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The following case illustrates the development of a project planning, management, and control system for large capital engineering projects. Senior management's goal in developing the system was primarily financial, in terms of keeping projects from exceeding budget and optimally allocate increasingly scarce investment funds. It is interesting to compare this system to that of Hewlett-Packard in the reading in Chapter 2.

Case

Heublein: Planning a Project Management and Control System¹ Herbert F. Spierer and A. G. Hulvey

Heublein, Inc., develops, manufactures, and markets consumer food and beverage products domestically and internationally. Their Group sales revenues are shown in Figure 1. The four major Groups use different manufacturing plants, equipment, and processes to produce their products. In the Spirits Group, large, continuous process bottling plants are the rule; in the Food Service and Franchising Group, small fast food restaurants are the "manufacturing plants."

The amount of spending for capital projects and support varies greatly among the Groups, as would be expected from the differences in the magnitude of sales revenues.

The engineering departments of the Groups have responsibility for operational planning and control of capital projects, a common feature of the Groups. However, the differences among the Groups are reflected in differences in the sizes of the engineering departments and their support services. Similarly,

financial tracking support varies from full external support to self-maintained records.

Prior to the implementation of the Project Management and Control System (PM&C) described in this paper, the capital project process was chiefly concerned with the financial justification of the projects, as shown in Figure 2. Highlights include:

- A focus on cost-benefit analysis.
- Minimal emphasis on execution of the projects; no mechanism to assure that non-financial results were achieved.

The following factors focused attention on the execution weaknesses of the process:

- Some major projects went over budget.
- The need for optimal utilization of capital funds intensified since depreciation legislation was not keeping pace with the inflationary rise in costs.

Responding to these factors, Heublein's corporate management called for a program to improve execution of capital

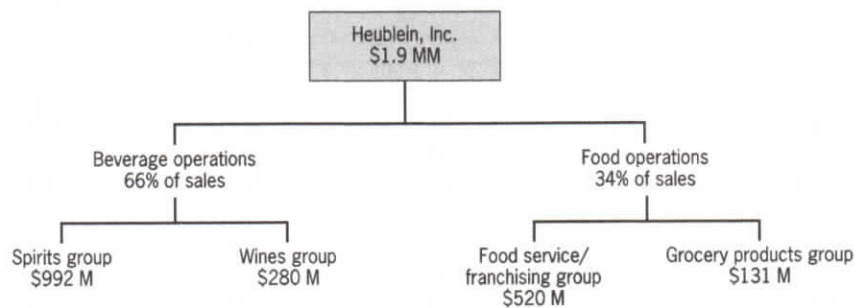


FIGURE 1 Heublein, Inc.

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