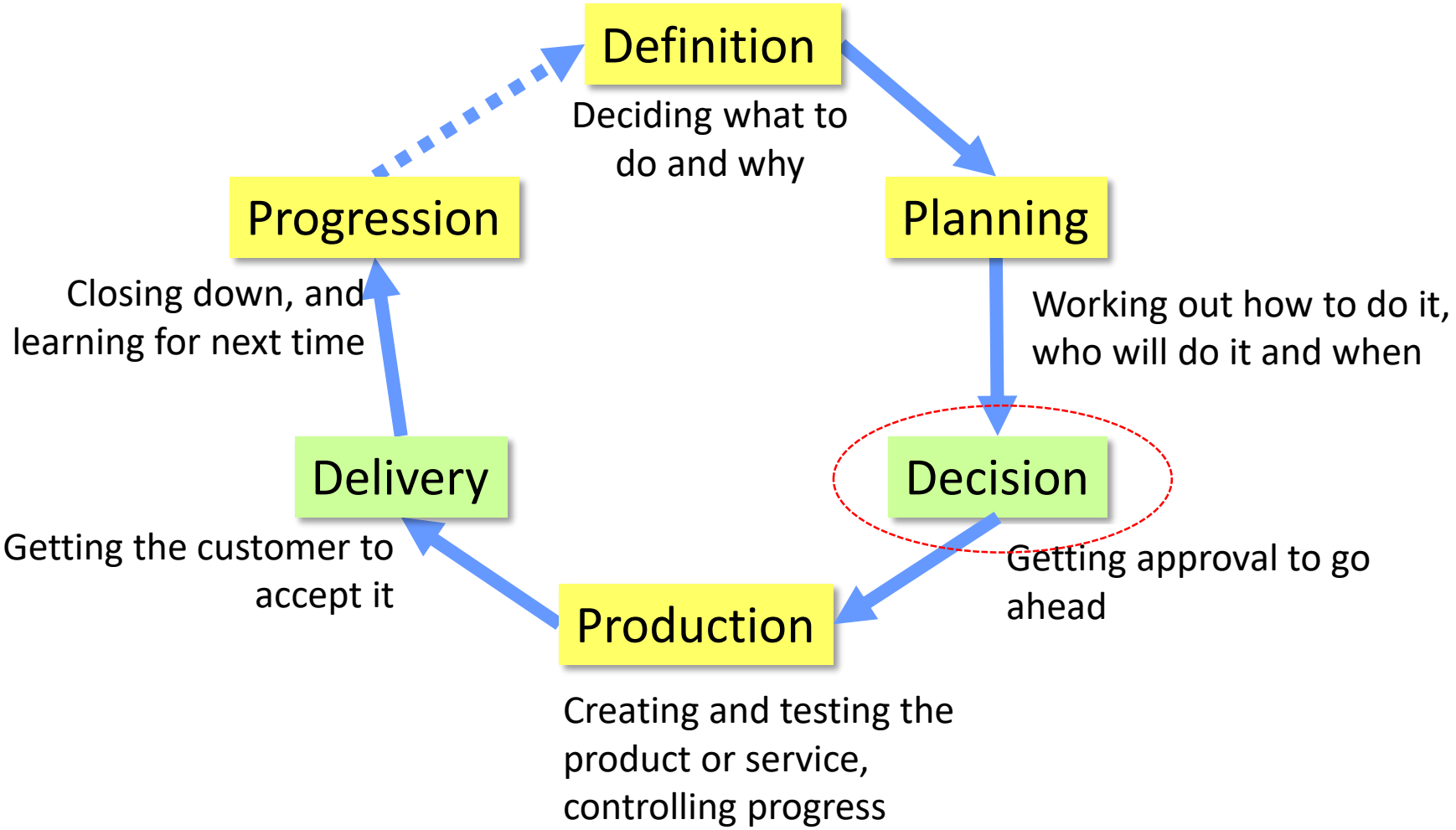
PM101: Lecture 16

Decision and launch

The typical project life cycle



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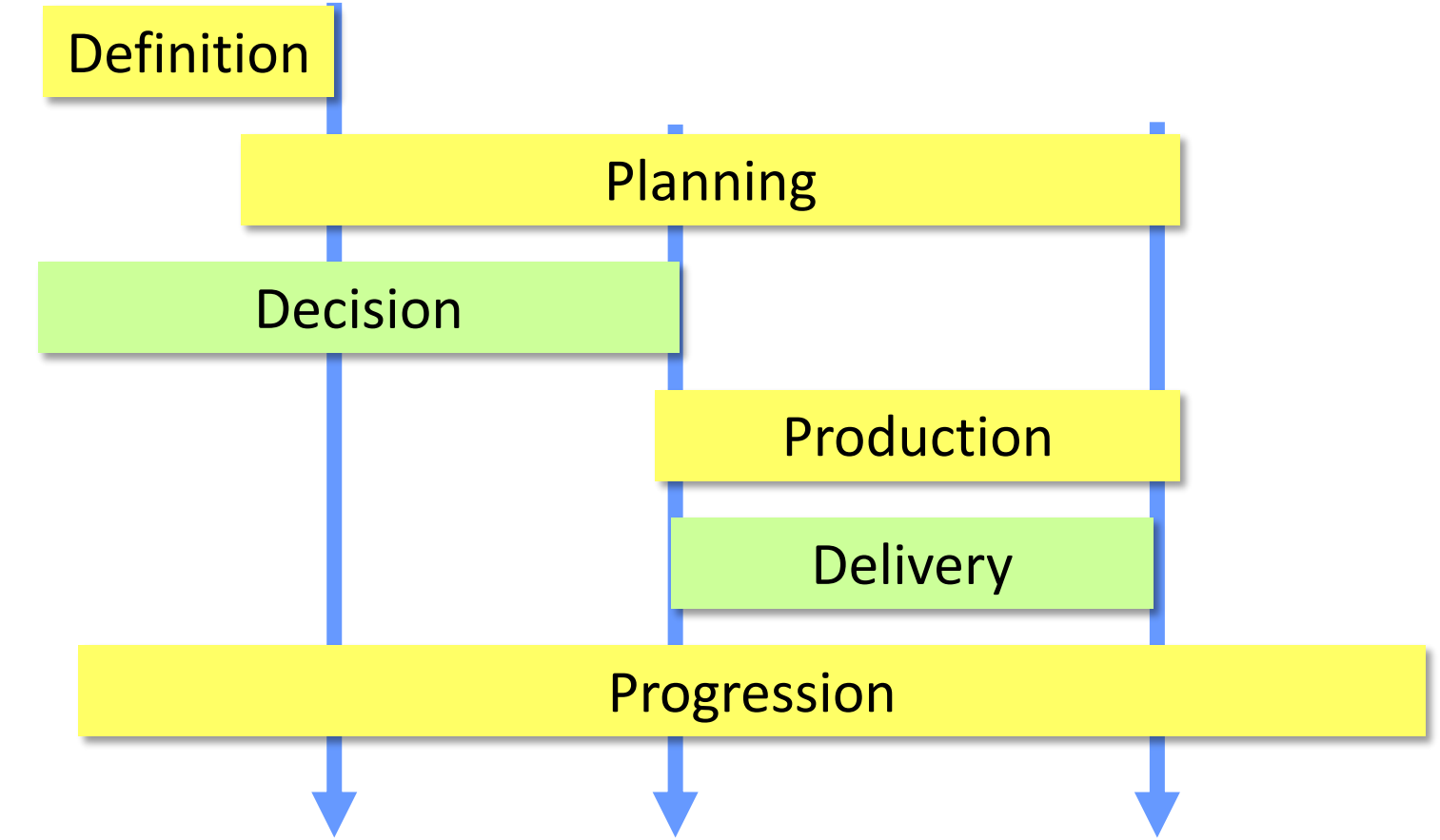
The actual project life cycle



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Is this how it works?

‘Let’s go to the moon!’

‘Here’s the outline plan.’

‘That’s nice; do a proper plan.’

‘Here’s a proper plan.’

‘That makes sense. Off you go!’

Photo: NASA Public Domain

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Or, is this how it works?

'Let's go to the moon!'

Persuading

Lobbying

Convincing

Horse-trading

Waiting

Arguing

Debating

Supporting

Planning

Opposing

Pleading

Re-framing

Re-planning

'That's a plan I am prepared to support. Produce what I have agreed to.'

Photo: NASA Public Domain

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Project management is selling!

Selling is persuading someone to buy something in return for a payment.

People buy things to satisfy their perceived self-interest.

Selling a project is typically a **complex sale** – there are several decision makers.

Miller, R. & Heiman, S. (1993). *Strategic selling*. London: Kogan Page, p62; Peters, T. (1999). *The Project 50*. New York: Knopf. Photo: Allison Shirreffs, Tom Peters.com

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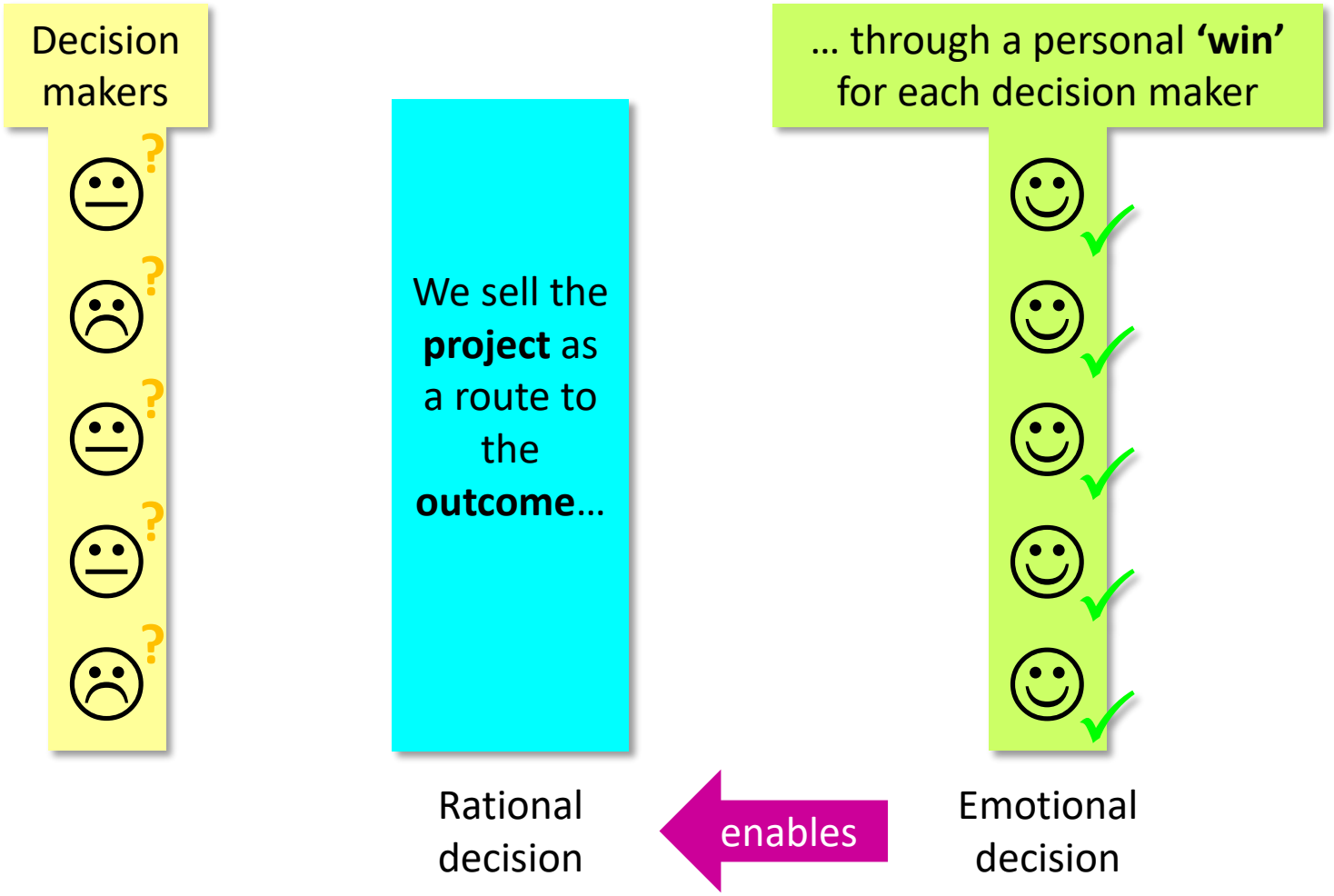
The complex sale



Miller, R. & Heiman, S. (1989). *Strategic selling*. London: Kogan Page, p62; Miller & Heiman (1993). *Face-to-face selling*, p27.

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What are we selling?

Credibility — We have proved we have the ability to carry out this project.

Competence — We have the right skills, knowledge and experience.

Commitment — We will stick with this project even when things get difficult.

Confidence — We can be trusted to handle this project professionally.

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The elevator pitch

Summarising the project to a decision maker in one minute.

- **150 words**
- A strong ‘hook’
- **Paint a picture of the future**
- Promise benefits
- **Explain the logic**
- **Induce a sense of urgency**
- Describe the pathway of the project
- **Make it simple to understand**
- Ask for executive support
- **Have the full story ready**

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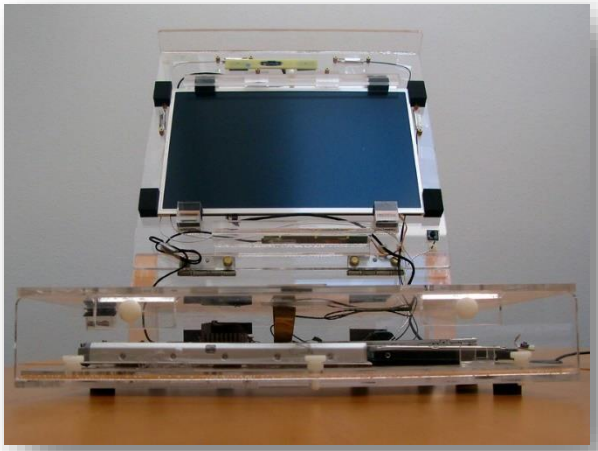
Making the decision tangible

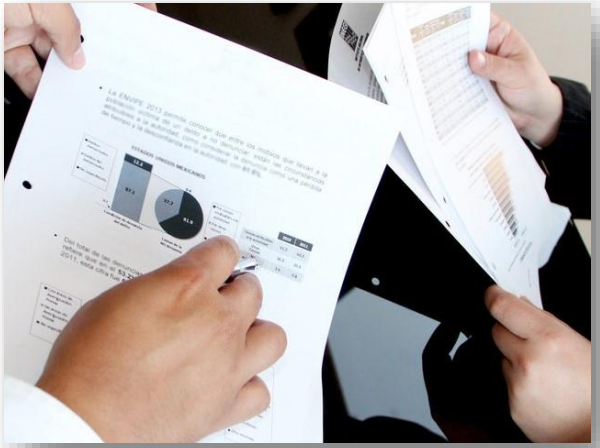
Model

Mock-up

Early prototype



Trials evidence



3-D simulation

Immersive environment

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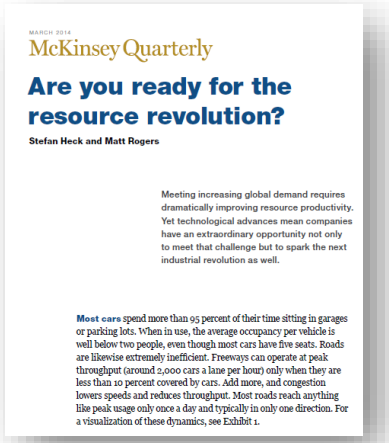
How project firms do this



Thought leadership - encouraging clients to take action urgently

Promotional materials – web-site, brochures, etc.

Reference sites – where satisfied clients recount their experiences

War stories – short tales of how projects solved client problems

Sales planning systems – which track marketing and sales development

Bid teams – staffed to produce compelling responses to clients seeking help

Images: Company websites

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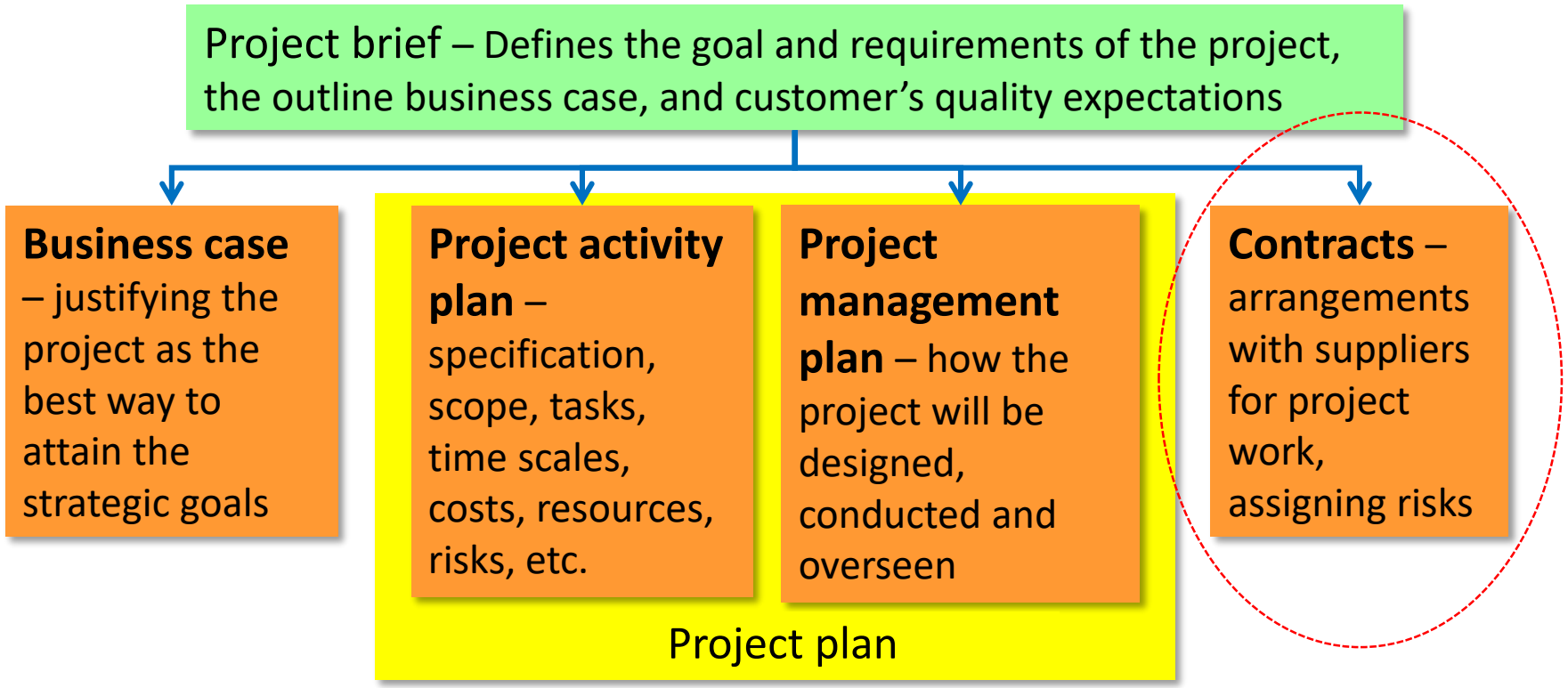
Project documentation



Time, cost and resource estimates
Risk management plan
Stakeholder engagement plan
Communications plan
Environmental management plan

Project organisation
Project governance
Monitoring and reporting
Quality assurance arrangements
Change control procedures

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What does a contract do?

- **It defines the relationship and the responsibilities of the supplier and the customer, including what is to be supplied and when. This includes the quality expectations of the customer.**
- It defines how the supplier will be paid, including how stage payments will work. The contract may contain incentives so that if the supplier exceeds certain targets they get an extra reward.
- **It defines which side bears which risks. Risks should be borne by those best able to bear them and should be allocated so that they are motivational.**
- It specifies what remedies there are if either the supplier or the customer does not perform as promised. This might include penalties.
- **It might define what bonds and insurances have to be taken out by the supplier.**
- It might specify how much money the customer can retain until they are satisfied that the project output is working as promised.

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Fixed price contract

Characteristics	For supplier	For customer
Price is set	Needs more time and effort in estimating and negotiation	Price is certain, supplier is under pressure to finish on time
Often the basis of projects purchased through a bidding process	Cost over-runs can lead to losses	Tends to reduce expense of project
May have incentives for supplier to reduce costs and improve efficiency (FPI)	Not inflation proof	Little need to monitor supplier cost control
	Incentive to apply vigorous change control	Risk that supplier may cut corners – quality and safety may be compromised

Best for projects where technology is well understood, environment is familiar and management is straightforward.

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Cost plus contract

Characteristics	For supplier	For customer
Price depends on time and resources used plus allowable profit	Less risk in estimating process, and negotiation is likely to be shorter	Price is uncertain – supplier is under less deadline pressure
May have incentives to bring in project early (CPIF)	Project is more inflation proof	Tends to increase cost of project – customer needs to be vigilant
		Risk the supplier may add unnecessary features – quality level is too high
		Supplier has little incentive to cut corners – in fact may want to drag the project out

Best for projects where technology is new, environment is unfamiliar and management and stakeholder relationships may be complex and time consuming. Customer must be capable of managing this type of contract.

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Through life contracts

Characteristics	For supplier	For customer
Supplier recovers project cost from operating revenues managing the output in every day use	Opportunity to have a stream of income over a long term (up to 30 years)	Supplier has incentive to do a high quality job, as they have to manage it
Agreements can be highly complex	Supplier is embedded with the customer, making it hard for rivals to break in	Life cycle costs can be excessive – e.g. Financing costs on PFI contracts
If contract is long, parties may change during its course		Customer can focus on their core business, not maintaining the project output

Design-build-maintain-operate (DBMO) and build-own-operate-transfer (BOOT) are examples of this type of contract. Customer must understand the financial consequences of what they are getting into.

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The contract evolves as the project evolves

- **The contract must not be developed in isolation from the project planning**
- The contract is a living document that must evolve as the project evolves
- **Never agree to anything substantial without referring to the legal advisor**

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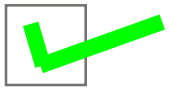
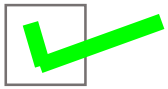
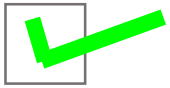
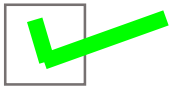
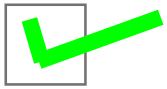
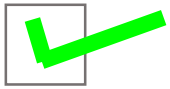
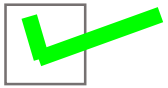
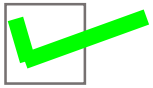
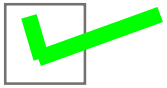
So: are we ready?

- Confirmed the scope? 
- Confirmed the specification? 
- Confirmed the time scale and the budget? 
- Confirmed the processes, procedures etc to follow? 
- Confirmed the milestones? 
- Confirmed the measures of success? 
- Confirmed sponsorship and governance arrangements? 
- Confirmed all contracts in place? 
- Appointed the project manager? 

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Getting ready for launch

Office and site arrangements – where people will work is ready for occupation

Necessary equipment – available, checked, ready to go

Travel and accommodation – how people will get to their work site and where they will stay

IT systems – installed, licensed, de-bugged. Inter-operability checked. Back up in place.

Security – physical and systems security set up.

Working capital – timing and flow of cash into the project confirmed

Telecoms – land-lines and mobile devices all functioning, data transfer capacity tested, social media and web-site functioning.

Transport – vehicles delivered and ready to use.

Contingency plans – actions should major risks occur defined

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Project launch

Give the project a **name**

Hold **inaugural project board** meeting

Have a **project kick-off meeting**

Communicate the existence of the project and its scope throughout the organisation

Announce who is the **project manager** and confirm their authority to manage the project

Declare key **project milestones** and financial targets

Run **project launch events** – forming and storming

Photo: ISCA from Pexels

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Decision and launch: core ideas

Getting decision makers to agree to doing the project is a complex process that needs special skill.

It is about working to align their interests with the interests of the project so that they approve it.

Various tools may be used, from a short elevator pitch through to a full-size mock-up of the proposed output.

Project firms are very good at this aspect of projects, selling their capabilities and providing lots of evidence of their expertise.

Contracts are a core part of the suite of documents that define the project. Contracts essentially define who is responsible for what in the project, who bears the risks, and what should happen if things go wrong. Changes to the project must be reflected in the contracts.

Different types of project require different kinds of contract.

Careful preparation must be made to have everything in place to enable the Production phase to begin smoothly.

Project launch into the Production phase should be treated as a major event.

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