Setting up the Project for Success

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1. Kicking off the Project - The Initiating process group

Project Initiation phase

- → Introduces project.
- → High level definition
- → Identifies stakeholders

Level of contract expected by a customer from a supplier, laying out metrics by which service is measured and remedies/penalties if should service levels not be achieved

SLA → Service level agreement.

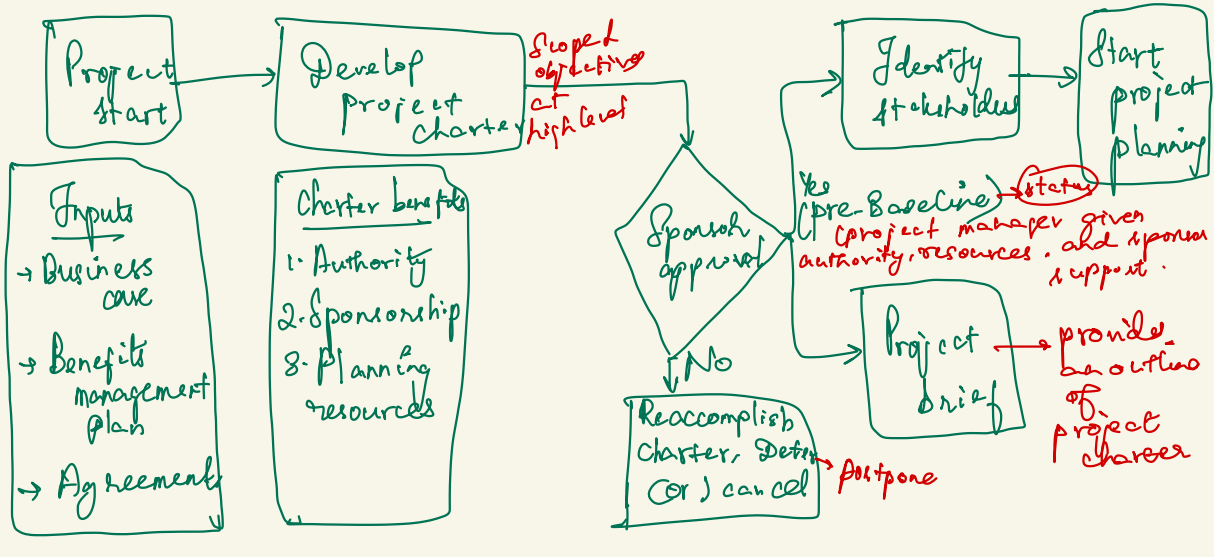
Eg. internet traffic won't reduce below a threshold speed except for few mins in a year

→ Project initiation phase is the first phase of PMI framework

→ It begins with a business case approval, when the project sponsor and manager create a business management plan (or) when SLA dictates action.

→ Project manage creates
- * Scope objectives
- * Stakeholder register

Project Initiation (or) Process Group



Project management modeling tools

→ Methods, techniques & SW applications to plan, execute & monitor projects

key tools

→ Business case

- Written document
- Need for a project
- How project's advantage can outweigh the drawbacks
- Initiation phase
- Project's goals, benefits and expenses
- Problems & opportunity (strategy alignment, risk exposure, practicality from an economic standpoint, ROI, success metrics & other factors)

Elements of business case

1. Business need
2. Project justification
3. Business strategy

* factors: Project proposal, overall goals & objectives, project importance, project value, problem(s) opportunity, business drivers

factors: Costs & benefits, Reason for undertaking project, Assumptions & constraints, Potential risks

* factors: Project design, implementation strategy, planned milestones

(Eg in next page)

→ Project charter

→ Issued by project initiator (or) sponsor

→ Formally authorizes existence of project

→ Provides project manager with authority (organizational resources)

Template

→ Project name
→ Project goal
→ Project value proposition & benefits
→ Project problem(s) opportunity statement
→ Project schedule
→ Project manager
→ Approval space
→ Authority/sponsor space

→ Project Brief

→ Summary of project charter

→ Overview of project

→ Foundation for building a detailed project plan

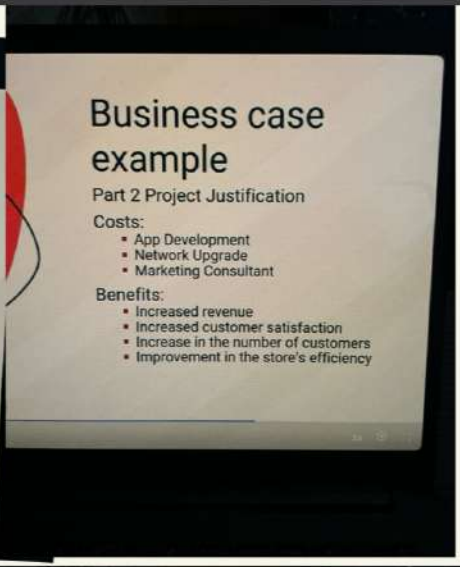
→ Ensures everyone is working towards a common goal

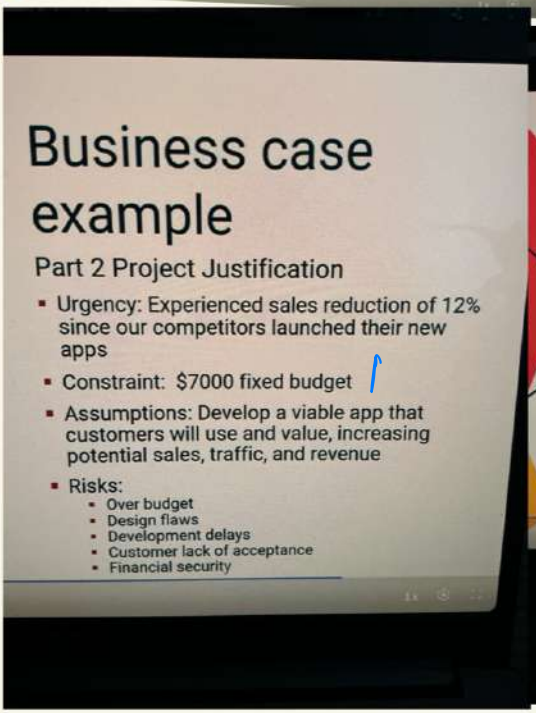
→ Requires information from business case and project charter.

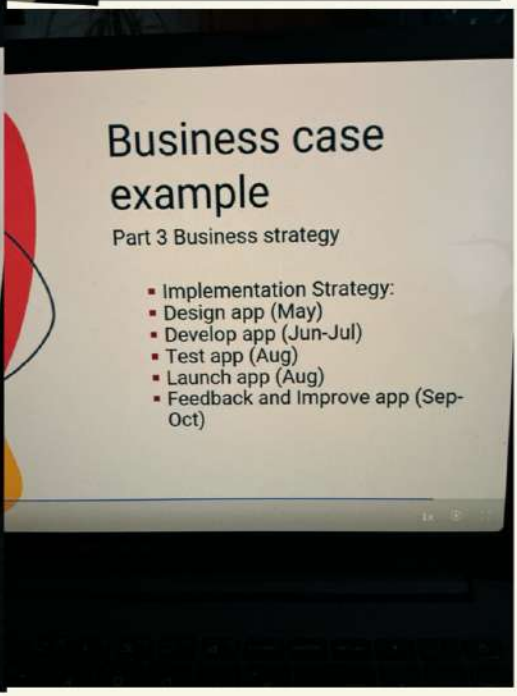
Template

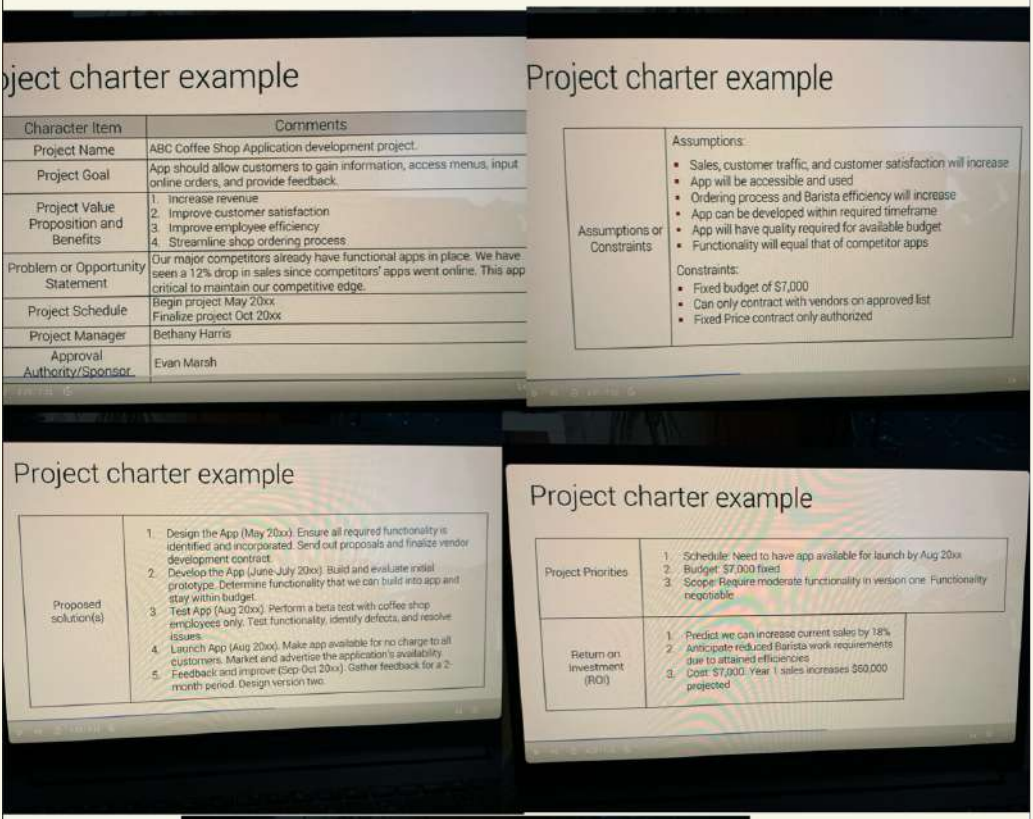
Name	
Manager	
Purpose	
Benefits	
Schedules	
Costs	
Sponsor	


Business case example
Part 1 Business need
Project: Develop an application for a coffee shop
Goal: An app that allows customers to gain information, access menus, make online orders, and provide feedback
Situation: Most competitors have a viable app to assist customers and shops being deficient in the area
Value: Increasing revenue, improving customer satisfaction, improving employee efficiency, and streamlining the ordering process
Problem: Keeping pace with the competition and meeting customer needs
Driver: Remaining competitive and viable in a growing coffee service market


Business case example
Part 2 Project Justification
Costs:
App Development
Network Upgrade
Marketing Consultant
Benefits:
Increased revenue
Increased customer satisfaction
Increase in the number of customers
Improvement in the store's efficiency


Business case example
Part 2 Project Justification
Urgency: Experienced sales reduction of 12% since our competitors launched their new apps
Constraint: $7000 fixed budget
Assumptions: Develop a viable app that customers will use and value, increasing potential sales, traffic, and revenue
Risks:
Over budget
Design flaws
Development delays
Customer lack of acceptance
Financial security


Business case example
Part 3 Business strategy
Implementation Strategy:
Design app (May)
Develop app (Jun-Jul)
Test app (Aug)
Launch app (Aug)
Feedback and Improve app (Sep-Oct)



oject charter example

Character Item	Comments
Project Name	ABC Coffee Shop Application development project.
Project Goal	App should allow customers to gain information, access menus, input online orders, and provide feedback.
Project Value Proposition and Benefits	1. Increase revenue 2. Improve customer satisfaction 3. Improve employee efficiency 4. Streamline shop ordering process
Problem or Opportunity Statement	Our major competitors already have functional apps in place. We have seen a 12% drop in sales since competitors' apps went online. This app critical to maintain our competitive edge.
Project Schedule	Begin project May 20xx Finalize project Oct 20xx
Project Manager	Bethany Harris
Approval Authority/Sponsor	Evan Marsh

Project charter example

Assumptions or Constraints	Assumptions: • Sales, customer traffic, and customer satisfaction will increase • App will be accessible and used • Ordering process and Barista efficiency will increase • App can be developed within required timeframe • App will have quality required for available budget • Functionality will equal that of competitor apps Constraints: • Fixed budget of $7,000 • Can only contract with vendors on approved list • Fixed Price contract only authorized

Project charter example

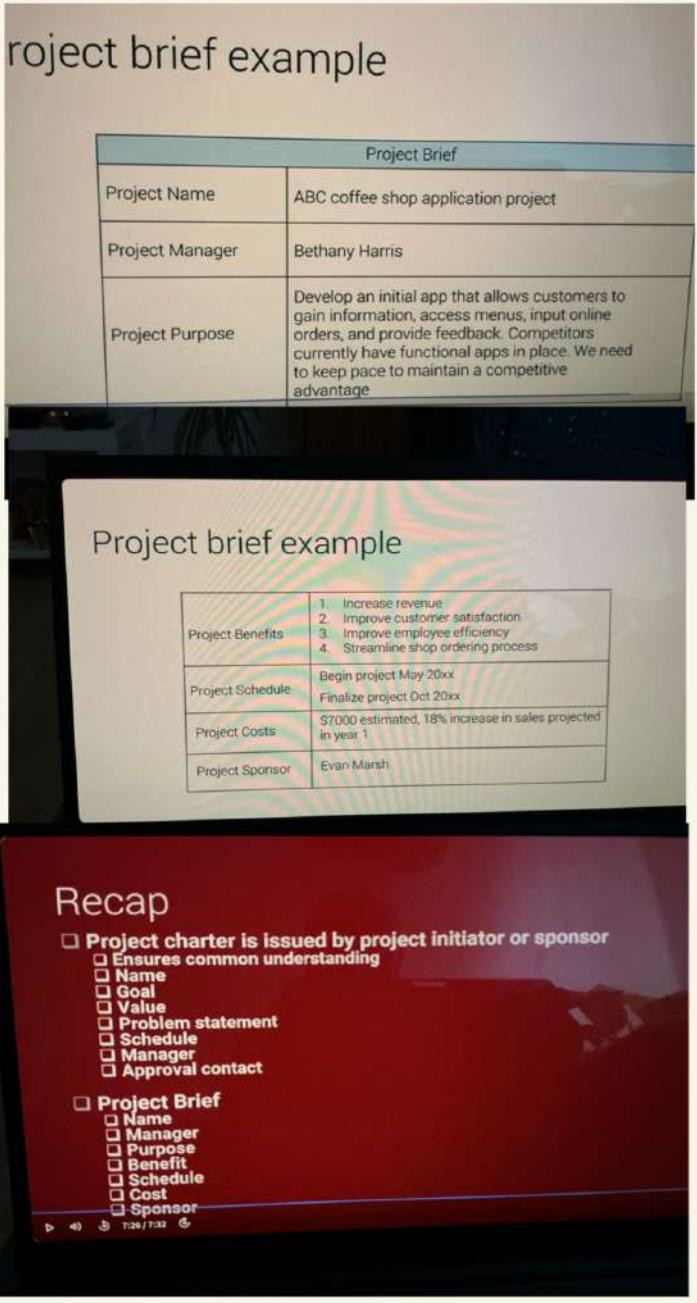
Proposed solution(s)	1. Design the App (May 20xx). Ensure all required functionality is identified and incorporated. Send out proposals and finalize vendor development contract. 2. Develop the App (June-July 20xx). Build and evaluate initial prototype. Determine functionality that we can build into app and stay within budget. 3. Test App (Aug 20xx). Perform a beta test with coffee shop employees only. Test functionality, identify defects, and resolve issues. 4. Launch App (Aug 20xx). Make app available for no charge to all customers. Market and advertise the application's availability. 5. Feedback and improve (Sep-Oct 20xx). Gather feedback for a 2-month period. Design version two.

Project charter example

Project Priorities	1. Schedule: Need to have app available for launch by Aug 20xx 2. Budget: $7,000 fixed 3. Scope: Require moderate functionality in version one. Functionality negotiable.
Return on Investment (ROI)	1. Predict we can increase current sales by 18% 2. Anticipate reduced Barista work requirements due to attained efficiencies 3. Cost: $7,000. Year 1 sales increases $60,000 projected

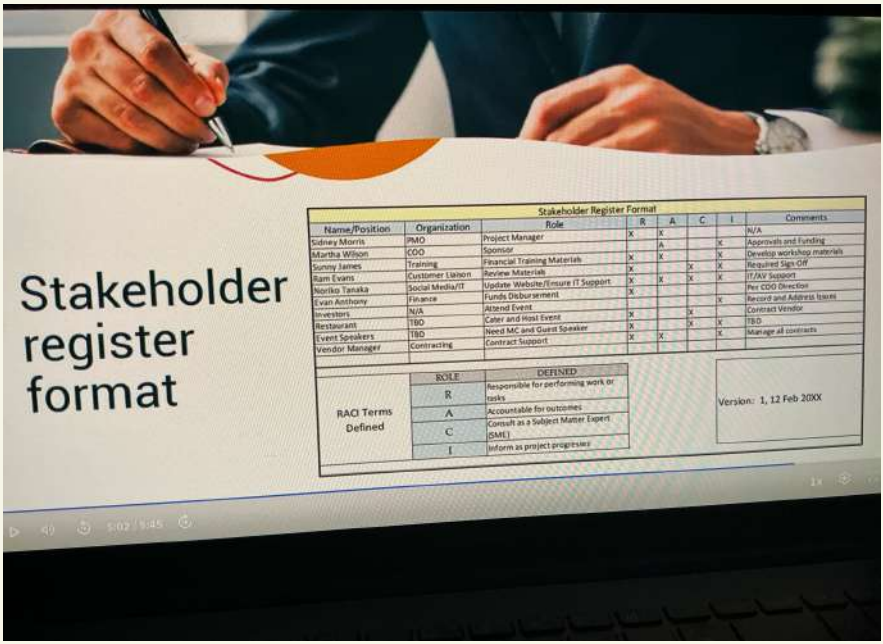
Project charter example

Risks (Potential)	• Over budget – may reduce ROI • Design flaws – may delay implementation and reduce functionality • Development delays – may delay schedules • Customer lack of acceptance – may reduce sales increase • Financial security – may lead to customer trust issues
Resources Required	• Project manager and team • Marketing • IT • External Developer • Contracting



Stakeholder Identification

→ A stakeholder is anyone who needs to be a part of project.
→ A stakeholder register is a document that lists stakeholders associated with the project.
→ This register includes the stakeholder's name, organization, role and RACI
→ A stakeholder may have one (or) multiple RACI designations
→ Not every stakeholder needs to be named
→ Not every member of a project team needs to be listed
→ The stakeholder register is ever evolving.



Why RACI chart?

→ clarifies roles
→ Avoids confusion
→ Prevents work overlap (or) duplication
→ Helps with stakeholder communication
→ Improves accountability
→ Useful in cross functional (or) matrix teams

Tips → Only one 'A' per task to avoid conflict!
→ Combine with other tools like WBS

Decision making

Refer to pdf

→ Voting (Democratic participation & representation)
  - unanimity
  - Majority
  - plurality

→ Fist to five (1 to 5 → level of support) and determine the most support

→ Nominal Group technique — Choose this
  - Group brainstorming
  - Contributions from all participants
  - Speedy agreement
  - Team members write and present ideas
  - Suggestions are discussed and prioritized

→ Autocratic → Leader takes the decision

→ Multicriteria Decision Analysis (MCDA)
  - → Weighted method
  - → Systematical objective evaluation

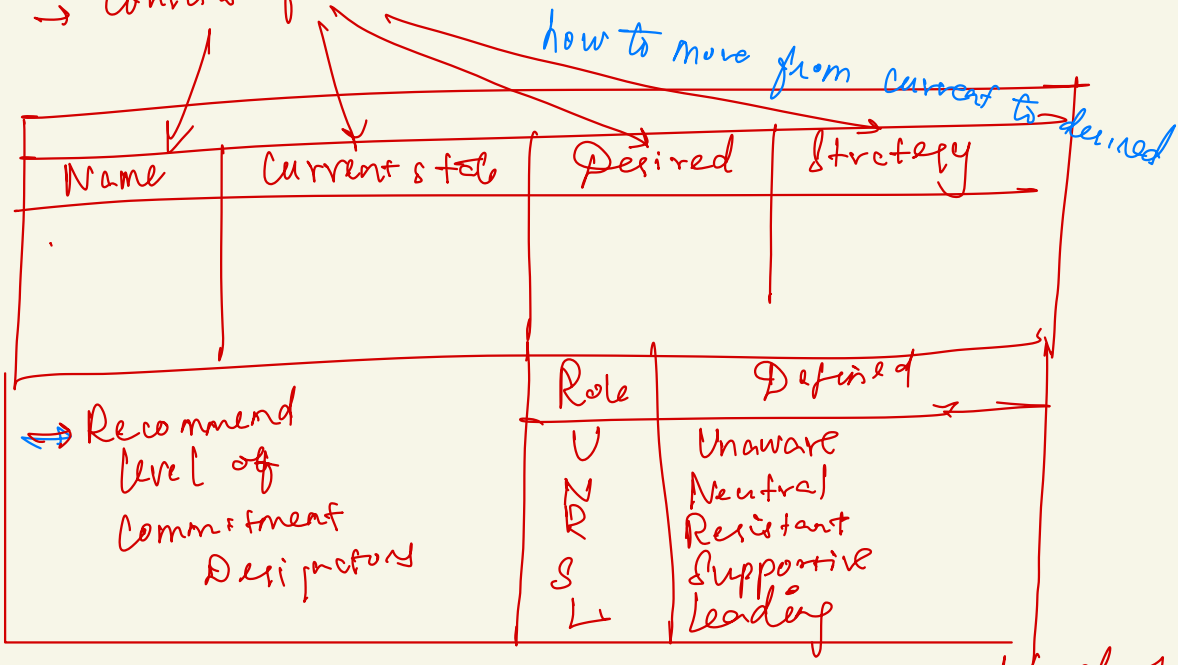
→ Wideband delphi
  - → Confidential decision

→ OARP — Owner, participants → Reviewer → and approver
  structured process for uncertain decisions

Stakeholder Engagement Plan (SEP)

→ A formal document that outlines strategy to communicate with stakeholders interested in projects.

→ Consists of



→ SEP matrix tool identifies the required level of engagement of stakeholder groups

→ Confidential tool

Stakeholder Management and Project financial Analysis

Introduction to financial metrics

→ Quantative indicators that evaluate company's financial performance & stability
→ Assist investors and analysts
→ Provides data on company's aspect.

Key metrics

1. Opportunity costs

→ Possible benefits the company forgoe
→ Addresses project tradeoff

Value of Project A = 60000$
" B = 40000$

if we select B, Then opportunity cost : 60,000$
(Value of the project that is highest & not chosen)

2. Time value of money

→ Value of currency decreases over time
→ Value of currency increases when invested

3. Depreciation

→ Asset's value loss over time
→ Reduce taxes
→ claim lost value of the assets

Two methods:

Straight line method

→ Same amount of depreciation subtracted every year

Example

asset's value = $ 100,000
Depreciation : $ 20,000 (over 5 years)
Asset's life = 5 year

Accelerated depreciation method

→ Higher amount depreciated in the initial years
→ Assets are more productive in early years
→ It include the following:
* Double declining balance
* The sum of the years digits

Additional financial metrics

1) Payback
2) Return on investment (ROI)
3) Return on invested capital (ROIC)
4) Benefit cost ratio (BCR)
5) Economic Value added (EVA)
6) Internal rate of return (IRR)
7) Net present Value.

Payback

→ Time to recover the initial cost of investment
→ Break-even point
→ Total investment equals to the total revenue
→ formula: $\frac{\text{Initial investment}}{\text{Periodic cash flow}}$

ROI :

→ Determine the profitability of investment
→ Relates investment's return to its cost.
→ Formula : $\frac{\text{Net profit}}{\text{investment cost}} \times 100$

eg: If you invested $ 10000 and earned $ 12000.

$ROI = \frac{12000 - 10000}{10000} \times 100$

$= 20\%$

(Good for simple, flexible, short term project low) comparison analysis)

ROI capital :

→ Allocation of capital to profitable projects
→ The return generated for every dollar invested.
→ Formula: $= \frac{\text{NOPAT}}{\text{Invested capital}} \times 100$

NOPAT - Net Operating Profit After Taxes

how effectively a company is using all capital (debt + equity) invested in the business to generate returns
→ evaluating overall company performance and how well it creates value from all capital sources
→ Best for long term strategic evaluation of business efficiency

Benefit - cost ratio

→ Compare the benefits of the project with its costs
→ Evaluates the potential profitability of a project
→ Formula : $\frac{\text{Total Benefits}}{\text{Total costs}}$
→ If more than 1, then profit.

Economic Value added

True economic profit a company generates

→ Value company generates for shareholders
→ Projects should provide returns beyond capital cost
→ Profitability increases with shareholder's wealth.
→ EVA > 0 → company is creating value.
EVA = 0 → Company is just covering its cost of capital
EVA < 0 → Company is destroying value

NPV (Net present value)

→ How much money will I make, after considering the time value of money)
→ money you earn in the future is worth less than the money you have today.
→ NPV calculates how much today's total value you will get from a project after subtracting initial investment
Let say Investment = €100, next year = €120, if 10% interest, then 120€ is worth 109€ today so NPV = €109 − €100 = €9 profit
→ In financial terms ⇒ Total value of project's cash flows (both inflows & outflows) discounted to present value using a special discount rate (usually the cost of capital)

$$NPV = \sum \left(\frac{C_t}{(1+r)^t} \right) - C_0$$

C_t – cash inflow in time period t
C_0 = Initial investment (cash outflow)
r = discount rate (cost of capital)
t = time period

> 0 → project is profitable
= 0 → Breaks even
< 0 - loss

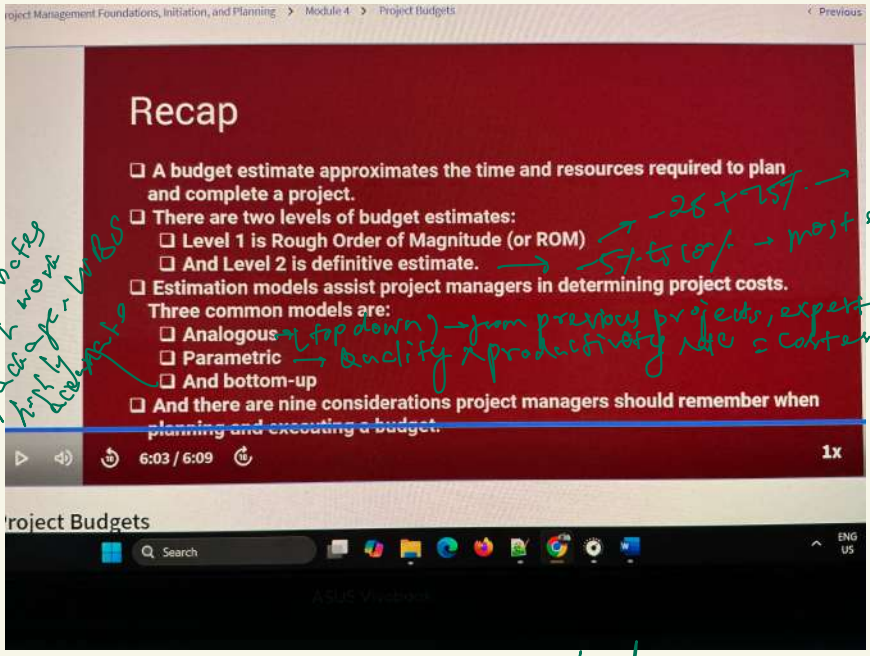
You invest 100,000 in a project.
It returns 30,000 annually for 4 years. With a 10% discount rate

$$NPV = \sum \left(\frac{30,000}{(1+0.10)^t} \right) - 100,000 = 9,470$$ ⇒ Good investment

IRR (Internal rate of return)

→ IRR tells you the actual percentage return you'll get from a project - like a bank interest rate.
→ If I invest 100€ and make 120€ after 1 year - IRR is 20%.
→ IRR is the discount rate at which the NPV becomes zero
IRR > Cost of capital → Accept the project
IRR = Cost of capital → Neutral
IRR < Cost of capital → Reject the project

Project budgets



check the pdf attached