Lecture Contents:

- **Evaluation**

- Evaluation criteria
- Consideration for Project Evaluation Report recommendation
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- **Project Audit**

- Comparison of financial Audits with Project Audits
- Timing & Value of Project Audit
- Typical steps in a Project Audit
- Audit Report

- **Project Termination**

- when to Terminate a Project
- Types of Project Terminations
- The Termination Process

PROJECT CLOSURE & PROJECT TERMINATION

Evaluation

- Definition
- Evaluation Criteria
- Consideration for Project Evaluation Recommendations
- Measurement

PROJECT CLOSURE & PROJECT TERMINATION

Definition:

A project evaluation is an appraisal for use by top management. Its criteria should include the needs of management; the organization's stated and unstated goals; the original selection basis for the project; and its success to date in terms of its efficiency, customer impact/satisfaction, business success, and future potential. Measuring Project's success on budget, schedule, and scope is easier than measuring revenues or qualitative, subjective factors. Establishing the measures at project formation is helpful, as well as using carefully standardized measurement techniques for the subjective factors

Evaluation Criteria:

- Criteria set by senior management
- Original criteria for selecting and funding project
- Success to-date
- Business/Direct success

  - Such as the level of commercial success for external projects and reduced throughout time for internal projects
- Contribution to team member objectives

PROJECT CLOSURE & PROJECT TERMINATION

Four Important Dimensions of Project Success

1. Efficiency in meeting the budget and schedule
2. Customer impact/satisfaction
3. Business/direct success
4. Future Potential

PROJECT CLOSURE & PROJECT TERMINATION

Items to Consider for Project Evaluation Report Recommendations:

- Communication with the client and senior management
- Locating opportunities for technological advances
- Reduction of indirect costs and direct costs
- Improving the project-management process
- Identification of risks in the organization's use of projects
- Utilization of the skills resulting from project members' work on projects
- Employment of general management experience gained by project managers
- improving the organization's use of the projects
- Increasing the speed of obtaining results in projects

PROJECT CLOSURE & PROJECT TERMINATION

Measurement:

- Measuring the project's performance against a planned budget and schedules

  - is relative straightforward and milestone are easy to determine when reached.

- Measurement of actual expenditure and earned values

  - More complicated

Project Auditing

- Definition
- The Audit Process
- Timing & Value of Project Audit
- Typical Steps in a Project Audit
- The Audit Report

PROJECT CLOSURE & PROJECT TERMINATION

The Project Auditing:

- A special type of evaluation is the formal audit

  - Not a final audit

  - Broader in scope and may deal with the whole or any part of the project

- A thorough examination of the management of a project, its methodology and procedure, its records, properties, inventories, budgets, expenditures, progress, and so on
- Broader than the traditional management audit

The Project Auditing continue:

- The timing of the audit depends on the purpose
- An audit can be conducted at three levels:

1. General: usually constrained by time and cost and limited to project essentials
2. Detailed: initiated if the general audit finds something that needs further investigation
3. Technical: usually performed by a team with technical skills

PROJECT CLOSURE & PROJECT TERMINATION

	Financial Audits	Project Audits
Status	Confirms status of business in relation to accepted standard	Must create basis for, and confirm, status on each project
Predictions	Company's state of economic well-being	Future status of project
Measurement	Mostly in financial terms	Financial terms plus schedule, progress, resources usage, status of ancillary goals
Record-keeping system	Format dictated by legal regulations and professional standards	No standard system, uses any system desired by individual organization or dictated by contract
Existence of information system	Minimal records needed to start audit	No records exist, data bank must be designed and used to start audit
Recommendations	Usually few or none, often restricted to management of accounting system	Often required, and may cover any aspect of the project or its management
Qualifications	Customary to qualify statements if conditions dictate, but strong managerial pressure not to do so	Qualifications focus on shortcomings of audit process (e.g. lack of technical expertise, lack of funds or time

PROJECT CLOSURE & PROJECT TERMINATION

Timing and Value of Project Audits:

- Initiation
  - Very useful
  - Takes place early
- Feasibility study
  - Very useful, especially technical audit
- Preliminary plan/schedule budget
  - very useful for setting measurement standards
- Master schedule
  - Less useful
  - Flexibility of team limited

Timing and Value of Project Audits:

- Evaluation of data by project team

  - marginally useful

  - Team defensive

- Implementation

  - More or less useful

  - Depends on importance of project methodology or successful implement

- Post – project

  - More or less useful

  - Depends on applicability to future projects

PROJECT CLOSURE & PROJECT TERMINATION

Typical steps in a Project Audit are:

1. Familiarize the audit team with the requirements of the project, including its basis for selection and any special charges by upper management
2. Audit the project on-site
3. Write up the audit report in the required format
4. Distribute the report.

PROJECT CLOSURE & PROJECT TERMINATION

To Ensure an Effective Audit The Audit Team Must….

- Have free access to anyone with knowledge of the project
- Make sure the project team is aware of the audit
- Avoid judgmental comments
- Understand the politics of project team
- Confirm all information (wherever possible)
- Understand that project team members rarely trust auditors

DATA COLLECTION FORM

Date: …….. Author: …….

MANAGERIAL DATA:

Project: …….

Project Manager: ……

Start date: …….

Due date: …….

FINANCIAL DATA

Allocated budget, £: ……..

Spent to date, £: ……..

SCHEDULE DATA

Schedule time for work performed: …….

Actual time for the work performed: ……

TECHNICAL DATA:

% User involvement in design: ……

User training hours:

- Planned: …….

PROJECT CLOSURE & PROJECT TERMINATION

The Audit Report

- **Introduction**
- Description of project and its goals
- **Current Status**
- Comparison of work completed and planned
- **Future project status**
- Conclusions regarding project progress
- Recommendations for changes for subsequent project

PROJECT CLOSURE & PROJECT TERMINATION

The Audit Report

- Critical management should issues
  - Issues senior management should monitor
- Risk analysis and risk management
  - Potential for project failure and monetary loss
- Final comments
  - Caveats, assumptions, limitations

PROJECT CLOSURE & PROJECT TERMINATION

Project Termination

- When to Terminate a Project
- Four Generic Factors Associated with Project Failure
- Types of Project Termination
- The Termination Process
- The Project Personnel
- Project Final Report

Project Termination

- Every project is terminated
  - Quickly or slowly
  - Referred to as project closure
- Way it is handled may have an impact on the success of the project
  - Will have a major impact on residual attitudes toward the project
- In some industries the teams remains relatively intact
- In other industries projects termination is similar to the breakup of family

When to Terminate a Project

- Is the organization willing to invest the time and cost required to complete the project
  - Given its current status and expected outcome
  - Assumes sunk costs are irrelevant
- The criteria commonly applied for deciding whether to terminate a project fall into two general categories

1. The degree to which the project has met its goals
2. The degree to which the project qualifies against a set of success factors

Four Generic Factors Associated with Project Failure:

1. A project was not required for this task in the first place
2. Insufficient support from the senior management
   - Especially for unanticipated resources
3. Naming the wrong project manager
   - Often a person with excellent technical skills but weak managerial skills
4. Poor up-front planning

PROJECT CLOSURE & PROJECT TERMINATION

Five Questions to Decide Which Project to Continue

1. Which project has a legal strategic imperative?
2. Which project are luxuries?
3. Which projects are likely to drive future revenue and growth
4. Which projects best match our skill sets and strength?
5. Which projects are risks to the business if we do not service the project's deliverables?

Types of Project Termination:

1. Project extinction

   - Project activity suddenly stops because it has been successfully completed or has a high expectation of future

2. Termination –by-addition

   - when an in-house project is successfully and is institutionalized as a new formal part of the organization

3. Termination-by-integration

   - The output of the project becomes a standard part of the operating system of the sponsoring firm or the client

4. Termination by Starvation

   - Occurs when it is impolitic to terminate a project but it's budget can be squeezed until it is a project in name only

PROJECT CLOSURE & PROJECT TERMINATION

The Termination Process

- Decision should be made by a broad based committee of senior managers
- Projects do not take kindly to being shut down
- Shutting down an ongoing project is not a mechanistic process
- Termination process should be specified in project plan
- A termination manager should be appointed

PROJECT CLOSURE & PROJECT TERMINATION

Project Personnel

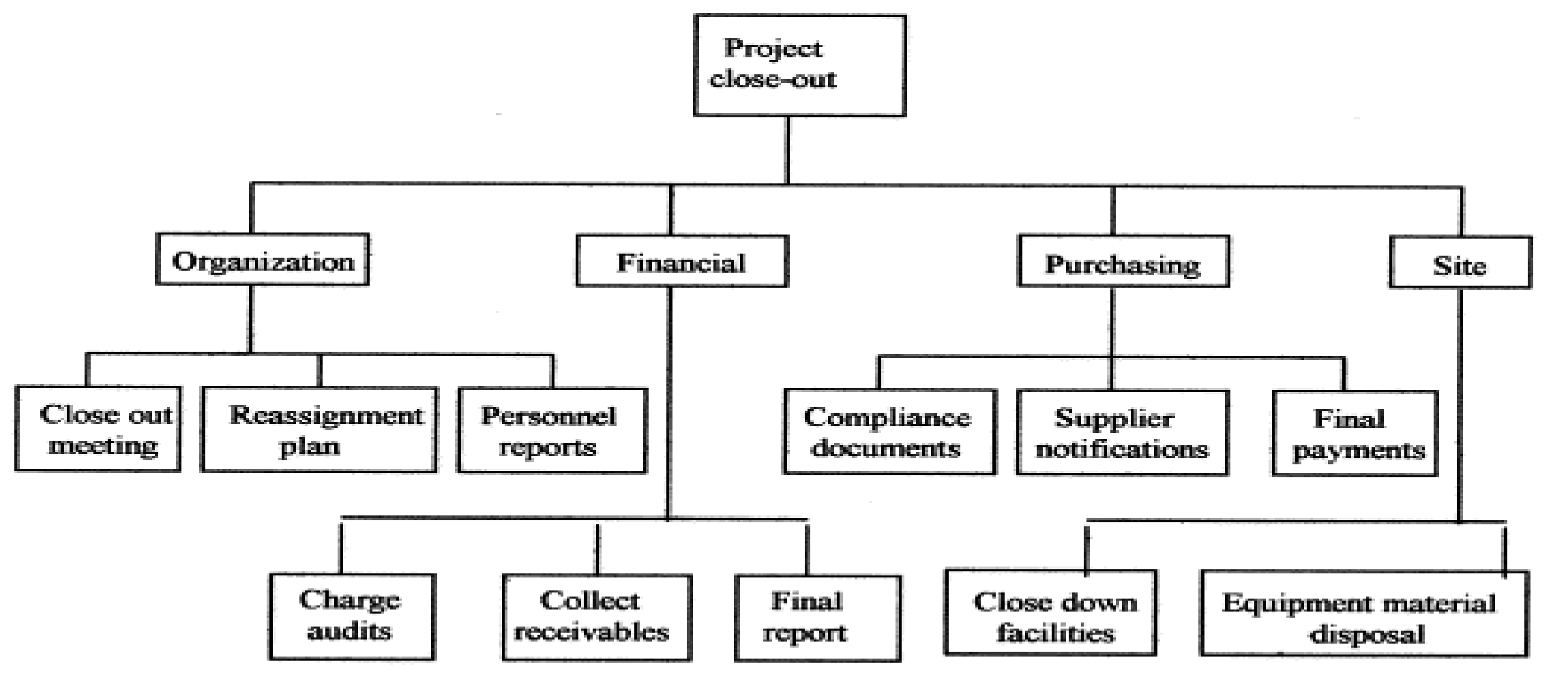
- One of the more difficult jobs is the reassignment of project personnel
- In a functional organization, it usually entails a transfer back to the parent department

  - when a large project is shut down, team members may be laid off

- In a pure project organization there may be more projects to which project personnel can be transferred

  - There is no "holding" area for personnel
  - As a result, layoffs are common

A WBS For a Termination Project



Main Duties of the Termination Manager

- Ensure completion of the work
- Notify the client of project completion
- Ensure that documentation is complete
- Clear all accounts and invoicing
- Redistribute personnel, material, equipment
- Clear project with legal counsel
- Save records that need to be saved
- Project any support material
- Close project books

PROJECT CLOSURE & PROJECT TERMINATION

The Project Final Report

The following should be addressed:

1. Project performance

- What was achieved and reasons for resulting performance

2. Administrative performance

- Review of how well administrative practices worked

3. Organizational structure

- Identify modifications to help future projects

4. Project teamwork

- Team members who worked particularly well and very poorly
- Confidential part of report

5. Project management technique

- Recommendations for improvements in future projects

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Thank you very