Fourth Quarter-2009

PM CONNECT

A quarterly newsletter that brings information on modern project management methods, practices and

On this issue:

1. Informal and Formal PM
2. Statement of Work
3. Earned Value Analysis
4. Scope Creep

1. Informal and Formal Project Management

Informal Project Management implies that the planning and execution of projects is undertaken in a way that the project manager thinks is best. By contrast, formal project management implies rules and the strict adherence to protocols for every step and stage of the project life cycle.

Informal PM is defined as: doing a project however the In an informal project management environment project managers approach projects in the way they deem appropriate. Project management techniques are driven by personal preference and instinct and the project manager makes decision based on his or her experience, training, and judgment.

Formal PM is defined as: completing a project on paper before the actual project begins, creating a detailed plan, and then executing the project according to that plan. In a formal project management environment, the project manager must follow procedures and practices as defined by an imposed standard. The project management techniques are driven by rules and the emphasis is on following the plan.

Continues on page 2 —>

2. The Statement of Work

The statement of work (SOW) purpose is to document the objectives, constraints and governance of a project. However, it cannot and certainly should not attempt to document every agreement about the project. The SOW should record the objectives and constraints for managing the project. the

Continues on page 2 —>

New Book, Project Management Information Systems.

This books deals with the critical elements needed to design, implement and manage an project management information system, PMIS is not only technology but the processes and procedures required to ensure the project is able to get the right information and make it available to the right people at the right time. Visit our web site for more information www.pm4dev.com

PM CONNECT

PM4DEV

... Formal and Informal PM, from page 1

At one extreme of the spectrum there is project management with no rules. At the other extreme is project management wherein rules control everything. The more informal the PM environment, the fewer rules and guidelines there are for the project managers to work within. On the other hand, the more formal the PM environment, the greater the restrictions and controls are on every activity and document.

PM Maturity

As organizations become more mature from a project management perspective, they move along the scale from informal toward more formal PM practices. This transition reflects a growing concern over project success rates and awareness that there are better, more advantageous and effective project management practices than the ones that many organizations currently use.

There is ample evidence to suggest that most projects operating without rules and guidelines will waste time and money. Using a simple analogy comparing PM to accounting controls, how much money would be misspent by a project if there were little or no controls on spending, versus one in which there were very tight controls? To which organization would you like to be a donor?

...Statement of Work, from page 1

minimum content listed here gives you an idea of what makes up a good SOW:

Purpose statement: A clear description of why the organization is doing the project, a description of the problem the project aims to solve.

Project objectives: The specific, measurable, achievable and time bound goals of the project (SMART goals)

Scope statement: A description of the major activities of the project in such a way that it will be absolutely clear if extra work is added later on.

Key deliverables: A list of outputs the project will produce, including intermediate deliverables, end deliverables, and deliverables related to project management.

Budget and schedule estimates: In addition to a budget and a deadline, a description of how flexible the budget is and the rationale behind the deadline.

The principal purpose of the SOW is for managing expectations and dealing with change. Without a good description of scope projects suffer from scope creep, which refers to uncontrolled changes in a project's scope. When disagreements about the scope arise after the project has started, they can sometimes be solved by reviewing the original SOW. In this case, all stakeholders must understand, agree and approve to these changes, and the project manager must write them into the SOW or track them through other project management processes such as change orders. The SOW is a living document that tracks all approved changes made during the life of the project.

PM CONNECT

3. Earned Value Analysis.

Earned Value Analysis is a powerful tool to measure the performance of a project against it original plans. It measures the budget and schedule performance based on the current status of the project.

Example: A 12 month project is in its 4th month, has accomplished 25% of its activities but has spent 41% of its financial resources according to the latest financial report. The project is at 33% planned progress. How can a project manager know if his project is on track or not?. Total cost of the projects is $1,200,000

First the PM will need to do a basic analysis,

- The cost of activities planned in the 4th month is $400,000 (33% x 1,200,000), i.e. what we should have spent based on plans. Or Budgeted Cost of Work Scheduled - BCWS
- The actual cost of activities completed is $500,000 (from financial reports). The actual expenditures on month 4. Or Actual Cost of Work Performed – ACWP
- The cost of activities delivered is $300,000 (25% x 1,200,000), the cost of all activities completed to date. Or Budgeted Cost of Work Performed - BCWP

The above elements are part of the Earned Value analysis; Earned Value is a performance measurement that compares the amount of activities (work) that was planned with what was actually performed to determine if cost and schedule are proceeding as planned. To know whether or not the project is on schedule calculate the following:

Schedule Variance (SV) = BCWP – BCWS , SV = $300,000 - $400,00 = ($100,000). A negative number means the project is behind schedule.

Continues on page 4 —>

4. Scope Creep

Scope creep refers to the change in a project's scope after the project work has started. Typically, the scope expands by the addition of new features to an already approved feature list. As a result, the project drifts away from its original purpose, timeline, and budget.

This change in scope often comes about from small, seemingly insignificant change requests that the pro-

Continues on page 4 —>

With the objective of serving the needs of the global development community, **PM4DEV©** was created to provide with expert project management consulting and training services based on a **customized** methodology that offers the tools and processes to plan, implement, and monitor projects in a more **consistent, reliable and predictable** manner. PM4DEV's methodology is based on a project management cycle that incorporates all the processes, tools and practices to **effectively** manage projects of all sizes. Organizations should have the ability to complete a project successfully by combining systems, techniques, and knowledge and controlling and balancing the constraints of time, cost, and scope in order to produce quality results.

DOING THE RIGHT PROJECTS...
... DOING THE PROJECTS RIGHT

PM CONNECT

....EVA, from page 3

ject team accepts to keep the project sponsor happy. Eventually, the change requests become numerous enough that they are significant or one of the requests turns out to require much more work than expected.

Scope creep can come about from:

- Poor change control.
- Lack of proper identification of the features that are required to bring about the achievement of project objectives in the first place.
- Failure in managing user expectations.
- Weak project manager or poor change control processes
- Involving the beneficiaries only in later stages of project life cycle

Tips to manage Scope Creep:

- Set project expectations with the stakeholders and get the buy in from the beneficiaries.
- Decide and document the agreed project deliverables in the Statement Of Work (SOW) document and requirement areas that are NOT included.
- Make a flexible project plan allowing beneficiaries and key stakeholders to participate at the design phase and incorporate their suggestions.
- Introduce a formal change management process that would allow stakeholders to define the requests for change in terms of the project constraints.
- Do an impact analysis and attach a cost and time for the new required changes.
- Only implement changes that have been approved by management, the donor and the beneficiaries.

....Scope Creep, from page 3

Another way to calculate the variance is by the Schedule Variance Index or SVI = BCWP/BCWS, SVI = $300,000/$400,00 = 0.75, a value less than 1 means the project is behind schedule.

To know whether or not the project is on budget calculate the following:
Cost Variance (CV) = BCWP –ACWP (or the difference between the budgeted costs and the actual costs. For this example. CV = $300,000 - $500,000 = ($200,000). The negative result indicates a budget overrun. Another way is by the Cost Variance Index (CVI) = BCWP/ACWP, = $300,000/$500,000 = 0.6. A value less than one means the project has a budget overrun, in other words the project has spent more money that the value of the activities delivered to date.

The points of view provides a summary of themes, that in PM4DEV's experience, have proved critical in the successful implementation of project management methodologies. It draws on the expertise of Project management professionals and provides a guide to deliver a methodology that increases the chances of project success. For more information about PM4DEV services, contact us at info@pm4dev.com

Paola L. Diaz
Director
paola.diaz@pm4dev.com