

Week 1 Lecture

Scope and Limitations of the First Three Weeks

During the next three weeks, the focus of the course is on project management using the traditional project management methodology. There are other project methodologies including agile methods such as SCRUM, Six Sigma, and Kaizen. For example, Ries (2011) recommends that entrepreneurs use lean project methods for starts up with “extreme uncertainty” (p. 27) that rely heavily on “validated learning” (p. 8).

This week we cover the traditional project management method for four reasons. First, the traditional method provides a foundation for learning all project management methods. Second, the traditional method is useful for predictive projects or projects with some uncertainty. Third, the traditional method while criticized for its apparently linear approach does allow for iteration during the initiation and planning stages, and a change control process (Kloppenborg, Ananatmula, & Wells, 2019, p. 239 Section 7.5). Finally, many organizations will not approve projects without some form of a project charter (see discussion below). With a strong foundation in the traditional project management approach you will be able to evaluate newer project management methods and in what situations they may be most useful.

This week will focus on project initiation. Next week and the week following the focus will shift to project planning. The methods for these two steps can be generalized across different industries and organizational types. Moreover, these two first phases of the project life cycle (PLC) are arguably the most important steps to ensure project success. However, the entire PLC will be introduced in this lecture.

Finally, this week will focus on project leadership and ethics by focusing on corporate social responsibility. The fictional case study company, introduced in the second discussion this week, as a matter of its own policy and values chose to pursue a corporate social responsibility agenda.

Defining Project and Project Management Leadership

Project

The Project Management institute (PMI) (2017) states that a project is “a temporary endeavor undertaken to create a unique product, service or result” (p. 715). All projects

have a start and finish. A project may be completed in a few days or many years. Projects may be undertaken for many reasons which include new product development, continuous improvement, address social issues, and so on (Kloppenborg, et al, 2019, pp. 3 & 4 Section 1-1.) It is important that projects align and support an organization's strategies (Shenhar, Milosevic, Dvir, Thamhain, 2007, p. 7).

Project Management and Leadership

“Project management is the art and science of using knowledge, skills, tools, and techniques efficiently and effectively to meet stakeholder needs and expectations” (Kloppenborg, et al., 2019, p. 4 Section 1-1). Leadership is an important element of project management. Leadership is a process to influence a group or team to achieve an objective(s) (Northouse, 2013, p. 5). Communication and relationship building are important skills for effective leaders. Often project managers lead teams with employees that report to other line managers. In addition, a project can have a diverse group of stakeholders within and outside an organization. In short, a project manager must often lead or influence customers, suppliers, project team, sponsor, the community, senior leadership, and so on.

Learning activity: Consider times when you have influenced another person(s). Upon reflection what lessons did you learn?

Project Lifecycle

The project lifecycle (PLC) contains five stages or “project management process groups” (PMI, 2017, p.23 and p. 25 Table 1-4; Kloppenborg, et al., 2019, Section 1-3d, pp. 7&8). Kloppenborg, et al. (2019) includes another initial stage known as selection which is an important stage in project portfolio management. The project charter or some form of it may be used during at the time projects are selected.

Organizations may tailor the Project Life Cycle (PLC) to fit their business practices. Figure 1 shows an example of the PLC used by one company. In this example, should a project exceed \$100,000 then, before approval, the project charter must be approved. The project charter is the major output of the initiating stage. In addition, high cost projects must align with an enterprise strategy. Both the initiating and planning stages involve iteration. Once planning is complete, changes are approved by a sponsor or a small team.

Learning activity: Does your organization have its own PLC and associated policies? Does your organization's PLC support enterprise strategies?

During the next three weeks, the focus is on the initiating and planning stages.

Initiating Stage: The Project Charter

During the project initiating stage, the vision and need for the project is established and documented using a 'project charter.' The project is described, a business case is formulated, and resource requirements are addressed. The project charter may be used to gain approval to proceed with the project. Often it is the project sponsor or a group of employees who develop the vision for a new project. The project charter is the outcome of the initiation stage. Upon review of the project charter, a decision is made to proceed or not proceed with the project.

Kloppenborg, et al. (2019) suggest that a project charter is a contract which should be signed by the key parties (p. 70, Section 3-4k). This may be a good practice in the United States; however, it is not always accepted in other cultures. One professor shared an experience in Singapore where several stakeholders would not agree to sign the charter because they did not want to be held responsible for the charter should they need a change later. Thus, it is important to discuss the charter and how the project will be managed achieving agreement to the extent possible. This example also demonstrates the importance of leadership and flexibility in managing international projects.

Net Present Value

It is often necessary to provide financial justification for projects. There are several financial measures a project team may include in the project charter including pay back period, benefit to cost ratio, modified internal rate of return, and so on. In this course we will use Net Present Value (NPV). The calculations to derive a NPV will be explained using MS Excel.

NPV is based on time value of money. The time value of money is considered using the discount rate. The discount rate assumes that money loses its value over time by a certain amount. In this example the discount rate will be 5%. In this example assume that the investors buy an apartment building and will rent units out for five years and in year 6 will sell the building.

Step 1

Set up a Cash Flow Table. See Table 1. Notice that a discount rate is included.

Year	Amount
0	(\$550,000)
1	\$120,000
2	\$120,000
3	\$120,000
4	\$120,000
5	\$120,000
6	\$600,000
Rate	0.05

Table 1. Cash Flow with Interest Rate

Step 2

Determine NPV.

1. Go to Editing and choose “ Σ .”
2. Select “More Functions”
3. Select “NPV”
4. Type in or select the rate
5. Select year 1 to year 6 values. Hit enter
6. Then add Year 0 (Notice that the investment is a negative number).
7. Press Enter

The NPV = \$417,266.44

If you calculated Net Present Value manually you would arrive at the same answer.

Learning Activity: Try the example above. If you do not get the answer here research the formulas for calculating NPV and recalculate using a calculator. Then look at using MS Excel again.

Planning

Planning will be covered in more detail starting next week. Planning begins once the initiation stage is completed. Planning includes three base-lines namely scope management, schedule management, and cost management (PMI, 2017, p. 87). Beyond the base-lines, project management plans (PMPs) can include communication plans, risk management plans, supplier management, resource planning, and planning for quality (PMI, 2017, p. 87). The PMP is the outcome of project planning. The PMP provides a more detailed description of the expected project results, constraints, approach to manage future change requests, and the processes to monitor progress, execute, and close the project.

Project Leadership

There are many approaches to leadership as well as numerous theories. Northouse (2013) describes leadership theories and practices effectively. In future lectures a couple of these theories will be examined. Strong leaders:

1. Have high integrity resulting in respect and credibility.
2. Give credit publicly to others for their ideas and work. And take little if any credit for the leader's own efforts.
3. Build relationships within the framework of the culture the project is working in.
4. Communicate well and listen carefully.
5. Stay calm and do not panic when project problems occur.
6. Enable team members to develop their skills and realize their professional aspirations.
7. Demonstrate respect for and trust in the team.
8. Know the names of all major stakeholders (I used to write everyone's name down after I met them and made a practice of using their names).
9. Forget rank – instead leaders seek the best ideas. Encourage innovation thinking in and outside the box. Indeed, one student wrote in a discussion that a senior Naval officer asked all attendees to attend a project kick-off in

civilian clothes because he wanted everyone to have an equal voice for new sailors and above.

10. Make decisions when necessary – keep the project moving.

Learning Activity: What leadership practices would you add to the list above?

Ethics/Corporate Social Responsibility

Porter (2013) points out that business is in a good position to solve social problems. In addition, Porter argues that business profits from applying corporate social responsibility (CSR). For example, a safer work place reduces fewer workman's compensation claims. A safer work place increases morale and the work place is generally more productive. Tutor2U (2015) reported in their survey of senior business leaders in the United Kingdom that 67% of the executives take CSR seriously because it has led to lower costs. Thought leaders are putting forth new perspectives and data that suggest business benefits from practicing CSR. Slapper (2011) notes that it is still difficult to measure the triple bottom line suggesting more research continues to be necessary to prove theories that suggest profits increase as a result of practicing CSR. The ethical component of CSR suggests that business should continue to pursue CSR in their own interests and the community of which business is a part of (Tutor2U, 2015).

Learning activity: What measures do you think could be applied for the non-financial parts of the triple bottom line?

References

Kloppenborg, T. J., Anantatmula, V., & Wells, K. N. (2019). *Contemporary Project Management* (4th ed.). Boston: Cengage.

Northhouse, P. G. (2013). *Leadership: Theory and practice* (6th ed.). Los Angeles: Sage.

Porter, M. (October 7, 2013). Why business can be good at solving social problems [YouTube Video]. Retrieved from [Michael Porter: Why business can be good at solving social problems](#)

[\(Links to an external site.\)](#)

Shenhar, A. J., Milosevic, D., Dvir, D., and Thamhain, H. (2007). *Linking project management to business strategy*. Newtown Square, PA: Project Management Institute.

Slapper, T. F., & Hall, T. J. (2011). The triple bottom line: What is it and how does it work? Indiana Business Review.

Tutor2U. (June 3, 2015). Corporate Social Responsibility Retrieved from <https://www.youtube.com/watch?v=nkteAJBtM9A>