

situations or processes that you might find during your projects and describe how one project manager resolves them.



Real World Scenario

Project Case Study: New Kitchen Heaven Retail Store

You are a project manager for Kitchen Heaven, a chain of retail stores specializing in kitchen utensils, cookware, dishes, small appliances, and some gourmet foodstuffs, such as bottled sauces and spices. You're fairly new to the position, having been hired to replace a project manager who recently retired.

Kitchen Heaven currently owns 49 stores in 34 states and Canada. The world headquarters for Kitchen Heaven is in Denver, Colorado. Counting full-time and part-time employees, the company employs 1,500 people, 200 of whom work at headquarters.

The company's mission statement reads, "Great gadgets for people interested in great food."

Recently, the vice president of marketing paid you a visit. Dirk Perrier is a very nice, well-dressed man with the formal air you would expect a person in his capacity might have. He shakes your hand and gives you a broad, friendly smile.

"We've decided to go forward with our 50th store opening! Sales are up, and our new line of ceramic cookware is a hot seller, no pun intended. I don't know if you're familiar with our store philosophy, so let me take a moment to explain it. We like to place our stores in neighborhoods that are somewhat affluent. The plain fact is that most of our shoppers have incomes of more than \$150,000 a year. So, we make an effort to place our stores in areas where those folks usually shop.

"We're targeting the type of customer who watches the Food Network channel and must have all the gadgets and tools they see the famous chefs using. So, the stores are upbeat and convey a fun, energetic feel, if you will.

"Our next store is going to be right here in our home area—Colorado Springs. Because this is going to be our 50th store, we plan on having a 50th grand-opening celebration, with the kind of surprises and activities you might expect for such a notable opening.

"Our stores generally occupy from 1,500 to 2,500 square feet of retail space, and we typically use local contractors for the build-out. A store build-out usually takes 120 days from the date the property has been procured until the doors open to the public. I can give you our last opening's project plan so you have a feel for what happens. Your job will be to procure the property, negotiate the lease, procure the shelving and associated store furnishings, get a contractor on the job, and prepare the 50th store festivities. My marketing folks will assist you with that last part.

"You have six months to complete the project. Any questions?"

You take in a deep breath and collect your thoughts. Dirk has just given you a lot of information with hardly a pause between thoughts. A few initial ideas drift through your head while you're reaching for your notebook.

You work in a functional organization with a separate projectized department responsible for carrying out projects of this nature. You've been with the company long enough to know that Dirk is high up there in the executive ranks and carries the authority and power to make things happen. Therefore, Dirk is the perfect candidate for project sponsor.

You grab your notebook and start documenting some of the things Dirk talked about, clarifying with him as you write:

The project objective is to open a new store in Colorado Springs six months from today.

The store should be located in an affluent area.

The store will carry the full line of products, from utensils to gourmet food items.

The grand opening will be accompanied by lots of fanfare because this is the 50th store opening.

You have a question or two for Dirk.

"Is there a special reason we have to open, let's see, six months from now, which is February 1?"

He responds, "Yes, we want the store open the first week in February. Early February is when the Garden and Home Show conference hits the Springs area. We'll have a trade show booth there. We know from experience in other areas that our stores generally see a surge in sales during this month as a result of the trade show. It's a great way to get a lot of advertising out there and let folks know where we're located."

"Another question, Dirk. Is there a budget set for this project yet?"

"We haven't set a hard figure," Dirk replies. "But again, from past experience we know it takes anywhere from \$1.5 to \$2 million to open a new store—and we don't want to forget the big bash for the grand opening."

"Thanks, Dirk. I'll get started writing the project charter right away. I'll put your name on the document because you're the project sponsor."

Dirk concludes with, "Feel free to come to me with questions or concerns at any time."

One week later.

You review your notes and reread the project charter you've prepared for the Kitchen Heaven retail store one last time before looking for Dirk. You finally run across Dirk in a hallway near the executive washroom.

“Dirk, I’m glad I caught you. I’d like to go over the project charter with you before the kickoff meeting tomorrow. Do you have a few minutes?”

“Sure,” Dirk says to you. “Let’s have it.”

“The project charter states the purpose of the project, which of course is to open the 50th Kitchen Heaven store in Colorado Springs. I also documented some of the high-level requirements, many of which we talked about last time we met. I documented the assumptions and constraints you gave me with the understanding that we’ll define these much more closely when I create the scope statement. I’ve included a section that outlines a preliminary milestone schedule, and I’ve included some preliminary ROI [return on investment] calculations. Using your estimate of \$2 million as our initial budget request and based on the projected inflows you gave me last week, I’ve calculated a payback period of 19 months, with an IRR [internal rate of return] of 6 percent.”

“That’s impressive,” replies Dirk. “That’s even better than our Phoenix store. If I recall, the payback period there was just over two years. Let’s hope those numbers hold true.”

“I think they’re reliable figures,” you say. “I researched our data based on recent store openings in similar-sized cities and factored in the economic conditions of the Colorado Springs area. Since they’re on a growth pattern, we think the timing is perfect.”

“As you know, the project kickoff is scheduled for tomorrow. What I’ll need, then, is for you to talk about the project and the goals, talk about the commitment you’ll need from the management team to support this project, and introduce me as the project manager. I’ve already forwarded a copy of the project charter to the meeting attendees so that they can review it before the meeting. I included a list of the assumptions we’ve made so far as an appendix to the charter. Last, I’ll need you to ask everyone present to sign a copy of the project charter.”

“Sounds like you’ve covered everything,” Dirk says. “I don’t anticipate any problems tomorrow, because everyone is looking forward to this store opening.”

Project Case Study Checklist

- **Project objective:** To open a new store in Colorado Springs six months from today.
- **Business need or demand for project:** Company data concludes that the Kitchen Heaven consumers have incomes of more than \$150,000 a year. The Colorado Springs area is home to a large number of people with that income. Currently, there is no Kitchen Heaven in the area, but there appears to be a demand for one.
- **Project sponsor:** Dirk Perrier, VP of marketing.
- **Organizational structure:** Functional organization with a separate projectized department.
- **Project selection methods:** Payback period calculated at 19 months and IRR calculated at 6 percent.

- **Created project charter:** Project charter contains the following:
 - High-level overview of project
 - List of measurable project objectives
 - High-level risks
 - Summary milestone schedule with initial completion date of February 1
 - Summary budget of \$2 million
 - Project manager authority levels
 - Definition of roles of project sponsor and project manager
- **Next steps:** Kickoff meeting set up to discuss charter and obtain sign-off.

Understanding How This Applies to Your Next Project

There are as many ways to select and prioritize projects as there are organizations. You might be profit driven, so money will be king. You might have a stakeholder committee that weighs the pros and cons, or you might have an executive director who determines which project is up next. Scoring models and cash flow analysis techniques are useful on the job. Whether your organization uses these methods or others, an organized, consistent way to select and prioritize projects is necessary. I know I could work the next 100 years straight and probably still not get all the projects completed my organization would like to see implemented. What I've found is that the selection method must be fair and reasonable. If your organization uses an arbitrary method—say you like Tara better than Joe, so Tara's projects always end up on the “yes” list—it won't be long before stakeholders demand that another method be devised to select projects that everyone can understand. Whatever method you're using, stick to it consistently.

If you're like me, when I'm faced with a new project I want to get right to the heart of the matter and understand the purpose of the project. Projects come about for many reasons. Most of the time, understanding the reason it came about will give you some insight into its purpose. For example, if a new law is passed that requires anyone applying for a driver's license to show two forms of identification but the existing system has the space to record verification of only one document, you immediately have a firm grasp on the purpose of the project—you'll have to update the system to include additional space for recording the second document.

It has been my experience in working with project teams that when the team understands the reason or the need that brought about the project and it understands the goal of the project, the project is more successful. I don't have any scientific evidence for

this, but when the teams have a clear understanding of what they're working on and why, they tend to stay more focused and fewer unplanned changes make their way into the project. Don't assume everyone on the project team understands the goal of the project. It's good practice to review the project goal early in the project and again several times after the work of the project is under way. Reminding the team of the goal helps keep the work on track.

I usually write a project charter for all but the smallest of projects. I believe the most important sections of the charter are the objectives of the project, the high-level deliverables, the summary milestone schedule, and the summary budget. If the project is so small that a charter seems like too much, I'll write a statement of work. It's important that the goal or objective of the project is written down, no matter how small the project, so that the team and the stakeholders know what they're working toward.

Identifying the stakeholders early in the project is imperative to project success. You won't want to write the charter without their involvement. The two processes described in this chapter are almost performed simultaneously when you're conducting a project. I won't begin writing the charter without stakeholder input first, and it's just as important to understand the role stakeholders will play in the project as well as their influence. If the CFO has ultimate influence over which projects proceed and what they'll include, you'll want the CFO's buy-in as soon as possible. Involvement in writing the charter and developing the future Planning process outputs helps to assure their buy-in. At a minimum, it helps reduce surprises midway through the project.

Always, and I mean *always*, get approval and signatures on the project charter. You will use this document as your basis for project planning, so you want to make certain the sponsor, key stakeholders, and the project manager understand the goals of the project the same way.

Summary

This chapter started with a discussion of the 10 Knowledge Areas. The Knowledge Areas bring together processes that have characteristics in common. They also help you understand what types of skills and resources are needed to complete the processes within them.

Next, I detailed how projects are initiated. Projects come about as a result of one of seven needs or demands: market demands, strategic opportunity/business needs, customer requests, technological advances, legal requirements, environmental considerations, or social needs.

Project selection methods include decision models in the form of benefit measurement methods and mathematical methods (also called constrained optimization methods). The mathematical methods utilize mathematical models. Benefit measurement methods come in the form of cost-benefit analyses, scoring models, and economic analyses. These are primarily comparative approaches. Besides cost-benefit analysis, the most commonly used form of benefit measurement methods is cash flow analysis.

Analysis of cash flows includes payback period, discounted cash flows, net present value (NPV), and internal rate of return (IRR). These last three methods are concerned

with the time value of money—or, in other words, converting future dollars into today's value. Generally, projects with a shorter payback period are desired over those with longer payback periods. Projects that have an NPV greater than 0 should be accepted. Projects with the highest IRR value are considered a better benefit to the organization than projects with lower IRR values.

The Develop Project Charter process is the first process in the Initiating process group. The project statement of work (SOW) is an input to this process that describes the product, service, or result the project was undertaken to complete. The SOW should include the business needs of the organization as well as a product scope description and should map to the organization's strategic plan and the stakeholders' business value expectations. The other inputs to this process are business case and agreements.

Enterprise environmental factors are factors outside the project that might have significant influence on the success of the project. Organizational process assets refer to policies, guidelines, and procedures for conducting the project work.

Expert judgment and facilitation techniques are the two tools and techniques of this process. Experts usually have specialized knowledge or skills and can include staff from other departments in the company, external or internal consultants, and members of professional and technical associations or industry groups.

The output of this process is the project charter, which is the formal recognition that a project, or the next project phase, should begin. The charter authorizes the project to begin, it authorizes the project manager to assign resources to the project, it documents the business need and justification, it describes the customer's requirements, and it ties the project to the ongoing work of the organization.

The Identify Stakeholders process concerns identifying, assessing, and classifying stakeholders in a stakeholder register. Stakeholder involvement is critical to the success of the project. The more the project manager understands stakeholder influences, expectations, and impacts, the easier it is to prepare a strategy plan to deal with the impacts or issues, sometimes before they occur.

Exam Essentials

Be able to name the 10 Project Management Knowledge Areas. The 10 Project Management Knowledge Areas are Project Integration Management, Project Scope Management, Project Time Management, Project Cost Management, Project Quality Management, Project Human Resource Management, Project Communications Management, Project Risk Management, Project Procurement Management, and Project Stakeholder Management.

Be able to distinguish between the seven needs or demands that bring about project creation. The seven needs or demands that bring about project creation are market demand, strategic opportunity/business need, customer requests, technological advances, legal requirements, environmental considerations, and social needs.