

PJM Case Study

Case Study Background:

Ms. Deidre Jackson, the CEO of Acme Company, was recently given a report published by the Project Management Institute called the Pulse of the Profession.¹ In the report, she learned a startling statistic. PMI® reported that when projects are poorly managed, approximately \$122 million is wasted for every \$1 billion spent (12.2%). Now, her company's annual expense for projects is much smaller (approximately \$3 million expected in the next 12 months), but if she could experience even a partial amount of that savings, she could reinvest those savings in future growth.

In order to accomplish this, she believes that she needs to adopt a more formal or mature approach to managing projects, and she needs to professionalize the project management teams and, specifically, the project managers. She has a colleague, Xin Xue, from a previous company who was the internal project management expert in the company who she believes might be able to help, so she gives her a call to get her take.

Ms. Jackson just finished a long conference call with Ms. Xue, and she now has a better idea of what this might take in terms of effort and resources to move forward. In short, in Ms. Xue's opinion, there is a way to experience the savings that Ms. Jackson hopes for, but it will take some time and investment, so she thinks they should move forward with maturing their team and management approach, but, as noted, it will take an investment, so Ms. Jackson needs to be certain that the savings will deliver sufficient business value. In short, is there a solid, defensible business case for such a project?

Present Situation:

Ms. Jackson emailed you the Pulse of the Profession report over the weekend, and you are now sitting in her office at 9:00 am on Monday morning. She wants you to develop a business case for implementing a training program that will lead to maturing the organization's project management practices. Based on her work over the weekend to see where some monies may be available for the unexpected project and her conversation with Ms. Xue, she provides you with the following information:

- The company expects to spend approximately \$3,000,000 on project related work over the next 12 months (year 1) and \$3,500,000 over the following 12 months (year 2).
- Based on her conversations with Ms. Xue, she believes the cost of training and implementing a more mature model will be approximately \$175,000 as an initial investment
- Conservatively, she believes that the company will experience a savings of 3 percent in the first year and 4.5 percent in the second year
- Although the company will experience these savings for many more years in her opinion, she wants to show that the company will receive a sufficient savings within the first 2 years to justify this investment within the business case
- On most investments, the company would expect to see a return of 11½ - 12 percent (internal rate of return), and the cost of money (discount rate) is 6 percent.

¹ Including in assigned reading for Week 1.

Ms. Jackson has to prepare a business case to share with her Board of Directors at the next quarterly board meeting. There are seven board members including the Chairman, Vice Chair, Secretary, and members of the Compliance Committee. The Chairman of the Board, Lou Jackson, is typically resistant to investing money in these types of initiatives so it is important that the business case is well defined.

Ms. Jackson is considering having Jaitan Darshana, her internal PM who has a long tenure with the organization, assist her with the preparation of the business case but she is concerned that Jaitan may be resistant to the idea.

Business Case Assignment Instructions & Considerations

You have been tasked by Ms. Jackson with drafting a business case for this potential initiative, and she has provided you with a template to use (see template attached to assignment instructions). She provides you with the following comments related to each section of the template, but she tells you that you will need to sharpen and expand on the ideas that she has provided. She expects your final draft to be ready to take to the company's Board of Directors for review and approval by week's end.

- Background and Business Problem
 - She believes this has been covered in the contents of your initial conversation, where she provided you with background information (see above case study material)
- Strategic Case
 - She states that this is strategically tied to the company's goal of becoming more project oriented, as they believe this will allow for more efficient and effective work, leading to the company being able to grow in a more scalable manner.
- Project Overview
 - In addition to what she has stated above, if the business case is approved, then she believes the basic project would be an 8 – 10 week training program for all project managers and team members that would train them in the adoption of a more mature project management model, and it would include some mentorships by the trainer. She believes this would cost a total of \$175,000.
- Expected Benefits
 - The expected benefits would be increased efficiencies and effectiveness, as noted above.
- Financial Considerations
 - She has provided you with the investment amount to provide financial support for the investment
- Risks
 - She has asked you to look at primarily risks associated with the overall initiative, not necessarily those focused on the training aspect of the project. The CEO is concerned about potential disruptions to current projects that are already in flight.
- Timeline
 - Based on her conversations with Ms. Xue, she believes the project execution could begin within 60 - 90 days, depending on the path chosen for moving forward
- Recommendations and Next Steps
 - She has asked you to consider all the relevant data you have collected and put into the business case, and then provide a succinctly stated and well-supported recommendation and concrete next steps if the proposal is accepted

General Case Considerations for Business Case:

- It is expected that you will need to make reasonable assumptions in completing the business case, so rely on the case study as guide. This is similar to how projects are conceived in the real world. We have a basic set of factors, and then we must make reasonable assumptions as we progress forward.