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PMI®-MC JOURNAL

Project Management Institute / Mumbai Chapter

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Prakalp
प्रकल्प

December, 2004
Volume 6, Issue 3

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Your key to successful projects

From the Editor's Quill

We are happy to bring out this Twenty-first issue of the PRAKALP.

In addition to bringing out articles in Prakalp, of special interest to the Professionals practicing Project Management, we also write on news, activities and forthcoming events of PMI Mumbai Chapter. And hence we will be calling "PRAKALP" the PMI-MC Journal, forthwith.

The Chapter conducted special Corporate PMPCE Preparatory course in M/s Hexaware from 30th Oct 2004 to 2nd Nov 2004. It is remarkable to note that, this is the second consecutive time that M/s Hexaware has reposed their faith with PMI-MC, to train their executives.

In the year ending 31 Dec 2004, the Chapter has conducted successfully eleven PMPCE Preparatory courses. Of which four were conducted in-house on exclusive special request from the corporates.

The PMP Club also meets on regular basis and the attendance is growing every time. The club met three times in the period between September and December 2004 and had presentations and discussions. This edition of Prakalp carries an article on the activities of the Club.

In our July 2004 issue of Prakalp, we had published an article on PMP-Club, wherein we had mentioned that one of the authors - Mr.Pramod Dhumal PMP was from M/s Rolta India, when in reality he was not. We had published this without checking with him and it was an inadvertent error from our side. We hereby offer our un-conditional apology and regret any inconvenience caused due to this error.

The sociologist Anthony Giddons speaks of Globalizing as a way of decoupling space and time, emphasizing its technology driven origin. Twentieth century globalization underpins and encourages transnational entities; and it champions adopting best management practices in conceptualizing and implementing projects in addition to lowering of barriers to cross border movements of economic influence by the third world. India in that sense is being rediscovered by such transnational entities, in the present day. It therefore becomes imperative that the best management practices are introduced in the management domain.

The shift from management "by the numbers" to a performance management process that places well articulated, knowledge based strategies at the centre of every employee's activities. Given the pace of change in the new economy, strategy-focused processes that are measurable, repeatable and supported by superior information are the only true sources of sustainable competitive advantage. Organizations that ignore this reality do so at their own risk. India at the threshold of new investments should integrate in their management practices; world class and revolutionary performance management tools like Balances Scorecard and also integrate risk management practices.

Our present edition of Prakalp carries article to bring forth features of Balance Scorecard. We also have an article on Risk Management, explained in a very fluent way, in this edition of Prakalp. We invite feedback on these articles, to calibrate our future articles and attune ourselves to your knowledge needs.

One last word, it is our sincere request that you please share your experience by submitting articles, news items, views etc to make the future PRAKALP issues, more readable and effective

R. Balaji -Editor.

editor@pmi-mumbai.org

REQUEST YOUR PARTICIPATION

- Technical Articles or other material related to Project Management for future issues of PRAKALP.
- Seminar Sponsorship from your company.
- Advertisement in PRAKALP.
- Your efforts in organizing chapter activities.
- Become a member of PMI Mumbai Chapter

PMP - Club

Objective of the **PMP Club** is to help members share their Project Management experience and in the process collect PDU to maintain certifications (while meeting their knowledge-updating requirements). In addition the club members also help to promote and organize PMI Mumbai Chapter activities.

Under the sponsorship of **PMI-Mumbai Chapter,** the **PMP Club** is making huge strides in terms of its impact on the members, in terms of contents and participation.

Typically the **PMP Club** meetings start with a presentation of around ONE hour followed by half an hour of discussion on the presentation. Another half hour is spent on club activities. The presentations are done by member PMP(s) or prominent invitees.

During the recent past PMP Club has successfully conducted knowledge forums on a regular basis. On 3, Sept 2004 we had a session on *“Six Sigma and its relevance to Project Management”*, on Oct 10, 2004 we had a session on *“Information Security”* and on Dec 05, 2004 we had a session on *“GAP Analysis PMBOK 3rd Edition vis-à-vis PMBOK 2000”[1st three chapters].*

Topics planned for the next three sessions would be on "***GAP** Analysis ? **PMBOK** 3rd Edition vis-avis **PMBOK** 2000*"

a. *“Integration and Scope” knowledge areas*
b. *“Time and Cost” knowledge areas*
c. *“Procurement and Risk” knowledge areas*
d. *“Quality, HR, Communications”*

PMP Club presently has more than 100 members and are actively interacting in the **PMP Club** Yahoo Group - pmpclub@yahoogroups.com. In case you wish to join the group please reach the moderator at pmpclub@yahoo.com . In case you have any queries and/or wish to join this club please feel free to write to the moderators. You can also voice your comments through Prakalp.

We hereby solicit the support all our fellow **PMI-Mumbai Chapter** members for the **PMP Club** and requests them to join the **PMP Club** and strengthen it by actively contributing to its various activities.

Report by
Mr. Pramod Dhumal PMP
and
Mr. Kalyanraman Narayanswamy PMP
Convenors of PMP Club

CORRIGENDUM

In our July 2004 issue of Prakalp, we had published an article on **PMP-Club,** wherein we had mentioned that one of the authors - Mr Pramod Dhumal **PMP** was from M/s. Rolta India, when in reality he was not. We had published this without checking with him and it was an inadvertent error from our side. We hereby offer our un-conditional apology and regret any inconvenience caused due to this error.

Importance of Sovereign Rating

MOODY'S has upgraded India's sovereign credit rating. Why is sovereign rating important and what is the implication of the rating change?

Suppose a country wants to borrow in the international market. The rate at which it can borrow is decided by its ability to repay the loan. This is where credit rating helps.

A credit rating agency is an independent organization that looks at a country's financials and political climate to decide its ability to repay loans. The lenders extend loan based on this credit rating.

Typically, higher a country's credit rating, lower the rate at which it can borrow. The reason is that higher credit rating indicates that lower chances of the country defaulting on its loan payments.

But India does not borrow in the international market. So, why is the sovereign rating important? The reason is that credit rating of companies in a country is determined by the rating of the country to which it belongs.

Suppose a country has a Baa3 rating. Typically, companies in that country cannot have a rating higher than the sovereign rating. Why? Technically, the country is the supreme borrower. If a country is unable to honor its foreign obligations, it will not allow any company to pay its creditors.

So, a company's ability to repay cannot be better than that of the country to which it belongs. A sovereign rating is, hence, important to companies that borrow in the international market.

When the sovereign credit rating improves, so does the credit rating of some companies. An upgrade in India's sovereign rating, therefore, means that some Indian companies can borrow at a lower rate in the international market.

Of course, there have been occasions when companies have been assigned higher rating than their sovereign. But such a practice is more an exception than a norm.

- Editor

Welcome you to participate in the PMBOK Guide & PMP Certification - Examination Prepratory Course

COURSE CONTENTS

Introduction to the PMBOK
Project Management
Project Management Processes
Professional Responsibilities

Scope Management
- Initiation
- Scope Planning
- Scope Definition
- Scope Verification
- Scope Change Control

Time Management
- Activity Definition
- Activity Sequencing
- Activity Duration Estimating
- Schedule Development
- Schedule Control

Cost Management
- Resource Planning
- Cost Estimating
- Cost Budgeting
- Cost Control

Quality Management
- Quality Planning
- Quality Assurance
- Quality Control

Risk Management
- Risk Identification
- Risk Quantification
- Risk Response Development
- Risk Response Control

Human Resources Management
- Organizational Planning
- Staff Acquisition
- Team Development

Communications Management
- Communications Planning
- Information Distribution
- Performance Reporting
- Administrative Closure

Procurement Management
- Procurement Planning
- Solicitation Planning
- Solicitation
- Source Selection
- Contract Administration
- Contract Close Out

Integration Management
- Project Plan Development
- Project Plan Execution
- Overall Change Control

Question Answer Sessions in Examination Pattern on each Knowledge Area.
Case Study and Discussions.
Course would satisfied 35hrs. Training Requirement.

Time : MORNING
9:00 to 11:15; 11.30 to 13:15
AFTERNOON
14:00 to 15:45; 16:00 to 19:00

The venue would be Western India Instrumentation Centre, University of Bombay Campus at Kalina, Santacruz(East).

The Faculty comprises experienced Project Managers and certified PMP's(Project Management Professionals).

"HOSTEL FACILITIES AVAILABLE AT MODERATE RATES ON PRIOR REQUEST"

Balanced Scorecard and Project Management

Relevance of Balanced Scorecard (BSC)

Marketplace changes have created competitive challenges for all companies. Organizations must promote their corporate vision at all levels, providing the essential information managers need to align business units with company strategy.

Performance measurement in general and the Balanced Scorecard in particular attempt to address a key management issue. Rightly a recently conducted survey indicates that "companies often fail to turn strategy into action".

Ninety percent of those surveyed, further believed that a clear, action oriented understanding of an organization's strategy could significantly influence that organization's success. However, the same survey showed that less than sixty percent of senior managers and less than ten percent of the total company believed that they had a clear understanding of their company's strategy. In addition, less than thirty percent of senior managers who understood their company's strategy doubted its correct implementation.

These findings raise a series of key issues for major corporations that need to be addressed urgently. These can be summarized as follows:

1. A clear strategic vision communicated, effectively to the entire organization is a must.
2. When a strategic vision is in place, it must be tied to the goals and objectives of the individuals and departments concerned.
3. The plan must be broken down into objectives and initiatives that have a direct relevance to the day-to-day activities of personnel.
4. Companies fail to collect the right information to monitor progress

toward their strategic goals. It requires the right data be gathered and input to provide effective measurement of objectives.

5. If an objective is not attained, it must be clearly understood which initiatives should be created to modify the objective or change the approach. This feedback mechanism will ensure that mistakes are not repeated.

So, in short the Balanced Scorecard is a management approach that addresses these precise issues. Its purpose: "... to translate strategy into measures that uniquely communicate your vision to the organization," as defined by Robert Kaplan and David Norton of the Harvard Business School.

In other words the Balanced Scorecard is a business management concept that transforms both financial and non-financial data into a detailed roadmap that helps companies measure performance and develop and meet long-term objectives. Today, global leaders are using Balanced Scorecards to achieve growth alignment of the organization with corporate strategy and complete company turnarounds.

Open Ratings' Balanced Scorecard enables businesses to monitor the determinants of shareholder value, such as customer satisfaction, quality of service, response time and long-term strategic vision. Using the Balanced Scorecard application, business performance is driven from the top throughout all levels of the organization, linking employee action to corporate strategy and vision.

Project Management

Project management has been in the management culture for decades, and organizations have thousands of project managers who are routinely capable of amazingly complex achievements. In fact, many project managers may have never seen or considered any other way to get things done.

Although it is not necessary here to describe project management in detail, a simple diagram **(Fig 1 as below)** will help to show its general features, as understood universaly.

A time line has been represented as a GANTT chart. All projects (or programs) have a definite start time and a definite stop time, when the final deliverables (products, services, documents, decisions, etc.) are delivered to the customer. The goal is to meet customer requirements.

The initial stage requires establishment of a precise budget and a Plan of Action and Milestones (POA&M). The work is focused on the actual mission of production undertaken for the customer. It may decomposed into a proper Work Breakdown Structure (WBS). Status and review meetings are scheduled at regular intervals throughout the project. Possibly a Final report is written as one of the deliverables.

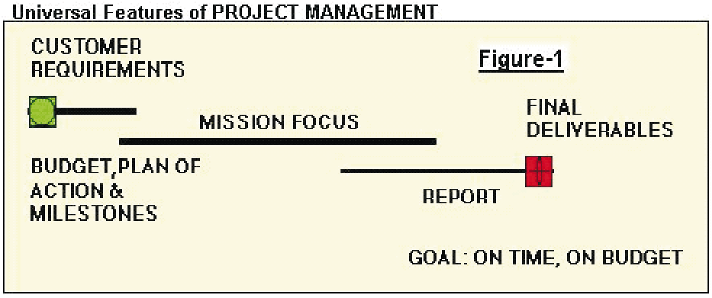
The goal is to reach the end point on time and within budget, since there are usually other projects that are depending on input from the deliverables of this project. So project management is an unique effort to manage work within a finite, clearly scoped, hierarchically-structured, linear development process with a definite beginning and end.

The balanced scorecard (BSC) management system is not just another project. It is fundamentally different from project management in several respects. To illustrate the radical nature of this difference, a diagram **(Figure 2 as bolow)** is shown of the BSC performance measurement process, as it would run when installed in an organization.

The first thing to notice is the topology: the balanced scorecard management process, derived from Deming's Total Quality Management, is a ***continuous cyclical process*** with no definite beginning or end. Its task is not directly concerned about the mission of the organization, but rather with internal processes (diagnostic measures) and external outcomes (strategic measures). The system's control is based on performance metrics or "metadata" that are tracked continously over time to look for trends, best and worst practices, and areas for improvement. It delivers information to managers for guiding their decisions, but these are self-assessments, not customer requirements or compliance data.

People trained only in project management may have difficulty in figuring out how to accomplish the BSC, simply because it is such a different kind of management

Universal Features of PROJECT MANAGEMENT



BALANCED SCORECARD MANAGEMENT SYSTEM

TABLE 1	Project Management	Balanced Scorecard
Prime Customer	External Sponsor	External IG, Internal Director
Goal Definition	Project Requirements, Mission Needs Statement	Strategic management system
Focus	Technical Mission	Multiple perspectives
Scope	Specialized unit	Department to Enterprise
Plans	Plan of Action & Milestones	Strategic Plan, Performance Plan
Schedule & teaming	Work Breakdown Schedule, Action Items	Cross-functional teams, 1-2 yr. implementation
Management Activities	Team building, Budgeting, Task Tracking, Reviews	Define metrics, collect data, analyze data, decide on changes
Tools.	Microsoft Project, Primavera	Data collection system, scorecards
Measures of success	Deliverables on time, on budget	Learning what strategies work; improved results on many metrics

paradigm. One of the key practical difficulties is to figure out how to get the process started in the first place. If this is not a project, where does one begin? What kind of plan is appropriate for deployment of the balanced scorecard system?

If we want to ride a rotating merry-go-round, we had better not attempt to just hop on. We will probably get hurt -- and won't get on. The situation is similar with the balanced scorecard. To get on the merry-go-round, we have to accelerate in the same direction for awhile, then hop on when our speed equals that of the circular floor. In other words, there needs to be a ***ramp-up phase,*** where everyone "comes up to speed." This includes training or retraining of project managers, and probably focused deployment of pilot efforts before attempting to cover an entire large agency. Sustained, patient leadership will be needed before the payoff is attained.

The table 1 summarizes comparisons between Project Management and BSC management approaches or methodologies. The comparisons are shown for several different features. It is evident from this comparison that the Balanced Scorecard is quite different in most respects from project management. They have different purposes and meet different needs.

In attempting to implement the newer management methodologies in a traditional project management organization, there are two possible options:

1. Train the managers in the new approaches and techniques;
2. Translate the new approaches into familiar project form, and treat them as conventional projects.

Option 1 is always recommended. The problem with that is that we do not have the time or money to spend on a lot of training in new techniques.

Option 2 is something that hasn't been suggested before, to my knowledge. I don't know if it is feasible, or even if it makes sense. But if it could be done, it would save a lot of time in deploying the new initiatives.

So, What's the choice?

A manager who only has experience in one approach, such as project management, may have difficulty in adapting to changing demands. A manager can be much more effective if he or she is able to select a management approach that is most appropriate to the desired need or goal. This adaptability or 'eclectic' flexibility may prove very useful in the changing organizational management environment.

There is no good reason why managers must follow the latest school of management thought. On the other hand, just because an idea is new does not mean that it should be dismissed. There are reasons why one particular approach is better than another depending on the strategic goal or need. The balanced scorecard, for instance, appears to be a very appropriate technique for meeting the urgent management needs per the latest management techniques. However, this need should not blind managers to other, perhaps even more pressing goals of their organization that may require a different approach.

The prevailing conditions and the best business practices will partly determine the best option in selection of a management approach.

Ref :

1. *R.S.Kaplan & D.P.Norton* “The Balanced Scorecard: Translating Strategy into action” Boston: Harvard Business School Press (1996).

2 *R.S.Kaplan & D.P.Norton* “The Strategy-Focused Organization” Boston: Harvard Business School Press (2001).

By **R. Balaji PMP, Editor**

Chapter V.P. for Communication & Publicity. A Harvard Business School Alumni, Presently working with Reliance Industries Limited in their Petroleum division. He is also a faculty in the Chapter PMPCE Training Programmes. (balaji@vsnl.com)

Risk Management Made Easy

It's risky out there

The world we live in is a risky place. To survive in this hostile environment, we've become very good at identifying and managing risk.

For everyday tasks, we don't really think about risks on a conscious level. When we cross the street we quickly check both ways to avoid the risk of being run over. We've done this so many times that it has become habit.

A good project manager is someone who is expert at managing risk, and the first step in risk management is identifying potential problems.

For activities that we perceive as out of the ordinary or slightly more risky, we come up with simple methods of helping mitigate the risk. After a spate of train accidents in India, whenever I travel in a train I try to sit in one of the middle carriages as I perceive this to be the safest place. It's a small thing, but it's my method of offsetting some risk.

Unlike these simple situations. we need to do much more careful planning, for unusual, complex or risky activities..

As you may know, I like to travel. When I go away, I assess the risks involved and then plan for these risks. I book travel insurance to cover getting sick or being robbed. I take a variety of payment methods (Visa card, traveler's checks, local currency, and so on) and have them in different locations in case one of my bags goes astray. I may take a small medical kit, especially if I'm going off the beaten track. I use these methods to help plan for and manage the risks involved in going on vacation.

What does this have to do with Web design?

I work on web projects. Like the world around us, Web projects can be a risky business. They can be big, complicated, time-consuming affairs. You deal with a host of unknowns. The success of a project can depend on external factorssuch as clients, partners, or other stakeholdersthat you have no control over.

A good project manager is someone who is expert at managing risk, and the first step in risk management is identifying potential problems. It takes a brain-storming session with the whole project team, to identify the risks involved. This depends on the Project Manager's skill to bring the best out of the team and have fun during the process!

Use your experience with previous projects. Write down everything that could possibly go wrong. Don't worry how important these are, or how likely they are to occur. This is a brainstorming exercise, so the more problems you come up with, the better. Some risks will be common to many projects while others will be specific to the current project or client.

Some example problems include:

- Inputs from Client delayed or not in the correct format
- Approval takes longer than planned
- Absenteism of a Critical staff member
- Complexities in Programming more than anticipated.

The next step is to define what will happen if one of these problems occurs. What if the client is late with the site content, or you've underestimated how long it will take to program one part of the web feature? Will it delay the project? If so, how long will the delay be? Will you have to pull people off other projects to get the project back on track? What will it cost? This result of this exercise is a risk registera list of the possible risks associated with the project and practical responses to those risks.

Once you've got your list of risks, you need to rank them. I rank the risk as per the seriousness of the risk- one equals a very serious risk and five equals a less serious risk. Next, assign each risk a probability number to indicate how likely it is to occur. One indicates a risk is very likely to happen, while five indicates a risk is unlikely. Multiply these two numbers and get the product. Hence the risks with lowest product need the most attention, and the risks with the highest product need the least.

Some risks should be kept private, but you'll want to involve the client with most of them.

Assign each risk an owner. It will be the risk owner's job to monitor his risk and update the risk register (and in turn the project manager) should the severity or likelihood of the risk change.

Share the risk

One problem Web design companies have is that they keep risks under wraps until it's too late. Due to variety of reasons, we just don't like admitting that there are serious risks associated with a project. As professionals, we feel that we should know all the answers and shield our clients from potential problems. However, in any project, communication is they key to success. It's no use to complain that the client is making unreasonable demands if the risks involved with these demands are never properly explained and discussed.

A problem shared is definitely a problem halved. Your public risk register should form part of your project plan and your client should be informed of common risks from the outset. When you discuss the risks involved with parts of the project and the effects these risks could have, you enable the client to make rational decisions. Also, by involving them in the decision-making process, they are actively accepting some of the risk. During your weekly progress report to your client (you all have one of these, right?), you should update the client on the progress and discuss the risks that are currently hot on the agenda.

For example, imagine you've given your client a deadline for copy. You let them know that if the copy is late, the completion date of the project will change. Of course, you may be able to get things back on track by assigning more people to the project, but that costs. As the deadline for the copy approaches, you re-evaluate the likelihood of the copy being late and inform the client of your concerns. This should be enough to get the client back on track. However, if the deadline is missed, the client has been warned of the ramifications so project delays or incurred costs won't come as a surprise.

Managing change

Risks come into play in a big way when clients request changes to the project spec. Changes to a project should never be taken lightlythey can have huge ramifications down the line. If the client wishes to make a change, the first thing they should do is send you a change order. This is an official document requesting the change, usually authorized by the person in charge of the project on the client side. When you get a change order, you need to think about how this change is going to affect the project. Apart from technical and budgetary issues (you really should be charging for change), you need to work out the risk the new change imposes.

In the same way you worked out the initial risk register, you need to outline the risks involved in the change, and then assign each risk a priority. Some changes will be straightforward, but some may have unknown ramifications. If most of the programming has already been completed, changing one element could literally stop the whole site from working. These risks need to be clearly communicated to the client and they need to take responsibility for requesting changes.

Send the change request back to the client, outlining the risks and ramifications involved in the change. If the client wants to go ahead with the change, ask them to sign the change request (or go through specific procedure agreed on authorisation) , indicating they understand and accept the risks involved. You should add this change request to your project document and the new risks to your risk register. By getting the client to accept the risks involved in making a change, they, rather than you, are taking responsibility for that risk.

Good risk management = happy clients

Good project management really is about communication. It's about letting clients know exactly what is going on with the project. If you have concerns, you need to share them with the client as early as possible, before they become problems.

People like to be asked their opinion. By letting clients know the risks, you are making them feel much more in control of the project. More importantly, you are sharing the risk. It allows you to communicate problems at an early stage and potentially stop them before they start. If a problem does occur, nobody gets a nasty shock and everybody is in a much better position to deal with it. Simply put, good risk management can be the difference between a happy client and an unhappy one.

By **Bharat Bhagat** PMP,
Presently working with
M/s. Hexaware, Mumbai.

Why do Projects Fail

1) Failure to appreciate the impact of a multi-project environment on single project success.
2) Irrational promises made due to a failure to take into account the variable nature of task performance.
3) Irrational promises made due to a failure to take into account the statistical nature of project networks.
4) Insufficient identification of dependencies necessary to deliver the project.
5) Focus on only a portion of what should be the full project .
6) Reliance on due-date, train-schedule, and actual-against-budget-to-date performance to drive project performance, resulting in the wasting of any safety included in the project
7) Wasting of resources through underutilization because they aren't the "best resource" for the job.
8) Wasting of the "best" resources through over-utilization, multi-tasking, and burn-out.
9) Delivering original scope when conditions/needs change.
10) Multi-tasking, where resources are expected to address tasks from different projects in a coincident time-frame. Multi-tasking also impacts single project durations (and wastes safety) when dedicated resources are expected to wear several hats

By
Ms. Uma Reddy
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Calender of Activities during the Year 2004

Mark Your Diary	Prakalp	PMP CLUB PM FORUM	PMBOK / PMP Review Course	Chapter Committee Meeting
Jan.	15 ✓	09 ✓	10, 11, 17, 18 ✓	-
Feb.	-	27 ✓	-	15 ✓
Mar.	-	-	13, 14, 20, 21 ✓	-
April	-	16 ✓	-	25 ✓
May	1 ✓	-	8, 9, 15, 16 ✓	-
June	-	6, 18 ✓	-	06 ✓
July	15 ✓	4 ✓	10, 11, 17, 18 ✓	25 ✓
Aug.	-	6, 27 ✓	21, 22, 28, 29 ✓	-
Sept.	-	3 ✓	-	26 ✓
Oct.	-	10 ✓	9, 10, 16, 17 ✓	-
Nov.	-	-	-	-
Dec.	15 ✓	5 ✓	5, 6, 12, 13 ✓	19

NOTE : AGM & Elections to the PMI Managing committee to be held on Friday, December 17, 2004 evening

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