Chapter Two
Defining the Project

Project selection

“The proper choice of investment projects is crucial to the long-run survival of every firm.”

Project selection may and frequently does occur without the project management team’s participation.

Project selection modeling considerations

- Models do not make decisions; people do.
- All models, however sophisticated, are only partial representations of the reality they are meant to reflect.
- Should consider both quantitative and qualitative factors.

Nonnumeric selection models

- The Sacred Cow
- The Operating Necessity
- The Competitive Necessity
- The Product Line Extension
- Comparative Benefit Model
  - Q-sort (good, fair, poor) rank order
  - Peer review
**Numeric selection models**
- Payback period
- Average rate of return
- Discounted cash flow (NPV)
- Internal rate of return (IRR)
- Profitability Index

**Textbook’s approach**
- List all current projects and project ideas
- Establish the need for each project
- Establish rough delivery dates and costs
- Establish feasibility
- Establish the risk associated with each
- Gain group and management consensus
- Eliminate inappropriate or infeasible
- Prioritize the remainder

**Project selection worksheet**

<table>
<thead>
<tr>
<th>Project</th>
<th>Need</th>
<th>Date</th>
<th>Budget</th>
<th>Risk</th>
<th>Feasibility</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demo Video</td>
<td>Maintain image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Press Tour</td>
<td>Sales contacts</td>
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</tbody>
</table>
Project definition
Setting clear goals

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Goals are critical

- Goals are the foundation for developing the project plan
- Goals guide task definition, charting, resource allocation, devising objectives, scheduling and budgeting
- Goals are the desired end result
- At completion, goals provide the yardstick for measuring success or failure

When setting project goals, the Project Manager must:

- Focus the planning process and the project team on the end results of the project
- Create clarity in the goals so all understand what is to be accomplished
- Gain consensus and commitment
- Establish the goals as the basis for the project planning process

The goal setting process

- Requires time, energy, and communication
- Iterative process
  - Back and forth with management, peers, and stakeholders
- “Setting goals and agreeing on them may be one of the most difficult aspects of project management.”
The “six” criteria for project goals

- Specific
- Realistic
- Time component
- Measurable
- Agreed upon
- Responsibility set

A Goal must be “SMART”

- S Specific get it clear
- M Measurable have quantitative and qualitative qualities
- A Agreed you agree to the goal and so do others affected by it
- R Realistic anchored in reality and attainable
- T Timed a deadline is set and therefore a degree of urgency

Helpful hints

- Clearly identify the person responsible for making final decisions and resolving conflicts
- Involve the most senior people possible
- Get people from all affected organizations
- Choose people with appropriate experience and expertise
- Communicate the final goals

First rule of project management

- Never start a project without clear goals!