

Planning, strategy and project selection

Lecture 5

PMG 101

Foundations of Project Management

Learning objectives

- Understand project planning steps.
- Understand different levels of strategy.
- Understand different types of generic business level strategies.
- You will be able to make SWOT analysis.
- Understand difference between plan and strategy.

Take Excellent Notes!



- It's often been said that project management really consists of **two major** phases—**doing the right project** and **doing the project right**. Ensuring that your project is based upon a true need and that it's justified from a business standpoint are two important aspects of *doing the right project*. **Project planning**, on the other hand, is all about doing the project right.
- **Planning** is quite simply answering the questions shown in this figure. They may be called the “who, what, when, why, how much, how long?” questions.

Planning



Project Planning Steps

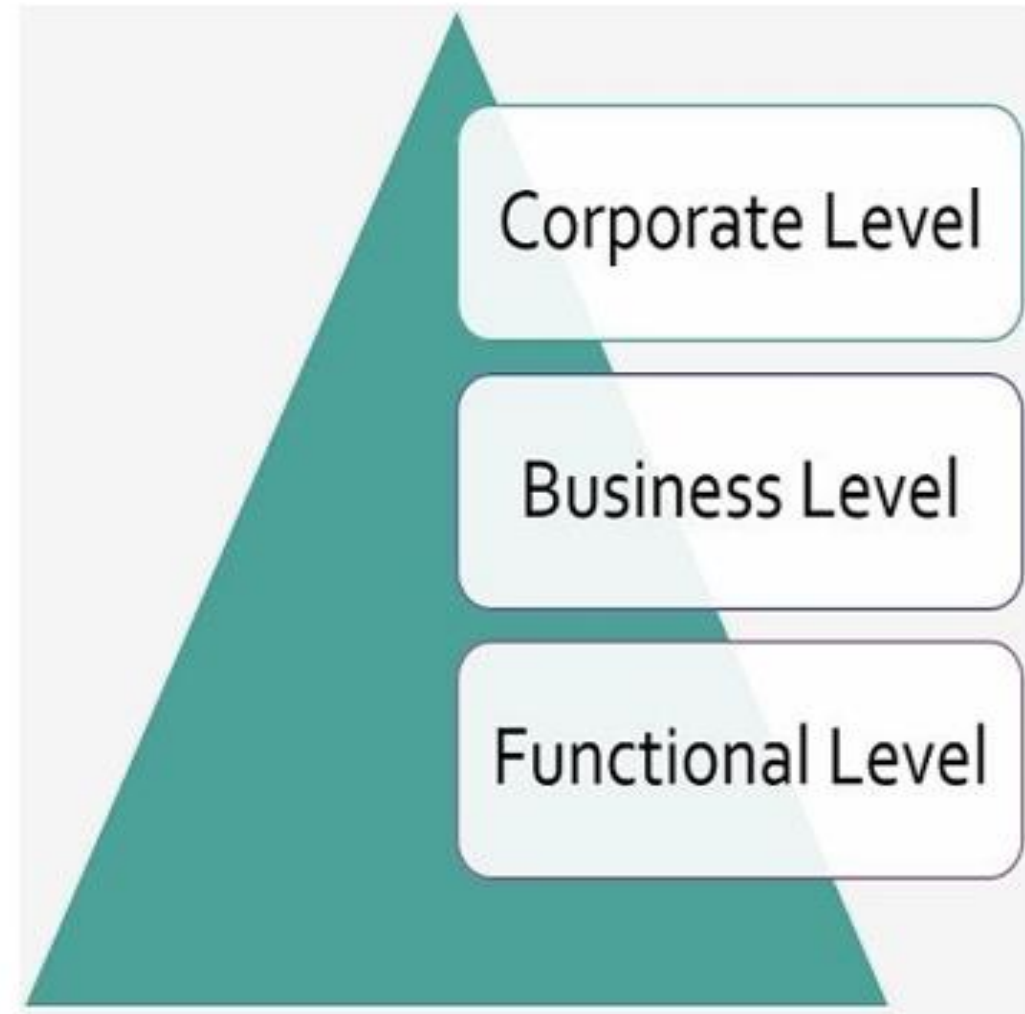
- 1- Define the problem to be solved by the project.
- 2- Develop a mission statement, followed by statements of major objectives.
- 3- Develop a project strategy that will meet all project objectives.
- 4- Write a scope statement to define project boundaries (what *will* and *will not* be done).
- 5- Develop a Work Breakdown Structure (WBS).
- 6- Using the WBS, estimate activity durations, resource requirements, and costs (as appropriate for your environment).

Project Planning Steps



- 7- Prepare the project master schedule and budget.
- 8- Decide on the project organization structure—whether matrix or hierarchical (if you are free to choose).
- 9- Create the project plan.
- 10- Get the plan signed off by all project stakeholders.

Levels of Strategy



1. Corporate level strategy: Corporate level strategy is a long-range, action-oriented, integrated and comprehensive plan **formulated by the top management**. It is used to ascertain business lines, expansion and growth, takeovers and mergers, diversification, integration, new areas for investment and divestment and so forth.

2. Business level strategy: The strategies that relate to a particular business are known as business-level strategies. It is **developed by the general managers**, who convert mission and vision into concrete strategies. It is like a blueprint of the entire business.

3. Functional level strategy: **Developed by the first-line managers or supervisors**, functional level strategy involves decision making at the operational level concerning particular functional areas like marketing, production, human resource, research and development, finance and so on.

Business level strategy

It refers to the combined set of moves and actions taken with an aim of offering value to the customers and developing a **competitive advantage**, by using the firm's core competencies, in the individual product or service market. It determines the market position of the enterprise, in relation to its rivals.

Competitive advantage: is the ability of an organisation to add more value for its customers than its rivals and therefore attain a position of relative advantage. It is what gives a firm an edge over its rivals

Competitive advantage arises from the selection of the **generic business level strategy** that best fits the organisation's **competitive environment**.

The key drivers of competitive advantage are **cost leadership** and **differentiation of product**.

Generic business level strategy

- Porter argues that a firm's strengths ultimate fall into one of two headings: **cost advantage** and **differentiation**.
- By applying these strengths in a broad or a narrow focus, four generic strategies result: **cost leadership**, **differentiation** and **cost focus** and **differentiation focus**.
- They are called generic strategies because they are not specific to a firm or an industry

Porter's Generic strategies

- Porter identified **the four strategies** to achieve a competitive advantage
- **Cost leadership**: superior profits through lower costs.
- **Differentiation**: higher profits by adding value to the product areas which are of real significance for customers who in turn are willing to pay premium prices.
- **Focus**: concentrating on a limited part of the market Focus strategy is then subdivided into focus **cost leadership** and **focus differentiation**.

Porter's generic strategies

<u>Target scope</u>	<u>Advantage</u> Low cost	<u>Advantage</u> Product uniqueness
Broad (industry wide)	Cost leadership strategy	Differentiation strategy
Narrow (market wide)	Focus strategy (low cost)	Focus strategy (differentiation)

Why Project Managers Need to Understand Strategy

- Changes in the organization's mission and strategy
 - Project managers must respond to changes with appropriate decisions about future projects and adjustments to current projects.
 - Project managers who understand their organization's strategy can become effective advocates of projects aligned with the firm's mission.

Projects and Strategy

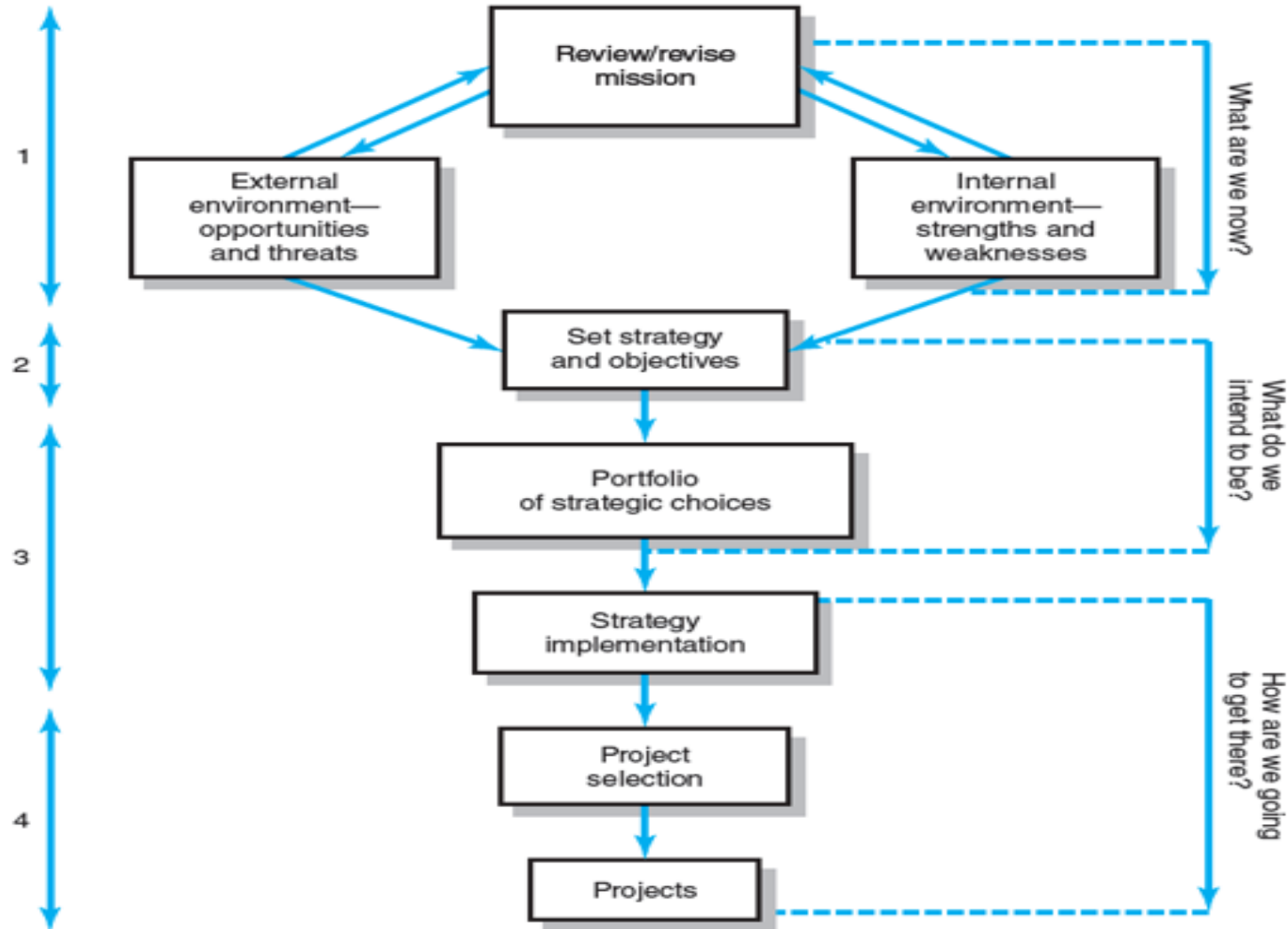
- Mistakes caused by not understanding the role of projects in accomplishing strategy:
 - Focusing on problems or solutions with low strategic priority.
 - Focusing on the immediate customer rather than the whole market place and value chain.
 - Overemphasizing technology that results in projects that pursue exotic technology that does not fit the strategy or customer need.
 - Trying to solve customer issues with a product or service rather than focusing on the 20% with 80% of the value (Pareto's Law).
 - Engaging in a never-ending search for perfection only the project team really cares about.

The Strategic Management Process: An Overview

- Strategic Management
 - Requires every project to be clearly linked to strategy.
 - Provides theme and focus of firm's future direction.
 - **Responding to changes** in the external environment—environmental scanning
 - **Allocating scarce resources** of the firm to improve its competitive position—internal responses to new programs.
 - Requires strong links among mission, goals, objectives, strategy, and implementation.

Four Activities of the Strategic Management Process

- Review and define the organizational mission.
- Set long-range goals and objectives.
- Analyze and formulate strategies to reach objectives.
- Implement strategies through projects.



Strategic Management Process

SWOT Analysis

SWOT Analysis is the analysis of the firm's strengths, weakness, opportunities and threats, to generate strategic alternatives. It aims at facilitating the management in developing a business model, which accurately aligns the firm's resources and capabilities, according to the business environment.



SWOT Analysis

Learning Objectives

What is SWOT Analysis?



Aim of SWOT Analysis

Who needs SWOT Analysis?

How to conduct SWOT Analysis?

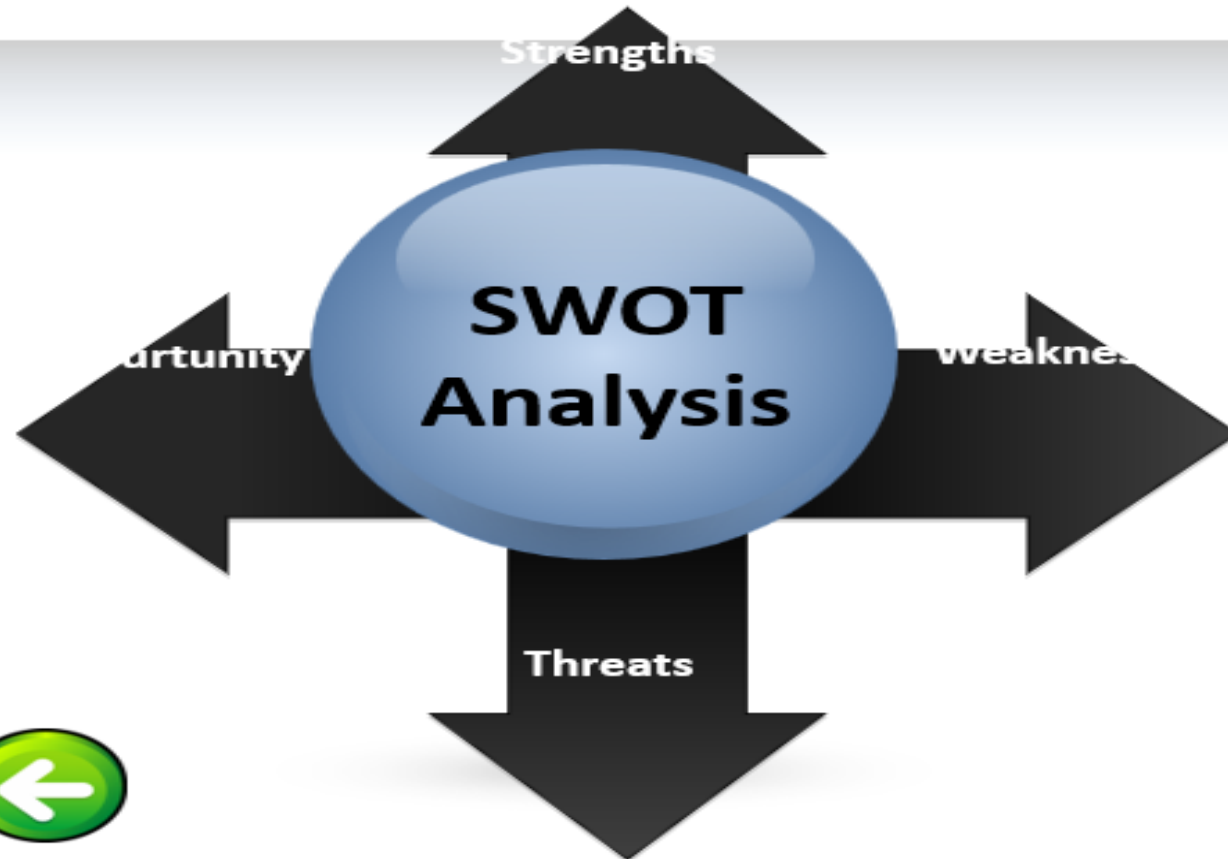
Benefits & Pitfalls of SWOT Analysis

Brainstorming & Prioritization in SWOT Analysis

Tips & Exercise for SWOT Analysis



What is SWOT Analysis?



- ▶ Acronym for **Strengths, Weaknesses, Opportunities, and Threats**.
- ▶ Technique is credited to Stanford University in the 1960s and 1970s.
- ▶ **Planning tool** used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- ▶ Used as **framework for organizing** and using data and information gained from **situation analysis** of internal and external environment.
- ▶ Technique that enables a group / individual to move from everyday problems / traditional strategies to a **fresh perspective**.



What is SWOT Analysis?

STRENGTHS

- ▶ Characteristics of the business or a team that give it an advantage over others in the industry.
- ▶ Positive tangible and intangible attributes, internal to an organization.
- ▶ Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- ▶ **Examples** - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.



What is SWOT Analysis?

OPPORTUNITIES

- ▶ Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- ▶ Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- ▶ Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- ▶ **Examples** - Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product .



What is SWOT Analysis?

WEAKNESSES

- ▶ Characteristics that place the firm at a disadvantage relative to others.
- ▶ Detract the organization from its ability to attain the core goal and influence its growth.
- ▶ Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.
- ▶ **Examples** - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.



What is SWOT Analysis?

THREATS

- ▶ External elements in the environment that could cause trouble for the business - External factors, beyond an organization's control, which could place the organization's mission or operation at risk.
- ▶ Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- ▶ Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.
- ▶ **Examples** - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.



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Tips & Exercise



Aim of SWOT Analysis?



- ▶ To help decision makers share and compare ideas.
- ▶ To bring a clearer common purpose and understanding of factors for success.
- ▶ To organize the important factors linked to success and failure in the business world.
- ▶ To analyze issues that have led to failure in the past.
- ▶ To provide linearity to the decision making process allowing complex ideas to be presented systematically.

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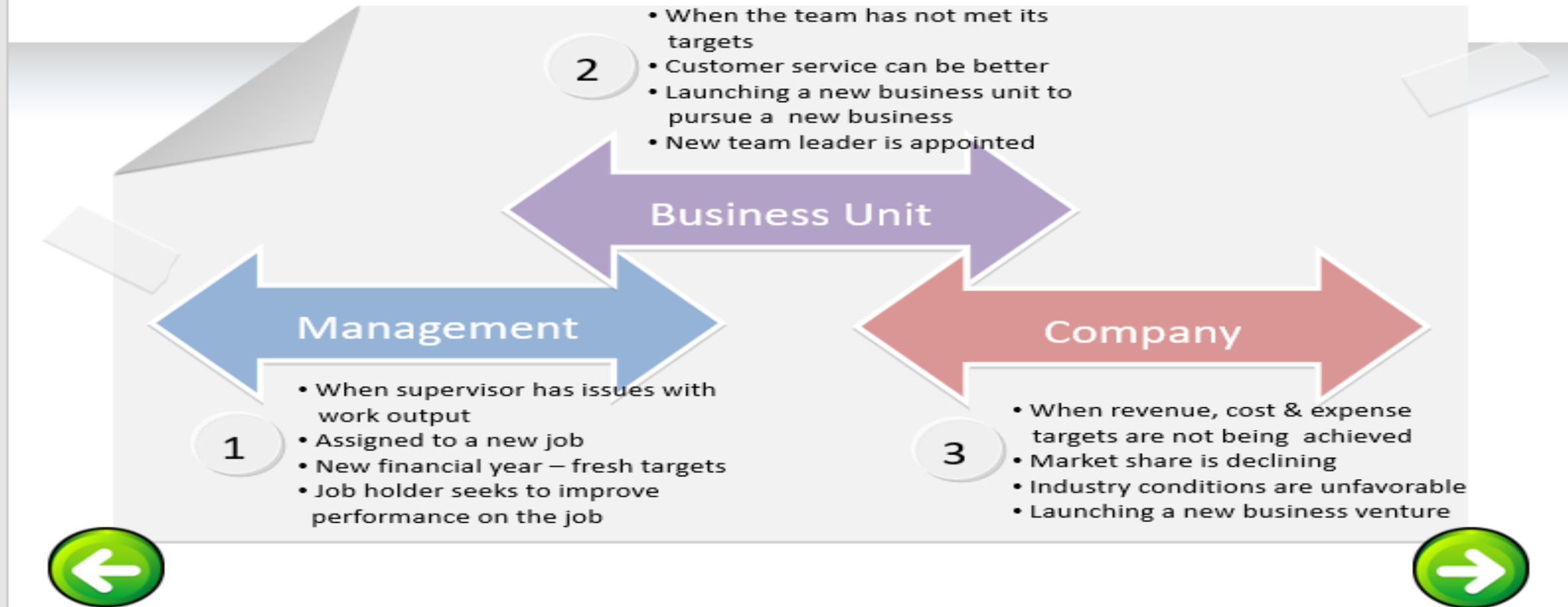
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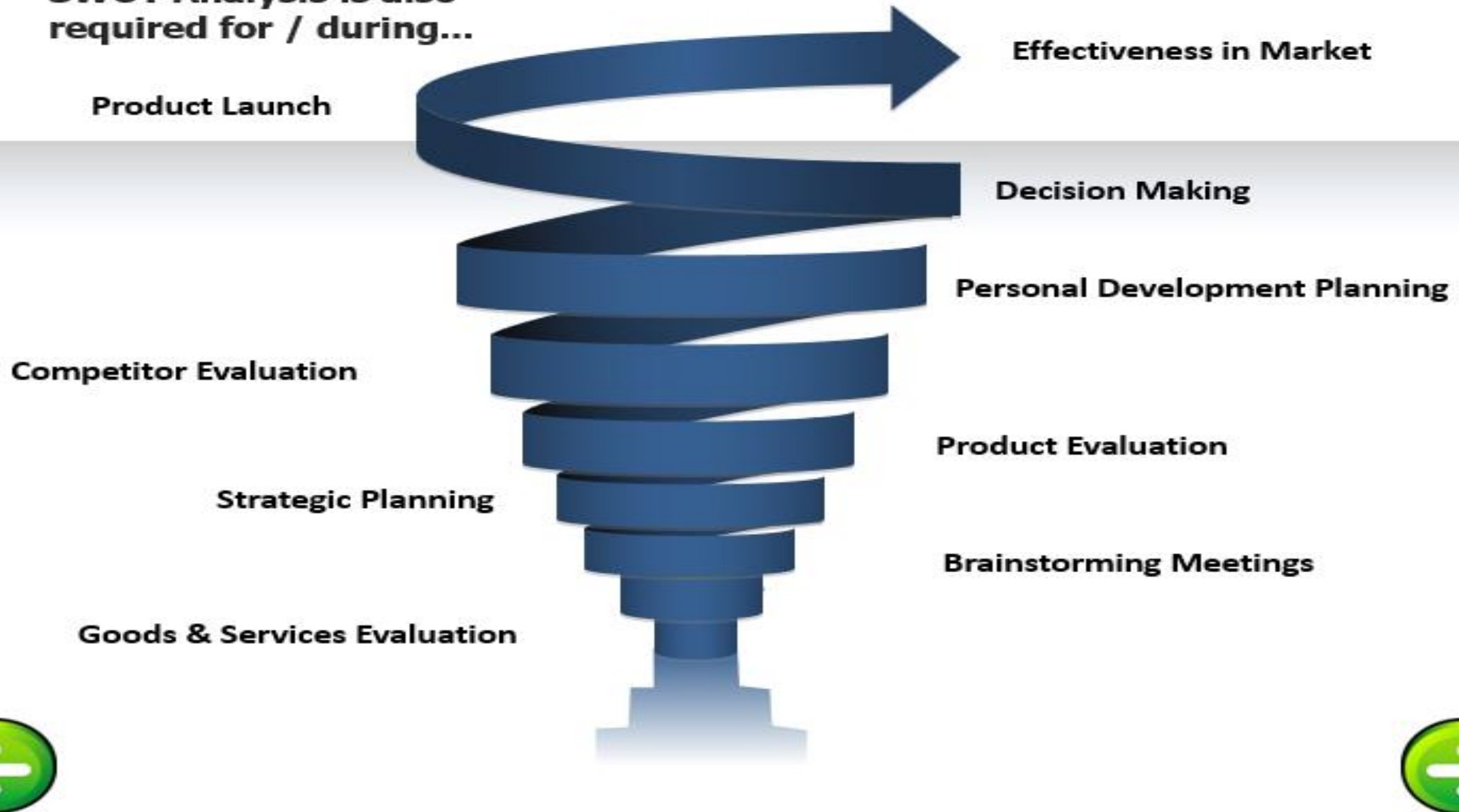


Who needs SWOT Analysis?



Who needs SWOT Analysis?

SWOT Analysis is also required for / during...



SWOT Analysis

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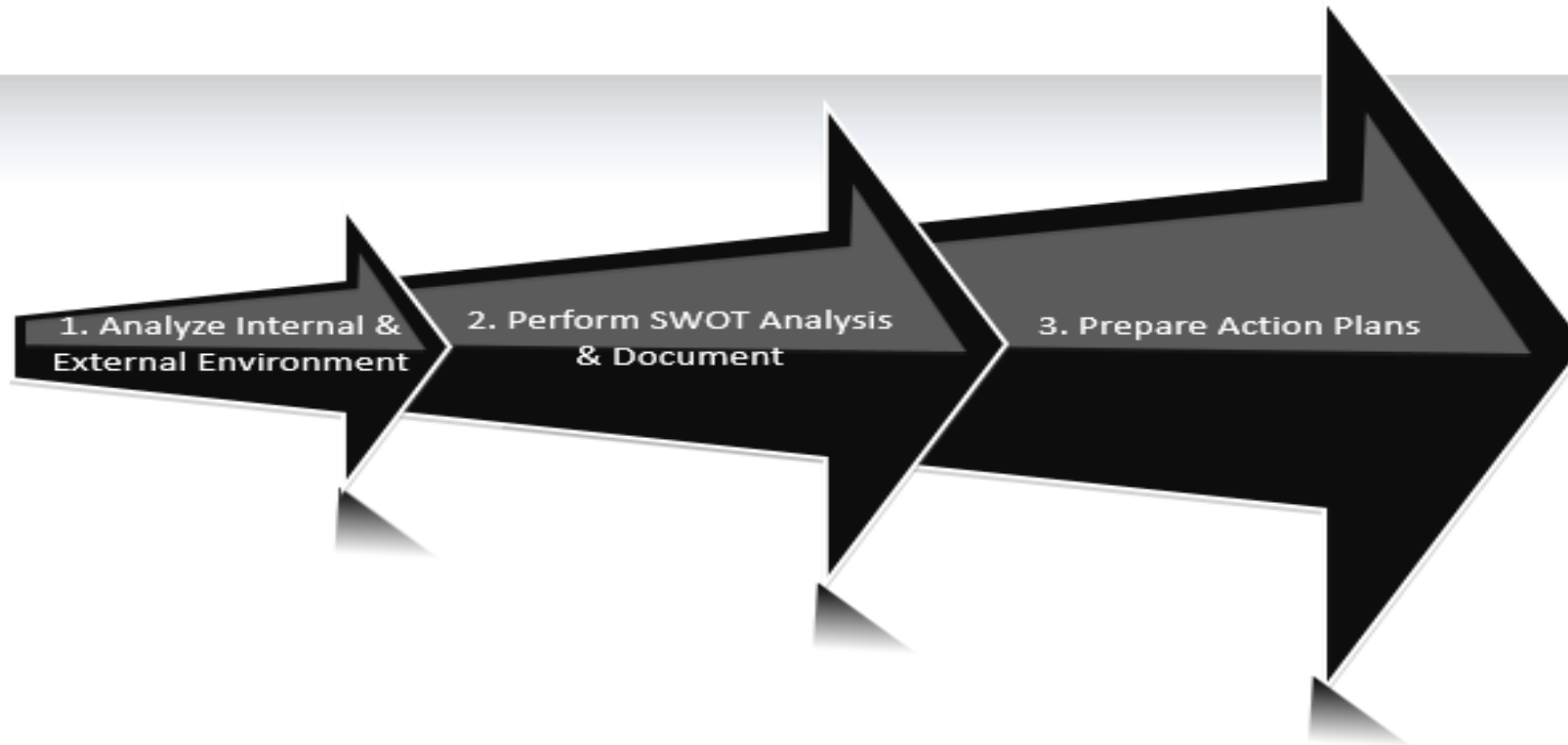
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Tips & Exercise



How to conduct SWOT Analysis?



How to conduct SWOT Analysis?

1. Analyse Internal & External Environment

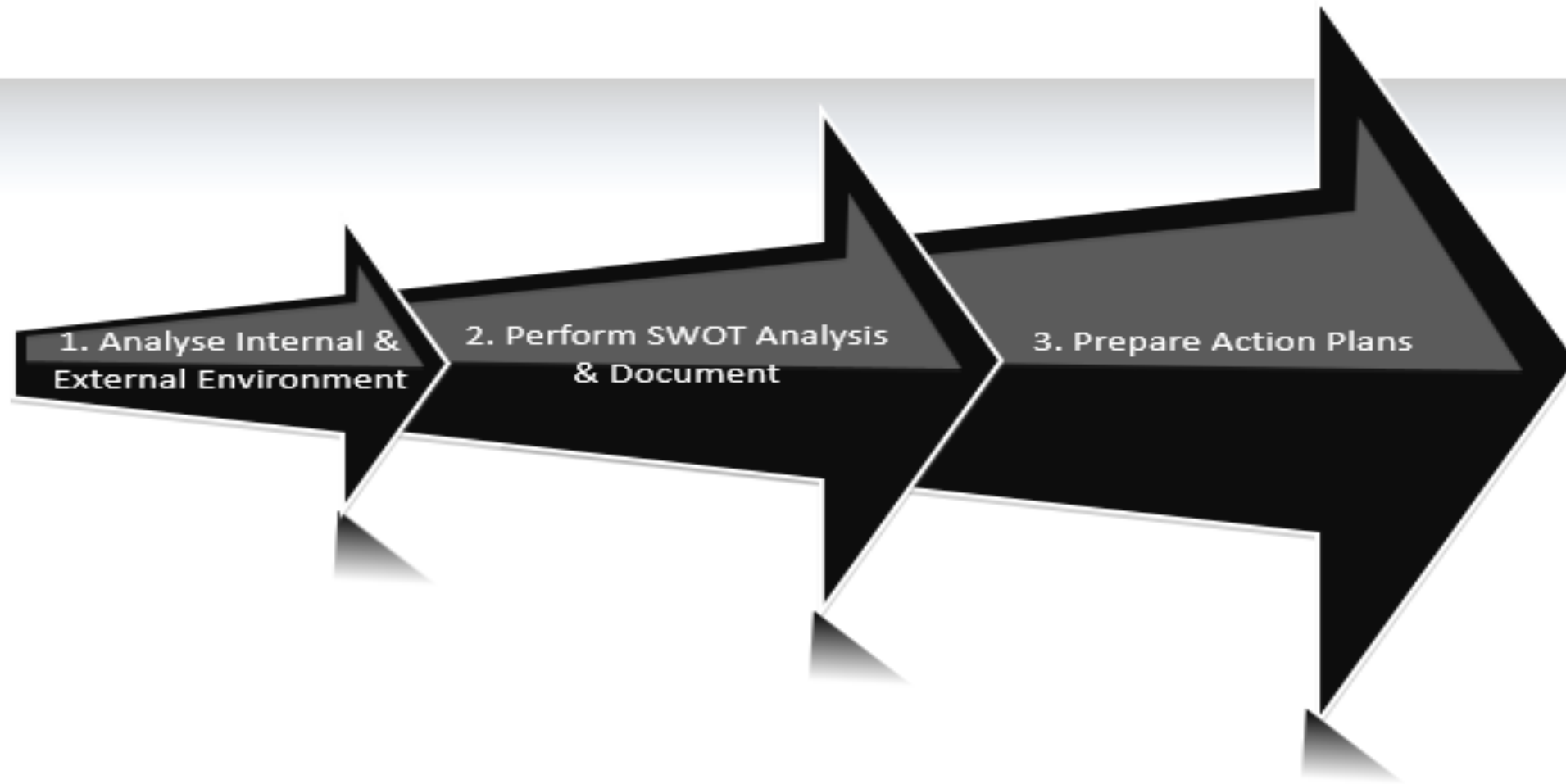


How to conduct SWOT Analysis?

SWOT Analysis



How to conduct SWOT Analysis?



How to conduct SWOT Analysis?

2. Perform SWOT Analysis & Document

Carry your findings forward - Make sure that the SWOT analysis is used in subsequent planning. Revisit your findings at suitable time intervals.

Evaluate listed ideas against Objectives -.....
With the lists compiled, sort and group facts and ideas in relation to the objectives.

Create a workshop environment -
Encourage an atmosphere conducive to the free flow of information.

Select contributors -
Expert opinion may be required for SWOT

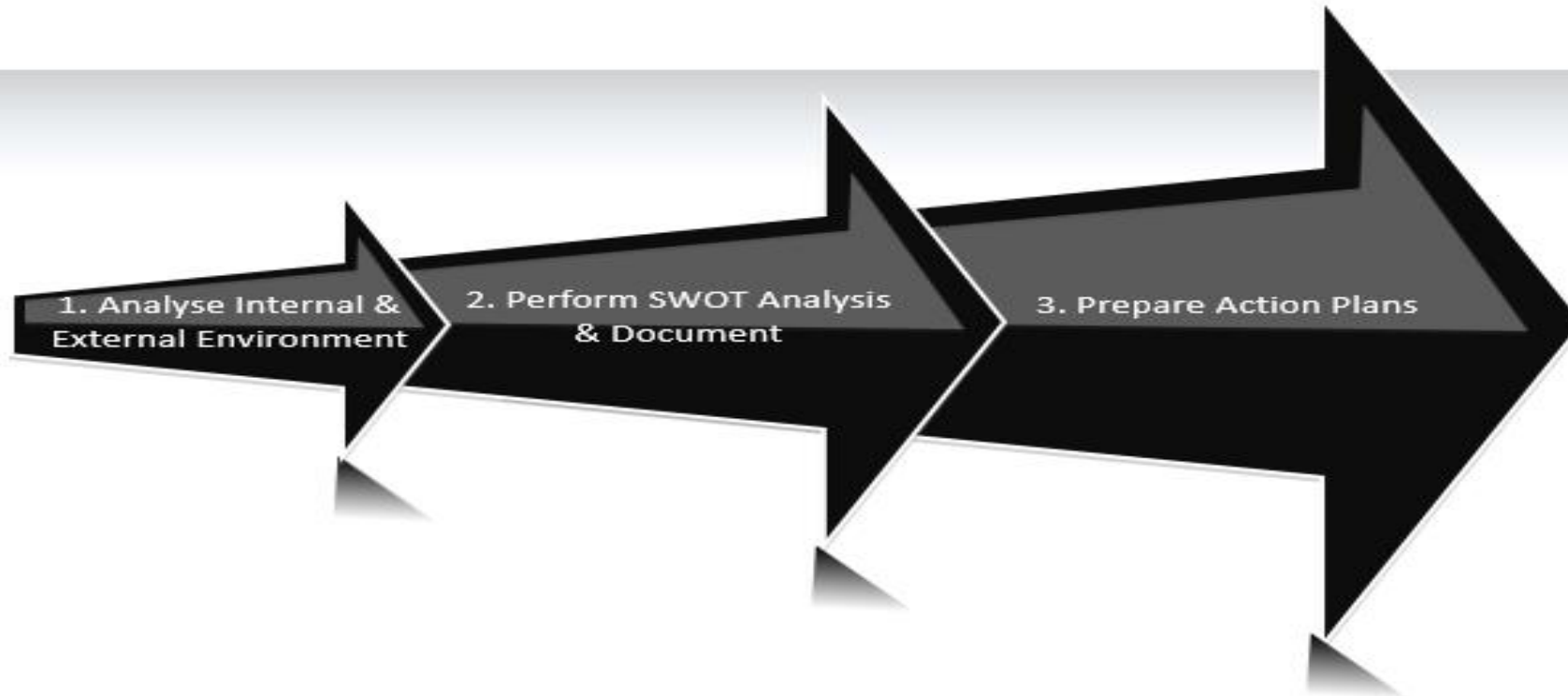
Allocate research & information gathering tasks -
Background preparation can be carried out in two stages – Exploratory and Detailed. Information on Strengths & Weaknesses should focus on the internal factors & information on Opportunities & Threats should focus on the external factors.

Establish the objectives - Purpose of conducting a SWOT may be wide / narrow, general / specific.

.....**List Strengths, Weaknesses, Opportunities, & threats**



How to conduct SWOT Analysis?



How to conduct SWOT Analysis?

3. Prepare Action Plan

Once the SWOT analysis has been completed, mark each point with:

- ▶ Things that MUST be addressed immediately
- ▶ Things that can be handled now
- ▶ Things that should be researched further
- ▶ Things that should be planned for the future



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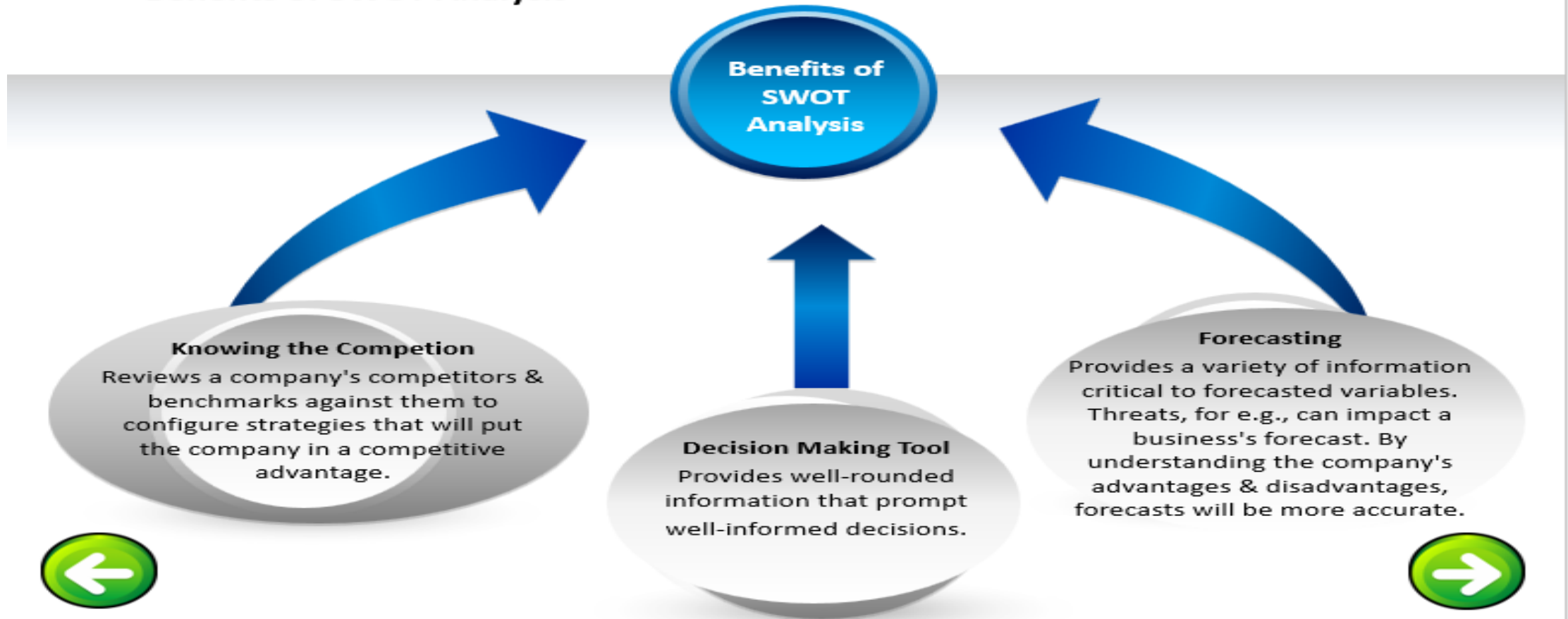
Brainstorming & Prioritization in SWOT Analysis

Tips & Exercise



Benefits & Pitfalls of SWOT Analysis

Benefits of SWOT Analysis



Benefits & Pitfalls of SWOT Analysis

Benefits of SWOT Analysis

Besides the broad benefits, here are few more benefits of conducting SWOT Analysis:



Helps in setting of objectives for strategic planning



Provides a framework for identifying & analyzing strengths, weaknesses, opportunities & threats



Provides a motivation to analyze a situation & develop suitable strategies and tactics



Basis for assessing core capabilities & competencies



Evidence for, and cultural key to, change



Provides a stimulus to participation in a group experience



Benefits & Pitfalls of SWOT Analysis

Pitfalls of SWOT Analysis



Can be very subjective. Two people rarely come up with the same final version of a SWOT. Use it as a guide and not as a prescription.



May cause organizations to view circumstances as very simple due to which certain key strategic contact may be overlooked.



Categorizing aspects as strengths, weaknesses, opportunities & threats might be very subjective as there is great degree of uncertainty in market.



To be effective, SWOT needs to be conducted regularly. The pace of change makes it difficult to anticipate developments.



The data used in the analysis may be based on assumptions that subsequently prove to be unfounded [good and bad].



It lacks detailed structure, so key elements may get missed.



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Tips & Exercise



Brainstorming & Prioritization in SWOT Analysis

Brainstorming



Prioritization

Output from Brainstorming exercise is Prioritized

Begin brainstorming by asking the following questions:

- What opportunities exist in our external environment?
- What threats to the institution exist in our external environment?
- What are the strengths of our institution?
- What are the weaknesses of our institution?

At the end of the Brainstorming exercise:

- Reduce the list of strengths & weaknesses to no more than five distinctive competencies and debilitating weaknesses
 - Strengths that are distinctive competencies
 - Weaknesses that are debilitating
- Reduce threats and opportunities to the five most critically important of each.



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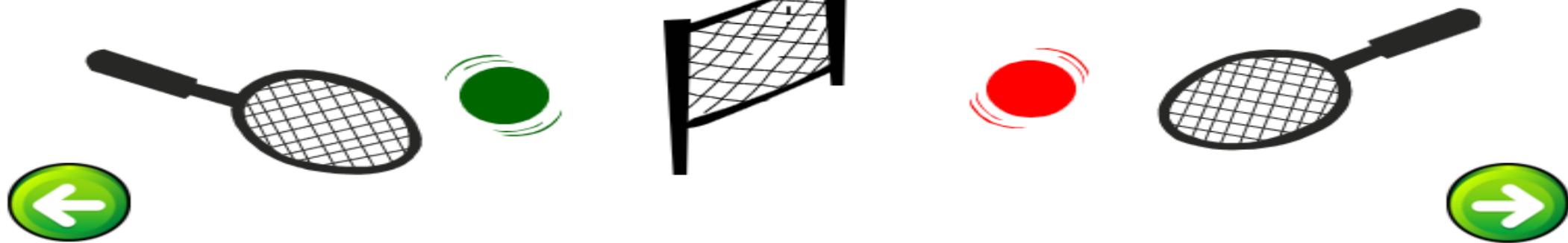
TIPS

Do's

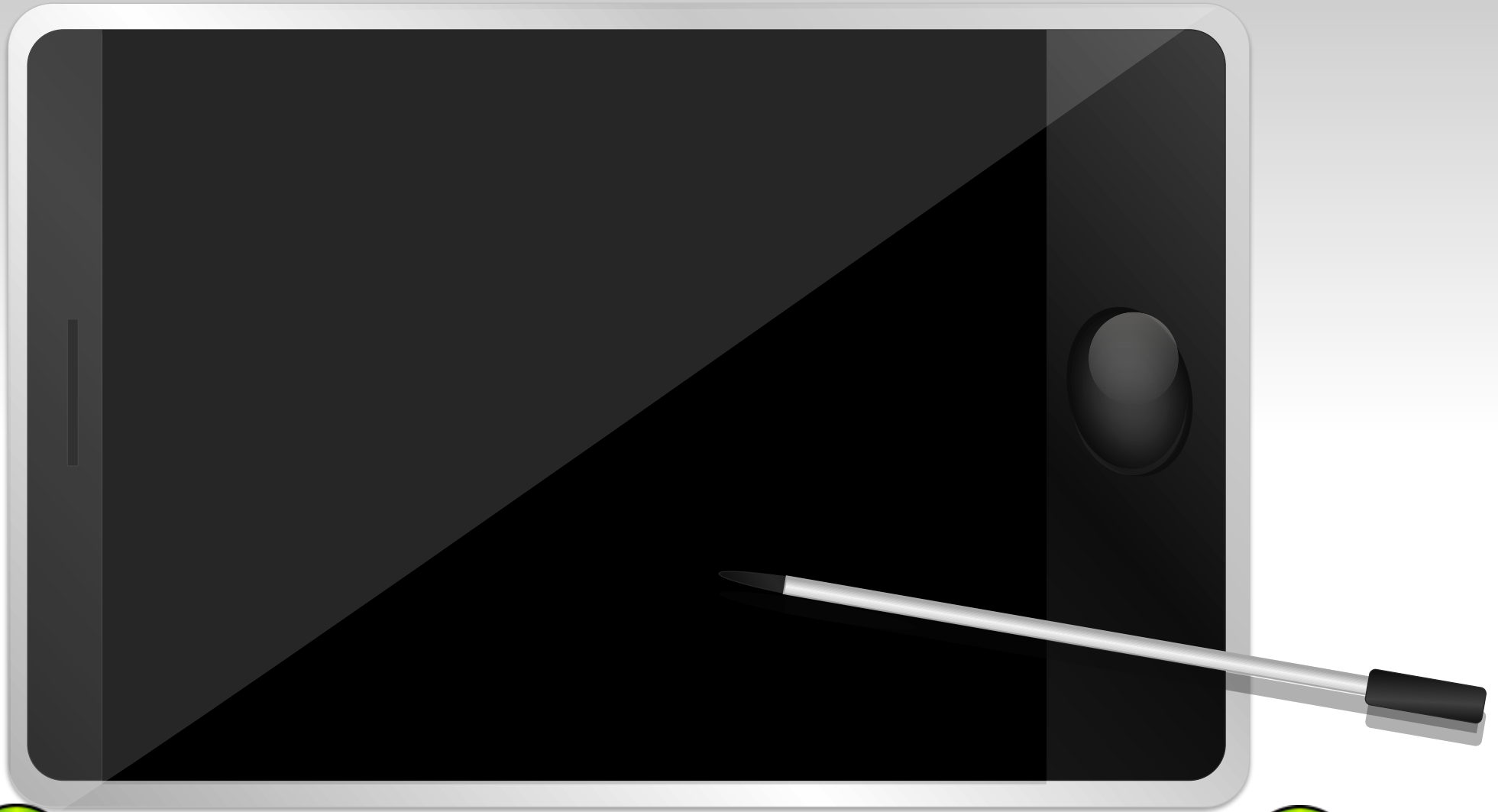
- ✓ Be analytical and specific.
- ✓ Record all thoughts and ideas.
- ✓ Be selective in the final evaluation.
- ✓ Choose the right people for the exercise.
- ✓ Choose a suitable SWOT leader or facilitator.
- ✓ Think out of the box
- ✓ Be open to change

Don'ts

- ✗ Try to hide weaknesses.
- ✗ Merely list errors and mistakes.
- ✗ Lose sight of external influences and trends.
- ✗ Allow the SWOT to become a blame-laying exercise.
- ✗ Ignore the outcomes at later stages of the planning process.



Bring it all together!



Your own footer



Your Log

Tips & Exercise

TIPS

When conducting a SWOT analysis, appoint a leader or group facilitator.

Introduce the SWOT method and its purpose in your organization to gain acceptance.

Be willing to breakaway from traditional methods.

While doing a SWOT analysis for your job, invite someone to brainstorm with you.

Discuss and record the results. Prepare a written summary of the SWOT analysis to give to participants.



Tips & Exercise

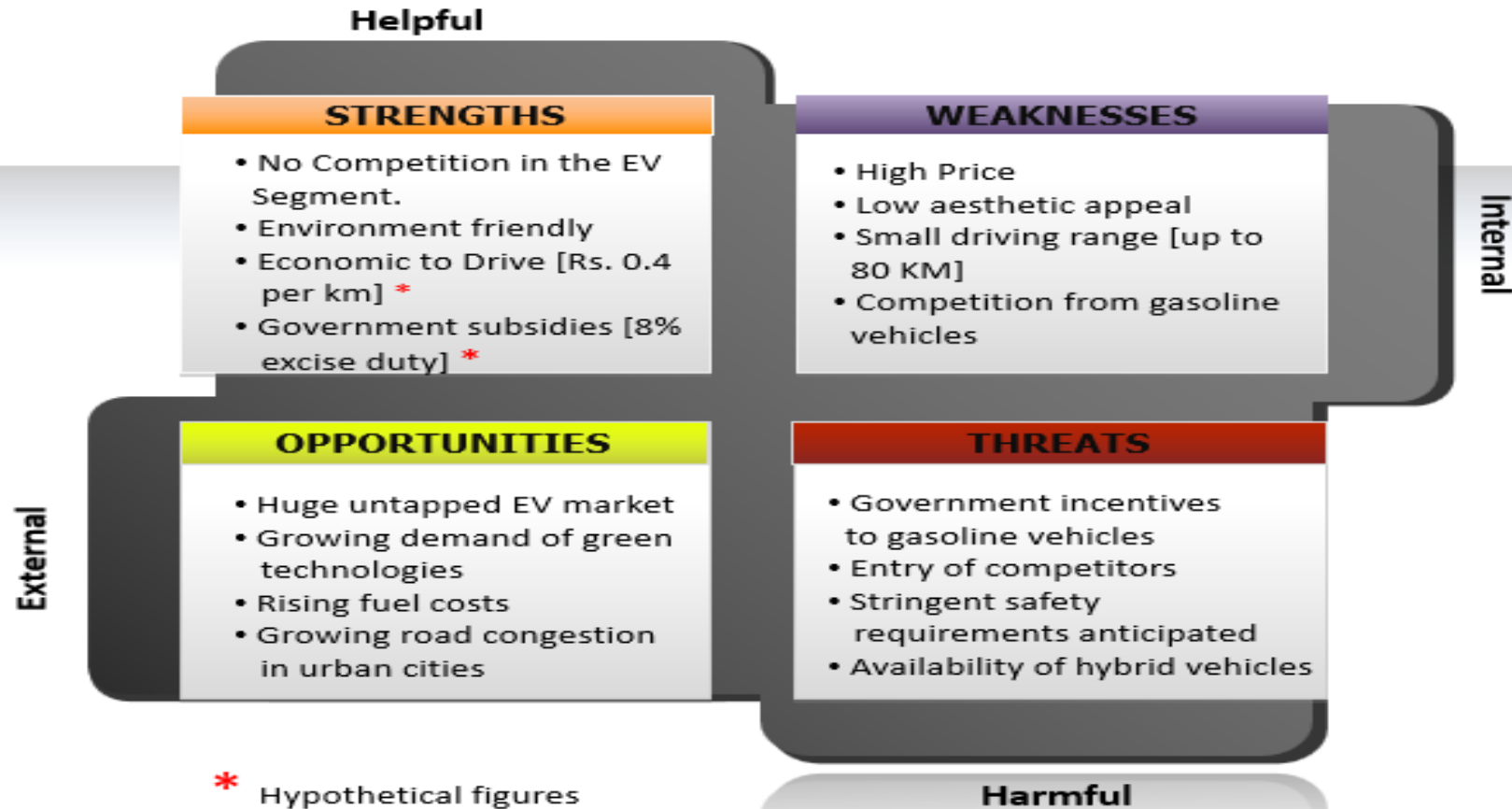
EXERCISE

Assume that a car manufacturing company has recently launched its products. Perform a SWOT analysis for the same.



Tips & Exercise

EXERCISE



Tips & Exercise

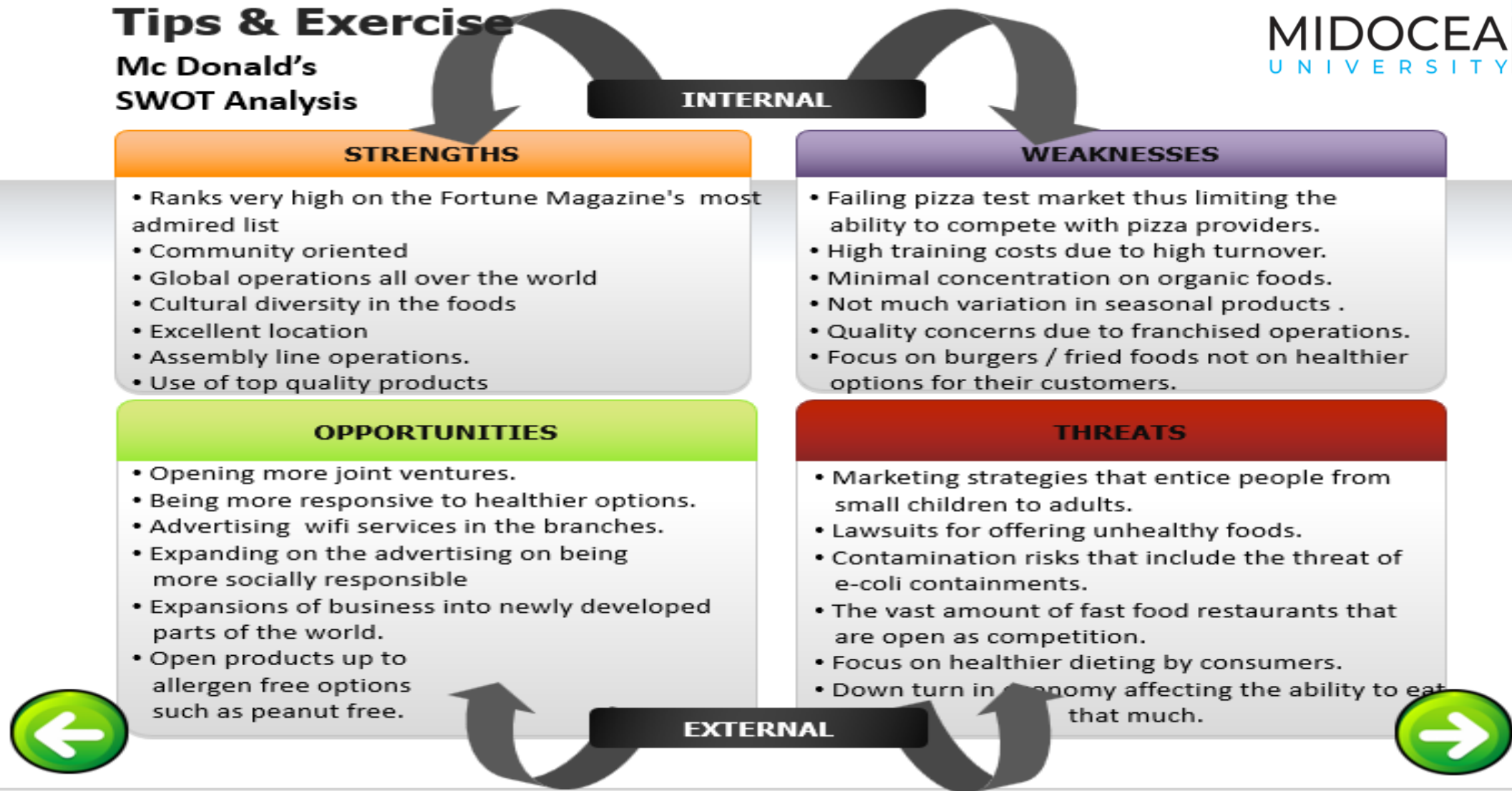
EXAMPLE

Mc Donald's SWOT Analysis



Tips & Exercise

Mc Donald's SWOT Analysis



Tips & Exercise

Points to Ponder

- **Keep your SWOT short and simple**, but remember to include important details. For example, if you think your communication skills is your strength, include specific details, such as verbal / written communication.
- When you finish your SWOT analysis, **prioritize the results** by listing them in order of the most significant factors that affect you / your business to the least.
- **Get multiple perspectives** on you / your business for your SWOT analysis. Ask for input from your employees, colleagues, friends, suppliers, customers and partners.
- **Apply your SWOT analysis to a specific issue**, such as a goal you would like to achieve or a problem you need to solve. You can then conduct separate SWOT analyses on individual issues and combine them.



The difference between strategy and plan

A strategy won't get executed — not completely and successfully — without other plans. And that means promised benefits won't be realized and business objectives won't be achieved.

A **strategy** identifies what you need to do to meet one or more business objectives.

A strategy needs to be detailed — it may even include some sort of timeframe for executing it — but it's still only high level in terms of **how** it will be achieved.

That's what a plan is for.

The difference between strategy and plan

A plan explains in detail how the strategy will be executed. It identifies:

- what's to be done (activities and tasks to be executed)
- who does what (roles and responsibilities)
- when it has to be done (a schedule of activities and tasks and who's assigned to them)
- and critically, how you'll ensure it gets done on time and within budget (risk management, quality management, communication management, resource management, stakeholder management, change management, financial management).

The difference between strategy and plan

If you think the list looks like a project management plan, then you're right. That's exactly what it is because that's exactly what you need to execute the strategy: a project with a plan.

To get from a strategy to a plan there's usually a business case. That's where the strategy is justified and costed for it to be considered and approved. Then, to be executed, it becomes a change initiative in the form of a program of work, or part of other programs. And programs are executed as projects.

So, a single strategy may be executed under several different plans — program and project management plans.



Thank You

