SECTION 3

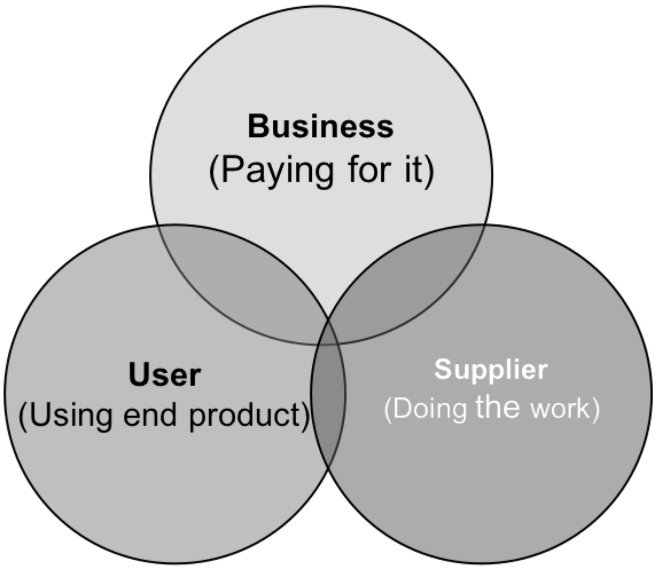
Project Concept

3.1 Stakeholder Management

"Stakeholders are people who have an interest or a role in a project, or who are affected by it."

Stakeholders are individuals or groups with an interest in the project. They may have an impact on your work, or they may be impacted by it. Stakeholders ultimately determine the success - or failure - of your project, so their expectations must be understood and managed. Stakeholders may be internal or external to the organisation sponsoring a project.

Three project interests



There are three interests that must be represented in a project’s management team:

- **The business interest: this** refers to the organisation that is paying for a project. In this context “business” does not necessarily mean a commercial business. For example, a government agency that is paying for a project will want its interests to be represented on the project’s governance board.
- **The user interest:** users are the people who will use the products of the project, hopefully, in a beneficial way. They are often referred to as “end-users”. In many projects there will be more than one end-user. Together, the business and user interest represent the project’s customer. In some projects this represents a potential source of conflict: the business interest is most concerned with cost, while the end users focus on the quality of the final product.
- **The supplier interest:** it seems obvious that the people paying for the project and the people who are using the end product should be represented on the governance board. But why should the supplier interest be represented? They are often external organisations who are involved in the project for commercial reasons. There are two reasons why a customer organisation should include representatives from its major suppliers on the project steering group:

    - **Technical feasibility:** People have different expectations of what a project is going to deliver. Those paying for the project normally want the cheapest possible solution while end-users want the best possible solution. Both expectations have to be met within the constraints of time and cost and the limitations of technology. And it’s the project’s suppliers who have to deliver the solution within those constraints. If those suppliers are represented on the steering group, they can provide the customers with direct and timely advice on the technical feasibility of the project.

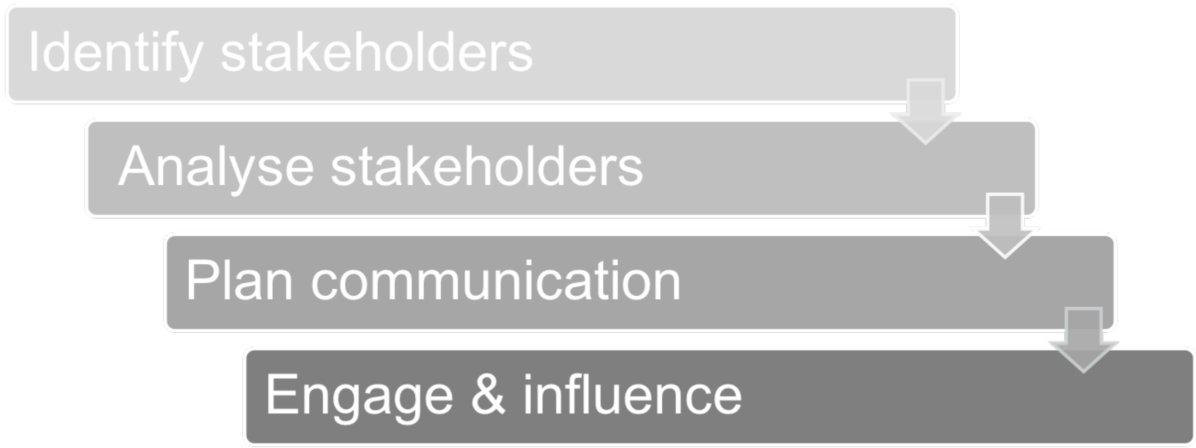
- **Accountable for quality:** The second reason for involving suppliers is that they will be accountable for the quality of the products they deliver. By having suppliers represented on the steering group, there is somebody who can listen to the customers when things aren't going well – and, most importantly, explain what they're going to do about it.

Stakeholder management process

The people financing a project, the end users and the people who are going to work on the project are all stakeholders. If they are managed effectively it will help project managers to:

- Increase support for the project and boost the number of allies who can help influence others
- Acquire the delivery resources you need
- Reduce resistance to the project
- Improve the chances of your customers being happy with your product by consulting and listening to them throughout the project journey
- Enhance communication and collaboration by creating a safe and trusting environment.

Stakeholder management typically involves four steps:



Identify stakeholders

Ideally, a project manager should identify the project's key stakeholders in the concept phase of the project. It doesn't need to be complicated. A simple technique known as brainstorming can be very effective. Brainstorming combines a relaxed, informal approach to problem solving with lateral thinking. It encourages people to come up with innovative ideas. Some of these ideas can be crafted into original, creative solutions to a problem, while others can spark even more ideas.

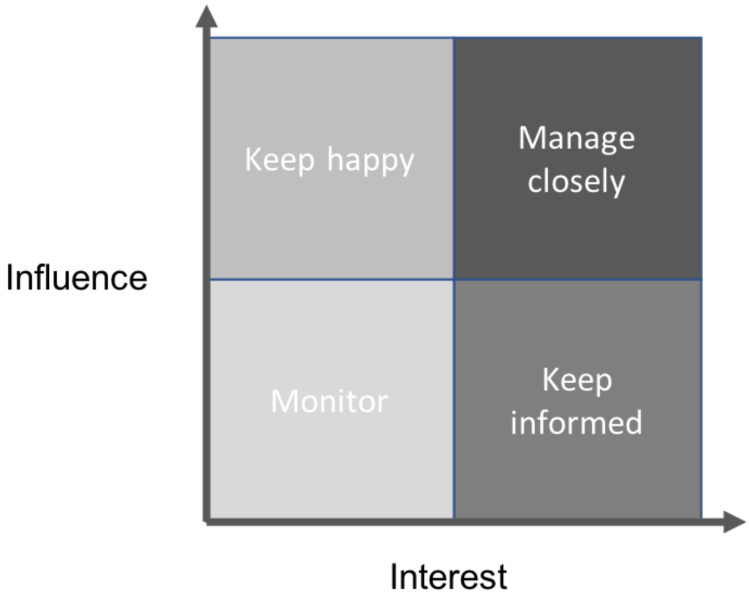
Brainstorming can be done by an individual or as a group. It often helps to have a checklist as a starting point. Here are some examples of project stakeholders:

Your boss	Shareholders	Government agencies
Senior executives	Alliance partners	Trade unions
Your co-workers	Suppliers	The press
Your team	Lenders	Interest groups
End-users	Analysts	The public
Prospective customers	Future recruits	The community
Regulators	Key contributors	Key advisors

Analyse stakeholders

Not all stakeholders are equal. Stakeholders should be prioritised so that a project manager can communicate with them effectively - and manage their expectations. One common method of prioritisation is to classify stakeholders according to their ability to influence the project – and the level of interest that they have.

This can be shown on a simple chart:



When assessing stakeholders, it is useful to consider:

- How will they be impacted by the project?
- Will they be supportive, resistant or uncertain?
- Who or what can influence their views?
- How can their expectations be managed and by whom?

Plan communication

The development of a communication plan in support of the project management plan will ensure that the right information is provided to the right stakeholder at the right time, in accordance with the project's information reporting and management policies.

Communication is a two-way process. A project communication management plan should include:

- **What** information is needed
- **Who** needs to receive or send information (this may also include contact details)
- **Why** do they need to send or receive the information?
- **When** do they need to send or receive the information?
- **How** the message should be sent including the media that is used
- **Where** communication will take place (for example, meeting venues)

Engage and influence

Stakeholders must be managed to ensure that support is maintained and opposition to the project is removed or minimised. Project managers need to use a range of strategies to ensure that trust in the stakeholder community is built and maintained. A high degree of interpersonal skills will be required to negotiate with stakeholders and to manage any conflict that might be present.

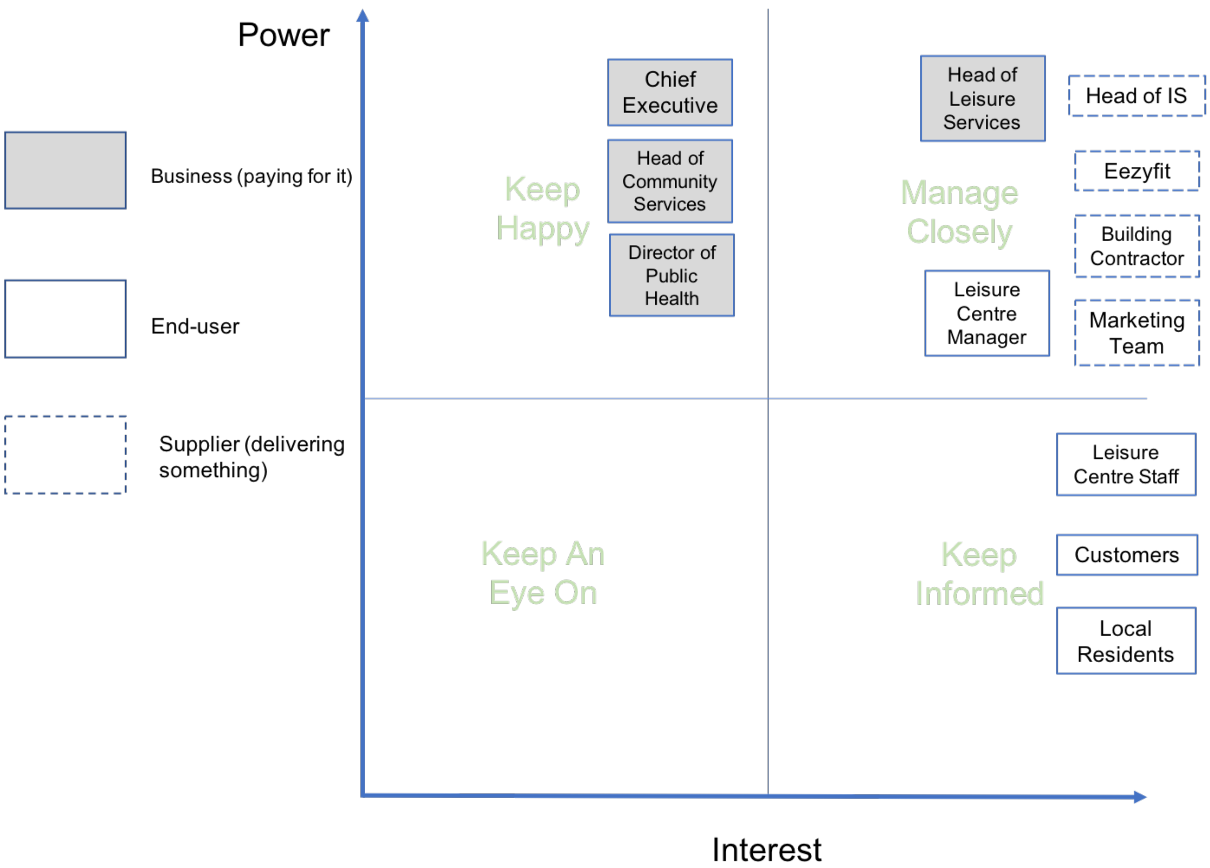
Stakeholder Management - Application

Identification: Project stakeholders are individuals or groups who are affected by a project – or who could affect it. The project manager has identified 12 key stakeholders in the leisure centre project. Some are part of the organisation sponsoring the project, other are external. They will have different levels of interest and influence in the project.

- Chief Executive – Melchester City Council
- Head of Community Services
- Director of public health
- Head of Leisure Services
- Leisure Centre Manager
- Head of Information Systems
- Building contractor
- Equipment supplier – Eezyfit
- Marketing team
- Leisure centre staff
- Customers

Local residents – people who live close to the centre have complained about noise levels and traffic. They recently won a battle via a press campaign to stop outdoor activities (football, rugby etc.) taking place after 8:00pm, forcing the centre to allow only indoor activities during the late evening.

Analysis: the project manager has created a stakeholder map which she will use to plan how the project will engage with each of the stakeholders:



3.2 The Business Case

"The business case provides the justification for undertaking a project or programme."

There should be a reason to justify starting any project. Whatever that reason is, it must be documented in a business case that is kept under review and updated where necessary.

Events may occur during a project which means that it is no longer sensible to continue. There may be a change in corporate policy or the environment outside the organisation may change. It may become clear that the benefits cannot be achieved, or the costs might be much higher than anticipated. Sometimes the original reason for the project is no longer valid.

The business case for a responsible sustainable project must include the social and environmental impact – as well as the financial benefits.

Content of a project business case

There is no set format for a project business case and many organisations provide templates or guidance on the way it should be documented.

The essential elements are:

- **Reasons**: the strategic case for the project, including the background to the project and why it is needed
- **Options**: what options have been considered for the delivery of the project (including do-nothing) and the recommended option
- **Benefits**: the benefits that will arise from the work and any unavoidable dis-benefits. A benefit is a positive outcome of the project which can be measured. Not all stakeholders will benefit from a project. If the project will have a negative impact on one or more stakeholders, this is known as a dis-benefit.

- **Costs** - every project will incur financial costs. These will include the cost of delivery, and the ongoing costs of operating and maintaining the products. These do not necessarily match the project budget. Many projects make the mistake of assuming that the budget they have been allocated will be enough to deliver all of the products. Early in a project budgets are often allocated on the basis of high-level estimates. These must be reviewed as more detailed estimates are developed.
- **Timescales**: the proposed timescale for the delivery of the project – and the amount of time it will take to realise the benefits
- **Risk**: areas of uncertainty and their potential impact on the business case.

Sustainable benefits – the triple bottom line

Project business cases often fall down because they don't clearly articulate the benefits for the organisation that is funding the project.

In traditional business cases the "bottom-line" refers to the financial benefits of a project, for example an increase in revenue or cost -savings. The concept of the triple-bottom line recognises that projects also deliver social and environmental benefits. This is sometimes referred to as the "three Ps": Profit, People and Planet.

Social and environmental benefits may be less tangible than financial benefits and therefore more difficult to measure. But they should not be ignored.

Business case authorship and approval

The creation of the business case is often delegated to the project manager (with support from relevant subject matter experts). However, the sponsor owns the document and is accountable for ensuring that it remains viable throughout the life cycle. The sponsor must also ensure that the business case receives the necessary approval from the sponsoring organisation.

If the project is using commercial suppliers, they will have their own business case which will be focused on the profitability of working on the project. These supplier business cases are separate from the project business case.

Development during the project life cycle

The project business case is a living document. It is reviewed and updated throughout the project life cycle as more information becomes available to sponsor.

Phase	Activity
Concept	An organisation may provide a project with a viable business case, especially if the project is part of a programme. If not, an outline business case will be needed. The responsibility for preparing an outline business case lies with the sponsor but this task is often delegated to the project manager. The outline business case is used by the sponsor to decide if the project is worth moving on to the definition phase.
Definition	The outline business case must be developed into a more realistic, detailed business case. The project manager will be able to provide information – especially estimates of cost and time - from the project management plan. This gives the sponsor a much clearer picture of whether the targets for cost and timescales in the outline business case are achievable.
Deployment	**Stage reviews:** A long or complex deployment phase can be sub-divided into a series of management stages with work being authorised one stage at a time. This allows the sponsor to review the viability of the project's business case. **Impact of issues and risks:** during the deployment phase, risks or issues may occur which have an impact on the business case. The project manager will need to escalate these issues to the sponsor.
Transition	At the end of the project the sponsor will need to review the expected benefits in the business case. In some projects, especially those using an iterative life cycle it may be possible to realise benefits during the life of the project. In the majority of projects, benefits can only be achieved after the project team has disbanded.

Business Case - Application

The sponsor has asked Kate Ash to draft the outline business case for the Melchester leisure centre project. This will be used to decide whether or not the project will proceed to the definition phase.

The community services business development team had conducted a feasibility study for the leisure centre refurbishment programme. The key recommendations included:

1. The project is to be completed within a year with minimum loss of service. The Council has accepted that the leisure centre may have to close to customers during the refurbishment, but any period of closure is to be limited to 4 weeks.

2. The refurbished leisure centre would have a projected life of 20 years.

3. All of the Council's infrastructure projects had been set a target of achieving 90% or more on the Council's Carbon Rating Scale (CRS).

4. The feasibility study indicated that the project should lead to a 25% increase in membership of the leisure centre within the first year of operation. Operating and maintenance costs could be reduced by 20% per year. This would lead to a potential operating profit of £0.5 million per year.

5. Maintenance of the fitness equipment after the project will be the responsibility of Eezyfit. This will lead to the loss of five posts from the leisure centre's maintenance staff.

6. The new electronic equipment would allow more effective monitoring of the equipment. This would lead to a cut of 25% in the time equipment was unavailable to users.

7. A total of 15 staff in the leisure centre will require training in the new IT system.

8. Although the IS department are keen to demonstrate that they are as good as anyone, this Project will be the first time that they have been asked to develop a system as complex as the new network and booking system using an agile approach.

9. The Council's preferred form of renewable energy for infrastructure projects is solar panels. However, reports from previous projects had indicated that solar panels were unlikely to meet 100% of a building's energy requirements.

Using the information from the original project brief and the feasibility study, Kate has drafted the outline business case.

MELCHESTER LEISURE CENTRE PROJECT - OUTLINE BUSINESS CASE

Reasons:
- Poor public image of Council facilities
- Existing facilities under-utilised
- Staff frustrated/morale low

Business options:
- Do nothing
- Sell-off leisure centres
- *Selected Option: Modernise and improve fitness suites in each centre*

Expected benefits:

- **Financial**
  - 25% increase in Leisure Centre membership
  - Reduce maintenance costs by 20% per year
  - Potential operating profit of £0.5 million per year

- **Social**
  - Improve staff morale (10% employee satisfaction target)
  - Contribution to Council's commitment "building back fitter"

- **Environmental**
  - CRS rating of 90%

Expected dis-benefits:
- Loss of two posts from Centre's maintenance staff
- 4 weeks' loss of income during refurbishment

Timescale:
- Project completion target date February 202B
- All benefits to be realised within one year of completion date

Costs:
Budget is £2.5m but main areas of cost are:
- Building design and construction
- Design, development and installation of IT system
- Purchase & installation of fitness equipment
- Marketing campaign

Risks:
- Increase in membership dependent on successful marketing (threat)
- IS staff may not be able to cope with system development (threat)
- Solar panels alone unlikely to meet energy requirements (threat)