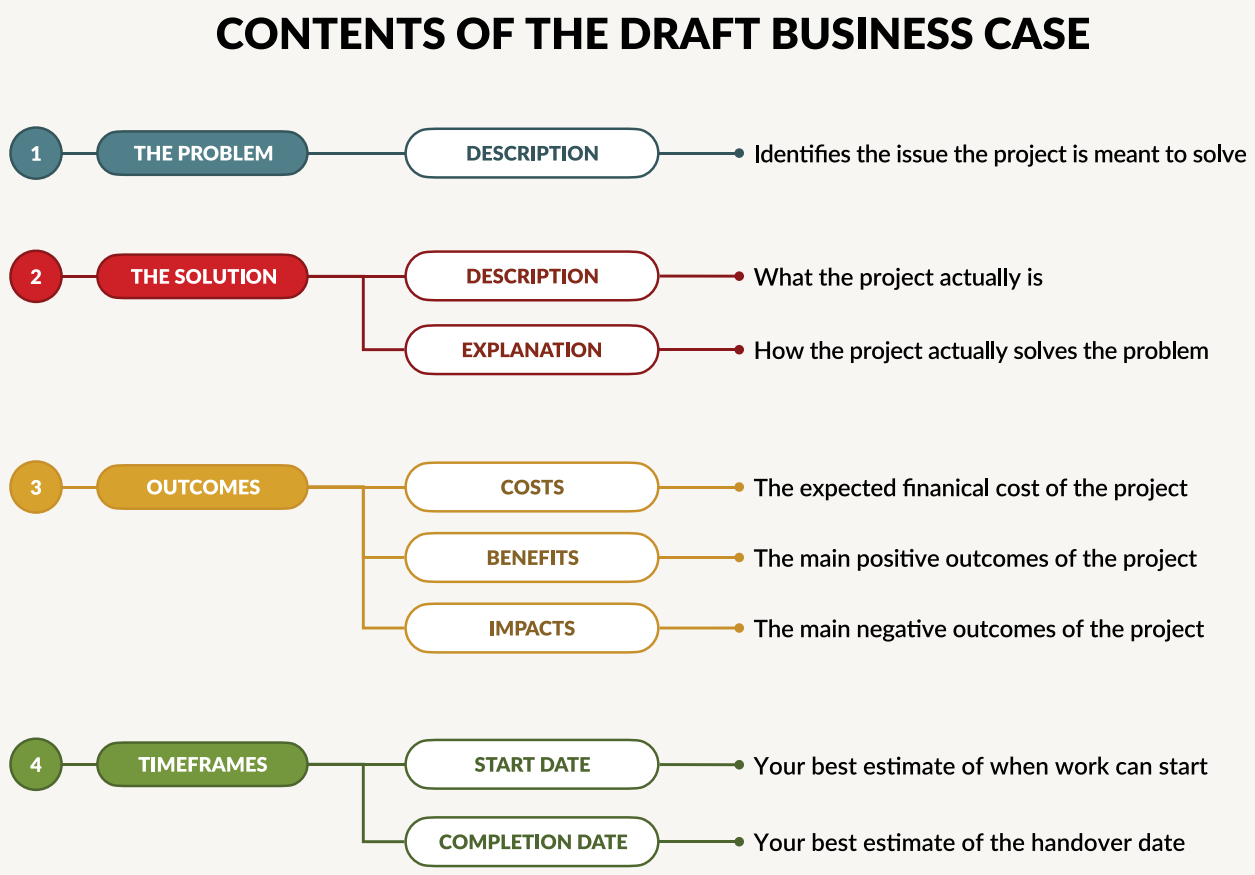
Factors to consider:

If you are a small business owner, you will probably be the executive, funder, and initiator of the project. Even so, it is still worthwhile writing a draft business case as seeing the benefits and impacts written down will help you to be more objective about whether the project is justified. You could also use the draft business case to get feedback from customers or other stakeholders.

Contents of the draft business case

The essential contents of the draft business case are shown in Figure 13. When we say that they are **essential**, it is because you cannot judge the business feasibility of the project without all of them. You can include other material in your draft business case if you want to, but the idea is to keep it **short** – try to leave additional material for the full business case.

Figure 13: Contents of the draft business case



The problem

It is important to identify and clearly describe the **problem** the project is supposed to solve. In a business context, this means showing that there is a **business need for the project**. If you cannot convince the executive that there is actually a problem, then any proposed solution will be pointless. This can sometimes be the biggest hurdle, as people will often just dismiss problems that they do not want to deal with, especially if solving the problem costs money or involves a reasonably high amount of risk.

A useful tactic is to describe the bad things that will happen if the problem is not addressed. For instance, missing out on profits or losing customers to a business competitor. The advantage of this tactic is that it makes doing nothing less of an option. Compare "we need to develop new products to sell to our customers" with "if we do not develop new products to sell to our customers, sales are forecast to shrink by 30% over the next two years".

However, be careful not to exaggerate the problem, even if you really want to do the project. Be as accurate as you can – you want there to be a genuine business case for the project, so you do not waste money. If you have really good evidence of the problem, such as photographs or financial statements, you can attach them to the draft business case.

TĪWHIRI:

If **you** are both the writer of the draft business case **and** the project executive who gives approval, you will obviously accept that the problem is real. However, this is a moment for reflection. Most of us are not very good at spotting our own errors. We also tend to assume that any evidence fits our own conclusions (this is called 'confirmation bias'). For these reasons, we should try to be critical of our own work. It is even better to get someone else to look at what you have written – they can often spot problems you cannot see.

The solution

Next, detail the solution. This has two parts:

- A brief **description** of the project (i.e., your solution).
- A brief **explanation** of how the project actually solves the problem.

It is important that you accurately **describe** the project in a few sentences – the executive needs to have a good idea of what they will be getting. Even though you are at an early stage, provide numbers where possible.

For example, if the project involves building a new storage space, write down how much new space will become available. This could be expressed in square metres or as an added percentage to existing storage space (e.g., "35% increase in storage space"). It could also be expressed in relation to the increased volume of stock you would be able to hold (e.g., "100% increase in the volume of stock that can be held").

Then briefly **explain** how the project solves the problem. Even though this might sometimes be obvious from your description of the project, it is worth taking a few sentences to explain how it is going to work. Remember, what seems clear to you may not be clear to other people. For example, if a 35% increase in the size of the storage area leads to an 100% increase in the volume of stock that can be held, it might not be obvious to the reader how this is possible. In this example, the increased storage space may allow the business to change the storage fittings, so they make efficient use of the space available.

Note that if you are presenting the draft business case to someone else, they might have their own ideas on what the solution should be (often they will suggest a cheaper or lower-risk solution). Because the draft business case is so short, you will not really have room to argue against other solutions. However, you should keep them in mind and prepare basic responses to any alternative solution that is suggested. You should also be open to going with the alternative suggestion if it is better than your solution – in this case, you would start the draft business case again for the new idea.

Outcomes (costs, benefits, and impacts)

You have probably heard of a cost-benefit analysis. This is where the costs of something are measured against its benefits. For example, the total costs of a new piece of equipment (both the cost of acquiring it and the operational costs of using it) are often compared to the increase in profit it will bring a business. If the expected increase in profit is quite a bit more than the costs, then the equipment is generally worth buying.

While it is possible to do a simple cost-benefit analysis in project management, it is often more useful to divide the consequences of the project into three categories rather than two. These are:

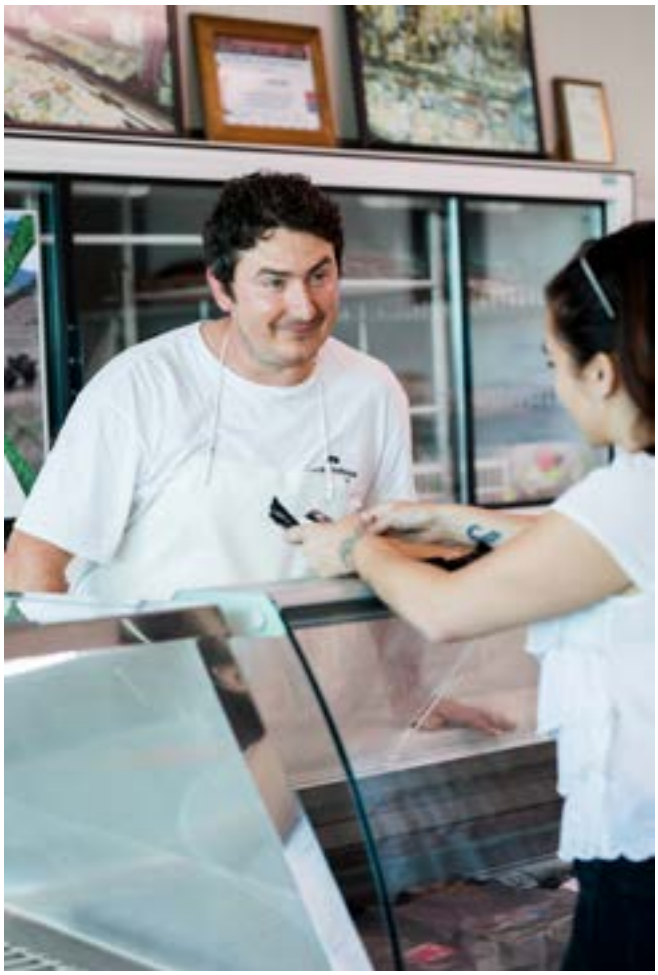
- **Costs.** The **financial costs** of implementing the project – the total amount that must be spent in order to reach all the project's goals.
- **Benefits.** The **positive outcomes** of the project (both during the project work and from the project goals).
- **Impacts.** The **negative outcomes** of the project (both during the project work and from the project goals).

A project is worth doing when its benefits exceed the cost of implementing it along with any impacts it may have. We separate costs and impacts because we want to separate the costs of doing the project from other negative impacts – this is so we can start getting an idea of how much the **project budget** needs to be.

First, estimate the **financial cost** of implementing the project. This will include the wages or salaries of staff working on it, the cost of supplies and contractors, and so on. You will work this out in detail later, so just get a 'ballpark figure' for now. It can be a good idea to call suppliers or contractors for quotes or you can just research the costs online.

Next, start thinking about the benefits and impacts of the project. Some of these benefits and impacts will be financial – for example, an expected increase in profit. Others may not be financial. For example, the benefits of building a local youth centre will be largely social rather than financial. Similarly, acquiring a new fleet of electric vehicles may save an organisation money, but it will also benefit the environment.

It is at this point that we look in more detail at benefits and impacts. As we have seen, the costs of a project are expressed in purely financial terms, but this can be a problem when considering benefits and impacts.



The multiple bottom line

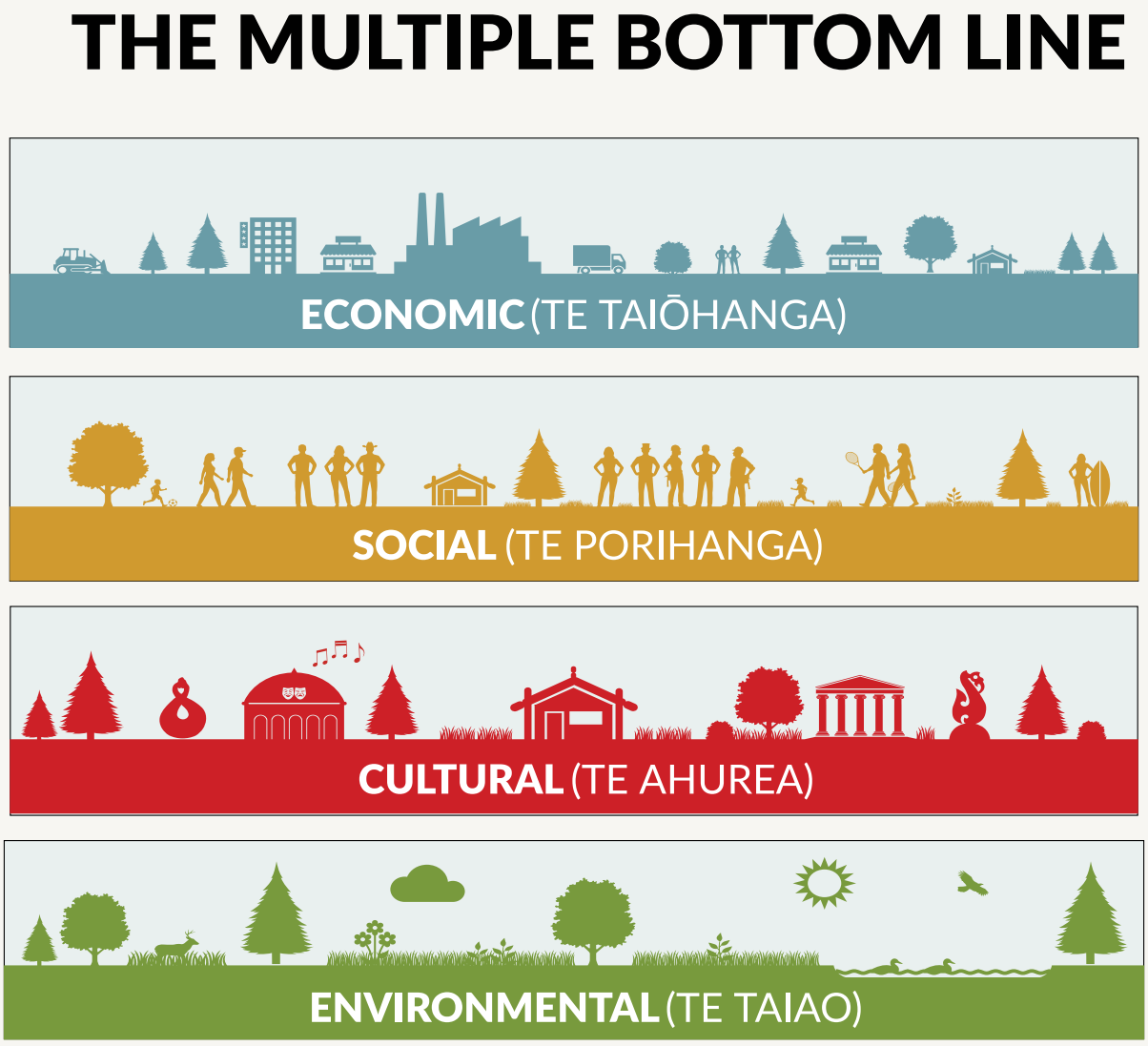
A useful tool for categorising benefits and impacts is the **multiple bottom line** (shown in Figure 14). When we talk about the bottom line in business, we mean a business' net earnings (profit after all costs are deducted, including tax). This figure is called 'the bottom line' because it usually occurs at the very bottom of a financial statement.

Many people will judge whether a business is a success or failure based on its profits. However, just focusing on the financial bottom line (profit or loss) is a poor measure of a business's true success or failure.

For example, a business could make a huge financial profit, but only at the expense of heavily polluting the environment, mistreating its workers, and making local people sick. If we compare the business' financial benefits to its social and environmental impacts, it would clearly be a failure. The business only makes money by harming people and damaging the environment.

In the modern business context, we need a much broader way of thinking about business success and failure.

Figure 14: The multiple bottom line



The basic idea of the multiple bottom line is that benefits and impacts are not only economic (financial). Instead, our **economy** rests on society, for without society there would be no economy. Similarly, **society** depends on culture for its existence – **culture** provides people's sense of identity and views on what is right and wrong, and how things should be done. Lastly, everything depends on the natural **environment**, because without a healthy natural environment to support society, culture, and the economy, they would all start to fail.

Your project needs to take account of **all four** bottom lines:

- **The economic bottom line.** This is the easiest to calculate as it is expressed in the monetary figures that must be accounted for in any business.
- **The social bottom line.** Society is the human environment in which your project takes place. The social bottom line considers the extent to which a project impacts on the local community.
- **The cultural bottom line.** Culture largely sets down the way things are done in a society and gives people their sense of identity and meaning. You need to consider the cultural impact of your projects and how they might cause harm.
- **The environmental bottom line.** Ultimately, our lives depend on the health of the natural environment. If we want to preserve our environment for ourselves and our descendants, we need to use sustainable practices.

The multiple bottom line is based on the idea of **sustainability**. This means that we ought to make business decisions in ways that sustain the ability of society and the environment to support the economy. For example, pollution has an impact on the health of the community, which in turn has an impact on the economy as we deal with lost productivity and the costs of treating illness. Similarly, if we overuse water beyond the capacity of the environment to replenish it, we will suffer the consequences of water shortages.

Earlier when we talked about stakeholders, we were talking about people – individuals, organisations, and communities. The first three levels of the multiple bottom line apply to people. However, the environmental also matters, and we should treat it as a kind of stakeholder when we make business decisions.

Discussion questions:

- *Why does the economy ultimately rely on the natural environment?*
- *What are some common examples of social, cultural, and environmental impacts caused by businesses?*

Sustainability and traditional Māori values

Aotearoa is a **bicultural society**, a partnership between NZ European culture and Māori culture. We can complement sustainability tools like the multiple bottom line with a Māori approach to sustainability. Indeed, if we are to be properly bicultural, it would be reasonable to always ask: "what guidance can Māori culture offer for sustainable practices?" The good news is that the answer is "quite a lot".

Every culture has developed its own customs and rules for solving life's problems. Māori are no exception. As they were heavily dependent on the health of their local environment to maintain their own health and existence, traditional Māori values have a strong focus on sustainability, the health of social groups, and the environment. Figure 15 shows some examples of Māori values.

Figure 15: Examples of Māori values

WAIRUATANGA

- Spiritual dimension of thinking, being, & action
- Respect for tangihanga
- Spirituality
- Acknowledgement of mauri

MANAAKITANGA

- Reciprocity of kindness, respect, & humility
- Being a responsible host
- Caring for new employees, others, & the environment

WHANAUNGATANGA

- Respecting genealogy
- Taking responsibility for family
- Consensus decision-making
- Work / life balance
- Group over the individual

KOTAHITANGA

- Unity and togetherness
- Working to common goals
- Shared decision-making
- Individual & team growth
- He waka eke noa

AUAHATANGA

- Being creative & original
- Entrepreneurial behaviours
- Continuous learning
- Problem solving
- Adapting to new situations

KAITIAKITANGA

- Preserving, protecting, sheltering in relation to the environment
- Sustainable development
- Traditional guardianship

It is self-evident that **kaitiakitanga** involves a commitment to sustainable environmental practices. Similarly, **wairuatanga** includes acknowledgement and respect for mauri – the life force or essence of living things, including people, animals, plants, and ecosystems. **Whanaungatanga** and **kotahitanga** involve respect for the social aspects of human existence, such as putting the group's needs before individual wants and supporting the unity of everyone. In general, it is hard not to see that traditional Māori values involve valuing much more than the merely economic aspects of life.

There is a large amount of overlap between the Māori approach to sustainability and Western approaches such as the multiple bottom line, but also some differences.[20] Throughout this programme we will return to these values and show how they can be successfully integrated into and guide project management.

TĪWHIRI:

It can be tempting to think that one set of values is 'true' and all others 'false'. People often think this way about their own culture's values. This is not a productive way to think in a multicultural or bicultural society. Instead, it is better to think of alternative values as **different tools**. Just as different tools are useful in different contexts, different values can provide effective guidance depending on the context.

[20] New Zealand Sustainability Dashboard. (2018).

Discussion questions:

- *How do traditional Māori values promote sustainability?*
- *How do you understand sustainability? How compatible is your own view with traditional Māori values?*
- *What are some examples of sustainable business practices?*
- *How could you make your own projects more sustainable?*

Stakeholders, benefits, and impacts

Any information you have prepared about stakeholders, such as a stakeholder register or the results of a survey, can be used to identify benefits and impacts of the project. Keep in mind that the draft business case is a short document – you will not have enough room to include every single benefit or impact to every single stakeholder. You just need to identify the main ones.

For example, if you were remodelling a shop, your landlord would be an important stakeholder – depending on the terms of your lease, you may need to get permission for work to be carried out. However, neighbours could also be important stakeholders, as the remodelling may impact their businesses. If the remodelling is going to restrict customers from going into your shop on certain days or at certain times, this may be the most important impact. Consider the situation and identify what impacts need to be mentioned in the draft business case, and which ones can be left for the full business case.

Make sure to consider the **environmental**, **cultural**, and **social** benefits and impacts. If these are significant, they should be mentioned in the draft business case. For example, if you wanted to remodel a shop front, the *Building Act 2004* requires you to make it wheelchair accessible. While this is a legal requirement and might benefit your business through an increase in customers (as people with wheelchairs would now be able to use the shop more easily), it may also result in a significant social benefit.

If your project has significant impacts, the draft business case should mention any ways you could possibly reduce these. If you do not, your project may not appear desirable to the executive. For example, to reduce an environmental impact, a building project may choose to install energy-efficient lighting to reduce greenhouse gas emissions.

Timeframe

Lastly, the draft business case should give an indication of the project's **timeframe**. This should include:

- **The expected start date** of the project – either an exact date or a range of dates.
- **The expected finish date** of the project – again, either an exact date or range of dates.

To come up with a finish date, you will need to estimate how long the project will take. Do not be over optimistic – it is likely that you will need to do some research, as guesses can be highly inaccurate. If your project involves contracting other parties to do some of the work, consider how likely it is they will be available at the dates you are planning. Look for similar projects that have been done before to help you make better estimates. If you do not have an expected start date, just write down the expected length of the project and include some 'wiggle room' if you are not sure how long it will take.

As you can see from the example below, you can fit quite a bit of information into a draft business case. Even so, remember that it is supposed to be only a brief document – it just needs to gain approval to move to the full business case. Do not be tempted to overdo it.

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 2

Jill Winiata and Bob Bobson had decided to run a hui about sustainability for local business owners and other stakeholders. After Jill had outlined the hui in a quad chart, she and Bob work together to create a draft business case for the hui. This will be presented to the other trustees of the Arohanui Southern Development Trust for approval.

Problem

The environment and waterways in and around our town experience unwanted pollution, resulting in a degraded environment for both wildlife and people. A high percentage of observed pollution comes from local businesses. This is either as waste introduced directly into the environment or as indirect pollution – for instance, packaging used by businesses which is discarded by customers. Photographic evidence of typical pollution in our area is attached (Jill supplied a number of distressing images).

The problem is both individual and systemic. It is individual when businesses have operations that generate a lot of waste and both businesses and private citizens dump their waste into the environment. It is also systemic, since our area's methods for dealing with waste disposal are clearly inadequate.

Solution

The Arohanui Southern Development Trust fully funds a one-day hui for local business owners and other stakeholders. There will be at least five sessions presented by subject matter experts who will explain what can be done by local businesses to improve sustainability and reduce the amount of waste introduced into our local environment. There will also be workshop sessions in which attendees work with experts to explore issues and solutions. It is envisaged that these will include sustainability experts, environmental scientists, and at least one local expert in mātauranga Māori.

Most of our local business owners are like any other resident – they support environmental sustainability. What they lack is information from a trusted source on what they can do, as well as someone to kickstart the process – nobody wants to be the only person doing it, but almost everyone would be happy to do it as part of a general coordinated effort. One of the outcomes of the project will be to get local business owners to sign up to a voluntary agreement to adopt more sustainable practices.

Outcomes (costs, benefits, and impacts)

The total estimated cost for the project is within $10,000. This comprises $1,200 for full-day weekend hire of a conference room and facilities, $1,500 for catering for 60 people, $1,000 for marketing, and up to $5,000 to contract guest speakers and arrange their transport and accommodation (if applicable). No budget has been allowed for project management as it is intended that this work will be done on a voluntary basis by a trustee.

The benefits will be increased awareness of sustainability for business owners. This should lead to some environmental gains for the whole community, including increased protection of important taonga such as local waterways. One potential negative impact is that some business owners may feel singled out or targeted by speakers or other attendees if their business practices are considered particularly bad. Business owners may also feel pressured to make costly changes that they cannot currently afford. As this could affect their willingness to engage, these potential impacts will need to be managed.

Timeframe

Planning and arranging the hui is expected to take around 3 months. We want the hui to be completed by 10 December, this year, so that it avoids the Christmas period, when many business owners will be either very busy or on holiday.

Discussion questions:

- *Consider the example draft business case above. What other information would you like to know about this project? Would you approve the draft business case as is, or would you require changes? Why or why not?*

Key points

- *All projects must be justified by having a business case set out for them.*
- *The business case must be kept up to date with changing circumstances so that the project remains justified.*
- *To assemble the business case, start by organising the information you have already collected – a simple quad chart is a useful tool.*
- *The draft business case should be half to one page of writing that covers: the problem, the solution, outcomes (costs, benefits, and impacts), and the expected timeframes for the project.*
- *When considering the benefits and impacts of a project, think sustainably and consider the effects of what you are doing on society, culture, and the natural environment. Consider adopting Māori values for an alternative means of promoting sustainability.* ❖

Good Life Foods
Toasted
Macadamia Muesli
Good Life Foods
Macadamia
Butter
Good Life Foods
Macadamia
Butter
Good Life Foods
Macadamia
Butter

3.0 Full business case

In the previous section we covered writing the **draft business case**. This short document is the first output of the initiation stage (see Figure 6 in Section 1 of this kōnae ako). It outlines the problem, solution, costs, benefits, impacts, and timeframes for the proposed project.

Next, you will write the **full business case**. This describes in detail why your project is worth doing, how it will be done, how much it will cost, how long it will take, and who will be involved. It also outlines the benefits and impacts of the project along with any risks. The full business case is much more detailed than the draft business case and provides the basis for your project plan as you move through the project life cycle.

However, your full business case is a **living document**. This means that as you go through the stages of the project, you may go back and revise your full business case. For instance, during the planning stage, you might find that the project will take longer than you thought – the full business case will have to be changed to take this into account. This is because **everything in the project must always align with the full business case**.

Remember, the business case is the document that identifies whether the project is worth doing. It has an important role right at the beginning, when you are deciding whether to do the project, as well as throughout the remaining stages of the project life cycle if changes happen. In short, this document helps to ensure your project always makes sense.

Learning outcome covered

2. Develop a full business case for a project.

3.1 Full business case

> ***"A goal without a plan is just a wish."***
>
> *– Antoine de Saint-Exupéry*

After the executive (who could be you) approves the draft business case, you can write the **full business case**. It sets out the reason for the project and demonstrates that the project is:

- **Desirable** – needed, with the benefits outweighing the costs, impacts, and risks.
- **Viable** – able to deliver the product, service, or result, and likely to provide the desired outcomes and benefits.

Once the full business case is approved by the project executive (or whoever is responsible for approving), you move on to the next stage of the project life cycle: **the planning stage**.

Alignment with the full business case

It is important to understand that the full business case is the **foundational document** of any project. In other words, it is the most important document in the project management process. **Everything in the project must align to the business case.** The business case provides **justification** for the project – if you make changes in other stages of the project, you must check back to make sure the business case still holds.

Any change made after the initiation stage needs to be checked to make sure that it still aligns with the business case. For example, imagine you make a change to one of the activities in the project. You would need to check whether the project will still be able to achieve the desired outcomes within the cost and timeframe set out in the business case.

If the change does not align with the business case, and you really want or need to make the change, then the business case must be revised. If you do not check the business case when you make changes, your project might no longer make business sense. You could also be exposed to significant risks if you continue with it.

Factor to consider:

Your full business case will include 'tolerances' – these are variations that provide some 'wiggle room'. As long as the project remains within these tolerances, no changes to the full business case will be needed.

Scope tolerances show how much you are allowed to vary from the scope before you must get permission to make a change. **Cost tolerances** show how much extra cost is acceptable. **Time tolerances** show how much extra time is acceptable. **Risk tolerances** show the level of acceptable risk.

If any necessary changes are identified which are not within these tolerances, you must pause the project. The full business case must be revised, and the initiation stage revisited. You only continue past the initiation stage again when you have approval for the revised business case. Take your time and work carefully when creating your full business case to reduce the chance of needing to revise it later. Tolerances are covered in more detail later in this subsection.

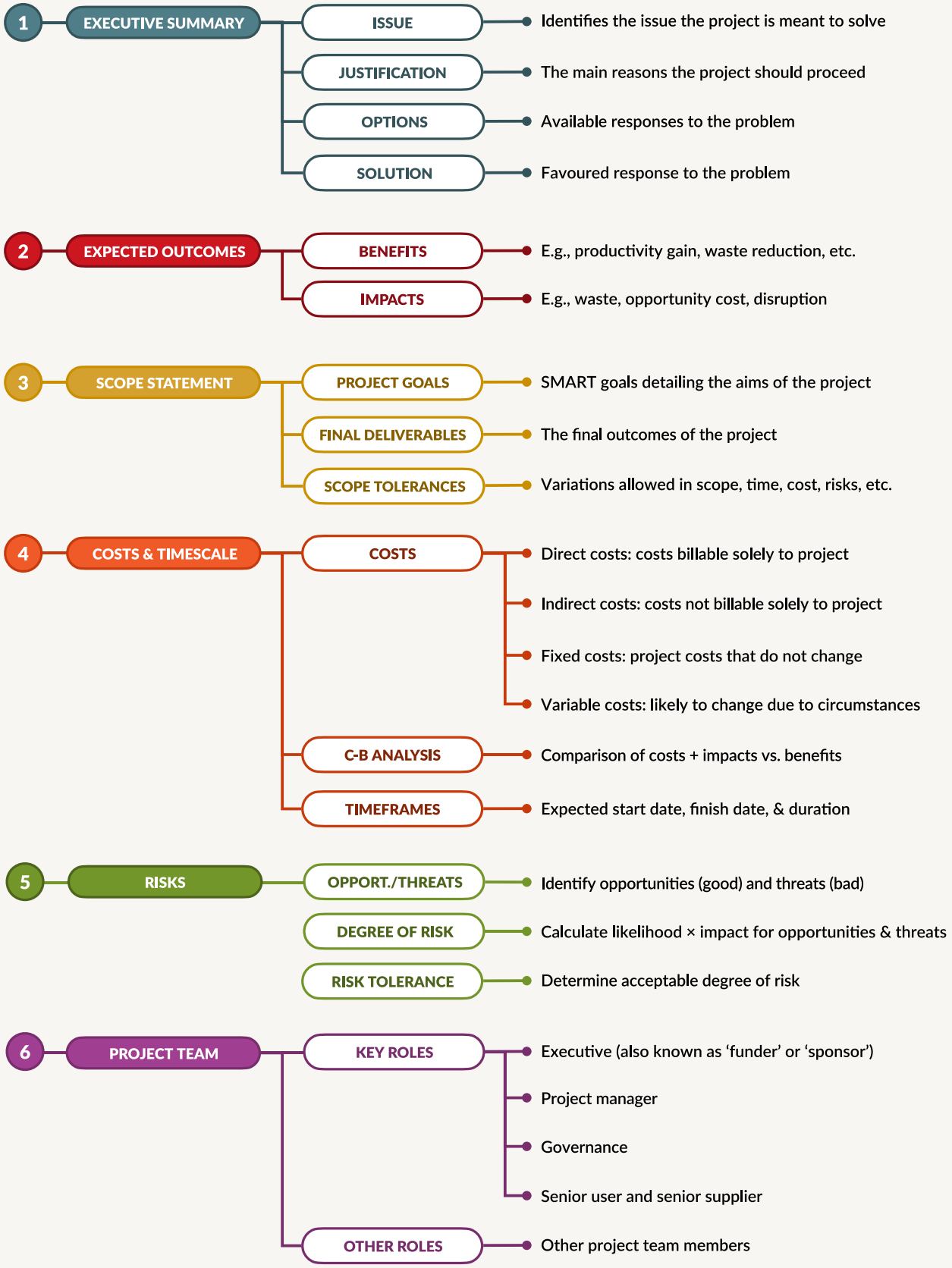
The full business case is important for all stages of your project. At the beginning, it sets out the goals of your project. As the project progresses, it guides the project and keeps the project team on track. When the project is completed, it allows you to measure how well the project went. Throughout this, the business case is a 'living' document. If the project needs to go outside of the tolerances set in the business case, the business case must be updated and approved before work continues.

Contents of the full business case

In project management, the full business case is written according to a standardised format. Figure 16 shows the expected contents of the full business case in the Certificate in Project Management programme. While you may want to add sections to your own business case, Figure 16 shows what **you really need** to include. The rest of this subsection covers each of the parts of the full business case in detail.

Figure 16: Contents of the full business case

CONTENTS OF THE FULL BUSINESS CASE



TĪWHIRI:

Changes to the business case, and the reasons for those changes, should be recorded. This record is kept in a change log / issue log (see Kōnae Ako 2, Section 5). Again, when a major goal or outcome is changed in the business case, you should stop the project. You will need to make sure the business case is approved, and that the project aligns with the business case, before continuing.

3.1.1 Executive summary

The executive summary is an expanded version of the first two parts of the **draft business case**. It explains:

- the **issue** that creates the **need** for the project,
- the **justification** (reasons) for why the project should proceed,
- the **available options** for meeting the need, and
- the particular **option** that you think is best.

Unlike the similar parts of the draft business case, the executive summary in the full business case will be much longer and more detailed. For a very small project, the executive summary could be only a few paragraphs. For a large project, it could be several pages long.

The issue

This describes the **issue** or **problem** that creates the business need that the project will solve. You must go into detail and explain **why it is an issue** and **what is causing it**. Supply any relevant evidence that would help convince the person reading the business case that the problem is **real**. It is especially important to describe the causes of the problem – you may have to do some research to identify the causes.

For example, if your issue is declining sales, this could be for any number of reasons. Perhaps it is because your competitors have increased their own marketing efforts, reducing awareness of your product within the target market. A market research survey might identify that this is the actual cause of the problem – if so, you could attach the full survey results to the business case.

The justification

Not every issue demands a solution – some issues are very minor. A **project justification** shows that the issue is significant enough that action needs to be taken. Above all, the project justification shows that you have good reason to do the project.

For example, if the issue is declining sales, you need to show that the decline in sales is bad enough to require a project as a response. If it is only a small decline, you may be able to boost sales by using some of your existing marketing budget to run an extra digital marketing campaign for the week. However, if the decline in sales is significant and does not show signs of improving, you have a good reason to carry out a project to do something about it. On the other hand, if the issue is that you simply want to increase sales, you need to explain that the project would increase profits enough to make the effort worth it.

Just give a general overview of the justification here. You will cover the expected benefits and impacts of the project later in the business case – these will show in detail what you expect the project to achieve. Keep in mind, however, that if things change and you no longer have a good reason for the project, it will have to close early.

The options

Next, the executive summary should show the **business options** for solving the problem. There are three basic options to consider:

- Do **nothing**.
- Do the **minimum required** to meet the need.
- Do something **greater than the minimum**.

Always include the 'do nothing' option – it can be compared to the other options, which require spending time and money. However, in most cases, doing nothing is not really an option. If you were going to do nothing, you would not need to prepare a business case or project plan.

The difference between 'do nothing' and 'do the minimum' or 'do something' is the benefit that the project will deliver. It provides the answer to the question: is this option more desirable than the other options available and viable at the same time? Doing more than the minimum is generally riskier but is likely to offer higher rewards.

TĪWHIRI:

You may want to describe other options, especially if you expect the executive to favour an alternative to your proposal. For example, if the issue is that sales have reduced and your solution is to update the product to a new version, others might suggest keeping the old version and reducing prices instead. In the next part of the executive summary you would then explain why the alternative is not the best solution.

The solution

The full business case must then offer a **solution** to the business need you identified. That is, identify which option you have chosen. Think carefully about whether you would like to do the minimum to solve the problem or something more. Whichever you choose, it must be realistic. In other words, it must be something you could do in a reasonable amount of time for a reasonable cost.

Whichever option you choose, you need to explain why you chose that option over the others. Work out the best reasons for your option and make a list of them. While one good reason can be enough, the more you have, the better your decision is likely to be.

TĪWHIRI:

While you should start your full business case by writing the executive summary, you may find that you learn more about the project while writing the full business case. You can keep updating the executive summary as you go along, and you should review it once more after you have completed the rest of the full business case.

E HEI TAUIRA:

Eample: Arohanui local business sustainability initiative – part 3

Having received approval from the Trust for the draft business case, Jill Winiata writes the executive summary for the full business case. She uses the draft business case as the basis, but adds more detail, including documents and evidence where available.

Issue

The land and waterways in and around our area are experiencing unwanted pollution, resulting in a degraded environment affecting people, animals, plants, and ecosystems. Recent evidence (see attached) shows a high percentage of this pollution is related to business activities. This is either waste directly produced by businesses as a result of their operations (e.g., atmospheric emissions or discharged into the wastewater system) or indirectly through consumption of their products (e.g., discarded packaging or used products). Some of this waste, such as microplastics in waterways, appears invisible even as it affects the environment.

The issue is both individual and systemic. It is individual when businesses and private citizens dump their waste into the environment – in this respect the issue is often a behavioural problem. However, the issue is also systemic, since our area's methods for dealing with waste disposal are clearly inadequate and individuals often pollute through lack of better options.

Justification

The amount of waste in our local environment negatively affects local citizens and harms the natural environment. For instance, use of local rivers for recreation is spoiled by constantly drifting rubbish. Parks and streets are filled with garbage. Air quality is affected by industrial emissions and burning of fossil fuels, which contribute to climate change. Plastics are not biodegradable and will usually stay in the environment, where they can harm local wildlife and perhaps eventually human beings. For our local kaitiaki, water – especially the river – is a taonga. The river's mistreatment is both a cultural and environmental harm.

Local businesses are a major source of this waste even though most of our local business owners support environmental sustainability. What they lack is awareness of the extent of the problem and information from a trusted source on what they can do. They also need someone to kickstart the process – nobody wants to be the only person doing it, but almost everyone would be happy to do it as part of a general coordinated effort. This means it is worth doing something to increase awareness of the issue and solutions and to promote sustainable business practices in the community.

Options

The options available to the Arohanui Southern Development Trust are:

1. *Do nothing, and waste will continue to pollute our environment.*
2. *Spend a minimal amount on an informational campaign to inform and persuade local businesses about sustainability.*
3. *Hold an informational hui to get together businesses and other stakeholders (such as the council) to sign a voluntary agreement to work towards more sustainable practices and waste reduction.*

Example continues →

Solution

Doing nothing is not really an option, and past experience has shown that sending out leaflets, putting articles in the paper, or doing social media posts has very little impact. What is required is to get all stakeholders together to inform them, hear their concerns, and work with them to develop a vision for sustainable business in our area.

The Arohanui Southern Development Trust will fully fund a one-day hui for local business owners and other stakeholders (including council and local kaitiaki). There will be five one-hour sessions presented by subject matter experts. They will explain what can be done by local businesses to improve sustainability and reduce the amount of waste introduced into our local environment. It is expected that these experts will include sustainability specialists, environmental scientists, and at least one local expert in mātauranga Māori. The information sessions will be followed by a general hui which will aim for a signed agreement in which attendees pledge to adopt sustainable practices.

It is anticipated that the small amount spent on this hui will be the spark our business community needs to start an intentional sustainability journey for the benefit of everyone and the local environment.

3.1.2 Expected outcomes

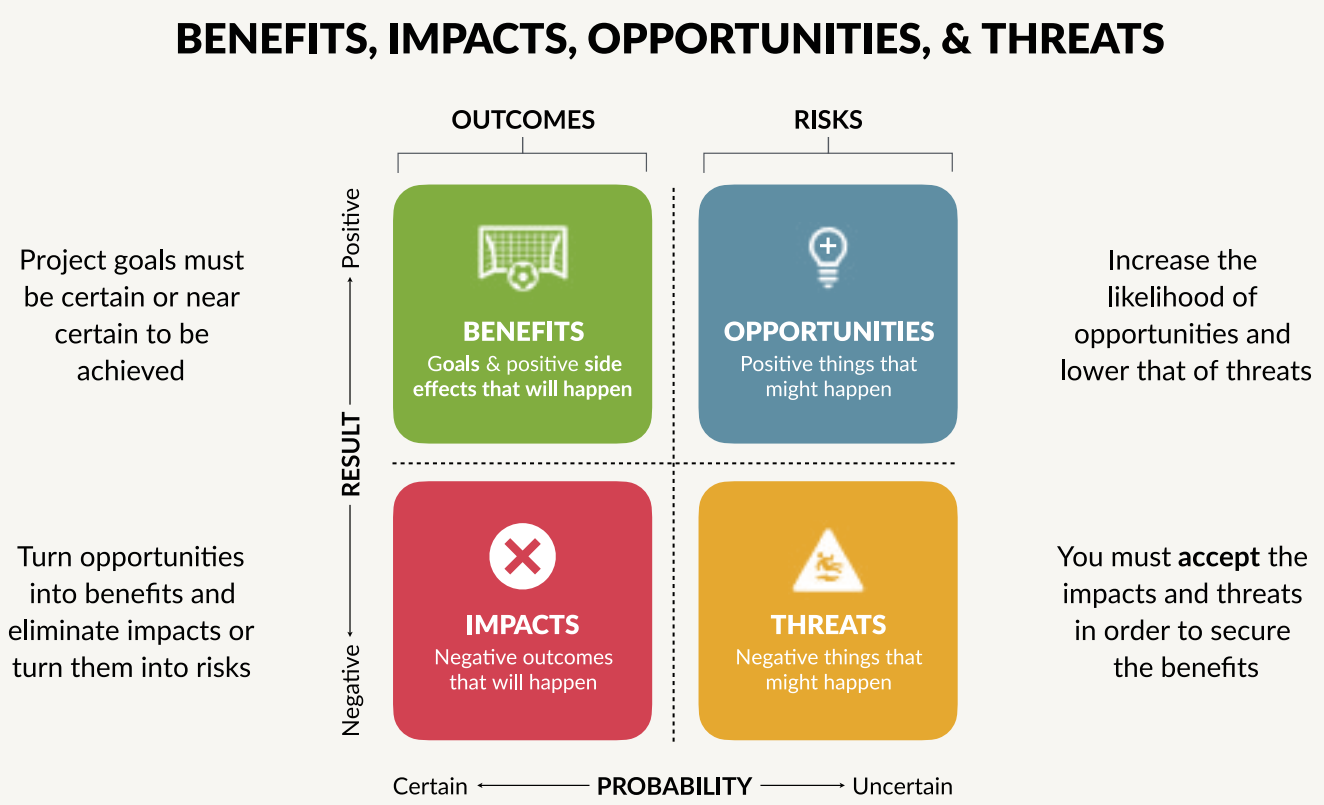
The business case outlines the **expected benefits** and **expected impacts** of your project. This helps you decide whether the project is worth undertaking. You have already made a start on this in your **draft business case** – in the full business case you will expand on your earlier work, providing more detail and more evidence.

Understanding project benefits and impacts

In project management, a **benefit** is a good outcome that **will** happen if you carry out the project, and an **impact** is a bad outcome that **will** happen. These are outcomes you know or are reasonably certain about. Benefits and impacts do **not** include good or bad things that **might** happen – these are called **'risks'** and are dealt with separately in the full business case (see Section 3.1.6).

Figure 17 shows the relationship between benefits, impacts, and risks. Risks include good risks, which are called **'opportunities'**, and bad risks, which are called **'threats'**.

Figure 17: Benefits, impacts, opportunities, and threats



All benefits and impacts will relate to **stakeholders** (and perhaps other things like the natural environment will be treated as stakeholders if you use the multiple bottom line – see Section 2 of this kōnae ako). As before, you will need to consult or create your **stakeholder register** and make sure it is complete. This lists **all** stakeholders, their **relation** to the project, and how the project can **affect** them. You must have this information to work out the benefits and impacts of your project.

Expected benefits

Expected benefits are **positive** things that are **reasonably certain** to result from the project. List each benefit you expect the project to provide. Include short-term, medium-term, and long-term benefits for both internal and external stakeholders.

Expected benefits help you work out whether your project is desirable. The project's **main goal** or **goals** will contribute the most benefits. Remember, you undertake the project to produce a particular output

(a product, service, or result). This output results in changes, called an outcome. However, what the business actually wants is the **benefit** provided by that outcome. For example, if the project is to provide a new product for sale, the expected benefit is the sales of that product, not the product itself.

Projects can provide many kinds of benefits. Some are easy to give a monetary value, but for others it is harder. For example, if you know the price of a new product and have a good idea about how many units you will sell of it, you can work out the expected revenue that product will bring to a business.

On the other hand, some things will obviously benefit a business, but it is not clear by exactly how much. Some examples include:

- New equipment bringing benefits in terms of increased productivity, improved health and safety, and lower maintenance costs.
- A new social club for employees bringing benefits in terms of team development and improved employee morale.
- Better environmental practices bringing benefits in terms of reduced waste and a lower impact on the environment.

While it is not as straight-forward, there are ways to measure most of these benefits. For instance, increased productivity may be measured by the increased profit from the same amount of sales.

Where possible, describe how and when each benefit can be measured – this lets you make an informed judgement about the value of your project. Even so, the benefits shown in your business case are estimates – as you go through the project life cycle, you will get a better idea of what the final benefits will be.

Expected impacts

Impacts – sometimes known as **dis-benefits** – are the **negative** outcomes of your project that are **reasonably certain** to happen. They will affect at least one stakeholder and possibly more.

Some impacts may be direct results of the project's **goals**. For example, if your project involves converting a sports field into a car park, people will no longer be able to use the sports field. These are usually **permanent impacts**. On the other hand, some impacts may be side effects of the **project work**, such as the noise and mess created during construction – these are usually **temporary impacts**.

Factors to consider:

Consider using tools like the multiple bottom line when evaluating the benefits and impacts. You may also consider evaluating benefits and impacts according to Māori values, such as kaitiakitanga or kotahitanga (see Section 2).

Discussion questions:

- *Why do you need to consider all stakeholders when thinking about benefits and impacts? Why not focus on the benefits and impacts to the business?*
- *Why should you try to measure impacts and benefits?*

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 4

Expected outcomes

The expected benefits of the sustainability hui are:

- *Increased awareness of sustainability issues and solutions among the local business community.*
- *A signed commitment from local business owners to pursue more sustainable options.*
- *Lowering the amount of waste introduced into the environment, reducing the need for remedial actions. Less use of unsustainable resources such as fossil fuels. Increased use of sustainable alternatives such as biodegradable packaging.*
- *The council estimates that a 50% reduction in waste introduced into the environment would save the local council around $12,000 annually in clean-up costs. Reducing business waste sent to landfill by 33% and looking to reduce use of unsustainable materials would save around $50,000 a year over the long term by prolonging the expected lifetime of the existing landfill.*
- *Improved recreational value of the local environment (for anglers, walkers, cyclists, etc.).*
- *Strengthened relationships between local businesses, council, and kaitiaki (local iwi).*
- *Improvements in the profile of the local area and local businesses as they set a national example for sustainable business.*

The expected impacts are:

- *Local businesses may have to make changes to their operations and products – these may mean additional costs for them, at least in the short term.*
- *Local business owners and other stakeholders will have to take a weekend day to attend the hui.*

3.1.3 Scope statement

The **scope statement** defines a project's **scope**. It is one of the most important parts of the business case, and one of the most important documents in the whole project. This is because the project's scope statement describes exactly **what** will be done in the project and **what** it will achieve. It shows what is and what is not part of the project and states as clearly as possible the **final deliverables**.

D DEFINITIONS:

Project scope: The work performed to deliver a product, service, or result with the specified features and functions.

Project scope statement: The description of the project scope, major deliverables, and exclusions.[21]

PMBOK. (2021).

A scope statement is important because it commits you and your project team to producing **exactly what is described in the statement**. It sets **clear limits** and **clear expectations** for what must be done.

[21] Project Management Institute. (2021). p. 246.

Project goals

The scope statement describes the goals of the project in great detail. For example, if one of the goals of a project is a new product, the scope statement should describe the appearance, functions, and features of that product in detail.

When setting goals (for a project or anything else), always look to set SMART goals (see Figure 18). Making your goals SMART gives you the best chance of reaching them.

Figure 18: SMART goals

A brief explanation of the SMART criteria is as follows:

- **S – Specific.** A specific goal clearly sets out what we want. It tells us **exactly** what is expected or wanted. A specific goal might also say **why** you want to achieve something, **who** will be involved, and **where** it will take place. The more precisely you can describe the goal, the better.
- **M – Measurable.** A measurable goal might (for example) tell us how much of something we need, or exactly what increase (or decrease) in something is required. The reason why we need our goals to be measurable is because we need to track our **progress** towards them.
- **A – Achievable.** Setting an achievable goal makes sure that it is possible to get what we want. A goal needs to be something that you can 'tick' off your list as having been completed. This means it must be **realistic** and within reach.
- **R – Relevant.** A relevant goal is related to our wider purposes. For example, a business looking to increase profits might set a goal of increasing productivity. A relevant goal is one that is worthwhile and appropriate to pursue right now.
- **T – Timeframed.** Having a set timeframe tells us when we need to achieve the goal and motivates us to achieve the goal on time. It helps us to stay focused on the goal and not get distracted.

The scope statement makes it easier to manage stakeholders by ensuring they understand what the project is about. And, at the end of the project, you can look at the scope statement to work out whether the project was completed successfully.

The project team and stakeholders must agree to the scope statement before the project enters the planning stage.

Final deliverables

A scope statement includes the **final deliverables** of the project. These are the things the project manager is supposed to hand over to the executive once the project is done. For example, if a kindergarten is replacing an old playground with a new one with five pieces of equipment, the final deliverables must include the new playground and those pieces of equipment. The final deliverables are **necessary** to meet the overall goals of the project.

The final deliverables need to be described in great detail. The more clearly you define them, the more likely you are to achieve them. Make sure they are stated in clear, specific, and measurable terms. For example, if you are building a wheelchair ramp, the exact measurements of the ramp (such as width, length, handrail height, and building material) must be detailed in the scope statement.

The scope statement can include things that will **not** be done, known as 'exclusions', as well as what **will** be done. For example, when building a new children's playground, the project must use the ground already cleared for the old playground – landscaping is excluded from the project.

Scope tolerances

As you proceed through a project, you may make changes. The scope statement tells you what changes you can make while still keeping within scope – if there are any changes **outside** scope, you will need to revise the business case and seek approval from the executive again.

To help accommodate changes more easily, the scope statement can also include **scope tolerances**. A tolerance is the amount you can go over or under a project's specifications before you need permission to make a change. They are agreed upon during the initiation stage so that everyone knows how much can change without the business case having to be revised.

DEFINITION:

Tolerance: The acceptable deviation between what is estimated and what is actually delivered.[22]

AspireEurope.com. (n.d.).

There are two main types of scope tolerance:

1. Tolerances around project **deliverables**, and
2. Tolerances around the **features** of project deliverables.

The first type of scope tolerance involves tolerance around the importance of project deliverables. In most cases, you cannot 'go over or under' when it comes to the final deliverables. The scope sets out what deliverables need to be produced, and there is no room for variation. However, there can be a scope tolerance which makes some deliverables more important than others.

For example, assume a software engineering firm is hired to produce a simple smartphone app. The project scope is to produce a messenger app capable of handling text-based messages. The scope tolerance is that, if there is enough time and money left in the project's budget, the executive would like the software engineers to build in the ability to send and edit pictures as messages. However, if this is not possible, the executive is fine with text-based messaging only. In other words, some deliverables are **essential** while others are **optional**.

The second type of scope tolerance involves tolerances around the features of project deliverables. This is sometimes called a **quality tolerance**. This tolerance is about providing flexibility when producing a deliverable.

For example, assume a furniture-maker is required to build a custom-made rocking chair for a client.

[22] AspireEurope. (n.d.).

The scope is to produce a chair made out of cherry wood. The scope tolerance is that, if the furniture-maker cannot find cherry wood or cherry wood is too expensive, they can make the chair from walnut or oak. The furniture-maker can alter the kind of wood used without needing permission from the client.

Scope creep

The scope of a project and scope tolerances are important because they make sure all team members and stakeholders have a detailed idea of the goals of the project. This helps avoid **scope creep**.

DEFINITION:

Scope creep: The tendency for the scope of a project to expand once it has started.[23]

Project Management: The Managerial Process. (2014).

Scope creep is where the project scope expands over time. Projects are often at risk of getting larger and more expensive as requirements, specifications, and priorities keep changing. Scope creep can sometimes have a good effect on a project, but usually it means added costs and delays.

When a project experiences scope creep, it is a sign that **the project manager has lost control**. When you make a business case, you make it for a **specific project**. If the scope of the project keeps changing, it is no longer the same project, and the business case may no longer apply.

Scope creep can be reduced by a clear and detailed scope statement. A scope statement that is too broad makes scope creep more likely. A clear and detailed scope statement also helps you work out the project's costs, timeframes, and risks (see below).

Note that a project's scope sometimes **must** be changed. Even the best project manager cannot plan for everything. Sometimes, for example, you will find that you cannot achieve everything you wanted. If this happens while everyone is working on the project, you cannot just make a change to your plan and continue.

You must revise the business case to make sure that what you are doing will benefit your business.

Discussion questions:

- *What is the purpose of the scope statement?*
- *If your scope statement is very detailed, it is more likely that changes will need to be made. Why then is it better to have a detailed scope statement than a broad scope statement?*
- *Why do you think projects provide tolerances for things like scope, cost, and time?*

TĪWHIRI:

It can be helpful to brainstorm and list the assumptions and constraints that will affect your project.

An **assumption** is something you assume to be true for project success – for instance, that a team member with specialised skills will be available when needed or a supplier will deliver materials on time. You should write assumptions about people, resources, places, things, or anything else that you expect to be available at a certain time, perform in a certain way, and so on.

A **constraint** is a limitation that affects the project – for instance, scope, time, and cost constraints. Other constraints could, for example, include uncertain access to required equipment, unrealistic stakeholder expectations about the project schedule, or lack of skilled workers.

It is important to consider these assumptions and constraints. Assuming something to be true when it is not, or not taking a constraint into account, can result in project failure. Once you have listed them, you can then **verify** them. For example, if you are assuming that a key person is going to be available to work on the project, you must check that they will be available when required.

[23] Gray, C.F., and Larson, E.W. (2014). p.109.

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 5

Scope statement

The final deliverable of the project is to hold a one-day business sustainability hui in a local venue (within 15km of the town centre) on a weekend day before 10 December, 2026. Details are:

- *The desired venue must have the capacity to host up to 90 people at one time. It must also have the required PA system (microphones and speakers) and projection equipment (screen, projector, and computer) available.*
- *It is essential that venue hire and catering be sourced from local suppliers. In accordance with the trust's existing policy, the trust will look to fulfil these needs with diverse suppliers first.*
- *There will be preferably five one-hour sessions delivered by subject matter experts. These will be 40 minutes of delivery with a 20-minute question and answer period. Tolerances: depending on availability, the hui may still go ahead if there are only four subject matter expert sessions if an alternative session (such as a workshop) that is relevant and useful to the desired outcome can be delivered.*
- *At least one session will be delivered by an expert in mātauranga Māori. This is expected to be a member of the local iwi. The hui may still go ahead if this cannot be arranged.*
- *A final session (estimated at 1.5 hours, but may run overtime) where participants will attempt to come to an agreement about moving forward with sustainable practices and sign a pledge. This session is essential and must take place.*
- *The hui will start at 8:45am with a welcome. The sessions will run between 9am and 5pm. There will be morning and afternoon breaks of 15 minutes and a lunch break of up to 45 minutes. If the start time is too early for participants, it may be moved up to one hour later.*
- *The hui will be arranged and fully catered for 60 participants (the estimated number of attendees plus organisers and speakers). It is expected that 45 participants will be local business owners. The other 5 are expected to be council and iwi representatives. Tolerances: the hui realistically needs at least 30 participants but could accommodate up to 90 if there is interest. Anything above 90 will incur increased costs and will require a revised business case and permission from the trust.*
- *A basic webpage advertising the event will be created and hosted on the trust's website. The event will also be promoted through the trust's social media accounts and business networks.*

3.1.4 Costs

The business case gives a rough estimate of the costs of your project. While it is only an estimate, this part of your business case should also be quite detailed. This is important because:

- It allows you to do a **cost-benefit analysis** to see whether your project is worthwhile (see below).
- It gives you the basis for your **project budget**.
- It allows you to see if you have **enough money** to complete the project.
- It allows all relevant stakeholders to **understand the costs** of the project.

Use the scope statement to help work out the project costs. To do this, look at the final deliverables, and work out what steps must be taken to produce them and what costs are associated with those steps. Think about the costs of similar projects, or similar activities that will be part of your project. If you will need to hire contractors, call them to get a quote or an estimate on how much their work will cost.

Direct and indirect costs

When estimating costs, think about the different kinds of costs involved. The direct costs may be obvious, but it is easy to overlook the indirect costs.

- **Direct costs** are costs for resources solely used for your project. Common examples include:
  - Salaries for team members to work on your project.
  - Specific materials, supplies, and equipment for your project.
  - Travel expenses while performing work on your project.
  - Subcontractors that provide support specifically for your project.
- **Indirect costs** are costs for resources that can support more than one project or business activity but cannot be charged directly to any of the projects or activities. Examples include:
  - Overhead costs, which are costs for your project that are hard to separate from other business costs, such as benefits provided to employees or rent paid for office space.
  - General costs, which are costs for your business that are not directly linked to one project, such as accounting or advertising.

Your time can also be considered as an indirect cost. For instance, if you are a business owner and you carry out a project, you will allocate time to that project which could instead be spent on other things, such as making sales. Spending time on a project may 'cost' you in lost sales.

Factor to consider:

Remember that, in project management, 'costs' **only** refers to things which have a value in money. Other costs – such as time away from family – should be listed under 'impacts'.

Fixed and variable costs

A project may also involve both fixed and variable costs. A **fixed cost** for a project is one that must be paid no matter what. For example, if you have to buy special equipment for the project, the cost of this will be the same regardless of how much work you do or how long it takes.

On the other hand, **variable** costs are likely to change. For example, if the project changes or is delayed, you will probably have to pay more wages, or, if the project requires more materials than expected, you will have to buy more materials.

Cost-benefit analysis

A project is desirable if the impacts and costs are less than the benefits. The business case should show that the project's benefits make the project worth doing even with its costs and impacts. You can work this out using a cost-benefit analysis.

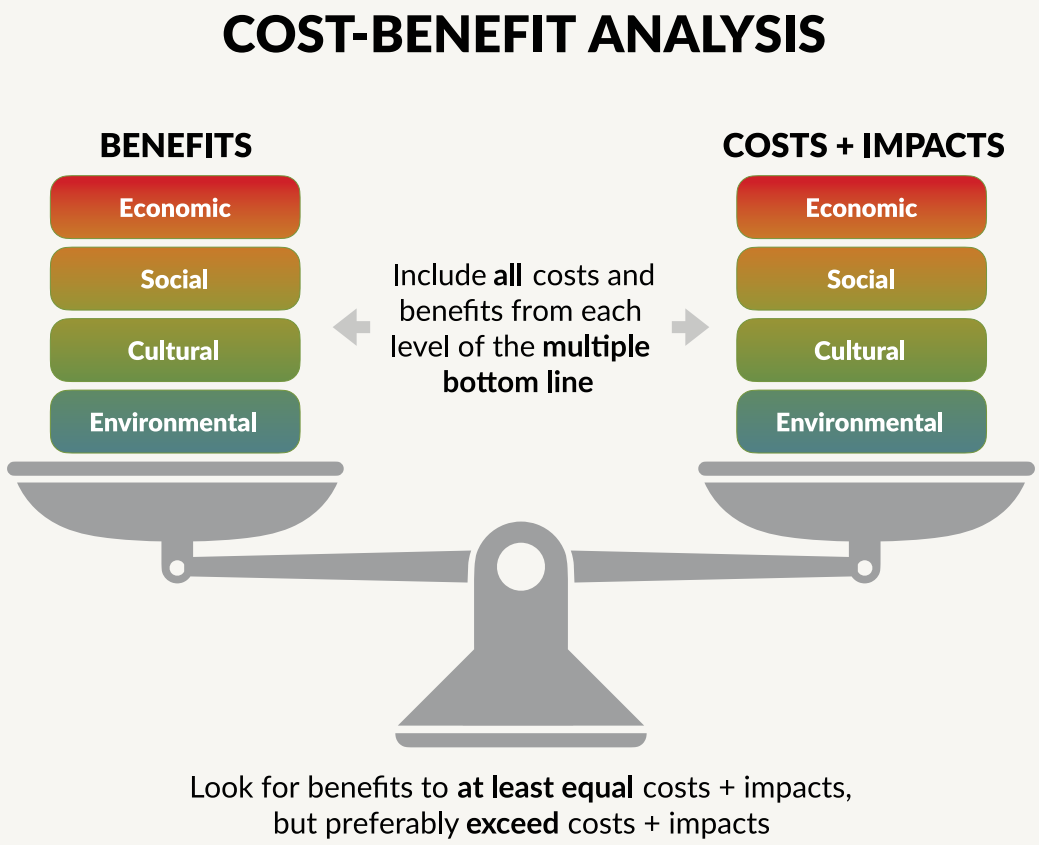
A **cost-benefit analysis** is a simple technique for comparing a potential project's costs and impacts to its benefits. It works like a pair of old-fashioned scales (see Figure 19), with the costs and impacts on one side, and the benefits on the other. Do not go ahead with a project if the costs and impacts outweigh the benefits. On the other hand, if the benefits outweigh the costs and impacts, then it is likely to be worth doing.

DEFINITION:

Cost-benefit analysis: A financial analysis method used to determine the benefits provided by a project against its costs.[24]

PMBOK. (2021).

Figure 19: Cost-benefit analysis



Step 1: Add up all impacts and costs

The first step of a cost-benefit analysis is to identify all anticipated impacts and costs of the project. This includes listing:

- **monetary costs**, such as paying the project team, materials, or travel expenses, and
- **non-monetary impacts**, such as time, lost production on other tasks, or disruption to the community.

Try to work out the cost of all impacts. For some, it will be quite easy to assign a monetary value. For example, if one impact is lost production on other tasks, you might be able to work out the value of sales you will lose from not producing as much. However, the 'cost' of other impacts will depend on your own views and values. For instance, if an impact involves a beautiful view that staff members enjoy being blocked by a building, it can be difficult to work out the financial value of that view.

Keep in mind that, as shown in Figure 19, you should include all levels of the **multiple bottom line**, including social, cultural, and environmental impacts. For example, if someone ignored the environmental impacts of a project, their cost-benefit analysis might show a project is worth doing, but the project would actually damage the environment so much as to outweigh any of the benefits.

[24] Project Management Institute. (2021). p. 237.

Factor to consider:

It can be difficult to assign a money value to impacts. This is especially the case for things like social and environmental impacts. In these instances, you must use your own **judgement** to measure an impact. For example, does a minor increase in business profitability justify draining a wetland or annoying the local community?

Step 2: Add up all benefits

The next step of a cost-benefit analysis is to identify all anticipated benefits from the project. This includes listing:

- **monetary benefits**, such as increased revenue from products / services or decreased production costs, as well as
- **non-monetary benefits**, such as decreased production times, improved job opportunities, or increased staff satisfaction.

As with impacts, try to assign a monetary value to non-monetary benefits. Again, make sure to identify any multiple bottom line benefits.

Step 3: Compare total impacts and costs with benefits

The third step in a cost-benefit analysis is to compare the impact and costs with the benefits to determine if the project is worthwhile. If the total impacts and costs are much greater than the total benefits, the project **is not worthwhile**. If the total impacts and costs and total benefits are roughly equal, revise the project to see if there is another approach that would **make it worthwhile**. If the total benefits are much greater than the total impacts and costs, the project **is worthwhile**.

Since it can be difficult, or even impossible, to determine the exact impacts, costs, and benefits of a project, it can be extremely difficult to compare them. The value placed on non-monetary impacts and benefits can vary widely from person to person, making it even harder to assign a monetary value. But even if you need to make a judgement call about the value of these impacts and benefits, doing a basic cost-benefit analysis can help you decide whether to pursue your project or not.

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 6

Costs

The estimated costs and cost tolerances are as follows.

- *Venue hire: $1,200 (with a tolerance of up to $300 more)*
- *Catering: $25 per head x 60 = $1,500 (tolerance for 90 persons = $2,250)*
- *Marketing: $1,000*
- *Guest speaker fees, travel, and accommodation: $5,000 total (average of $1,000 per guest speaker)*
- *Tolerance of up to $250 for additional costs*

These are all direct costs. The main variable costs are catering and fees and travel costs for speakers. The value of these will depend on how many speakers and participants will attend, and whether the speakers need to travel and stay overnight. For example, if it is clear that over 60 people will attend, the catering order will have to be changed to make sure there is enough food for everyone.

There are no costs associated with organising and managing the project as this will be done by volunteers from the trust. The total estimated cost for the project will be $8,700 with a cost tolerance of up to an additional $1,300.

Cost-benefit analysis

*The total **cost** and **impact** of the hui will be $8,700 plus participants' time and the costs of any sustainability improvements to local businesses (and perhaps council). Depending on the circumstances, the total financial cost of the hui could rise to $10,000.*

*Estimated **financial benefits** include: $12,000 reduction for council in annual clean-up costs and $50,000 a year over 30 years by extending the life of the current landfill. This will be accompanied by any benefits realised by participant businesses through efficiency gains created by switching to more sustainable business practices. There will also be a financial benefit to the local event centre and a local caterer who will be hired for the project.*

*Estimated **non-financial benefits** include: increased recreational value of environment and a cleaner town for everyone (social benefits), healthier waterways and ecosystems (environmental benefits), and a significant cultural benefit to local iwi, especially if they were to actively participate in the project.*

At present, it would appear that the benefits significantly outweigh the costs and impacts. However, some future costs may be unknown as they depend on the outcomes of the hui. For example, an outcome could be that the council installs more rubbish bins in affected areas, which would cost money. Similarly, what the subject matter experts tell us may affect which solutions are adopted and their associated costs.

3.1.5 Timeframe

A business case includes an estimate of the **project timeframe**: how long the project will take and when the benefits will take effect. Give your best estimate of when work will start, how long it will take, and when it will finish. If any benefits will be realised later, estimate the timeframe for that. Check to see that you can actually complete the project before any hard deadlines – if you cannot, the project will not be feasible.

Do not worry if you do not have an exact timeframe yet. In the planning stage, you will work out your project's **schedule** in detail. You can then revise the full business case if needed.

Factors to consider:

As with scope, **cost and time estimates should include tolerances**. These provide for going over or under by a set amount without having to get approval for changes.

Scope, cost, and time tolerances are all related. For example, if your time tolerance allows that the project can go as much as a week late, your cost tolerances must allow for the additional week's wages. Similarly, if the scope statement allows for more expensive materials to be used if the preferred ones are not available, your cost tolerances must reflect this.

Tolerances on cost and time are usually a simple 'plus' or 'minus' on the budget or date:

- **Cost tolerances** are applied as a percentage or as a cash amount against estimated costs. For example, on a $10,000 project with a 10% tolerance you can spend up to $11,000 ($10,000 x 1.1) before having to ask for approval for more spending. Or you could just set the tolerance for this project at $1,000.
- **Timeframe tolerances** are applied as the amount of time you can be over or under your estimated project completion dates. For example, on a 3-month project with a one week tolerance you can deliver one week earlier or one week later.

For both cost and time estimates, past experience is the best guide. During the planning stage you will get a better idea of costs and timeframes. You will then be able to refine your tolerances.

Discussion questions:

- *Given that you prepare a detailed budget in the planning stage of project management, why should you still try to have reasonably accurate estimates of costs in the business case?*
- *What are some examples of how project scope, cost estimates, and timescale estimates depend on each other?*

HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 7

Timeframe

The timeframe for the actual event is a single day from 8:45am - 5pm. However, access will be needed to the event premises earlier to set up the site and test the equipment. Clean-up after the event may take an additional hour.

*The event **must** occur on a weekend day before 10 December, 2026. It cannot occur on any holiday weekend, as this would impact attendance. Participant numbers are expected to be finalised **three weeks** before the day of the event. Speakers, venue, and catering are to be arranged at least **two months** before the date of the event. Since it is currently early July and the project is expected to be approved in the middle of the month, the total length of time for the project is approximately four months.*

3.1.6 Risks

The full business case includes **outcomes** (see Section 3.1.2), which are good or bad things that **will happen** or are **almost certain to happen** (called **benefits** and **impacts**). However, there are also good and bad things that **could happen** – these are called **risks** (see Figure 17 above).

The full business case must list **all significant risks** that might affect the project. It must explain:

- **what** these risks are,
- how **likely** they are to happen, and
- what **effect** they would have on the project if they did happen.

Risks change constantly, so this part of the business case must be updated constantly as well.

DEFINITION:

Risk: An uncertain event or condition that, if it occurs, can have a positive or negative effect on one or more objectives.[25]

PMBOK. (2021).

Factors to consider:

Every project has risks which the project manager must manage. Since a project is not 'business as usual' and often involves doing something new, it creates risk. The following factors increase risk:

- The longer your project lasts.
- The longer the time between preparing your project plan and starting the work.
- The less experience you and your team members have with similar projects.

Consider these factors when you are listing risks. For example, if an activity is normally not risky, but riskier for you because you do not have experience, note this down.

Threats and opportunities

In ordinary English, the word 'risk' usually has a negative meaning – usually it means the **possibility of harm**. In project management it is used slightly differently. In project management, **not all risks are bad**.

Bad risks (those that have negative effects) are called **threats**. For example, unexpected bad weather may be a threat because it could cause delays to a project. However, some risks are good (can have positive effects) and are called **opportunities**. For example, a stretch of unexpected good weather could mean that you can finish the project ahead of schedule.

You can (and often should) consider risks in your cost-benefit analysis. For example, a significant threat will make a project less attractive, while a significant opportunity will make it more attractive.

Identifying risks

The first step toward managing risks is **identifying** them. You start to manage risks in the business case, and then continue to manage them throughout the rest of the project. Spend some time looking at the threats and opportunities that might affect the project.

TĪWHIRI:

Risks are greater in the early stages of a project (see Section 1.3). However, risks have a lower impact if they occur earlier rather than later. If something happens during the planning stage, little or no money would have been spent and you can simply develop a new plan that deals with the issue. In comparison, when something happens part way through implementation, there is a higher chance that it will cost extra time and money to fix the problem. Identify risks as best you can in the early stages of a project – this will allow you to manage them better.

[25] Project Management Institute. (2021). p. 248.

The degree of risk

We work out the degree of risk (that is, the 'level of risk') based on two factors:

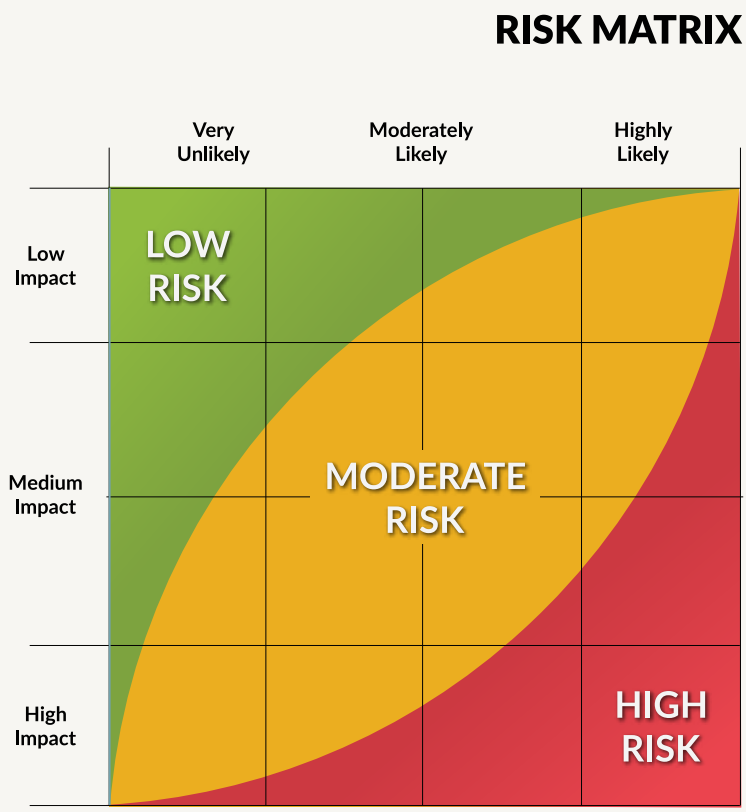
1. How **likely** it is that the threat or opportunity will happen. For example, bad weather is quite likely, but a volcanic eruption or major earthquake is extremely unlikely.
2. The **impact** of the risk. Bad weather can have a small or moderate impact on a project, but an eruption or earthquake could have a huge impact.

Use the following equation to measure risk:

Likelihood × Impact = Degree of Risk

This can be shown in a **risk matrix** (see Figure 20). The threat of a volcanic eruption or major earthquake would be at the lower left corner of the matrix. The threat of bad weather would be towards the top and in the middle.

Figure 20: Risk matrix



RISK MANAGEMENT

The **risk matrix** shows you how much you have to care about particular risks.

In general, look to take action to reduce the **likelihood** and **impact** of **threats** (bad risks).

This means moving threats **upwards** and to the **left** on the risk matrix.

Threats in the lower-right corner that cannot be reduced indicate that your proposed course of action means taking **unacceptable** risks.

For **opportunities** (good risks), you do just the opposite.

Remember, just like benefits and impacts, risks have the potential to affect **someone**, and this 'someone' may not necessarily be you. Consider **all** stakeholders when you are listing risks. While something might not be a risk to you or your business, it might create risk for your neighbour. For example, if your project involves a lot of digging and earthmoving, it might affect the stability of your neighbour's land. Also identify the **causes** of the risks. For example, if the risk is land slippage, it may be caused by water or by earthmoving.

TĪWHIRI:

It can be helpful to look from an 'outside perspective' when you are trying to identify risks. Experience also helps – or taking advantage of other people's experience. It might be useful to brainstorm with someone else.

Risk tolerance

Along with scope, time, and cost tolerances, you must set tolerances for risks (especially threats). **Risk tolerance** is the acceptable degree or level of risk. As the project manager, you must work out what risks are important enough to worry about. Consult with the executive (which could be you) to work out risk tolerance, as it is their money (and often their reputation) at stake.

Risk tolerance can often be described in terms of money – how much you are willing to lose. For example, a business owner may change the materials used to make their most popular product. There is the risk that current customers will not like the changes. If the business owner decides the risk of losing customers is too high, they might decide to alter the scope of the project or not to do it at all.

Factor to consider:

Keep in mind that there are also **sustainability risks** – you should consider environmental, social, and cultural risks as well as economic risks.

Risk management

Listing risks in your business case helps prepare you for the risk management you will do throughout the project. Risk management is the process of:

- **identifying** possible risks (threats and opportunities),
- **analysing** those risks and their potential effects, and then
- developing and implementing a **risk management plan** for **minimising threats** and **taking advantage of opportunities**.

DEFINITION:

Risk management: The process of planning, identification, analysis, treatment and controlling of risks.[26]

Project Management: The Managerial Process. (2014).

The **risk register** and risk management plan will be produced as part of the planning stage (see Kōnae Ako 2, Section 4). For the business case, you simply need to identify the main risks, how likely they are to happen, and what the impact of these risks would be.

Discussion questions:

- *How is a risk different from an impact or benefit?*
- *What are some common kinds of threats that projects need to manage?*
- *What are some examples of opportunities in a project?*

[26] Gray, C.F., and Larson, E.W. (2014). p.226.

E HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 8

Risks

The main anticipated risks for the project are as follows:

- ***Failure to find at least four appropriate subject matter experts*** *willing to attend on a given date and lead sessions on different aspects of sustainable business practices. There is a low risk of this happening, but the impact if it did would require cancelling the event, including losing any fees or deposits already paid.*
- ***Costs associated with subject matter experts may be higher than budgeted****. Costs for speakers will vary depending on travel requirements and fees charged. Not all speakers are likely to be local, and some may need flights and accommodation organised. Experts may also charge higher fees than expected. This risk can be mitigated by trying to source the majority of speakers within a 100km radius.*
- ***Insufficient response from local business community*** *– less than 30 confirmed participants. The impact would be cancellation of the event, losing any fees or deposits already paid. This risk can be mitigated by doing a survey early on before the project is allowed to proceed and, later, effectively marketing the event.*
- ***Speaker cancellation at short notice****. A low to moderate likelihood, but possible given that the kind of people we are looking for are in high demand and juggle many commitments. The impact would be to shorten the hui (unless it was reduced to three or fewer speakers, in which case it would be cancelled). However, it is likely that we could arrange backup speakers or replacement speakers.*
- ***Venue or catering cancellation****. Low likelihood, but impact would mean finding another venue or caterer. There are several catering services that serve the local area and the local hapū might agree to provide the marae as a backup venue.*
- ***Overbooking****. There is a low possibility that the hui will be so popular that it attracts over 80 participants, which would push it past the scope tolerance (90 including organisers and speakers). This would be a nice problem to have. One potential response would be to seek additional funds from the trust so as not to refuse anyone who wishes to attend. A replacement venue would need to be sought.*

3.1.7 Project roles

The full business case identifies who will take on **key roles** for the project. These are the main people responsible for ensuring project success. The five most common key roles are:

- **Project executive.** This is the person (or entity) paying for the project (often called the 'funder' or the 'sponsor'). As such, they have the most power over the project. They have the authority to stop the project if they want to.

- **Project manager.** The person who will manage the project from day to day. They are responsible to the executive, but otherwise have wide authority over the project.
- **Governance.** The person or people who will check to make sure that the project is meeting or on track to meet its expected outcomes. They also make sure organisational policies and procedures are being followed.
- **Senior user.** A person who represents the people who will be using the outcome of the project. It is this person's job to check the quality of the outcome. If your project is work for another business, this will often be a manager or employee of that business.
- **Senior supplier.** A person who represents the people who are designing, developing, facilitating, or implementing the outcomes of the project. They can be held accountable for the quality of the outcomes.

These are all important roles in a project. They each involve some **authority** over the project, so make sure you are clear about who is in each of these roles. However, one person can sometimes take on more than one role. In fact, in a very small project, the same person could take on all five roles. For most projects, though, there will be different people taking up the roles.

TĪWHIRI:

Remember, some people can take on **governance** roles in the project. These are the people who will check to make sure that the project is meeting its expected outcomes and that overall policies and procedures are followed. Those in governance roles are often the most important stakeholders in a project and almost always have the most power.

Other roles

Your **project team** may include other people outside those in key roles. For example, you may require people to help with planning, manage the project budget, oversee communications, and do other project management related work, if you cannot do all of it yourself. Once you have approval from the executive to appoint new team members, recruit skilled people for each role.

Eventually, you will also need people to do the actual project work. For example, if you are building a new premises, you will need to employ a wide variety of tradespeople. You can look at your cost estimates to give you an idea of the personnel you will need. However, it is unlikely you will need all staff available at this early stage of the project. In the **planning stage** you will look at your personnel needs for the project in greater detail – you can return to and revise this part of the business case after that.

HEI TAUIRA:

Example: Arohanui local business sustainability initiative – part 9

Project roles

Key roles for the business sustainability hui project are initially assigned as follows.

- ***Project executive:*** *As the trust chairperson, Bob will take on the main executive role for the project on behalf of the trust, although the trust board will be required to approve important decisions. Bob will be the project manager's main point of contact with the trust.*
- ***Project manager:*** *Jill Winiata (trustee). Although Jill is a trustee, she will also be the project manager. She will lead, create the project plan, and be responsible for implementation, monitoring, and controlling of the event.*
- ***Governance:*** *The Arohanui Southern Development Trust trustees. (This includes Jill and Bob along with three other trustees). Both Jill and Bob will report to them as needed so that they can make sure that the trust's rules and policies are being followed and project aims met.*
- ***Senior supplier:*** *Jill Winiata. As the main person designing and implementing the project, Jill will take on this quality control role.*
- ***Senior user:*** *There is no senior user for this particular project – the project work will include surveying local business owners to ensure the hui will meet their needs.*

Key points

- *The full business case is where you show that your project is desirable and viable.*
- *The executive summary should identify why the project is needed, what the options are, and which solution is selected (and the reasons for it).*
- *The expected benefits and expected impacts are the positive and negative things that will result (or are almost certain to result) from your project.*
- *The scope statement describes what work needs to be done, and what deliverables need to be produced, by your project.*
- *The business case includes a breakdown all costs, and an estimate for your total costs, as well as an estimate of how long your project will take.*
- *The business case also lists all the risks that might affect your project.*
- *'Tolerances' can be added to scope, cost, time, and risk. These show how much your project can change without the business case needing to be revised.*
- *The business case should clearly state who holds the key roles of project executive, project manager, governance, senior user, and senior supplier (if applicable).* ❖

3.2 Finishing the initiation stage

> ***"There are three kinds of people: Those who make things happen, those who watch things happen, and those who ask, 'What happened?'."***
>
> *– Casey Stengel*

Before submitting the full business case for approval, take the time to make sure you are happy with its content. Remember, if the executive does not like the business case, they will not approve it. **Without approval, the project cannot go ahead** – you will have to revise the full business case or perhaps even close the project.

3.2.1 Incorporate existing knowledge

As shown in Figure 6 in Section 1, the very last thing to consider is to look to incorporate any existing knowledge and experience. This may include lessons learned from past projects, experience from a previous career, or any other relevant knowledge you (or other project team members) might have.

For example, if you have previous experience working within local government, you may have a large number of contacts and relationships. You may also be familiar with local government policies and be able to use this knowledge to help with applications for permits and resource consents. Make sure this is reflected in your business case.

An important aspect of project management is making sure you learn lessons from **every** project you undertake. We will cover how to do this later in the programme.

3.2.2 Submission for approval

You need to make the business case for your project as good as possible. In the initiation stage, a business case is created to describe a business need and identify a solution. As you build up a better understanding of what the project is about, you can work closely with the executive to refine the business case. You should make sure that the business case shows clear rationale for the project before presenting it for approval.

Acceptance, revision, or closure

At the end of the initiation stage, you need to get approval for the full business case from the project executive. Ultimately, it is up to them to decide if the project is worth undertaking. Of course, if you are the executive, you will need to be critical of your own work and perhaps seek external advice to make sure that the business case for the project is solid.

Once the full business case is approved, you can move on to the **planning stage** (see Kōnae Ako 2). The full business case becomes part of the **project plan**.

On the other hand, if the business case is not approved (that is, it is decided that a business case has not been made for the project), you will either be asked to **revise the business case**, or the project will **close early**.

It is important to understand that an early closure does **not** represent a failure. It is far worse to continue with a flawed project, spending large amounts of money, resources, and time on something that will not produce an overall benefit. You just close the project and note any lessons you have learned from the closure (this knowledge can be incorporated into future projects).

3.2.3 The full business case is a 'living document'

Although the project life cycle has five stages (see Figure 3 in Section 1), you sometimes have to go back and revise your work in an earlier stage. Always remember, everything in the project must **align with the business case** and your **project justification** needs to remain relevant.

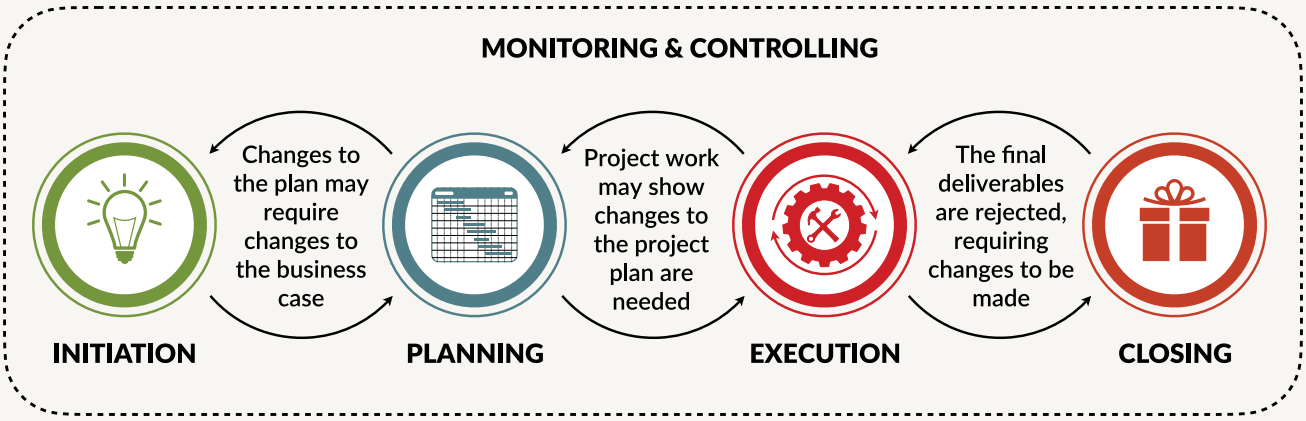
As you proceed through the stages of the project, you will gain more information. For example, in the planning stage, you might find out that the project will be more expensive, take longer, be riskier, or require different outputs than outlined in your business case. That is, the project will have exceeded the **cost tolerances**, **time tolerances**, **risk tolerances**, or **scope tolerances** you set in the approved full business case. If that happens, you will need to **revise** your business case to take account of the changes and get **approval** for the revised business case before continuing with the project.

Similarly, in the **execution stage**, you might find that the **project plan** needs to be revised. If the change is within existing tolerances, it is fine. However, if it is not, you will need to revise the business case again.

What this means is that the full business case is a **'living document'**. Project management is **not** simply a matter of moving from the initiation stage through the other stages to closing. Instead, you are likely to be making changes, and going back and revising earlier work before moving on.

In project management, **monitoring and controlling** (see Figure 9 in Section 1) continues throughout the project. Monitoring and controlling includes **change control** (covered further in Kōnae Ako 3) – this is the project management procedure you use to check changes are within tolerances and manage those that are outside tolerances. This allows you to see (for example) when you need to stop work and revise your plan or when you need to stop planning and revise your business case. The overall process is shown in Figure 21.

Figure 21: The project process



Every part of the project **must align with the business case**. The monitoring and controlling stage covers all of the other stages, because you will always be monitoring and controlling progress.

As you can see from Figure 21, everything rests on the full business case. Required changes at any stage of the project may require revisions to an earlier stage, and these might in turn require revisions to the full business case.

Discussion questions:

- *Why is it likely you will need to revise your business case after you begin implementing the project?*
- *Given there is likely to be change within a project, what skills and qualities do you think a good project manager would need?*

Key points

- *Your existing knowledge and experience can help when writing and reviewing your business case.*
- *Your business case needs to be approved by the executive before the project can go ahead. This means you need to make your business case as good as possible, without underestimating the impacts or overstating the benefits.*
- *Your project must always align with the business case. As such, if you make any changes while implementing your project, these changes will need to be reflected in the business case.*
- *The project justification must remain relevant – look to your business case throughout the project life cycle to check your project is still worth doing.* ❖

4.0 Project management skills and qualities

In the previous sections we covered specific **knowledge** for managing projects. However, in addition to this knowledge, you also need certain **skills** and **personal qualities** to be an effective project manager. Sections 4 and 5 of this kōnae ako will give an overview of these necessary skills and personal qualities.

In the first part of this section, we focus on common **business skills** that are important in project management. These include things like **communication** skills, **organisational** skills, and **critical thinking** skills. While these are important skills for any businessperson, they are **essential skills** for project managers – so, if you do not already have these skills, you will need to develop them.

In the second part of this section, we cover personal qualities as they relate to required **standards of behaviour** in business. In other words, we look at the personal qualities you will need to have in order to behave in an appropriate way when managing a project. The business environment has changed a lot over the last few decades and expectations of behaviour have also changed, so what was acceptable ten years ago may not be acceptable anymore. We will cover **professional** and **ethical** behaviour, **social** and **cultural** responsibility, and how to conduct yourself well in a **multicultural** and **bicultural** business environment.

Learning outcomes covered

3. Demonstrate behaviour and skills that support the initiation of a project.
4. Project manager qualities are identified and explained in relation to problem solving within a project.

4.1 Project management skills

> ***"Great things in business are never done by one person. They're done by a team of people."***
>
> *– Steve Jobs*

Many **common business skills** will serve you well as a project manager. For example, being good with money and being able to budget are useful in almost any business context, including project management. In this subsection, we focus on some of the skills that are especially important in project management – that is, skills that are **essential** for any project manager.

Some of these skills are **personal** skills, such as time management and critical thinking. Others are **interpersonal** skills which involve dealing with other people, such as communication skills and organisational skills.

If you do not already have these skills, you **will** need to try to develop them. The key is to be **intentional** and **proactive** about it – you cannot expect that the skills will just develop naturally as you complete projects. Analyse your own shortcomings and plan what you will do to remedy them – then take action.

4.1.1 Communication skills

As the project manager, you will be doing almost **all** of the communication that the project requires. You will be **talking** or **writing** to the executive, the senior user, team members, suppliers, customers, and other stakeholders. The better you are at communicating, the more likely your project will succeed.

The proper flow of **information** is crucial to any project. Information must get to the right person at the right time, and when it does get there, it must be easy for that person to understand. For this reason, **project managers must be excellent communicators**.

The project manager is a **manager** – they will be issuing **orders** and **instructions** to members of the project team and other relevant stakeholders, such as suppliers. It is essential that these are communicated in a way that is easy for the recipient to understand – otherwise mistakes may happen, which could impact the project.

Keeping stakeholders informed about what is happening in the project is essential. In small projects, this will usually be the project manager's job. This means that the project manager will have to be able to communicate well with all of these stakeholders. This might include members of the **general public**.

What a skilled communicator needs to know

The first step in being an effective communicator is to understand what information people **need to know** – this will vary from one stakeholder to the next. Note that you will create a communications management strategy as part of the **project plan** that will list all stakeholders and identify what information each will need to know.

Communication will occur through various **channels**. These could include, for example, kanohi ki te kanohi (face to face), phone calls, emails, text messages, messages sent via an app, letters, press releases, social media posts, and reports. The project manager needs to know which channel is appropriate based on the information and the recipient. For example, an important update to a project executive might require a face-to-face meeting together with a written report, while a routine update might be by email or phone. Some stakeholders may prefer a particular channel.

You then need to think about how the recipient will **understand** the message. Tailor your message to the person's abilities. For example, do not use complex technical language if the person does not understand it. Be aware of people's levels of literacy and numeracy. Above all, make sure that your message is **clear** and free from ambiguity.

Lastly, communication **works both ways**. Make sure that others know how to best communicate with you and make it clear that you are open to listening. You will find that **feedback** is essential to good communication as it helps make sure that messages are received and understood.

Becoming an effective communicator

Here are some tips to help improve your communication skills:

- **Practice speaking.** Learn to focus your speech on the point you are making or what you are trying to find out – avoid getting side-tracked.
- **Listen well.** Pay attention to what others say. Look at their body language and facial expressions. Try to pick up on non-verbal cues. If you do not understand them, ask questions to clarify their answers.
- **Always show respect.** Be polite and do not interrupt. If you are speaking with someone who has English as a second language, be patient.
- **Plan your communication.** Understand the outcome you want from any communication and plan ahead to ensure that you get it.
- **Practice writing.** Work on improving your writing skills. Aim to convey more information using fewer words – write in simple, clear language where possible.
- **Spelling and grammar.** Writing that has spelling and grammatical mistakes looks unprofessional. In addition, it increases the risk of the message not being understood correctly. Make use of writing assistants like Grammarly or spell-checking software.
- **Improve your understanding of Te Reo Māori.** An increasing number of Māori words and phrases are now used in New Zealand English. Take time to learn frequently used words and phrases and consider using some in your own communications.

TĪWHIRI:

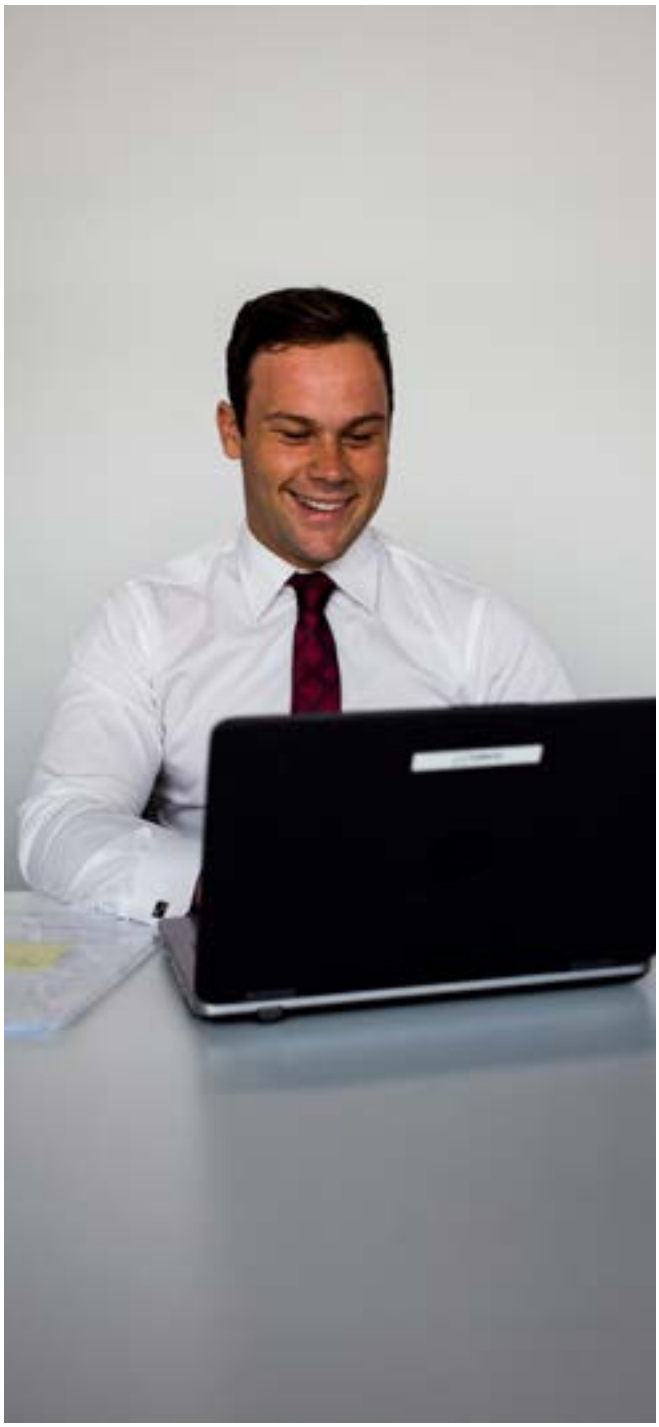
Communication is always with **other people**. This means that the people you are trying to communicate with are the best judges of how well you are getting your message across. For this reason, try to get feedback about your communication skills and accept any criticism – use it to plan how to make yourself a better communicator.

Discussion question:

- *What are some ways in which you could get feedback about your communication skills?*

Pātai:

- *How are your written and verbal communication skills? Do you need to make some improvements? What could you do to improve?*
- *What is your level of skill with computers and information technology? Do you need to upskill to make better use of these tools to communicate?*



4.1.2 Organisational skills

Project management is largely about **people**. You will be dealing with different stakeholders and managing your own project team. **Teamwork** is essential, and effective teamwork rests on **good relationships**. If everyone is motivated and working towards the same goal, the project will proceed smoothly. On the other hand, a lack of motivation or high levels of conflict causes problems and could result in project failure.

As the project manager, you are the **key person** when it comes to managing relationships, both within the project team and with other stakeholders. This is your **responsibility** and cannot be avoided or passed on to others.

What we are talking about here are **interpersonal skills**, sometimes called 'social skills', 'soft skills', and 'people skills'. These are the skills you use to successfully interact with other people. The most important interpersonal skills for a project manager are as follows.

Emotional intelligence

Our emotions and feelings matter, and they can sometimes get out of control and affect our work situation. An **emotionally intelligent** person knows how to control their own emotions. They can also understand and manage the emotions of others.

DEFINITION:

Emotional intelligence: The ability to identify, assess, and manage the personal emotions of oneself and other people, as well as the collective emotions of groups of people.[27]

PMBOK. (2021).

It is especially important to understand how other people are feeling and alter your own behaviour accordingly. For example, an emotionally intelligent project manager would know when a team member lacked confidence and would provide them with additional support, increasing the chances of project success. Emotionally intelligent people are also good at preventing conflict, since they understand ahead of time what things are likely to cause people to become angry, resentful, or unhappy.

People management skills

As stated above, **teamwork** is essential. This means that the project manager needs to be able to bring people together to create an effective project team, and work alongside these people to deliver results. To do this, the project manager has to win the **trust** of everyone they work with.

The project manager needs to be able to **motivate** both the team as a whole and the people in it to believe in the project and its goals. This requires the project manager to be good at **persuasion** – at getting people to accept ideas and to do things they might not have done otherwise. A project manager should also be able to foster **whanaungatanga** – the forming of relationships and ties amongst team members that results in a sense of connection and belonging. Members of a well-connected team are more likely to put the interests of the group above the individual, which ultimately contributes to the success of the project.

Conflict management

There is always a risk of conflict in any project. It is the project manager's job to foresee and avoid conflict. If it does arise, it is the project manager's job to deal with it. When resolving conflict, try to focus on the present and future rather than dwelling on the past. High emotional intelligence will make you very effective at resolving conflict.

In general, **autocratic** solutions to conflict (such as making decisions about what to do without any input from others) do not work well – someone always ends up feeling wronged and resentful. The best solution to any conflict is one that people find **together** and which benefits both sides – a 'win-win' situation. However, if that is not possible, it is the project manager's job to make sure that every dispute is handled reasonably and fairly.

A key part of conflict management in the modern workplace is also the ability to work well with people from **other cultures**. You need to understand cultural differences and ensure you take these into account in a way that results in each team member feeling valued.

[27] Project Management Institute. (2021). p. 239.

Change management

Projects can change a lot – **change control** will be covered later in this programme. Often the original project plan ends up being revised. This means that expectations – and sometimes roles and responsibilities – change as well.

Most people do not like change, especially unexpected change. It is the project manager's job to make sure that everyone is brought along when change is needed. This requires the project manager themselves to be **flexible**, comfortable with change, and ready to lead any required changes. Helping people get through change is known as **change management** (see Kōnae Ako 3, Section 3).

Taking responsibility

The project manager bears **responsibility** and **accountability** for the project. In other words, you cannot "pass the buck" – instead, the "buck stops with you".

If you do not like taking responsibility or being accountable, you **cannot** be an effective project manager. You must accept that people will come to you with problems and expect you to solve them. You must also accept that the project executive and other stakeholders will be counting on you to ensure the project's success. You must be accountable for what happens in the project.

You will need the **courage** to make difficult decisions, but also the courage to admit when you were wrong and the ability to move on from your mistakes.

Discussion questions:

- *What is your understanding of emotional intelligence? What are some situations you have experienced at work where emotional intelligence was important?*
- *Why do people often resist change? What can be done to make change easier to deal with?*
- *Why is it important for project managers to take responsibility? What happens if they do not?*

4.1.3 Personal skills

Along with skills related to dealing with other people, project management also requires specific **personal skills**. That is, skills that relate to your abilities and characteristics. For example, a valuable personal skill is problem solving – issues will arise in a project, and you will need to be able to figure out how to resolve them. Some of the other personal skills a project manager needs are as follows.

Goal setting

Goals provide a clear target and measurable, achievable steps to reach that target. You will be setting goals in partnership with the executive (remember, in some projects, particularly small ones, you may have the role of the executive as well as the role of project manager). A good goal-setter knows how to set SMART goals (see Figure 18 in Section 3.1.3).

Remember, if a goal is not **specific**, it is difficult to reach it, because you are not quite sure what you are aiming for. If it is not **measurable**, you will not know how far you are from achieving it or indeed when you have achieved it. If it is not **achievable** and **relevant**, then why are you even bothering? Finally, if a goal is not **timeframed**, it is likely that you will get distracted and never quite reach the goal or reach it too late for your purposes.

Information management

Project management generates a lot of information. If you do not store, manage, and organise this information efficiently, things will quickly spiral out of control. For example, if you make a change to the project schedule, you need to record that change, but also make sure everyone who needs to see the change can see it.

Managing information well is also key to ensuring **accountability**. For instance, if someone promised something, but did not deliver, you have no real comeback unless you stored evidence of the original promise. For example, you should have a policy that verbal agreements are not acceptable – instead, any commitment must be put in writing.

The main way you will organise project information is in your project management information system (PMIS). This keeps all of your project information together. Because project management creates a lot of information, it is best to use software to manage it. Later in this section, and in later kōnae ako of this programme, we will look at software options to help you manage project information.

Time management

Project management is typically a lot of work, and it can be hard to find the time to manage all your responsibilities. This means that a project manager must be excellent at managing their own time, and the time of others. For example, you need to be able to create schedules that make the most efficient use of time, so that team members are not waiting around doing nothing.

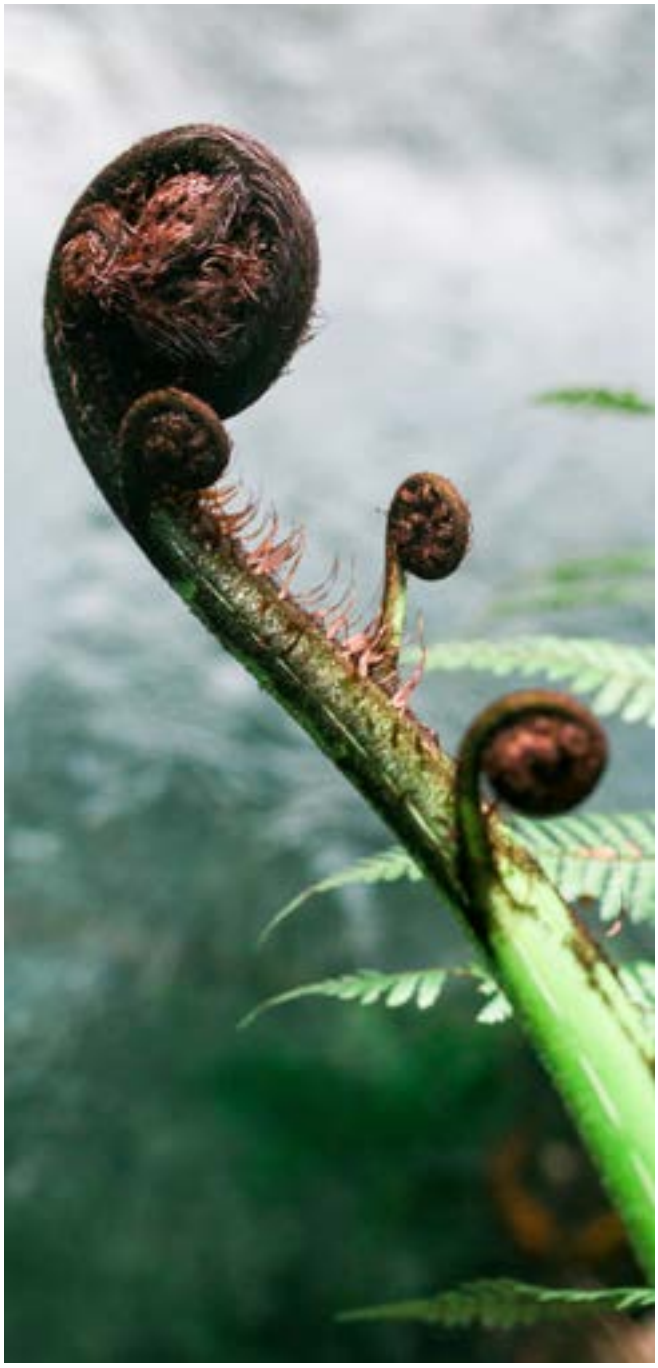
At its simplest, time management involves keeping your calendar up-to-date and using to-do lists to help you work out what you need to focus on and when. If you are good at time management, you will be respected by others, since less of their time is wasted.

Critical thinking

A project manager must be able to think critically. That is, they must be able to look at what is being done, consider alternatives, and evaluate whether the current way is really the best way of doing things. This means being able to look at the evidence without **bias** and make a **logical** decision supported by that **evidence**.

Critical thinking means having an **open mind**: a willingness to listen to and think about different ideas and opinions. Even if you have a good idea, you should pay attention to what other people have to say.

Critical thinking is also essential to **problem solving**. The project manager again needs to consider all reasonable alternatives and weigh the evidence to come up with the best solution. Much of project management involves problem solving. For example, a project's business case is essentially a solution to a problem. But the work within a project requires problem solving too. For example, you will have to juggle schedules, manage risks, and allocate work efficiently.



E HEI TAUIRA:

Example: ACE Coffee Co.

ACE Coffee Company is a small coffee shop and roastery based in Dunedin. It has been a successful business for many years, but competition in the city has been rising. The owner, Kylie, often works at the front counter, as she likes interacting with customers and it is a good way of staying informed about how things are going with the business. Dealing with customers first-hand is often the best way to notice things that might otherwise go unnoticed by management.

However, Kylie is convinced that the business has been losing customers lately. Some formerly loyal customers just stopped coming and others come in less often than they used to. Kylie is unsure whether people have just stopped drinking coffee and other hot drinks – perhaps for health reasons – or whether she is losing customers to competitors. She starts dropping these topics into the everyday conversations she has with customers. She gets the impression that the issue is that customers are moving to competitors rather than stopping drinking coffee.

Kylie knows that talking to customers is a good way of finding out about potential issues, but she will need better information before she spends time and money on a response. She needs to confirm that customers are moving to competitors and identify the reason why. She creates a simple survey using Google Forms (a free service) and puts it on the business's website. She then puts up a sign in the shop saying that customers who complete the survey can get $1 off their next coffee. Since the survey is short, customers can quickly do it on their phones while in the shop and use their discount immediately.

The survey has several questions, including asking whether people buy from competitors and if they, or others they know, have considered giving up drinking coffee and hot drinks. She leaves an open question at the end where people can just make comments.

Kylie discovers that the problem is churn – customers leaving for competitors. Many customers report that they now buy coffee from other places. But the real surprise is in the answers to the open question – it turns out that Kylie's loyalty scheme seems to be the main issue. Like many coffee shops, Kylie's business offers customers physical loyalty cards. These are just branded pieces of card which are stamped when someone buys a coffee – they then receive their tenth coffee for free.

Kylie had not really thought about this, since she thought other coffee shops use the same system. However, the answers to her open question show that many respondents think that Kylie should have a smartphone app like many of her competitors. These apps allow people to order and pay for items, but also allow customers to collect 'points' that can be used for discounts, free drinks, or free food. They also allow customers to win random prizes.

Kylie talks this over with her business mentor. She firmly believes that traditional loyalty cards are better – people can share them with others and do not have to give out any personal information. The mentor disagrees and shows Kylie evidence from overseas that customers now prefer apps and business owners get more value from apps as well – for example, they allow the owner to collect data about customer purchasing habits and the business can tailor offers and rewards to each customer's preferences.

Kylie argues hard for her point of view but soon realises that the evidence is against her. She agrees that an app is going to be the best solution. It will cost quite a bit to have one made, but there could be an option to purchase or subscribe to a ready-made solution. Either way, it looks like getting an app is what she needs to do to stay competitive.

Discussion questions:

- *What does critical thinking mean to you?*
- *How good are you at seeing things from different perspectives to your own? How does this help people be better critical thinkers?*
- *What skills and qualities does Kylie show in the example given? What problems does she solve? Would you have acted differently? Why or why not?*

4.1.4 Digital tools

Developing project management skills can be daunting, especially if you have very few of them. The good news is that there are many digital tools to help you. Someone who is bad at organising schedules can become brilliant with the right software. Even someone who is nearly always late can become punctual if they set reminders on their phone. Some of the software options you can consider are:

- **Task management software.** These let team members access a shared calendar, update schedules and task lists, share documents, and start discussions. Examples include Asana, Trello, and Monday.com.
- **Calendar software.** Most computers and phones already include free calendar software along with reminder apps that can help you keep track of time commitments and organise a schedule.
- **Writing support software.** If you are not good at writing, writing assistant software, such as Grammarly, might be useful. It will check your writing for errors and make suggestions to help improve quality.

Most apps that will help you with project management will have a smartphone version, allowing you to take advantage of them even when you are away from your main computer.

Key points

- *Many common business skills will be useful in project management. Some business skills are essential for project managers.*
- *Communication and organisational skills are essential skills for project managers – if you do not have them already, you will need to plan to develop them.*
- *Good project managers must be critical thinkers and problem solvers.*
- *The right digital tools can help with the skills you need as a project manager.* ❖

4.2 Professional values and behaviour

> ***"The ideal person bears the accidents of life with dignity and grace, making the best of circumstances."***
>
> *– Aristotle*

In the previous subsection, we covered the **skills** project managers need. However, you also need certain types of **personal qualities**. To be a successful project manager, you need other people to **trust** you and **follow** you. You also need to develop a **mutual respect** with them.

In the rest of this section, we will cover important personal qualities related to **standards of behaviour** that will build trust and respect with others. Then, in Section 5 of this kōnae ako, we will cover specific leadership and management qualities.

4.2.1 Professionalism and ethics

The first two personal qualities a project manager needs are **professionalism** and **ethics**. As a leader, the project manager needs to present an image of professionalism and **competence**, but they also need to set an example of professional behaviour for others to follow.

As well as being professional, project managers need to adhere to **high standards** of ethical behaviour. The project manager sets **ethical standards** and a **moral example** for the rest of the project team and helps makes sure that the project work and project outcomes avoid causing harm.

DEFINITIONS:

Professionalism (ngaiotanga): The nature of carrying out work thoroughly, competently, and in a business-like fashion.

Ethics (matatika): 1. That part of knowledge concerned with moral principles. 2. Code of behaviour.

Business Terms in Aotearoa. (2012).

Professionalism

Professionalism is about how well you do your work and how well you present yourself as someone who is reliable and competent when doing the work. At the core of professionalism is the understanding that **you are being paid to do a job**. Anything that distracts from you doing the job properly will end up costing excess time and money. Similarly, professionalism is about upholding standards and avoiding shortcuts so that the job is **done right**.

A professional will:

- Behave in an **ethically appropriate** way (see below)
- Perform tasks to an appropriate standard of **quality**
- Be **competent** to do required work
- Possess required **qualifications**
- Behave **calmly** and **rationally**, even at stressful times
- **Listen carefully** to what others say and **speak clearly** in return
- Be **trustworthy** and **always keep promises**
- Present themselves **appropriately** and **tidily**
- Be **punctual** with appointments
- Receive questions, criticism, advice, or complaints **with good grace**
- **Fix any problems or issues they are responsible for**

Professionalism is not just doing these things but doing them **in the right way**. That is, doing them as if they came naturally. Never do any of these things grudgingly – do them willingly. Do them as if they were an essential part of your job – because they **are** essential. In every action and decision, the professional shows that they are serious about their work and can be **trusted** to get it done.

Discussion questions:

- *What are some examples of unprofessional behaviour that you should avoid?*
- *What are some professional qualities that you would like to develop?*

Ethical behaviour

The project manager **sets the standards** for work and behaviour in a project. You cannot expect others to behave in an ethical manner if you yourself do not. Besides, you cannot set rules and expectations for others if you do not have a strong personal sense of right and wrong.

Every culture has its own set of ethics and morals, and they sometimes differ. However, there is a core set of ethical principles that pretty much every culture follows. After all, everyone needs to cooperate with other people. So, some of the most basic ethical principles are those that allow for **productive cooperation** between people, even if those people come from very different cultures.

There are three basic principles of ethics that you should always keep in mind, and which will always be useful in a business context. These are:[28]

1. **Honesty.** This means having respect for and telling the truth. Always avoid lying or deception both with your project team and with external stakeholders. Dishonesty, once discovered, destroys **trust** and trust is the foundation of every effective working relationship. Being honest also sometimes requires you to be **candid** – that is, to volunteer information even if it is not to your personal advantage.
2. **Fairness.** Ultimately, fairness is about treating other people as your equals and trying to get the best result for everyone. Generally, a deal will be fair if you would accept that deal if you were the other party (with whom you are negotiating). If you treat others unfairly, they will resent you and will look to avoid helping you where they can get away with it.
3. **Integrity.** This means sticking to your values, being consistent, and upholding your promises. You need to stand up for what it right, especially when it is most difficult to do so. Do not change your standards all the time – this makes you unpredictable and hard to deal with. And keep your promises – integrity means backing up what you say with action.

There is an easy test to see whether an action is unethical. That is to ask: "what would happen if everyone did that?" For example, if every business harmed the environment to maximise profit, everyone's health would suffer, and the environment would quickly become uninhabitable.

Why be ethical?

The main reason is that it is just the right thing to do, for you, your organisation, and everyone affected by what you do. Acting ethically makes the world a better place and is your contribution to a working economy and a decent society.

However, acting ethically is also in an organisation's self-interest. A good reputation encourages people to **trust** the organisation and have dealings with it. A bad reputation will damage trust in the organisation and keep people away.

If you think about it, our society and economy mostly rely on **trust**. We trust that others will respect our rights just as we respect theirs. When we buy a product, we trust that it will do what the seller claims. When we book a professional to provide a service, we trust them to turn up on time and to do the job properly.

Imagine a society where nobody can be trusted to keep their promises or tell the truth. It would be very hard to have an economy. Every transaction would be a massive risk. Nothing you bought could be trusted to work properly, people would be unlikely to honour contracts, and you would need good luck to get back any money you lent someone else. A society like this would be one where people could not cooperate.

Now, imagine a society where everyone was very trustworthy. A high trust society is one where people are willing and able to cooperate with others. There would be little or no risk in buying something, signing a contract, or lending money. People would be more confident in making transactions with others. What this shows is that trust is the key to the economy, to **kotahitanga**, and to a prosperous society.

Aside from its negative effects on society and the economy as a whole, untrustworthy and unethical behaviour will have a strong, negative impact on your **professional reputation**. Because our society and economy rely so heavily on trust, people are quick to identify those who are untrustworthy and will share their experiences. For this reason, one untrustworthy act can quickly ruin a reputation that has taken a long time to build.

[28] Smart Capital Mind. (2022).

HEI TAUIRA:

Example: Satish

Satish has been a project manager at a small software company for five years. A customer approaches him about a smartphone app for their small business. Satish says that his company is interested in the project but will need more information. The customer supplies him a large amount of information about their business.

Satish spends a day looking through the information. He quickly sees that a smartphone app is a bad idea. The cost of developing the app is quite high and is unlikely to bring in a lot of extra revenue for the business. Based on his experience with similar projects, Satish believes that the customer's business will end up losing quite a lot of money, even if it does have a new shiny app. Changes to the customer's website would be much cheaper and cost effective. Satish writes up his conclusions and attaches evidence. He then schedules a meeting with the customer.

The customer is angry. He argues with Satish, who replies: "We are perfectly willing to make you a smartphone app, if you really want one. It is your money. However, it is our professional opinion that doing so would lose your business money, so we advise you against it." The customer leaves, saying that he will just find a competitor. Satish remains calm and apologises for not being able to fix the customer's problem.

A few weeks later, the customer turns up at Satish's office. He says: "I owe you an apology. I went to all your competitors, and they all said the same thing as you. I guess you were honest with me – thanks for that." Satish replied: "I thought that might happen. I know our competitors and we are all committed to doing right by our customers. Are you still interested in my website idea?"

Discussion questions:

- *How has Satish demonstrated professional behaviour in his interaction with this customer?*
- *How has Satish demonstrated ethical behaviour in his interaction with this customer?*
- *Did Satish do the right thing for his employer? Why or why not?*

4.2.2 Social, cultural, and environmental responsibility

In Section 2, we introduced the **multiple bottom line** (see Figure 14). You can use this tool to understand and manage the social, cultural, and environmental impacts of your projects. The multiple bottom line and sustainability concerns are important guides for **ethical behaviour**. That is, a project manager that ignores sustainability is likely to cause harm. Instead, we must think carefully about the wider impacts of our actions.

In the past it may have been acceptable to focus on profit at the expense of negative effects on society and the environment. For example, consider the amount of pollution and smog that used to be created by industries – this was a health risk to their workers and people living nearby, as well as a cause of damage to the natural environment. Such behaviour is now widely seen as unacceptable and, in many cases, is illegal.

As part of your business case you will already have considered the wider impacts of your project. In particular, you always need to be thinking about:

- **Social impacts.** These are impacts on wider society. For example, messy project work may impact people who live near the worksite, or carrying out a project with minimal staffing may cause a lot of stress and result in workers' home lives suffering. On the other hand, projects may have positive social benefits. For instance, a project for building a new skate park could bring positive social benefits to young people and the wider community.
- **Cultural impacts.** A person's culture contributes towards their sense of identity and who they are and what they stand for. This means that culturally harmful behaviours will usually end up harming people. For example, consider products that are

culturally offensive – making and selling these signals to members of that culture that they are not valued and respected in the community. Or consider the impact of interfering with or building on wāhi tapu – harming these sites will harm the people who hold them sacred. Aotearoa is a multicultural society (see Section 4.2.3), so you should always be aware of the impacts that your projects could have on people from other cultures.

- **Environmental impacts.** The natural environment sustains human existence. If we do not treat it well, we risk our own health and wellbeing and that of others. In modern business, the environment is no longer seen as a resource to be plundered. Instead, we should look to embrace sustainable practices that do not cause long-term or irreparable damage to the environment.

Discussion questions:

- *What are some examples of social, cultural, and environmental impacts that might affect your projects?*
- *How important do you think it is for people working in the modern business environment to factor social, cultural, and environmental impacts into their decision-making?*

4.2.3 Multiculturalism and biculturalism

Modern societies like Aotearoa are now very **diverse**. They have people from many different national origins, cultures, and ethnicities. You may find that your team members, clients, and other stakeholders come from a wide variety of backgrounds.

As stated above, the core principles of ethics are partly about being able to cooperate with other people, even when they might be different from you. In particular, **fairness** is about treating others as your equals and trying to get the best results for everyone. For Aotearoa, this means a society where minority cultures are not discriminated against and people from every culture are able to fully participate in work and public life.

Being respectful of people from all cultures is not only the **morally** right thing to do, but also **practically** the right thing to do. A workplace where everyone feels welcomed and respected will be a more productive workplace. Similarly, if your interactions with external stakeholders start from a foundation of respect, it will be easier to maintain good relationships with them.

Biculturalism in Aotearoa

Aotearoa is obviously a **multicultural** society, with people from many different cultures making their home here. Yet you will also often hear Aotearoa described as a **bicultural** society – which makes it sound as if Aotearoa has only two cultures.

Which is correct? The answer is that **Aotearoa is both a bicultural and a multicultural society**. This can be confusing until you understand that biculturalism is not a kind of multiculturalism. The difference is as follows:

- **Multiculturalism** is about managing and ensuring respectful relationships between all the different cultures in a society. It is about being **tolerant** and **accepting** of all cultures so that everyone has the equal opportunity to participate in society and live a fulfilling life.
- **Biculturalism** is about the relationship between NZ European culture and the culture of the indigenous people of Aotearoa, Māori culture.

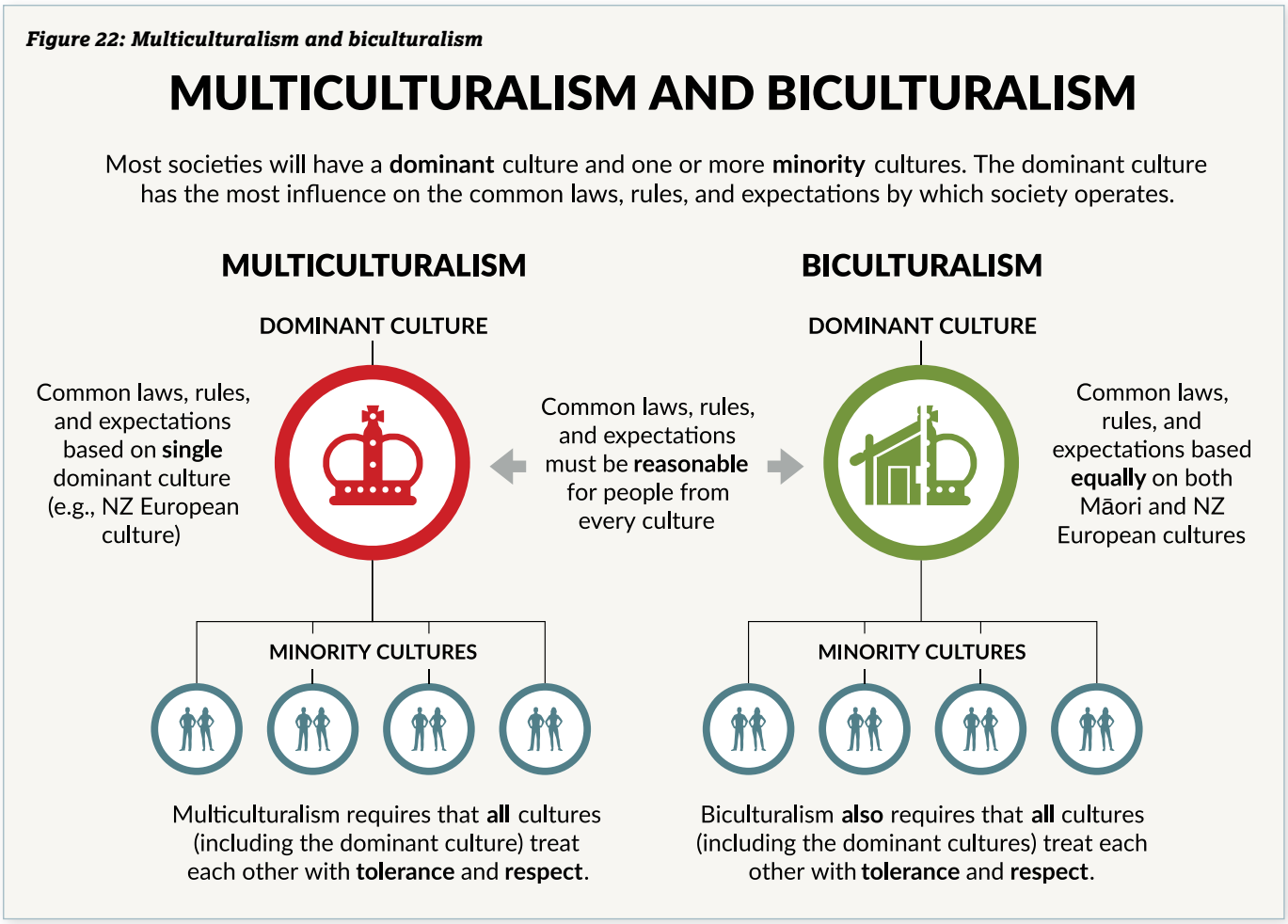
Why is there a difference? The answer is because most modern multicultural societies will have one **dominant culture** along with several **minority** cultures. The dominant culture sets the basic rules and expectations for public life. Minority cultures exist in the society, but do not have the same influence.

In Aotearoa, the NZ European culture is dominant. For example, English is the commonly spoken **language**, our **legal** and **political** system is based on the British system, our **public holidays** are mostly Christian holidays, and our **social rules** generally adhere to NZ European norms. In other countries it is different – for example, Japanese culture is obviously the dominant culture in Japan.

We might think that it is bad to have a dominant culture, but this is untrue. Every society needs a common language, a legal and political system, and shared rules and standards of behaviour. Imagine, for example, how hard it would be to communicate without a widely spoken common language.

A bicultural society is one where **two cultures share dominance**. When Aotearoa becomes fully bicultural, the dominant culture of this country will reflect an equal partnership between Māori and NZ European cultures. The difference between this and most multicultural societies is shown in Figure 22.

Figure 22: Multiculturalism and biculturalism



You can see from Figure 22 that a bicultural society does not mean respect for only two cultures (NZ European and Māori). Just like any multicultural society, all minority cultures must be tolerated and respected.

A fully bicultural society will be different in that the dominant culture will reflect both partners. For example, you can expect more signage in both English and Māori, more widespread use of the Māori language, tā moko and hei-tiki as part of normal business dress, and a greater role for tikanga in setting social rules and expectations of behaviour.

Why biculturalism in Aotearoa?

It can be hard to understand why Aotearoa should be a bicultural society. Someone might ask why Māori culture cannot just be treated like any other minority culture in Aotearoa (such as Chinese culture). It is not wrong to ask this question – it is a reasonable question and deserves a reasonable answer.

In fact, there are **two** main reasons Aotearoa should be a bicultural society. The first reason is that Māori culture is the **indigenous** culture of Aotearoa. How well Māori culture is doing in Aotearoa determines how well it is doing everywhere. For example, if the Māori language dies out in Aotearoa, it is basically gone for good because it is not widely spoken anywhere else.

Compare this with another language, say, Japanese. If Japanese New Zealanders stop speaking Japanese, the language will still be the majority language in Japan. The same goes with other aspects of Japanese culture. If Japanese New Zealanders want to reconnect with their culture, they will always be able to. In Japan, Japanese culture is **dominant**.

Māori culture is **not** the dominant culture in Aotearoa. Again, the English language is used for almost all communication and our laws and social customs are mostly drawn from the culture of the British colonists. Māori find themselves a **minority** culture in their own country. So, unless we pay special attention to preserving Māori culture and language, it will wither away in Aotearoa and will be gone forever.

A person's culture contributes to their sense of **value**, **identity**, and **meaning**. This means that to treat everyone equally, we have to pay special attention

to cultures that might be at risk – in Aotearoa this is Māori culture. This is one of the reasons why Aotearoa must be a bicultural nation.

The **second** main reason Aotearoa should be a bicultural society is **Te Tiriti o Waitangi**. This is the founding document in Aotearoa and is based on the idea of an equal partnership between the Crown and Māori. As everyone knows, the partnership has not been equal since 1840. Creating a bicultural society is a way of bringing Māori culture back to equal status with NZ European culture.

In general, it is morally correct to abide by agreements, as long as those agreements are reasonable – and the terms in Te Tiriti **are reasonable**. Māori did not ask to exempt themselves from the rule of law, paying tax, or any of their other responsibilities as citizens.

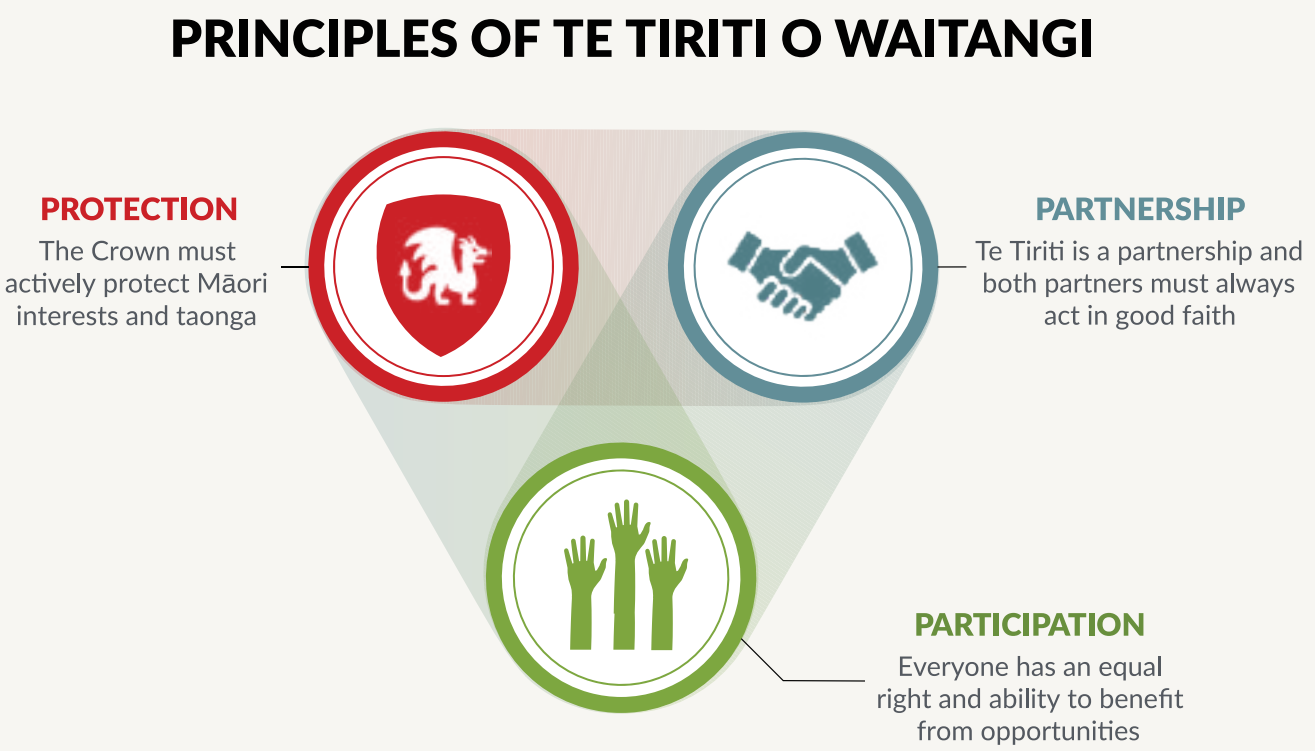
Although there are clear differences between the English and Māori versions of Te Tiriti, the commonly accepted reading of Te Tiriti is that Māori agreed to accept the authority of the Crown in exchange for equal rights as British citizens, the protection of their property, and retaining the right to self-determination as a people. These are all perfectly reasonable things to ask for.

If Aotearoa is to be a true partnership between Māori and the Crown, then it ought to be a bicultural society – anything less would not be an equal partnership.

Te Tiriti is most often understood these days through the **Principles of the Treaty of Waitangi**. You will often see the principles mentioned rather than Te Tiriti itself. The principles are an attempt to describe the underlying meaning of Te Tiriti and to guide us in applying it. They are based on the text of Te Tiriti, historical context, and legal interpretation of Te Tiriti as has occurred through court cases.

There is no one final list of principles. However, they generally fall under **three** main principles, called the three Ps. These are shown in Figure 23.

Figure 23: Principles of Te Tiriti o Waitangi



The three P's show clearly why Te Tiriti requires a bicultural society. It is an equal **partnership** between two peoples, so the basic structure of society should reflect that partnership. Maintaining the partnership requires **protecting** and preserving Māori culture as equal to NZ European culture. Lastly, because culture gives individuals their sense of meaning and value, the health of Māori culture is essential to the full **participation** of Māori in our society.

USEFUL WEBSITE:

- Waitangi Tribunal, *Translation of the Te Reo Māori text* – https://waitangitribunal.govt.nz/treaty-of-waitangi/translation-of-te-reo-maori-text/.

Biculturalism in practice

Anyone can easily promote biculturalism in the workplace. For example, you could use bilingual signage and encourage the use of Te Reo in the workplace. Look to set rules that are respectful of tikanga Māori, such as banning sitting on tables. Consider opening and closing the day (or meetings) with a karakia. If you are looking to establish professional relationships, prefer face-to-face contact to start with as this is preferred in Polynesian cultures.

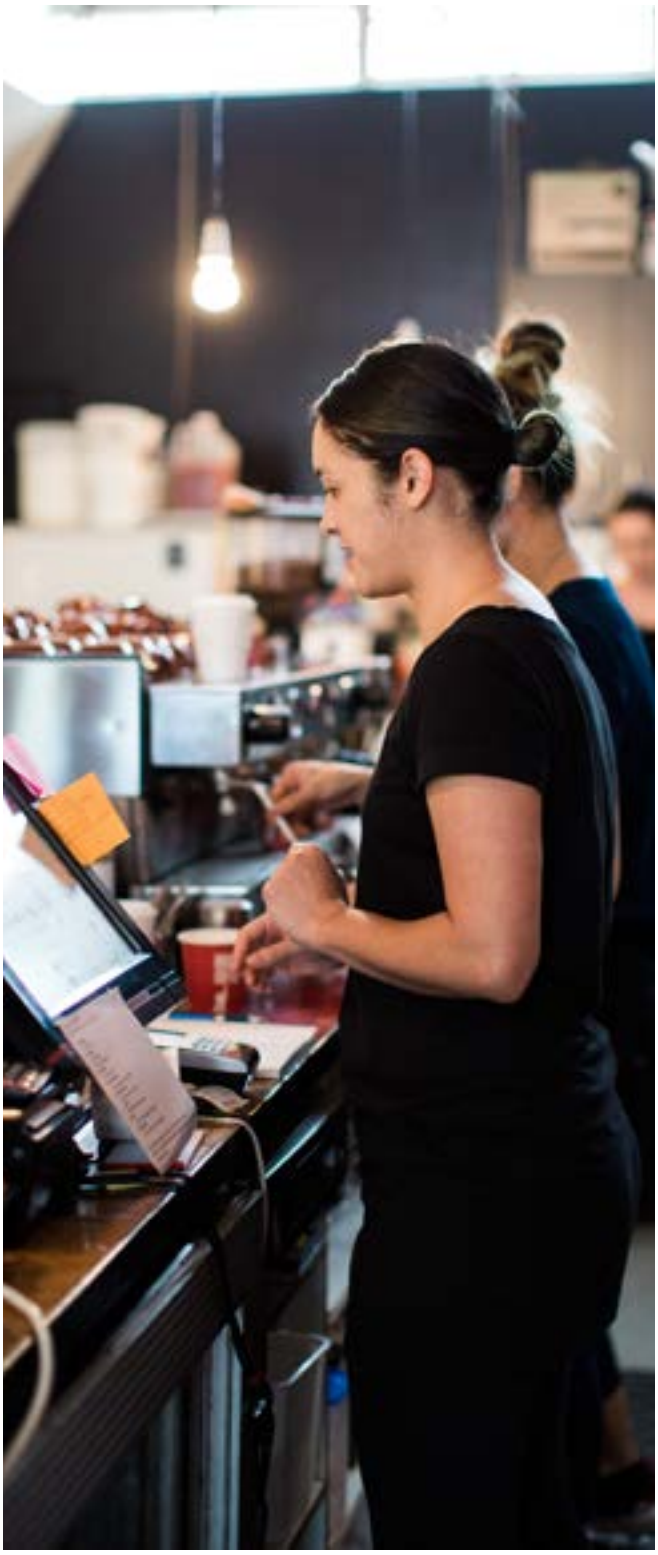
Be aware that Māori employees may have different needs. For example, more flexibility around funeral arrangements and bereavement leave, since tangihanga involve different practices, roles, and responsibilities than European funerary customs. For instance, in addition to the bereaved whānau taking leave, tangihanga typically require other people to be present to host visitors while looking after the bereaved whānau. Similarly, Māori tend to have a more expanded view of who counts as a close relative, so take account of that.

If you are non-Māori, you may need some assistance (if you are Māori, you might need some as well!). If necessary, you can hire a cultural consultant or take some classes. However, if you are non-Māori and have Māori employees or associates, you could allow them to take the lead if they are willing.

The journey towards a properly bicultural society will take time and there is only so much that individuals can do on their own. However, every effort counts and there are many easy wins to be had right now.

Discussion questions:

- *What are some 'easy wins' you could take advantage of to promote biculturalism in your organisation or workplace?*
- *Over the long term, how do you think you and your organisation can promote biculturalism?*



The multicultural business environment

Now that we have established that Aotearoa can be a bicultural society that shows tolerance and respect for all cultures, we can take a closer look at what it takes to operate in a multicultural business environment.

In general, what is required is increasing your **cultural competency**. This is your ability to work with and deal with people from other cultures in a productive and respectful way. Usually, it means understanding differences between people and looking for ways to accommodate and respect those differences.

As with ethics (of which it is part) cultural competency is about increasing **productive and respectful cooperation** with other people. It helps people work with you rather than against you. Cultural competency is an **essential** business skill – in modern multicultural societies not having this skill will cost you money and opportunities. So, you should not see developing cultural competency as a burden, but as an **investment**. Doing the morally right thing generally benefits your business or your project.

Cultural competency can best be understood as a **continuum**, as shown in Figure 24.

Figure 24: Cultural competency continuum[29]

CULTURAL COMPETENCY CONTINUUM

Cultural competence is "the ability of individuals and systems to work or respond effectively across cultures in a way that acknowledges and respects the culture of the person or organization being served." – Williams. (2001).

1	2	3	4	5	6
CULTURAL DESTRUCTIVENESS	**CULTURAL INCAPACITY**	**CULTURAL BLINDNESS**	**CULTURAL PRE-COMPETENCE**	**CULTURAL COMPETENCE**	**CULTURAL PROFICENCY**
• Dehumanisation • Assumption of superiority • Assimilationism • Open display of biases • Exploitation • Subjugation • Privileges for dominant group	• Discrimination • Insists on one 'right' way • Stereotyping • Ignorance of distinct cultures • Unfair hiring practices • Sees diversity as an imposition	• Differences are ignored • Treat everyone 'the same' • Using dominant standards • Only meets needs of dominant group • Assumes values are shared	• Understanding that a problem exists • Assessment of organisation • Commitment to finding solutions • Solicits feedback • Acceptance that change is needed	• Acceptance of differences • Respect for differences • Screens for offensive material • Hiring of diverse and unbiased staff • Includes culture in training plan	• All cultures valued • Seeking additional knowedge • Implements changes • Advocacy for cultural issues • Proactive • A model for other organisations

These days, there are very few people and organisations in Aotearoa that are culturally destructive and few that are culturally proficient. Most are somewhere in the middle. But overall, the level of cultural competency in Aotearoa is slowly improving.

Your personal goal, as well as the goal for your business or organisation, should be to move towards cultural proficiency. This should be something **intentional**, not something you just hope will happen naturally. Again, becoming more culturally competent allows you to increase productivity and enhances stakeholder relationships.

Most of us will probably have some aspects of several of the middle levels. For example, many of us do not know much about other cultures, but we are willing to accept differences. A good strategy would be to look at the continuum and see which aspects you need to improve right now – try to be guided by need. For example, if you find you deal professionally with people from Asia quite a lot, you might want to focus on learning about the major Asian cultures first.

It is important to understand that cultural competency applies to **everyone**, although not at the same level. People from minority and indigenous cultures are likely to be very familiar with the NZ European culture because it is currently the dominant culture in Aotearoa. However, they might not know much about other minority cultures that are present in this country.

Those who identify with the NZ European culture likely have more work to do, because those from dominant cultures typically have less incentive to learn about others. It should also go without saying but, if Aotearoa is to become a properly bicultural society, everyone else needs to increase their Māori cultural competency.

[29] CCPEP.org. (n.d.). Williams. (2001).

TĪWHIRI:

Many people are afraid of other cultures. Often this is only because they are afraid of doing the wrong thing, offending other people, or looking stupid when they make a mistake. However, people tend to be forgiving if you are making an honest effort to learn about and be respectful of their culture, so do not be put off. The reverse also applies – if other people are doing their best to learn about your culture, help them and forgive their mistakes.

Key points

- *Professional and ethical behaviour is essential for a project manager. You need to set an example for everyone else to get them to follow you.*
- *In the modern business context, it is essential to think beyond the purely economic. You must also consider the social, cultural, and environmental impacts of your business decisions.*
- *Multiculturalism and biculturalism are not opposed to each other – instead they can be complementary.*
- *Reasons to support biculturalism in Aotearoa include protecting and preserving Māori culture and respecting Te Tiriti o Waitangi.* ❖

5.0 Management and leadership

Much of a project's success relies on **team performance**. A project manager must be able to foster effective working relationships with and amongst various people. To do this, a project manager must be both a great **manager** and a great **leader**.

In Section 5.1 we look at the difference between **management** and **leadership**. People often think they are the same, but they are quite different roles:

- **Management** is about organising and controlling a team of people to achieve goals.
- **Leadership** is about being able to influence and motivate people to achieve your vision.

The management aspects of project management will be more fully covered in Kōnae Ako 3, when we look at the execution and monitoring and controlling stages. These are the parts of the project where management skills are most important.

In the rest of Section 5.1 we cover some of the more important traits of a **leader**, including creating and maintaining the project **vision** – which provides meaning and purpose to the project – as well as motivating your team to achieve this vision. Part of being a great leader is providing **ethical leadership** – that is, making morally right decisions, ensuring that others maintain high ethical standards, and providing moral leadership through your own behaviour.

Leadership is complex and there are many different **leadership styles**. For example, some leaders have **formal authority**, which comes from a title or position, while others have **informal authority**, which comes from the traits and skills of a leader. Leaders can be **commanding** and focused on **results**, or more **democratic** and focused on **people** and **processes**. For this reason, in Section 5.2 we look at how to choose the leadership style that will suit both yourself and your project.

Learning outcomes covered

3. Demonstrate behaviour and skills that support the initiation of a project.
4. Project manager qualities are identified and explained in relation to problem solving within a project.

5.1 Management vs. leadership

> ***"Management is doing things right; leadership is doing the right things."***
>
> *– Peter F. Drucker*

The above quote by Peter Drucker perfectly sets out the difference between leadership and management. A **manager** makes sure that project work is **done right** – that work follows the **plan**, that **deadlines** are met, **budgets** are kept, and **quality checks** passed. Management is mainly an **organisational** responsibility.

A **leader**, on the other hand, **motivates** and **inspires** others to follow them. By their example, they make sure that team members believe that they are doing the **right thing** – that the project is worth their time and their best efforts. When there is a big decision to be made, a leader makes the **right choice** and gets everyone else to fall in behind.

DEFINITIONS:

Leaders: People who create and inspire vision while encouraging and motivating others to fulfil the vision.

Managers: Those who carry out the details of the leader's vision by completing the tasks and activities associated with the vision and by managing the day-to-day operations to the satisfaction of the stakeholders.[30]

Project Management JumpStart. (2018).

[30] Heldman, K. (2018). p. 42.

5.1.1 The project manager's role

A project manager has **both** leadership and management roles. Without careful day-to-day **management**, a project is at risk of delays, scope creep, blown budgets, and workplace disputes. However, without effective **leadership** to motivate the team and take responsibility for difficult decisions, the project may also go off track, stall, or just drift along.

Figure 25 shows some of the different tasks of leadership and management. The project manager will be doing all of these tasks during the project. For example, in their leadership role they will be focusing on the long term, but in their management role they will be focusing on right now and the immediate future.

Figure 25: Differences between leadership and management[31]

LEADERSHIP VS. MANAGEMENT

PROJECT STAGE	LEADERSHIP	MANAGEMENT
Initiation and planning stages	**Vision** ▪ Focus on the long term ▪ Developing a vision and setting goals ▪ Taking calculated risks	**Planning** ▪ Focus on the short term ▪ Working out objectives and allocating resources ▪ Identifying contractors and staff ▪ Eliminating risks
Execution stage	**Aligning people** ▪ Communicating vision ▪ Team development ▪ Motivating people ▪ Creating commitment	**Organising people** ▪ Contracting people & delegating work ▪ Providing policies and processes ▪ Executing processes ▪ Ensuring compliance
Monitoring & controlling stage	**Motivating** ▪ Inspiring people ▪ Focusing on teamwork and empowerment	**Controlling / problem solving** ▪ Monitoring progress ▪ Identifying deviations ▪ Controlling changes
Closing stage	**Change** ▪ Producing output to accomplish vision and benefits	**Change** ▪ Producing output to meet requirements

[31] Based on Arora, M., and Baronikian, H. (2013). p. 163.

In the rest of this section, we will focus on leadership. As noted, the management aspects of project management will be covered in detail in Kōnae Ako 3. Leadership is especially important in the early stages of a project. There is often a lot of doubt and uncertainty early on and it can be difficult to 'get the ball rolling'. Someone needs to take charge and get things moving. This will often be the project manager – if you are both project manager and executive, it will definitely be **you**.

Essential leadership qualities

To be an effective leader, you need to develop the following qualities:

- **Vision.** To commit their time and energy toward their work, people need to understand **why** they are doing the work. It is part of your job to explain, for instance, the business need that a project will meet. A **project vision** summarises the project's purpose (see Section 5.1.2).
- **Integrity.** This means having strong moral principles, being trustworthy, and being consistent between your words and your actions. You should always do what you say you will do – keep your promises. This could be as simple as setting reminders to do stuff you have promised to do.
- **Resilience.** Projects can be stressful and hard work, so leaders need to be tough and get on with the work even in the face of setbacks. When things are going wrong, others will be looking for a leader to provide guidance and motivation.
- **Adaptability.** This is the ability to respond to changes and recover from setbacks. Projects do not always go to plan – and when circumstances change, it might not be best to stick with plans made during the early stages of the project. This can be worse than not having a plan at all.
- **Foresight.** Being adaptable does not mean having to create solutions on the spot. A leader looks ahead, foresees problems, and creates strategies to deal with them.
- **Fairness.** Fairness is about acting even-handedly – treating everyone equally and respectfully, even if you have your favourites. For instance, when rewarding team members for their performance, do so **impartially** and based on **merit**.
- **Humility.** This is understanding that everyone in your project team is important; that you are not worth **more or less** than anyone else. Be willing to listen to others, accept feedback, ask for help when you need it, admit when you are wrong, and always be polite.
- **Accountability.** This is about being responsible for the outcome of project work and being honest about the results. Accountability means that, when you keep your commitments, you are trustworthy. You gain the trust of your team members, who will be encouraged to keep their commitments.
- **Confidence.** A leader sets goals, makes plans, solves problems, deals with conflict, and makes decisions – so must be confident and decisive. A lack of confidence can affect the project team's own confidence. However, note that confidence is not **rashness**. The confident person makes **informed** decisions and **delays** decision-making when they need to. A rash person just does the first thing they think of that sounds like a good idea.
- **Setting an example.** As the saying goes, "practise what your preach" – a leader acts the way they want to see their team members act. Being willing to get involved, even with the physically hard parts of a project, can also motivate your team because they see that you are willing to do what you ask others to do. It is especially important for leaders to set a **moral example**.
- **Credibility.** If someone is 'credible', they are someone who can be trusted, respected, and believed in. Credibility involves having the right skills and behaviour for the leadership role, and having project team members **believe** you are capable of being a good leader. Credibility is something **earned** – you prove your credibility over time.

Discussion questions:

- *How do you understand leadership as opposed to management?*
- *Are you a good leader? A good manager? Where do you think you might need to improve? (Note: everyone can improve.)*
- *What are some ways you can set an example during a project? Why is setting a moral example so important?*

5.1.2 Project vision

People want their actions to be **meaningful**. Nobody likes being asked to do a job that seems to have no purpose or seems to accomplish nothing – people quickly lose motivation, and their work suffers. For this reason, every project has a **purpose**: usually the need it is designed to meet and/or the benefits it will produce. It is the project manager's job to communicate this purpose to the project team and to other stakeholders.

This is done with a project **vision** that summarises the project's purpose, simply and clearly. The vision then serves to guide and motivate the people working on the project. It is **not** about how the project will be achieved or what the project team needs to do. It can be developed collaboratively between the project manager, project team members, and key stakeholders. Together, they answer the following questions:

- What is the project's purpose? What benefits will the project produce?
- What needs to be accomplished for the project to be a success?
- How will the project team know that it is drifting from the vision?

Once these questions are answered, the results are compressed into a one or two sentence **vision statement**. It is best to keep it short, as it needs to be something everyone can remember.

TĪWHIRI:

When writing down the project vision, make it:

- **Short and easy to understand.** Not only should it be easy to understand, but it should also be easy to remember. If it is easy to remember, team members are more likely to follow it.
- **Specific, but not limited.** It should clearly explain the purpose of the project, but it should not limit how this will be achieved.
- **Inspirational and challenging.** It should be about something that the team is excited to achieve – and something they want to work hard to achieve.

5.1.3 Motivation

As mentioned, an important part of project management is **motivating** your project team. To do this, you will need to understand what will motivate each team member to perform.

DEFINITION:

Motivation (toitoinga manawa): The drive, inspiration, and encouragement to act.

Business Terms in Aotearoa. (2012).

Intrinsic vs extrinsic motivation

People are motivated by different things – the most important difference is between **intrinsic** and **extrinsic** motivation:

- **Intrinsic motivation** comes from **inside** the individual – it is about finding the work gratifying, rewarding, interesting, or enjoyable. For example, some people are driven to become better at something or by the pursuit of knowledge.
- **Extrinsic motivation** comes from **outside** the individual. For example, a person may do the work because they will get money, gifts, recognition, or rewards in return.

Both kinds of motivation are important. People need to work to support themselves and their whānau, and they also respond to extrinsic motivation such as promotions, pay rises, and rewards. However, extrinsic motivators can only take you so far – intrinsic motivators are much more effective. The reason for this is simple: if people enjoy their work, believe what they are doing is worthwhile, and take pride in achieving work goals, they will be more motivated, work harder, and take more care.

Examples of intrinsic motivators include:

- **Achievement** – the desire to reach goals. This includes work that is challenging but reasonable.
- **Autonomy** – the desire to determine how, where, and when to work. This includes flexible working hours, working from home, and being given responsibility for completing tasks.
- **Challenge** – the desire to achieve something that is considered difficult or demanding. This includes work that pushes them to learn new skills and take on new challenges.

- **Mastery** – the desire to improve and excel. This includes the desire to do excellent work, to learn, and to achieve goals.
- **Personal growth** – similar to 'challenge', this is the desire to learn new skills and take on new challenges. This includes training that can help them grow professionally.
- **Purpose** – the desire to make a difference. This includes understanding the project vision and how work contributes to achieving that vision.
- **Responsibility** – the desire to have increased responsibility in their jobs. This includes organising, motivating, and leading others.
- **Teamwork** – the desire to be part of a team and to help others. This includes encouraging collaboration and trying to create a 'fun' team culture.

Dominant motivators

People are usually motivated by more than one thing, but many have a **dominant motivator** which they will respond best to. For example, a project team member who is motivated by challenges will respond to being given problems to solve. Another, motivated by autonomy, will perform better if they are allowed to work at their own pace. As the project manager, it is part of your job to find out if someone has a dominant motivator and look to take advantage of it where you can.

You can identify dominant motivators (and other motivations) through conversation, observation, or trial and error. It may be as simple as getting people to answer these questions:

- "What is your favourite part of your work? What is your least favourite part?"
- "Are you bored? Stressed? Why or why not?"
- "What is something past managers have done that has inspired and motivated you?"
- "What is something past managers have done that has frustrated or annoyed you?"
- "If you were managing the project team, what would you do differently?"

TĪWHIRI:

Be aware that people change, so motivating factors may change over time. Just because something does not motivate a team member now, it does not mean that it will not do so in a year's time.

Factors to consider:

While it is important to motivate the team, it is also important to avoid **demotivating** them. For instance, consider the following questions (which you can ask yourself or, even better, ask your team):

- Do all team members understand the vision of the project? (Not having a grasp on the bigger picture can be demotivating.)
- Do all team members clearly understand their objectives during the project? (Not understanding what is expected can be demotivating.)
- Is the workload across the team balanced? (Being overloaded with work or not having enough work can be demotivating.)
- Are team members appropriately involved in decision-making? (Having your opinions and input ignored can be demotivating.)

Recognition and rewards

As stated above, extrinsic motivators are still important. There are two main kinds: **recognition** and **rewards**.

Recognition is letting people know you appreciate their work. This can be anything from just having a chat about their contributions, to having a 'worker of the month' award, or a ceremony where someone receives a certificate or trophy. With recognition it is 'the thought that counts'. Even when someone receives a trophy, it is the recognition the trophy symbolises rather than the trophy itself that has value.

For rewards, it is just the opposite. It is the thing you give them that has value. For most people their **wage** or **salary** is their main extrinsic motivation, but you can provide additional rewards for good performance, such as bonuses or a team outing. However, keep in

mind that nothing stops you from recognising and rewarding good performance at the same time.

Make sure that you are recognising behaviours and rewarding results that contribute to the **success of the project**. For example, you can recognise and reward team members for creativity or problem solving, or for meeting milestones or quality requirements.

You will decide what rewards are appropriate based on the project and the organisation. For example, for a smaller project, it may be sufficient to give a team member an afternoon off work or a gift card for a meal at a local café when they meet a milestone earlier than planned. For a larger project, you could give a much larger reward.

TĪWHIRI:

Make sure rewards are clearly linked to the performance you want from team members. For instance, if your project is time-constrained, reward team members who meet key due dates. If, on the other hand, you reward team members for **nearly** meeting a due date, there is no motivation for them to try harder – and other team members may follow suit.

Also, make sure you recognise and reward good performance as soon as possible. Explain why you are recognising and rewarding them – what did they do well, and how did it impact the project? By doing this, they know what exactly it is they are doing right, and you show exactly why you appreciate their work.

HEI TAUIRA:

Example: Late Larry

A project manager is in charge of a project that has clear due dates. The project manager says that they will reward the team with catered lunches for meeting key dates.

Collette is a team member who consistently meets due dates or gets her work done earlier than scheduled. Larry consistently misses due dates by a day or two. However, the project manager is nice and gives Larry a grace period for missed milestones, and the team still gets its catered lunches.

Collette notices this and stops working as hard and taking the due dates seriously. She now knows that rewards are not linked to meeting key due dates because those due dates are just extended if work is late. The project manager has accidentally rewarded poor performance as well as good performance – but is surprised that everyone is now performing poorly!

Expectancy theory

To understand why rewards usually work (and why they sometimes do not work) it can be useful to look at the factors that underly motivation. People often choose how to behave depending on the outcomes they **expect** will result from their behaviour. **Expectancy theory** assumes that people will be motivated to attempt a task if:

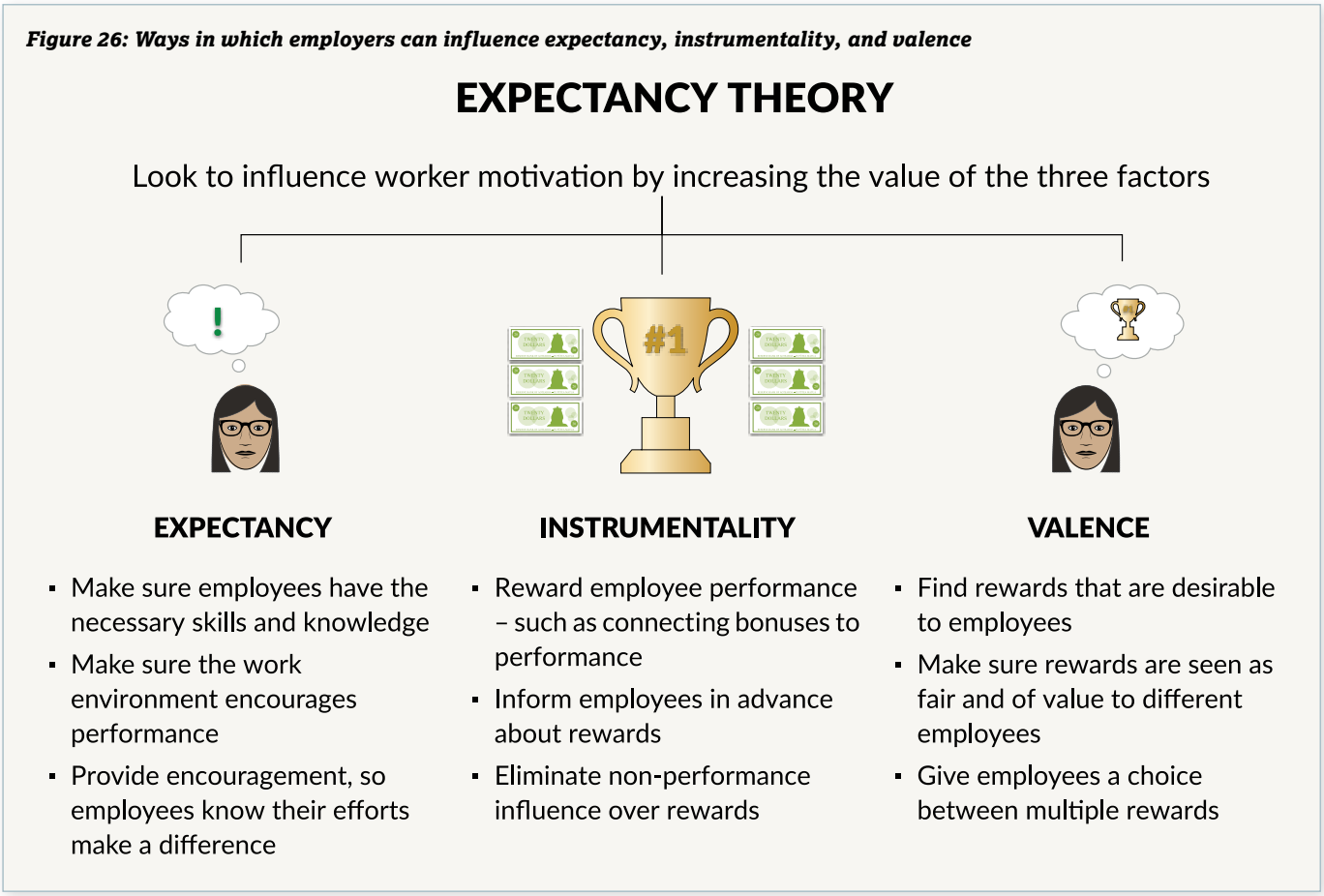
- they think they **can do the task** (expectancy),
- they believe they **will be rewarded** for completing the task (instrumentality), and
- they **value the reward** they will receive once the task is completed (valence).[32]

The amount of motivation someone will feel is based on the product of each of these three factors. That is:

Motivation = Expectancy × Instrumentality × Valence

If any of these three factors is zero, the outcome (motivation) will also be zero. That is, the employee will lack any motivation. The key is to set **achievable** goals for your employees and **provide rewards that they actually want**.[33] Some ways to influence the value of these three factors are shown in Figure 26.

Figure 26: Ways in which employers can influence expectancy, instrumentality, and valence



[32] MSG. (n.d.).

[33] Note that expectancy theory works just as well for intrinsic motivations – it is just that the reward in this case is the satisfaction experienced at accomplishing a goal.

HEI TAUIRA:

Example: King Country Whakaahua Ltd.

King Country Whakaahua Ltd has secured a contract to develop branding for a very important client. The project involves meeting with the client to understand their needs and designing the perfect brand. The manager tells two members of his graphic design staff, Brody and Esther, that the employee who produces the brand concept that the client likes best will get a week's vacation, all expenses paid, at a beautiful resort in Bali.

Brody doubts that he would be able to outperform Esther in this task as Esther has a reputation for amazing graphic design work. Although he would love a holiday in Bali, Brody also doubts that the prize will be as good as his manager claims – he would not be surprised if the 'beautiful resort' was a very basic hotel. Brody is only slightly motivated to produce the brand concept. He puts in a little effort in the hope that he might 'fluke it' and somehow come up with the best brand concept.

Esther, on the other hand, is very confident that she could develop the best brand design for the client. Although she believes that the reward will be provided, she is just not interested in going to Bali. She does not like the beach or tropical temperatures. In addition, her daughter is ill, and Esther does not want to be too far away from her. The valence she places on the reward is actually zero, so Esther does not make her best effort when coming up with the concept.

The result is that the concept designs presented to the client are well below the usual standard of King Country Whakaahua, and the company loses the contract.

Discussion question:

- *In the example of King Country Whakaahua Ltd, how could the manager have used expectancy theory to motivate both Brody and Esther to submit their best work?*

Hygiene and motivational factors

Another way of thinking about motivation is Frederick Herzberg's 'motivation-hygiene' theory (see Figure 27). In this model, job satisfaction and dissatisfaction come from **motivational factors** and **hygiene factors**.

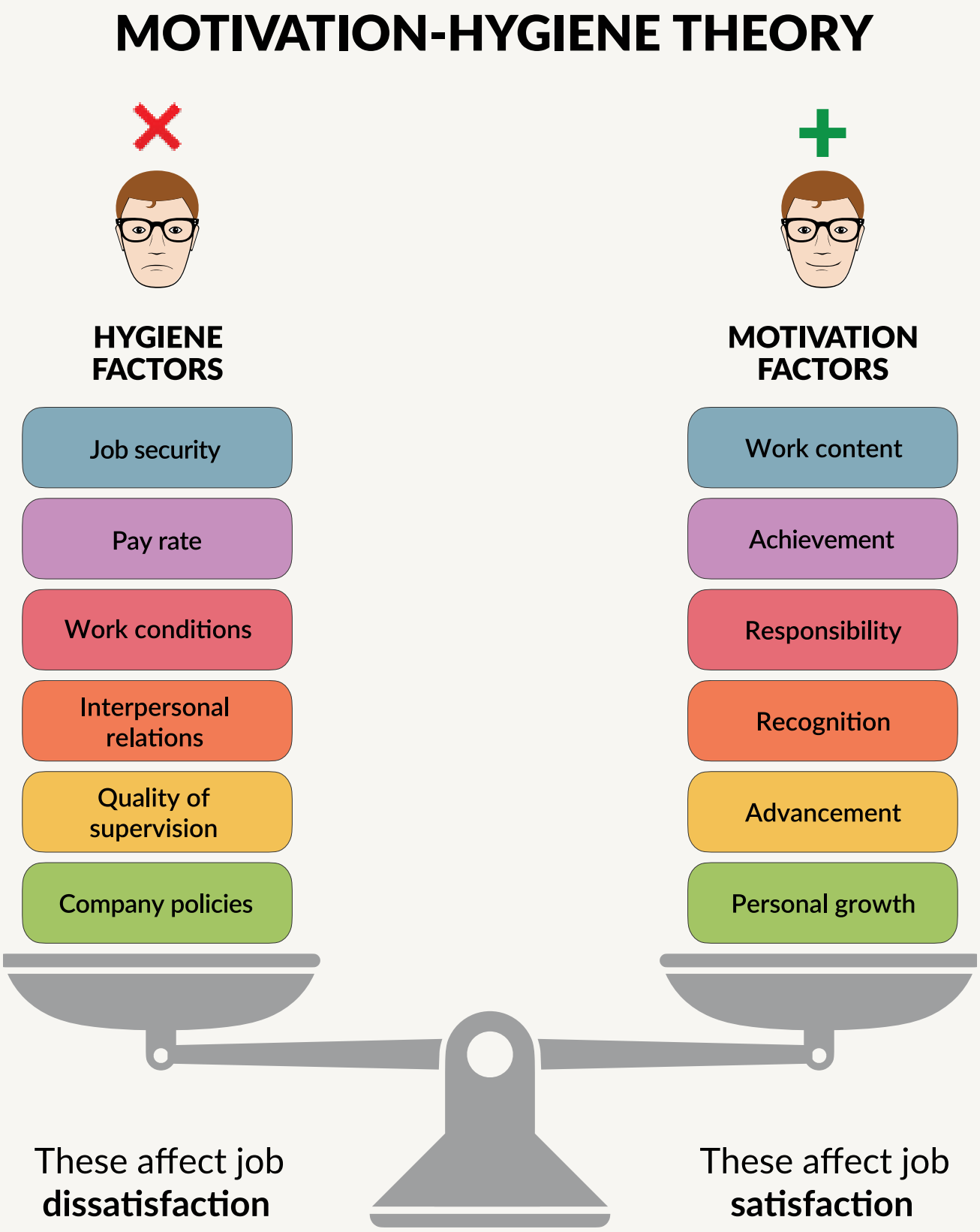
- **Motivational factors** include things like achievement, recognition, personal growth, and advancement. Sufficient motivational factors lead to job satisfaction; insufficient motivational factors lead to no job satisfaction.
- **Hygiene factors** include things like company policies, wages, and working conditions. Insufficient hygiene factors lead to job dissatisfaction; sufficient hygiene factors lead to no job dissatisfaction.

Note that the opposite of job satisfaction is **not** job dissatisfaction, but **no job satisfaction**.

And the opposite of job dissatisfaction is **no job dissatisfaction**. This means that even if hygiene factors are sufficient, they do not lead to job satisfaction. When hygiene factors have been addressed, people will not be dissatisfied, but they will also not be motivated without motivation factors.

For example, getting well paid is a hygiene factor, but it would not keep someone motivated. Poor pay, though, would bring dissatisfaction. On the other hand, having opportunities for personal growth is a motivation factor, and would bring satisfaction. You need to remove dissatisfaction and give reasons for satisfaction.

Figure 27: The 'motivation-hygiene' theory[34]



[34] Arora, M., and Baronikian, H. (2013). p. 160.

Discussion questions:

- *How can you find out what your team members' needs are and what will motivate them?*
- *Do you think that too many workplaces focus only on hygiene factors or motivational factors, while neglecting the other? What are the consequences?*

Factor to consider:

There is another member of the project team that needs to be motivated: **you**, the project manager. Part of your role is to make other people enthusiastic about working on the project, and to do that, you need to be enthusiastic about it as well.

As with your team members, intrinsic motivation is crucial. You may be motivated by **purpose** and achieving your project's vision. You may be motivated by the **challenge** of completing the project or the **responsibility** of leading a project team. Or you may be motivated by **mastery** – wanting to do excellent work to achieve the project's goals. In any case, if you are eager to do project work, this eagerness will rub off on your project team.

5.1.4 Ethical leadership

As covered in Section 4.2, ethics is about doing the 'right' thing – conducting yourself and your project in a morally correct manner. **Ethical leadership** is about leading people in a morally correct manner. As a leader, you will be making decisions and giving orders to others. You need to make sure that you do not order anyone to do something that is unethical – because you gave the order, the responsibility lies with **you**.

The 4-V model is a useful framework to help understand what is involved in ethical leadership.[35] The four V's stand for **values**, **vision**, **voice**, and **virtue** – these are characteristics that help create an ethical leader. These characteristics are shown in Figure 28.

Figure 28: 4-V Model of Ethical Leadership

The 4-V model centres on **virtue**: this means being the sort of leader who has the right **values**, acts upon them, creates a **vision** others can follow, and who is a strong **voice** advocating for ethical conduct.

The three outer aspects also **work together** in pairs. **Service** connects vision to values – putting your values into practice reveals your vision. You **promote** by giving voice to your vision, such as when addressing stakeholders or the general public. By continually talking about your values, reflecting on them, and looking to see whether you have been consistent with them, you **renew** your commitment to them.

[35] Adapted from Center for Ethical Leadership. (n.d.).

Unethical leadership

While the consequences of ethical leadership are typically productive and respectful of other people, unethical leadership often harms the project and the people involved in it, and can cause reputational damage. Figure 29 compares unethical leadership to ethical leadership.

Figure 29: Differences between ethical and unethical leadership

	Ethical leadership	Unethical leadership
Use of power	Serves the team and the project	Serves their own self-interest
Decision-making	Makes decisions based on what is right, rather than what is convenient	Makes decisions based on immediate benefit, without considering harmful impacts
Vision	Develops a vision based on stakeholder input about their needs and values	Attempts to sell a personal vision as the only way for the project to succeed
Stakeholders	Attempts to balance stakeholder needs and opinions	Favours those stakeholders who offer the most benefits
Integrity	Acts consistently with voiced values	Does what is convenient to meet personal goals
Responsibility	Takes full responsibility, and takes accountability for mistakes	Avoids responsibility and accountability
Words and actions	Avoids harm – respectful and caring towards others	Uses them to harm – threatens, blames, and shames others
Information	Complete and timely sharing of information about actions and problems	Hides or misrepresents information about problems and progress
Risk-taking	Willing to take personal risks and make necessary decisions	Avoids necessary decisions that involve personal risk
Team development	Uses coaching, mentoring, and training to develop team members	No emphasis on training, to keep team members 'weak' and dependent on leader
Response to criticism	Encourages feedback and disagreement which find better solutions	Discourages criticism or dissent
Teaching ethics	Teaches team members about ethics and encourages them to act ethically	Does not discourage team members from acting unethically

TĪWHIRI:

Perhaps the most important part of being an ethical leader is **leading by example**. Remember, actions often speak louder than words. You may give voice to ethical values, but this means nothing if you do not put those values into practise. Demonstrate ethical, honest, and unselfish behaviour – your project team will follow suit.

Key points

- *A project manager is both a leader and a manager.*
- *An important part of being a leader is maintaining a project's vision – the reason your team are doing the project. It can help keep them motivated and enthusiastic.*
- *Intrinsic motivation comes from inside the individual, while extrinsic motivation comes from outside the individual.*
- *Intrinsic motivations are effective because they are linked to a person's desire to do something that is interesting, challenging, or desirable.*
- *Someone can have no job dissatisfaction but still have no job satisfaction. A good leader provides reasons for job satisfaction (motivational factors) and removes reasons for job dissatisfaction (hygiene factors).*
- *Ethical leadership considers how to motivate, influence, and enable project team members in a morally correct manner.* ❖

5.2 Leadership styles

> ***"He who has great power should use it lightly."***
>
> *– Seneca*

Many people feel that they are not suited to being leaders. This is sometimes because their experience has told them that being a leader means being bossy and expecting workers to follow orders without question, whether they like it or not – most people do not see this as a good way to behave. The good news is that there are many different leadership styles that work, so you should be able to find one that suits your personality and values.

5.2.1 Authority and leadership

Typically, being a leader (or a manager) means having **authority** over others. This usually means being able to **give orders** rather than receiving them, and it also means having the **final decision** when there are disagreements.

Authority has a bad name because some leaders and managers are excessively **autocratic** and prefer being feared to being liked. In truth, this kind of leadership is rarely successful, especially in the long term. While project management is not a popularity contest, project managers need the respect and support of their team. A less authoritarian approach is usually better.

Many people are uncomfortable with authority: some dislike submitting to it, others dislike having it, and some dislike both. However, authority is often necessary to get things done, so it is something we must all live with. Fortunately, when used in the right way, authority can help us be more **efficient** and **productive**. To get it right, we need to understand authority better.

Formal and informal authority

A project manager may have formal or informal authority (or both). Formal authority comes from a **title** or a **position**. Informal authority comes from the **character and abilities** of a leader.

- **Formal authority** is important because its power does not depend on the team receiving the orders. For example, if you make a call that the project team does not agree with, formal authority allows you to ignore their opinions and get your own way. While this should be a last resort, this can move things forward when disagreements have stalled the project.
- **Informal authority** is important for the opposite reason – its power depends on the level of **respect** the team receiving orders has for you, your **character**, and your **abilities**. When you have a lot of informal authority and make decisions the team does not agree with, they are more likely to go along with your decision, because they respect you and trust your judgement.

In most cases, informal authority is much more effective than formal authority **and should be used first**. A title does not make someone worth respecting or following. But someone with leadership qualities can inspire people to work as a team and accomplish project goals – progress is likely to be smoother and the team will be more motivated, because they feel they are being led effectively. As a project manager, you should look to increase your informal authority.

Informal authority can be increased by consistent use of four behaviours:[36]

1. **Demonstrating respect.** This involves being honest with yourself and with others – from the people on your project team to the key stakeholders and top executives. Just remember to be polite when you do it! Generally, if you respect others, they will respect you.
2. **Listening first.** Try not to talk more than you listen. Not listening can result in problems with relationships, productivity, and decision-making. For instance, if someone comes to you with a complaint or problem, let them talk first – make sure you understand the problem before trying to come up with a solution. Listening first is part of demonstrating respect.

[36] Kogon, K., Blakemore, S., and Wood, J. (2015).

3. **Clarifying expectations.** Make sure you clearly spell out expectations for your team members – both about the overall project and about their individual work on the project. For instance, clearly explaining to a team member how their work contributes to the project both shows them respect and keeps them motivated.
4. **Maintaining accountability.** Behave the way you want others to behave and set a good example for your project team. Take responsibility for your actions. In addition, hold your project team accountable to the standard you have set.

The first three behaviours – demonstrating respect, listening first, and clarifying expectations – are essential to maintaining accountability. The more you respect your team, and listen to them, and the clearer your expectations, the more your team members will hold themselves accountable. You will also earn more informal authority, so you can hold them accountable.

NGOHE:

Take a moment to answer this question: "Who do I consider a great leader?" For some, it may be famous politicians, such as Barack Obama, Nelson Mandela, Sir Āpirana Ngata, or Mahatma Gandhi. For others, it may be sports figures, like Richie McCaw, Lionel Messi, or Sir Peter Blake. For others yet, it may be business people, spiritual leaders, or people who have made major contributions to their community or to areas of knowledge.

Which of these leaders wielded **formal** authority and which had **informal** authority?

Discussion questions:

- *What are some differences between formal and informal authority?*
- *Why is informal authority so important?*
- *How can you make sure you use the four behaviours of a person with informal authority (listed above)?*

5.2.2 Motivation and leadership styles

The leadership style you use influences the team's motivation. Remember, motivation can be extrinsic or intrinsic. That is, motivation can come from **outside** the individual or from **inside** the individual. For instance, wages are an extrinsic motivator while enjoying the challenge of completing work is an intrinsic motivator.

Project managers who see workers as primarily motivated by extrinsic factors, such as income, think they will avoid work if they can. They think workers need managers to be hands-on and **autocratic**. On the other hand, project managers who see workers as primarily motivated by intrinsic factors, such as wanting to do good work, think they work hard when the work is satisfying. They know workers need managers to be hands-off and **democratic**. The differences between these views of motivation and leadership are shown in Figure 30.

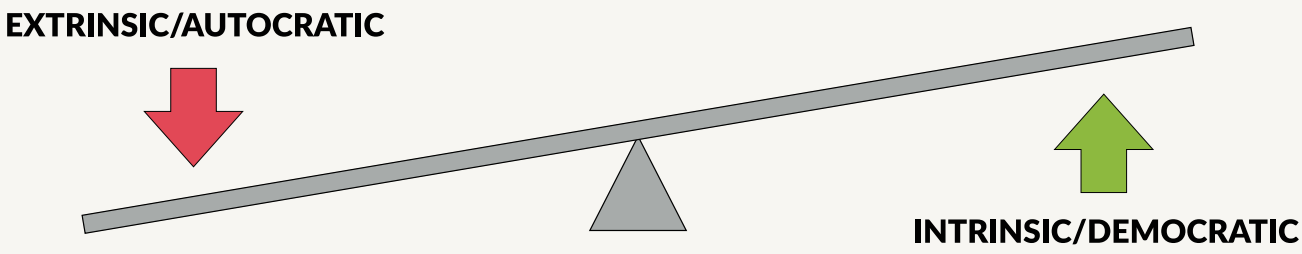
Factor to consider:

An important part of leadership style is how 'hands-on' or 'hands-off' you are as a project manager. Some project managers cannot help but be hands-on – especially if they are experts in the field (for instance, a project manager on a construction project who is a trained carpenter). They think it will be quicker to do the job themselves.

Even if this is true, though, only the smallest and simplest projects can be done single-handedly. Remember, a project manager is not there to **work** on the project, they are there to **manage** it. There will be times when your project team will appreciate your help in doing the work but be careful not to let doing the work distract you from managing the work.

Figure 30: Motivation and leadership

MOTIVATION & LEADERSHIP



ATTITUDE

People dislike work and will try to avoid doing it if possible

People are interested in work and will enjoy it in right conditions

DIRECTION

People must be forced to put skill and effort into their work

People will self direct themselves towards work goals

RESPONSIBILITY

People would rather be told what to do than take responsibility

People will, in right conditions, seek and accept responsibility

MOTIVATION

People are mainly motivated by extrinsic factors such as money

People are motivated by intrinsic factors like realising their potential

CREATIVITY

People have limited creativity but are good at getting around rules

People are creative, but do not often get the chance to show it

5.2.3 Goleman's six leadership styles

As noted previously, there are many different leadership styles. A well-known breakdown of different leadership styles has been provided by Daniel Goleman (see Figure 31).

Figure 31: Goleman's leadership styles

The right leadership style for a project depends on the type of project, the project team, and your own character and personality, as the project manager. For example, the **commanding** and **pacesetting** styles are very dominant and demanding, but some workers might need strong guidance, or the project might need to be completed so quickly that there is no time for consultation or consensus. However, most people dislike such strict and demanding work environments, so these styles should be used with caution.

On the other hand, the **democratic** and **affiliative** styles allow much more input from the team – the project manager is more of a **facilitator** than a commander. However, the danger is that things can get bogged down in decision-making and results can suffer.

The **visionary** leader can be very exciting to work for as they focus on getting big things done and are great motivators. However, they can lose focus on the details of the project, which may cause problems. Similarly, the **coaching** leader is all about team development – everyone gets to learn new and valuable skills. Even so, this style can also mean a loss of focus on the project goals.

An effective project manager can adapt their leadership style to meet the needs of the project and its stakeholders (see below). In general, though, a less authoritarian style of leadership is usually more effective, especially over the long term. Even so, the project manager ultimately makes the decisions.

Factors to consider:

Leadership style has a big effect on the speed and quality of decision-making. The commanding style involves faster decision-making because no time is used in consulting team members. However, the decision may be poorer due to lack of input. The democratic style involves slower decision-making, but the decision is more likely to be good because a range of stakeholders give input.

People's culture will also affect their responses to leadership styles. For example, people who come from cultures where strict hierarchies are normal will be less bothered by dominant leadership styles. However, cultures that rely more on consensus and the group over the individual will prefer a more affiliative or democratic style.

Discussion questions:

- *How comfortable are you with commanding or pacesetting leadership styles? Can you think of some situations in which these would be needed?*
- *How good do you think your people skills need to be if you want to adopt a democratic, affiliative, or coaching style of leadership?*
- *Visionary leaders are great motivators, but can they cause problems? If so, what problems?*

5.2.4 The situational leadership model

Leadership styles can be adapted to meet the needs of the project and the project team members – however, it can sometimes be hard to work out which of Goleman's styles matches your situation.

The situational leadership model developed by Ken Blanchard and Paul Hersey is a useful alternative.[37] It starts by analysing the performance readiness or **'maturity'** of the team (or individual team members). Maturity is about the ability of team members to perform project tasks and their confidence and motivation to do so. For instance:

- A team member with **low** maturity lacks the ability and lacks the confidence and motivation to complete the task.
- A team member with **medium** maturity is motivated to complete the task but lacks the ability **or** has the ability but lacks the motivation (maybe because they lack self-confidence).
- A team member with **high** maturity has the skills and has the confidence and motivation to complete the task.

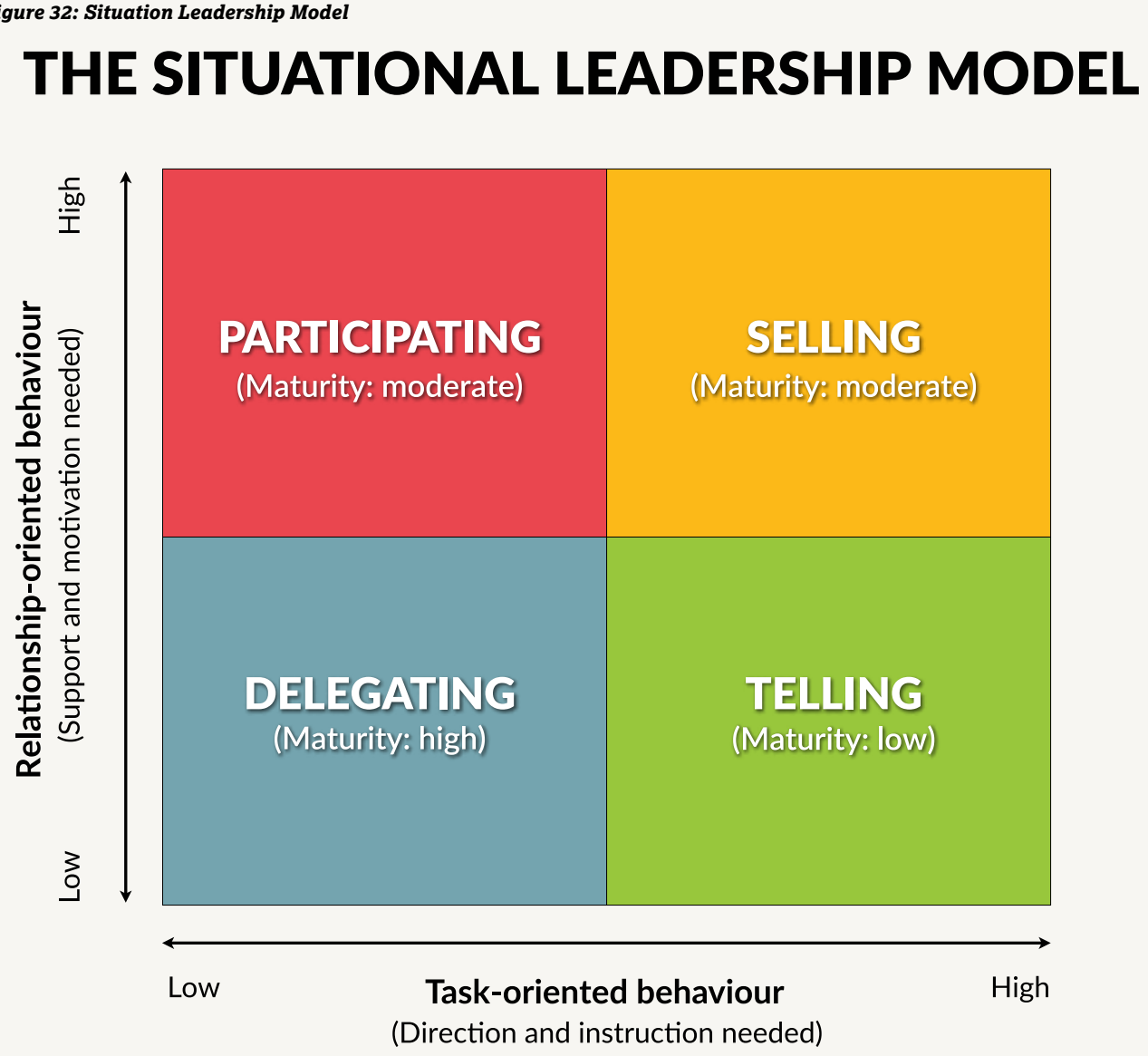
The model then looks at the **relationship-oriented** or **task-oriented** behaviour that a project manager may use. These are explained below:

- **Relationship-oriented behaviour** is how much effort the project manager puts into two-way communication and building relationships with team members. It is about active listening, being understanding, and providing encouragement.
- **Task-oriented behaviour** is how much effort the project manager puts into one-way communication and telling team members what to do and how to do it. It is about control and completing tasks.

These two aspects are combined using a matrix, as shown in Figure 32.

[37] Center for Leadership Studies. (n.d.).

Figure 32: Situation Leadership Model



The matrix then shows which of four leadership styles will be most appropriate based on the **maturity** level of team members. These styles are:

- **Telling.** When the team lacks the ability as well as the confidence and motivation, team maturity is **low**. The project manager should use a more commanding leadership style. The project manager makes the decisions, and then tells project team members what to do, and in detail how to do it.
- **Selling.** When the team lacks the ability but is confident and motivated, team maturity is **moderate**. The project manager should make the decisions, and then tell project team members what to do. However, they must then 'sell' their decision (i.e., persuade) to get team members to buy in.
- **Participating.** When the team has the ability but is not confident or motivated, team maturity is **moderate**. The project manager can allow the team more input into decision-making. However, the project manager will need to involve themselves in this process.
- **Delegating.** When the team has the ability as well as the confidence and motivation, team maturity is **high**. The project manager can adopt a **'hands-off'** approach. The team can make decisions and take responsibility.

The situation may change over time, and so should your leadership style. For example, a **'telling'** style may work at the beginning of a project when project team members lack the ability and willingness to work

on their own. As they become more experienced and motivated, however, the project manager can move to a **'selling'** or **'participating'** style. When they are very experienced, confident, and willing, the project manager can step back and **delegate**.

TĪWHIRI:

You may also have to put some thought into how to adapt your leadership to project teams that work remotely. It can be harder to create a collaborative team when people are not working face to face. To effectively manage remote teams, you will need to use communication skills and communication technologies – for instance, task management software to make sure everyone is on the same page, and video conferencing and messaging tools to enable easy and ongoing communications.

HEI TAUIRA:

Example: Haeata

Haeata is a small business owner. She is managing a small project that all three of her employees will do project work for. However, each of her employees has a different level of skill, experience, and self-confidence. This means Haeata has to think carefully about how she leads them.

*Alisha is very experienced at her job and has a lot of confidence in her abilities. Haeata also has confidence in Alisha's abilities. So, Haeata will use a **delegating** leadership style with Alisha. Haeta explains what Alisha needs to accomplish, then lets her get to work. She will monitor Alisha's progress but otherwise will focus on her own tasks and those of her other employees.*

*Tawera also has quite a bit of experience but is not as confident as Alisha. He will still need support, even if he will not need a lot of hands-on leadership. Haeata will use a **participating** leadership style with Tawera. Haeata will still make most of the decisions about how to proceed, but not before asking for Tawera's input and talking through options with him. She will also give him opportunities to take the lead in decision-making – after all, Haeata wants all her employees to be experienced and confident!*

*Melody is straight out of school and new to the business. She is not a self-starter at all. While Haeata thinks this will change, for now she will use a **telling** leadership style with Melody. Haeata will tell Melody what her tasks are, how to do those tasks, and make sure she understands her instructions. She also says that Melody can come to her if she needs more help.*

Key points

- *Leadership comes in different forms – not every leader is the same and not every project needs the same type of leader.*
- *The kind of leadership needed often depends on the kind of motivation that team members have.*
- *Formal authority comes from a title or a position; informal authority comes from the character and skills of a leader.*
- *Leadership style can be adapted to meet individual situations. This could be based on the knowledge, competence, and self-confidence of project team members.* ❖

NOTES

NOTES

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Kōnae Aho 1

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