



# Chapter 9: **Planning**

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**Electronic Commerce**

# Electronic commerce initiatives

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- Main activities
  - Identify business objectives
  - Link business objectives to business strategies
- Business objectives
  - Increasing existing market's sales
  - Opening new markets
  - Serving existing customers better
  - Identifying new vendors
  - Coordinating more efficiently with existing vendors
  - Recruiting employees more effectively

# Electronic commerce initiatives



- Business strategies
  - Downstream strategies: improving the values provide to customers
  - Upstream strategies: working at a higher level to reduce cost or generate value
- Use the web for business strategies
  - Attractive sales channel for many firms
  - Complement business strategies
    - Building brands
    - Enhancing existing marketing programs
    - Selling products and services
    - Selling advertising
    - Developing a better understanding of customer needs
    - Improving after-sale service and support
    - Purchasing products and services
    - Managing supply chains
    - Operating auctions
    - Building or using virtual communities to maintain relationships with customers and suppliers

# Electronic commerce initiatives



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- Measuring benefits
  - Tangible benefits
    - Easy to measure
    - Example: increased sales
  - Intangible benefits
    - Difficult to measure
    - Example: increased customer satisfaction
- Set measurable objectives even if for intangible benefits
  - How?
  - Survey, opinion polls, customer service complaints, etc.

# Electronic commerce initiatives

Electronic commerce initiatives	Common measurements of benefits provided
Build brands	Surveys or opinion polls that measure brand awareness
Enhance existing marketing programs	Change in per-unit sales volume
Improve customer service	Customer satisfaction surveys, quantity of customer complaints
Reduce cost of after-sale support	Quantity and type (telephone, fax, e-mail) of support activities
Improve supply chain operation	Cost, quality, and on-time delivery of materials or services purchased
Hold auctions	Quantity of auctions, bidders, sellers, items sold, registered participants; dollar volume of items sold
Provide portals, social networks, and virtual communities	Number of visitors, number of return visits per visitor, and duration of average visit

**FIGURE 12-1** Measuring the benefits of electronic commerce initiatives

# Electronic commerce initiatives



- Managing costs
  - Information technology project costs are difficult to estimate
    - Rapid changes in technologies
- Total cost of ownership (TCO)
  - Hardware
  - Software
  - Design work
  - Outsourcing
  - Salaries and benefits for employees
- Good TCO estimation should includes assumptions about how often site would need to be redesigned in the future

# Electronic commerce initiatives

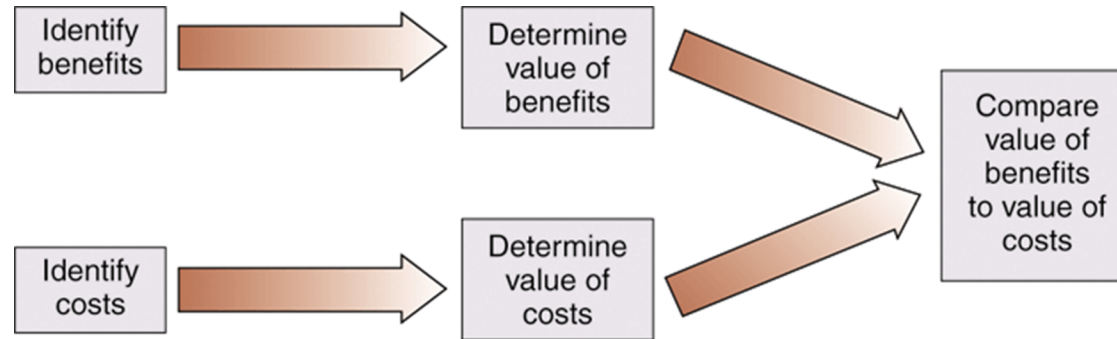
- Opportunity cost
  - Cost of not undertaking an initiative
- Website cost
  - 10%: computer hardware,
  - 10%: software,
  - 80%: labor
  - The annual cost of operating an online business Web site ranges between 50 and 200 percent of the initial cost of the site

	Small Online Store	Midsize Online Business	Large Online Business	Large Company's Online Business Integrated with Other Business Operations
Initial costs	\$400–\$7,000	\$10,000–\$1 million	\$1 million–\$5 million	\$5 million–\$100 million
Ongoing annual costs	\$400–\$14,000	\$25,000–\$2 million	\$500,000–\$10 million	\$2.5 million–\$200 million

**FIGURE 12-2** Estimated costs for business Web sites

# Electronic commerce initiatives

- Comparing benefits with cost



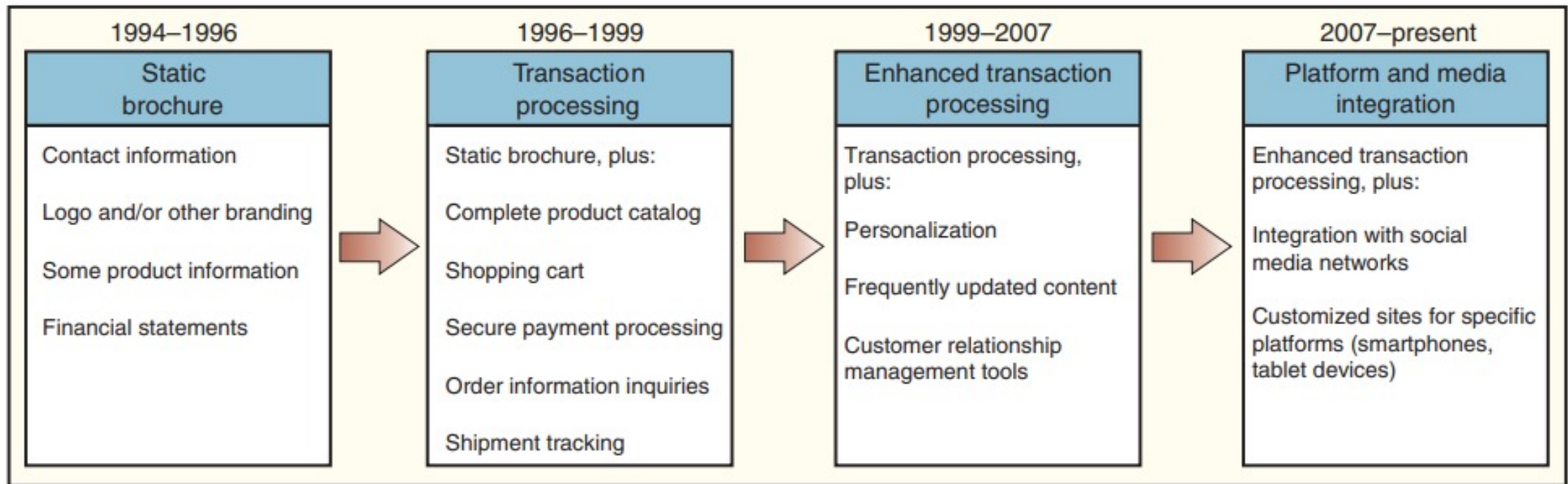
**FIGURE 12-4** Cost/benefit evaluation of electronic commerce strategy elements

- ROI (Return on Investment)
  - Measuring amount of income (return) provided by specific current expenditure (investment)
  - ROI built-in biases
    - Gives undue weight to costs.
    - Short-term benefits easier to foresee; long-term benefits harder to imagine and quantify



# Website development

- Evolution of Website functions



**FIGURE 12-5** Evolution of Web site functions

# Website development

- How does it cost to build a website

- Domain name
- Website functionality
- Website maintenance
- Size of the site
- Website hosting platform

Type of website	Estimated design cost
Small business website (8 to 16 pages)	\$2,000 to \$9,000
Large business website (25 to 75 pages)	\$10,000 to \$35,000
E-commerce website (100 to 1,000 products)	\$5,000 to \$55,000
Database website (20 to 2,000 pages)	\$6,000 to \$75,000

# Website development

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- Internal vs. outsourcing
  - Internal
    - Company's specific needs are addressed
    - Initiative congruent with organization goals, culture
  - Outsourcing
    - Seldom able to learn enough about organization's culture to accomplish objectives
  - Key to success
    - Finding balance between outside and inside support
    - Outsourcing: hiring another company to provide outside support for all or part of project

# Website development

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- Internal team
  - People knowledgeable about the Internet and its technologies
  - Creative thinkers
  - Distinguished within the company
- Internal project lead
  - Mistake: technical wizard, not business knowledgeable, not well known
  - Better choice: person with business knowledge, creativity, respect of firm's operating function managers, good sense of goals and culture

# Website development

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- Early outsourcing
  - Company outsources initial site design and development to launch project quickly
  - Outsourcing team trains company's information systems professionals before handing site operation to them
  - Company's information systems people work closely with outsourcing team to develop ideas for improvements as early as possible in project life

# Website development

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- Late outsourcing
  - More traditional approach
  - Company's information systems professionals
    - Perform initial design and development work, implement system, and operate system until stable part of business operation
  - Once competitive advantage gained
    - Electronic commerce system maintenance outsourced
    - Company's information systems professionals turn attention and talents to developing new technologies, providing further competitive advantage

# Website development

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- Partial outsourcing
  - Also called **component outsourcing**
  - Company identifies specific project portions that can be completely designed, developed, implemented, and operated by another firm specializing in a particular function
- Examples
  - Smaller Web sites outsource e-mail handling and response functions
  - Customer support call center
  - Electronic payment system

# Website development



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- Selecting a hosting provider
  - Internal team responsible for selecting a service provider
  - Should obtain advice of consultants
  - Important factors
    - Functionality
    - Reliability
    - Bandwidth and server scalability
    - Security
    - Backup and disaster recovery
    - Cost
  - Vendor's security policies, practices: very important because business information placed in hands of service provider



# Staffing

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- Business manager
  - Member of internal team setting project objectives
  - Responsible for implementing business plan elements, reaching objectives set by internal team
- Project manager
  - Person with specific training, skills in tracking costs and accomplishment of specific project objectives
- Account manager
  - Keeps track of multiple Web sites in use or keeps track of projects combining into larger Web site

# Staffing

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- Applications specialists
  - Maintain accounting, human resources, logistics software
- Web programmers
  - Design and write underlying code for dynamic database-driven Web pages
- Web graphics designer
  - Trained in art, layout, composition
  - Understands how Web pages are constructed

# Staffing

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- Customer service personnel
  - Design and implement customer relationship management activities in electronic commerce operation
- Call center
  - Company handling incoming customer telephone calls, e-mails for other companies
  - Makes sense for smaller companies
- Systems administrator
  - Responsible for system's reliable, secure operation

# Staffing

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- Database administrator
  - Support activities
    - Transaction processing, order entry, inquiry management, shipment logistics
  - Activities require:
    - An existing database into which site being integrated
    - Separate database established for electronic commerce initiative

# Project management



# Topics covered

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- Risk management
- Managing people
- Teamwork

# Software project management



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- Concerned with activities involved in ensuring that software is delivered **on time** and **on schedule** and in accordance with the requirements of the organisations developing and procuring the software.
- Project management is needed because software development is always subject to **budget** and **schedule** constraints that are set by the organisation developing the software.

# Success criteria

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- Deliver the software to the customer at **the agreed time**.
- Keep overall costs **within budget**.
- Deliver software that meets the customer's expectations.
- Maintain a coherent and well-functioning development team.



# Software management distinctions

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- The product is intangible.
  - Software cannot be seen or touched. Software project managers cannot see progress by simply looking at the artefact that is being constructed.
- Many software projects are 'one-off' projects.
  - Large software projects are usually different in some ways from previous projects. Even managers who have lots of previous experience may find it difficult to anticipate problems.
- Software processes are variable and organization specific.
  - We still cannot reliably predict when a particular software process is likely to lead to development problems.

# Factors influencing project management



- Company size
- Software customers
- Software size
- Software type
- Organizational culture
- Software development processes
- These factors mean that project managers in different organizations may work in quite different ways.

# Universal management activities

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- *Project planning*
  - Project managers are responsible for planning, estimating and scheduling project development and assigning people to tasks.
- *Risk management*
  - Project managers assess the risks that may affect a project, monitor these risks and take action when problems arise.
- *People management*
  - Project managers have to choose people for their team and establish ways of working that leads to effective team performance.

# Management activities

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- *Reporting*
  - Project managers are usually responsible for reporting on the progress of a project to customers and to the managers of the company developing the software.
- *Proposal writing*
  - The first stage in a software project may involve writing a proposal to win a contract to carry out an item of work. The proposal describes the objectives of the project and how it will be carried out.

# Risk management

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# Risk management

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- Risk management is concerned with identifying risks and drawing up plans to minimise their effect on a project.
- Software risk management is important because of the inherent uncertainties in software development.
  - These uncertainties stem from loosely defined requirements, requirements changes due to changes in customer needs, difficulties in estimating the time and resources required for software development, and differences in individual skills.
- You have to anticipate risks, understand the impact of these risks on the project, the product and the business, and take steps to avoid these risks.

# Risk classification

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- There are two dimensions of risk classification
  - The type of risk (technical, organizational, ..)
  - What is affected by the risk:
- *Project risks* affect schedule or resources;
- *Product risks* affect the quality or performance of the software being developed;
- *Business risks* affect the organisation developing or procuring the software.

# Examples of project, product, and business risks

Risk	Affects	Description
Staff turnover	Project	Experienced staff will leave the project before it is finished.
Management change	Project	There will be a change of organizational management with different priorities.
Hardware unavailability	Project	Hardware that is essential for the project will not be delivered on schedule.
Requirements change	Project and product	There will be a larger number of changes to the requirements than anticipated.
Specification delays	Project and product	Specifications of essential interfaces are not available on schedule.
Size underestimate	Project and product	The size of the system has been underestimated.
CASE tool underperformance	Product	CASE tools, which support the project, do not perform as anticipated.
Technology change	Business	The underlying technology on which the system is built is superseded by new technology.
Product competition	Business	A competitive product is marketed before the system is completed.

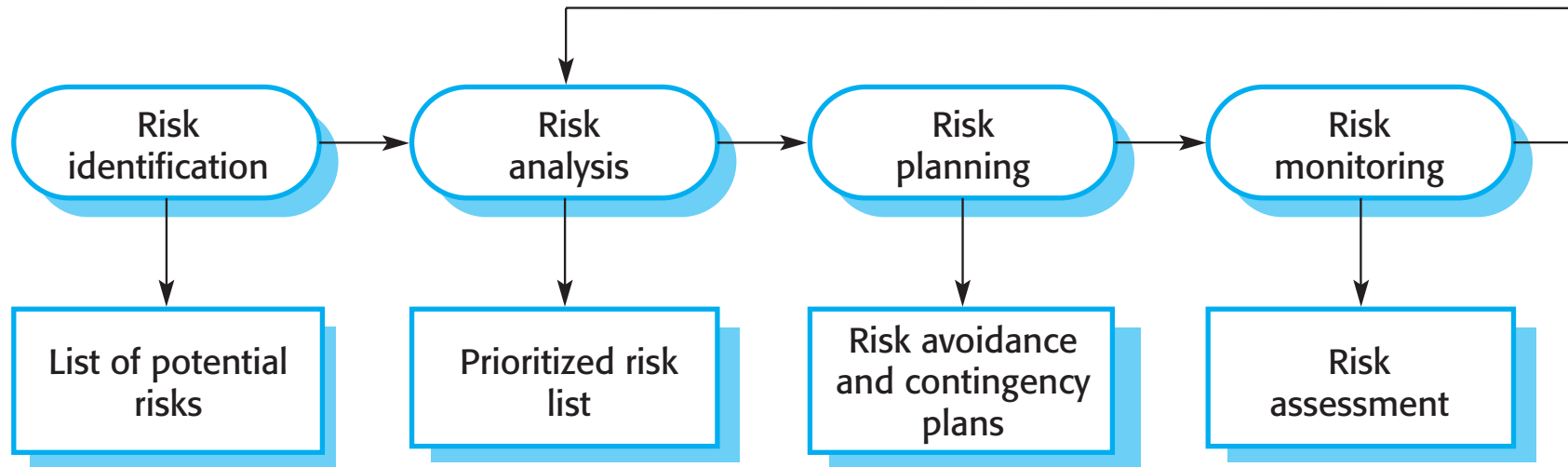


# The risk management process

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- Risk identification
  - Identify project, product and business risks;
- Risk analysis
  - Assess the likelihood and consequences of these risks;
- Risk planning
  - Draw up plans to avoid or minimise the effects of the risk;
- Risk monitoring
  - Monitor the risks throughout the project;

# The risk management process



# Risk identification



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- May be a team activities or based on the individual project manager's experience.
- A checklist of common risks may be used to identify risks in a project
  - Technology risks.
  - Organizational risks.
  - People risks.
  - Requirements risks.
  - Estimation risks.

# Examples of different risk types

Risk type	Possible risks
Estimation	The time required to develop the software is underestimated. (12) The rate of defect repair is underestimated. (13) The size of the software is underestimated. (14)
Organizational	The organization is restructured so that different management are responsible for the project. (6) Organizational financial problems force reductions in the project budget. (7)
People	It is impossible to recruit staff with the skills required. (3) Key staff are ill and unavailable at critical times. (4) Required training for staff is not available. (5)
Requirements	Changes to requirements that require major design rework are proposed. (10) Customers fail to understand the impact of requirements changes. (11)
Technology	The database used in the system cannot process as many transactions per second as expected. (1) Reusable software components contain defects that mean they cannot be reused as planned. (2)
Tools	The code generated by software code generation tools is inefficient. (8) Software tools cannot work together in an integrated way. (9)

# Risk analysis

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- Assess probability and seriousness of each risk.
- Probability may be very low, low, moderate, high or very high.
- Risk consequences might be catastrophic, serious, tolerable or insignificant.

# Risk types and examples

Risk	Probability	Effects
Organizational financial problems force reductions in the project budget (7).	Low	Catastrophic
It is impossible to recruit staff with the skills required for the project (3).	High	Catastrophic
Key staff are ill at critical times in the project (4).	Moderate	Serious
Faults in reusable software components have to be repaired before these components are reused. (2).	Moderate	Serious
Changes to requirements that require major design rework are proposed (10).	Moderate	Serious
The organization is restructured so that different management are responsible for the project (6).	High	Serious
The database used in the system cannot process as many transactions per second as expected (1).	Moderate	Serious

# Strategies to help manage risk

Risk	Strategy
Organizational financial problems	Prepare a briefing document for senior management showing how the project is making a very important contribution to the goals of the business and presenting reasons why cuts to the project budget would not be cost-effective.
Recruitment problems	Alert customer to potential difficulties and the possibility of delays; investigate buying-in components.
Staff illness	Reorganize team so that there is more overlap of work and people therefore understand each other's jobs.
Defective components	Replace potentially defective components with bought-in components of known reliability.
Requirements changes	Derive traceability information to assess requirements change impact; maximize information hiding in the design.

# Strategies to help manage risk

Risk	Strategy
Organizational restructuring	Prepare a briefing document for senior management showing how the project is making a very important contribution to the goals of the business.
Database performance	Investigate the possibility of buying a higher-performance database.
Underestimated development time	Investigate buying-in components; investigate use of a program generator.



# Risk monitoring

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- Assess each identified risks regularly to decide whether or not it is becoming less or more probable.
- Also assess whether the effects of the risk have changed.
- Each key risk should be discussed at management progress meetings.

# Risk indicators

Risk type	Potential indicators
Estimation	Failure to meet agreed schedule; failure to clear reported defects.
Organizational	Organizational gossip; lack of action by senior management.
People	Poor staff morale; poor relationships amongst team members; high staff turnover.
Requirements	Many requirements change requests; customer complaints.
Technology	Late delivery of hardware or support software; many reported technology problems.
Tools	Reluctance by team members to use tools; complaints about CASE tools; demands for higher-powered workstations.

# Managing people

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# Managing people

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- People are an organisation's most important assets.
- The tasks of a manager are essentially people-oriented. Unless there is some understanding of people, management will be unsuccessful.
- Poor people management is an important contributor to project failure.

# People management factors

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- Consistency
  - Team members should all be treated in a comparable way without favourites or discrimination.
- Respect
  - Different team members have different skills and these differences should be respected.
- Inclusion
  - Involve all team members and make sure that people's views are considered.
- Honesty
  - You should always be honest about what is going well and what is going badly in a project.

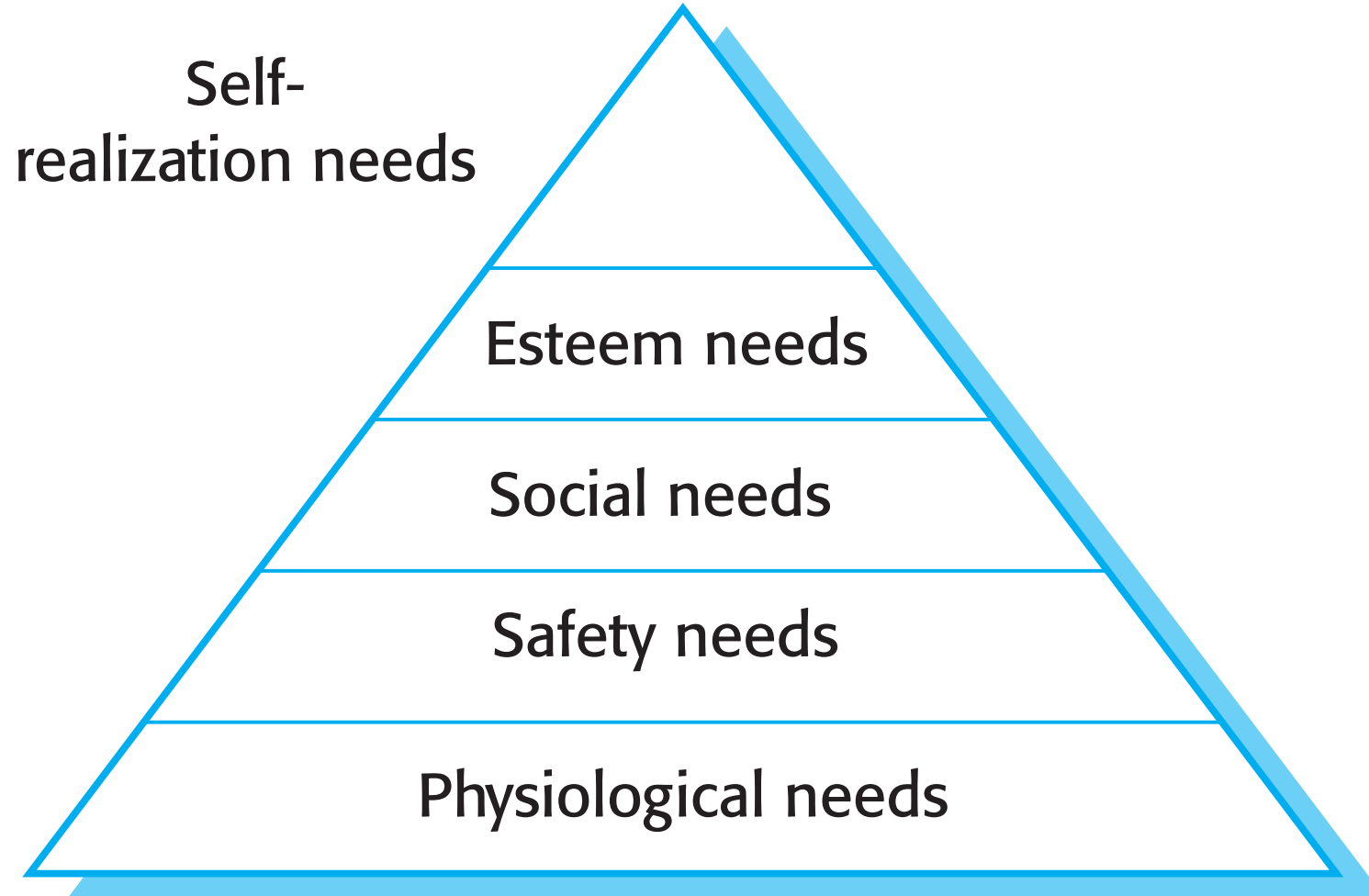
# Motivating people

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- An important role of a manager is to motivate the people working on a project.
- Motivation means organizing the work and the working environment to encourage people to work effectively.
  - If people are not motivated, they will not be interested in the work they are doing. They will work slowly, be more likely to make mistakes and will not contribute to the broader goals of the team or the organization.
- Motivation is a complex issue but it appears that there are different types of motivation based on:
  - Basic needs (e.g. food, sleep, etc.);
  - Personal needs (e.g. respect, self-esteem);
  - Social needs (e.g. to be accepted as part of a group).

# Human needs hierarchy

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# Need satisfaction

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- In software development groups, basic physiological and safety needs are not an issue.
- Social
  - Provide communal facilities;
  - Allow informal communications e.g. via social networking
- Esteem
  - Recognition of achievements;
  - Appropriate rewards.
- Self-realization
  - Training - people want to learn more;
  - Responsibility.



# Case study: Individual motivation

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Alice is a software project manager working in a company that develops alarm systems. This company wishes to enter the growing market of assistive technology to help elderly and disabled people live independently. Alice has been asked to lead a team of 6 developers that can develop new products based around the company's alarm technology.

Alice's assistive technology project starts well. Good working relationships develop within the team and creative new ideas are developed. The team decides to develop a peer-to-peer messaging system using digital televisions linked to the alarm network for communications. However, some months into the project, Alice notices that Dorothy, a hardware design expert, starts coming into work late, the quality of her work deteriorates and, increasingly, that she does not appear to be communicating with other members of the team.

Alice talks about the problem informally with other team members to try to find out if Dorothy's personal circumstances have changed, and if this might be affecting her work. They don't know of anything, so Alice decides to talk with Dorothy to try to understand the problem.

# Case study: Individual motivation

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After some initial denials that there is a problem, Dorothy admits that she has lost interest in the job. She expected that she would be able to develop and use her hardware interfacing skills. However, because of the product direction that has been chosen, she has little opportunity for this. Basically, she is working as a C programmer with other team members.

Although she admits that the work is challenging, she is concerned that she is not developing her interfacing skills. She is worried that finding a job that involves hardware interfacing will be difficult after this project. Because she does not want to upset the team by revealing that she is thinking about the next project, she has decided that it is best to minimize conversation with them.

# Comments on case study

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- If you don't sort out the problem of unacceptable work, the other group members will become dissatisfied and feel that they are doing an unfair share of the work.
- Personal difficulties affect motivation because people can't concentrate on their work. They need time and support to resolve these issues, although you have to make clear that they still have a responsibility to their employer.
- Alice gives Dorothy more design autonomy and organizes training courses in software engineering that will give her more opportunities after her current project has finished.

# Personality types

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- The needs hierarchy is almost certainly an over-simplification of motivation in practice.
- Motivation should also take into account different personality types:
  - Task-oriented people, who are motivated by the work they do.
  - Interaction-oriented people, who are motivated by the presence and actions of co-workers.
  - Self-oriented people, who are principally motivated by personal success and recognition.

# Personality types

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- Task-oriented.
  - The motivation for doing the work is the work itself;
- Self-oriented.
  - The work is a means to an end which is the achievement of individual goals - e.g. to get rich, to play tennis, to travel etc.;
- Interaction-oriented
  - The principal motivation is the presence and actions of co-workers. People go to work because they like to go to work.

# Teamwork

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# Teamwork

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- Most software engineering is a group activity
  - The development schedule for most non-trivial software projects is such that they cannot be completed by one person working alone.
- A good group is cohesive and has a team spirit. The people involved are motivated by the success of the group as well as by their own personal goals.
- Group interaction is a key determinant of group performance.
- Flexibility in group composition is limited
  - Managers must do the best they can with available people.

# Group cohesiveness

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- In a cohesive group, members consider the group to be more important than any individual in it.
- The advantages of a cohesive group are:
  - Group quality standards can be developed by the group members.
  - Team members learn from each other and get to know each other's work
  - Knowledge is shared. Continuity can be maintained if a group member leaves.
  - Refactoring and continual improvement is encouraged. Group members work collectively to deliver high quality results and fix problems, irrespective of the individuals who originally created the design or program.



# Team spirit

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Alice, an experienced project manager, understands the importance of creating a cohesive group. As they are developing a new product, she takes the opportunity of involving all group members in the product specification and design by getting them to discuss possible technology with elderly members of their families. She also encourages them to bring these family members to meet other members of the development group.

Alice also arranges monthly lunches for everyone in the group. These lunches are an opportunity for all team members to meet informally, talk around issues of concern, and get to know each other. At the lunch, Alice tells the group what she knows about organizational news, policies, strategies, and so forth. Each team member then briefly summarizes what they have been doing and the group discusses a general topic, such as new product ideas from elderly relatives.

Every few months, Alice organizes an 'away day' for the group where the team spends two days on 'technology updating'. Each team member prepares an update on a relevant technology and presents it to the group. This is an off-site meeting in a good hotel and plenty of time is scheduled for discussion and social interaction.

# The effectiveness of a team

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- The people in the group
  - You need a mix of people in a project group as software development involves diverse activities such as negotiating with clients, programming, testing and documentation.
- The group organization
  - A group should be organized so that individuals can contribute to the best of their abilities and tasks can be completed as expected.
- Technical and managerial communications
  - Good communications between group members, and between the software engineering team and other project stakeholders, is essential.
- A manager or team leader's job is to create a cohesive group and organize their group so that they can work together effectively.
- This involves creating a group with the right balance of technical skills and personalities, and organizing that group so that the members work together effectively.

# Assembling a team

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- May not be possible to appoint the ideal people to work on a project
  - Project budget may not allow for the use of highly-paid staff;
  - Staff with the appropriate experience may not be available;
  - An organisation may wish to develop employee skills on a software project.
- Managers have to work within these constraints especially when there are shortages of trained staff.

# Group composition

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- Group composed of members who share the same motivation can be problematic
  - Task-oriented - everyone wants to do their own thing;
  - Self-oriented - everyone wants to be the boss;
  - Interaction-oriented - too much chatting, not enough work.
- An effective group has a balance of all types.
- This can be difficult to achieve software engineers are often task-oriented.
- Interaction-oriented people are very important as they can detect and defuse tensions that arise.

# Group composition



In creating a group for assistive technology development, Alice is aware of the importance of selecting members with complementary personalities. When interviewing potential group members, she tried to assess whether they were task-oriented, self-oriented, or interaction-oriented. She felt that she was primarily a self-oriented type because she considered the project to be a way of getting noticed by senior management and possibly promoted. She therefore looked for one or perhaps two interaction-oriented personalities, with task-oriented individuals to complete the team. The final assessment that she arrived at was:

Alice—self-oriented

Brian—task-oriented

Bob—task-oriented

Carol—interaction-oriented

Dorothy—self-oriented

Ed—interaction-oriented

Fred—task-oriented

# Group organization



- The way that a group is organized affects the decisions that are made by that group, the ways that information is exchanged and the interactions between the development group and external project stakeholders.
  - Key questions include:
    - Should the project manager be the technical leader of the group?
    - Who will be involved in making critical technical decisions, and how will these be made?
    - How will interactions with external stakeholders and senior company management be handled?
    - How can groups integrate people who are not co-located?
    - How can knowledge be shared across the group?

# Group organization

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- Small software engineering groups are usually organised informally without a rigid structure.
- For large projects, there may be a hierarchical structure where different groups are responsible for different sub-projects.
- Agile development is always based around an informal group on the principle that formal structure inhibits information exchange

# Informal groups

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- The group acts as a whole and comes to a consensus on decisions affecting the system.
- The group leader serves as the external interface of the group but does not allocate specific work items.
- Rather, work is discussed by the group as a whole and tasks are allocated according to ability and experience.
- This approach is successful for groups where all members are experienced and competent.



# Group communications



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- Good communications are essential for effective group working.
- Information must be exchanged on the status of work, design decisions and changes to previous decisions.
- Good communications also strengthens group cohesion as it promotes understanding.

# Group communications



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- Group size
  - The larger the group, the harder it is for people to communicate with other group members.
- Group structure
  - Communication is better in informally structured groups than in hierarchically structured groups.
- Group composition
  - Communication is better when there are different personality types in a group and when groups are mixed rather than single sex.
- The physical work environment
  - Good workplace organisation can help encourage communications.

# End of chapter 9

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