

▶ POLITECNICO DI MILANO

Dipartimento di  
Elettronica e Informazione

Planning and Managing Software Projects 2011-12  
Class 4

## **More on Software Project Management**

**Project and Organizations, Project Portfolio Management,  
Procurement Management**

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- This slides are largely based on Prof. John Musser class notes on “Principles of Software Project Management”
- Original slides are available at <http://www.projectreference.com/>
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# Today

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- Project and Organizations
- Project Portfolio Management
- Procurement Management

## Class 3 Review

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- PMI Fundamentals and Processes
- Project Selection
- Initial documents
  - Statement of Work (SOW)
  - Project Charter

**Structural frame:**

Focuses on roles and responsibilities, coordination and control. Organization charts help define this frame.

**Human resources**

**frame:** Focuses on providing harmony between needs of the organization and needs of people.

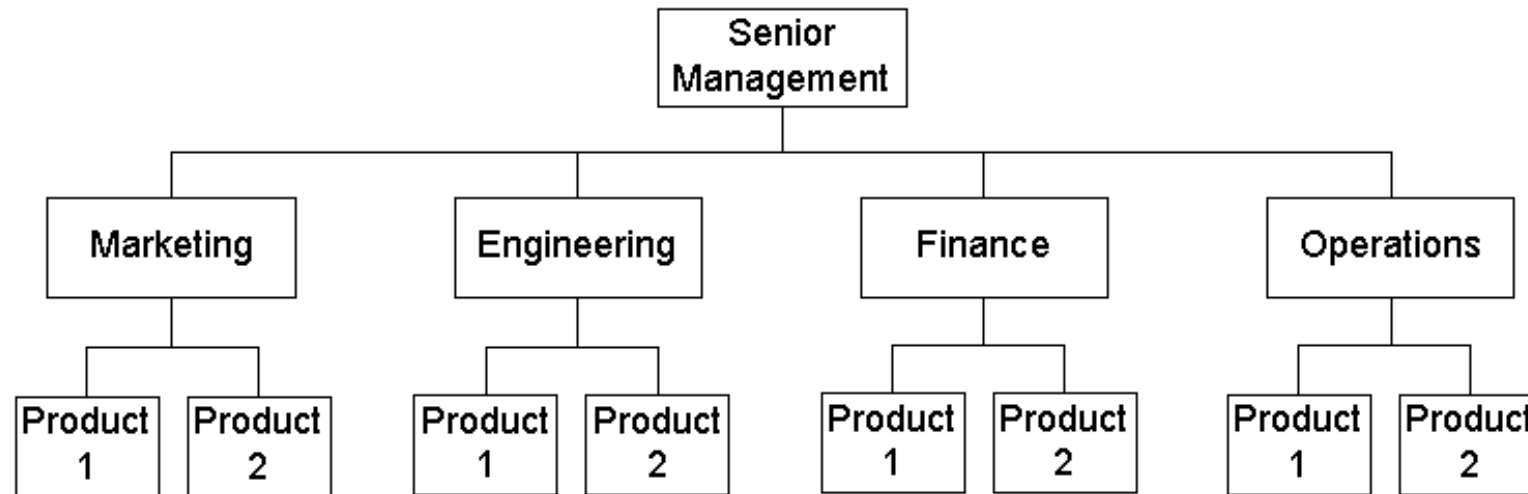
**Political frame:**

Assumes organizations are coalitions composed of varied individuals and interest groups. Conflict and power are key issues.

**Symbolic frame:**

Focuses on symbols and meanings related to events. Culture is important.

- Functional
  - Engineering, Marketing, Design, etc
  - Production and Logistics (P&L) from production
- Project
  - Project A, Project B
  - Income from projects
  - PM has P&L responsibility
- Matrix
  - Functional and Project based
  - Program Mgmt. Model
  - Shorter cycles, need for rapid development process

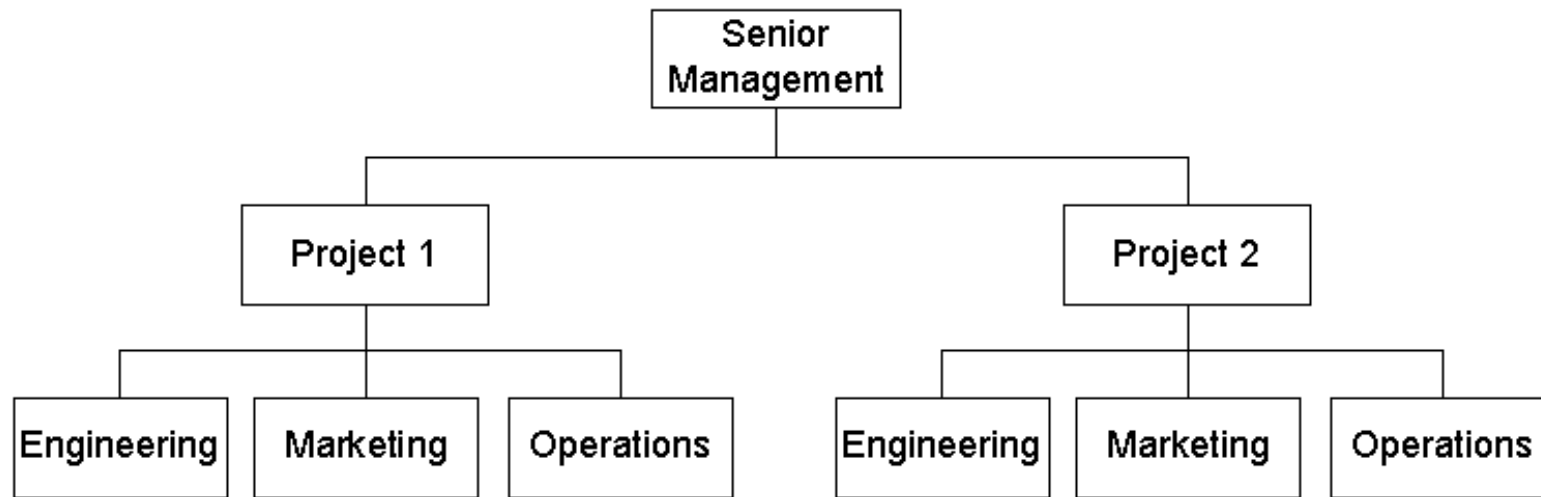


- Pros

- Clear definition of authority
- Eliminates duplication
- Encourages specialization
- Clear career paths

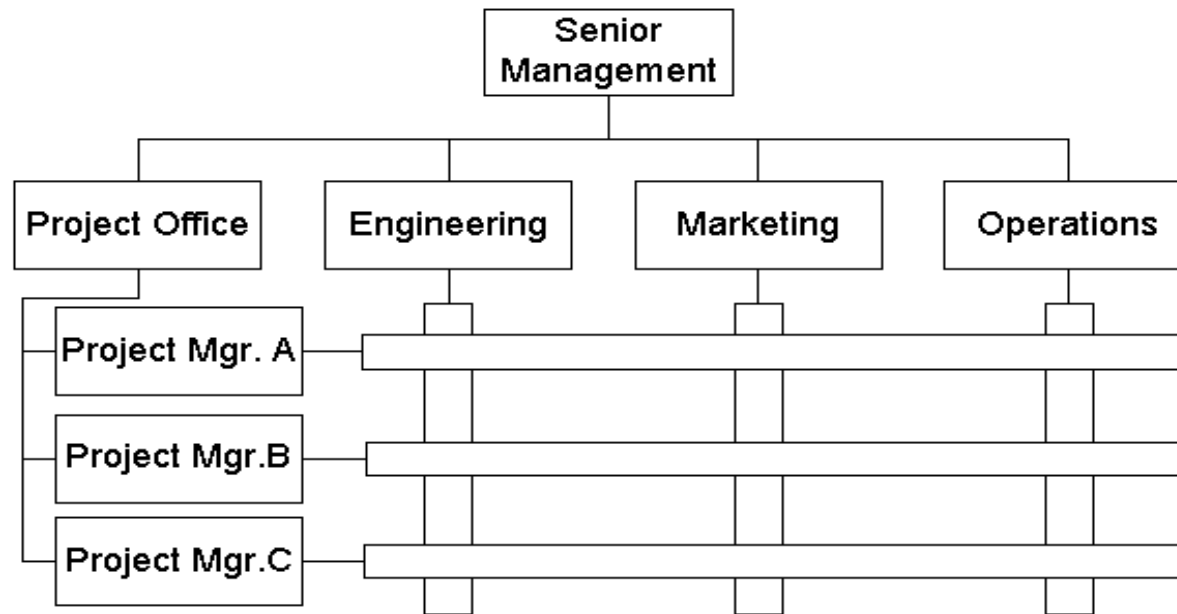
- Cons

- “Walls”: can lack customer orientation
- “Silos” create longer decisions cycles
- Conflicts across functional areas
- Project leaders have little power



- Pros
  - Unity of command
  - Effective inter-project communication
- Cons
  - Duplication of facilities
  - Career path
- Examples: defense avionics, construction





- Pros

- Project integration across functional lines
- Efficient use of resources
- Retains functional teams

- Cons

- Two bosses for personnel
- Complexity
- Resource & priority conflicts

- Weak, Strong, Balanced
- Degree of relative power
- Weak: functional-centric
- Strong: project-centric

<b>Organization Type</b> <b>Project Characteristics</b>	Functional	Matrix			Projectized
		Weak Matrix	Balanced Matrix	Strong Matrix	
Project Manager's Authority	Little or None	Limited	Low to Moderate	Moderate To High	High to Almost Total
Percent of Performing Organization's Personnel Assigned Full-time to Project Work	Virtually None	0-25%	15-60%	50-95%	85-100%
Project Manager's Role	Part-time	Part-time	Full-time	Full-time	Full-time
Common Title for Project Manager's Role	Project Coordinator/ Project Leader	Project Coordinator/ Project Leader	Project Manager/ Project Officer	Project Manager/ Program Manager	Project Manager/ Program Manager
Project Management Administrative Staff	Part-time	Part-time	Part-time	Full-time	Full-time

PMBOK Guide, 2000, p. 19

- Form can greatly impact your role
- Determine what skills you'll need from which functions
- The new “Project Office” [1-2]
  - A. As centralized project management
  - B. As coach and info. office to project teams
- The “Enterprise PMO” (EPMO)

[1] [http://www.projectperfect.com.au/info\\_setup\\_po.php](http://www.projectperfect.com.au/info_setup_po.php)

[2] [http://en.wikipedia.org/wiki/Project\\_management\\_office](http://en.wikipedia.org/wiki/Project_management_office)

- Portfolio: a group of IT project under a coordinated management structure
- Different ‘portfolio models’ are available:
  - Economic return model
    - NPV, IRR, ROI
  - Cost-benefit model
    - Can include less tangible factors
  - Market research model
    - For new products
- Each considers relative value and resource/budget interactions

A 5 level approach (from CIO magazine)

#### 1. Create a Portfolio Database

- Information needed
  - Project names & descriptions
  - Estimated costs, timeframes, staffing
- Benefits
  - Spotting redundancies
  - Communication across orgs & teams
  - Holistic view

#### 2. Prioritize Projects

- Try quantifiable rankings
  - Risk and return
- Still subjectivity and disagreements

#### 3. Divide into budgets based on type

- To align with business needs
- Ex: utilities ( ‘keeping the lights on’ ), incremental upgrades, strategic investments

4. Automate the repository
  - Input of new data (new projects)
  - Automated tracking (PM software integration)
5. Apply modern portfolio theory
  - More advanced than most of us need



# Project Portfolio Management Products - Oracle|Primavera

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[Source <http://www.oracle.com/applications/primavera/primavera-portfolio-management.html> ]

## Reduce Non-Sales Expenses

Strategic Portfolio Health Trend Analyzer

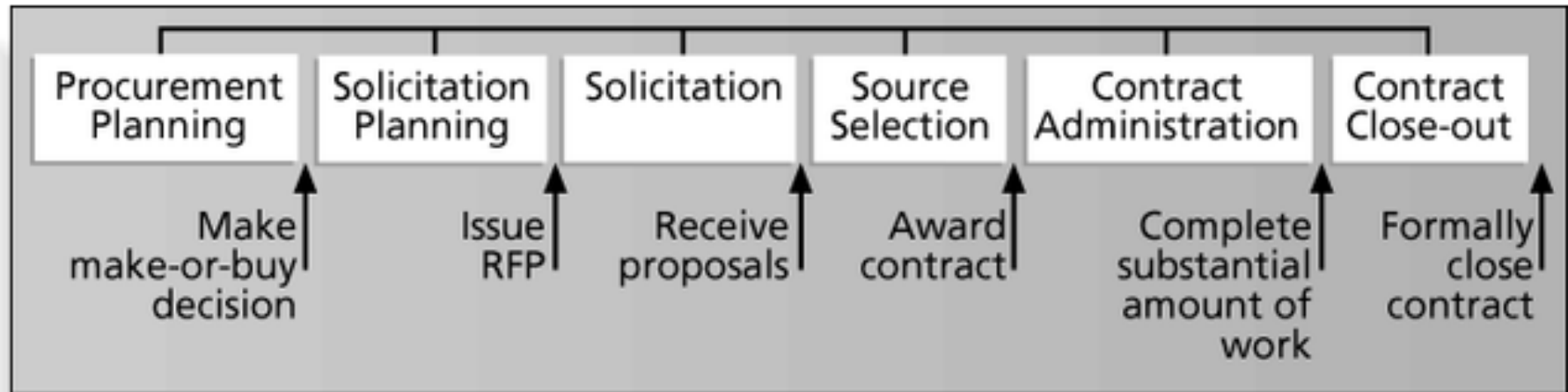


[Source <http://www.planview.com/products/enterprise/enterprise-portfolio-management/> ]

- Procurement means acquiring goods and/or services from an outside source
  - a.k.a. purchasing or outsourcing
- Know how your project fits-into this model
  - Are you building “in-house”? “for hire”?
    - Thus are you the ‘outside source’ ?
  - As a startup? (thus in-house but as basis for the business itself)

- To reduce both fixed and recurrent costs
- To allow the client organization to focus on its core business
- To access skills and technologies
- To provide flexibility
- To increase accountability

- Procurement planning: determining what to procure and when
- Solicitation planning: documenting product requirements and identifying potential sources
- Solicitation: obtaining quotations, bids, offers, or proposals as appropriate
- Source selection: choosing from among potential vendors
- Contract administration: managing the relationship with the vendor
- Contract close-out: completion and settlement of the contract



- Make-or-buy analysis (build vs. buy)
  - Determining whether a particular product or service should be made or performed inside the organization or purchased from someone else. Often involves financial analysis
  
- Experts
  - Both internal and external, can provide valuable inputs in procurement decisions

- Assume you can lease an item you need for a project for \$150/day. To purchase the item, the investment cost is \$1,000, and the daily cost would be another \$50/day.
- How long will it take for the lease cost to be the same as the purchase cost?
- If you need the item for 12 days, should you lease it or purchase it?



- Set up an equation so the “make” is equal to the “buy”
- In this example, use the following equation. Let  $d$  be the number of days to use the item.  
$$\$150d = \$1,000 + \$50d$$
- Solve for  $d$  as follows:
  - Subtract  $\$50d$  from the right side of the equation to get  
$$\$100d = \$1,000$$
  - Divide both sides of the equation by  $\$100$   
$$d = 10 \text{ days}$$
- The lease cost is the same as the purchase cost at 10 days
- If you need the item for  $> 12$  days, then purchase it

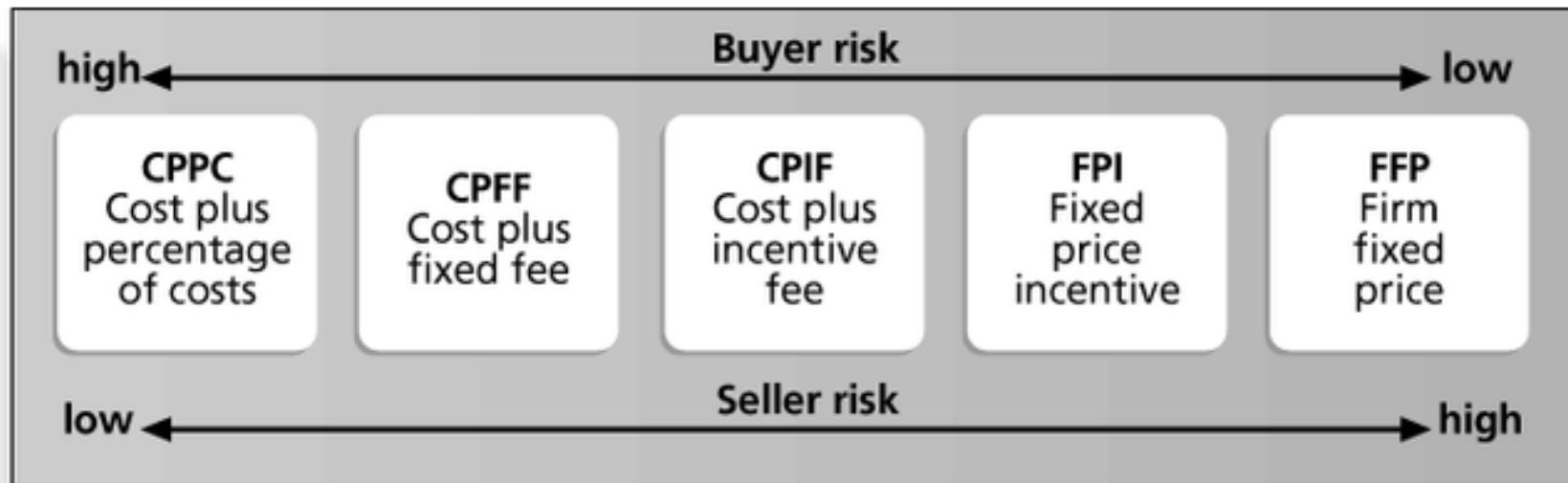
- Fixed price or lump sum: involve a fixed total price for a well-defined product or service
- Cost reimbursable: involve payment to the seller for direct and indirect costs
- Time and material contracts: hybrid of both fixed price and cost reimbursable, often used by consultants
- Unit price contracts: require the buyer to pay the seller a predetermined amount per unit of service

- Cost plus incentive fee (CPIF)
  - Buyer pays seller for allowable performance costs plus a predetermined fee and an incentive bonus
- Cost plus fixed fee (CPFF)
  - Buyer pays seller for allowable performance costs plus a fixed fee payment usually based on a percentage of estimated costs
- Cost plus percentage of costs (CPPC)
  - Buyer pays seller for allowable performance costs plus a predetermined percentage based on total costs

# Procurement Management

## Contract Types Versus Risk

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- McConnell: 7 “Lifecycle Planning”
- Schwalbe:
  - 3 “Project Integration Management” (62-67),
  - 4 “Project Scope Management”