Initiating a Project

A comprehensive guide to project initiation: from identifying the need for change to launching the planning stage with a kickoff meeting.

ISO 21502 FRAMEWORK

Course Overview

This module covers all key activities in the project initiation phase.

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1.1 Why a project?

02

1.2 Project Selection 1 - Portfolio management overview

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1.5 Identify, Analyze and Classify project stakeholders

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1.6 Identify which part of the problem / opportunity the project will address

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1.7 Define purpose and goal

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1.8 Elicit business requirements

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1.9 Identify and assess strategies; select the most appropriate

10

1.10 Identify key deliverables

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1.11 Define project success criteria

12

1.12 Identify high level risks, assumptions and constraints

13

1.13 Develop the project charter and obtain sponsor approval

14

1.14 Inform Stakeholders about the Charter - Kickoff meeting

1.1 WHY A PROJECT?

The Two Imperatives of Every Organization

Imperative 1: Maintain Operations

Generate revenue by selling existing products and services to current customers, securing the financial resources needed to sustain the organization.

Imperative 2: Transform Operations

Continually enhance value creation capabilities. Relying solely on unchanged methods is not sustainable in a competitive environment.

Projects are the traditional means of effecting the necessary changes by creating the artifacts and conditions required to transition an organization from its current state to a desired future state.

1.1 WHY A PROJECT?

Three Triggers for Change

Problems

Improve production methods, reduce costs, or enhance service quality to address existing or future operational challenges.

Opportunities

Seize growth potential by entering a new market territory or targeting a different market segment.

Regulations

Comply with new mandatory regulations, whether workforce rules or environmental mandates, regardless of agreement with them.

1.1 WHY A PROJECT?

What Is a Project?

Temporary Organizations

Projects are temporary organizations established to create unique business elements. They cease to exist once the desired business outcome has been delivered, and participants move on to other assignments.

The Business Case

The justification for undertaking a project is compiled in a **Business Case**. This document provides management with the necessary information to assess whether a project is:

- Desirable
- Feasible
- Achievable
- Worth investing in

1.2 PORTFOLIO MANAGEMENT

What Is a Portfolio of Projects?

A portfolio of projects and programs should not be a random assortment. It has the potential to be the **ultimate strategic vehicle** through which an organization accomplishes its goals and objectives.

> If the IT objectives revolve around cost reduction, increased security, and minimized system downtime, then IT leaders should curate a portfolio of projects capable of achieving those objectives.

During the selection process, some projects are approved, others discarded, and some deferred. There is always more work than can be feasibly accomplished, so priorities must be set.

1.2 PORTFOLIO MANAGEMENT

How Many Portfolios Does an Organization Have?

Strategic Portfolio

Projects contributing to the goals of the entire organization, typically managed at the executive level as the top priority.

Departmental Portfolios

Each department (IT, Marketing, Operations, etc.) has its own goals and manages its own portfolio with remaining resources.

Current Operations

All of this occurs alongside ongoing operations that generate the revenue required to sustain the entire system.

The competition for resources is inherent. Hence, it is sensible to establish a role and a process to assist leadership in managing the portfolio.

Seven Components of Portfolio Management

1 Idea Generation and Capture

Reach all areas of the organization to collect ideas and suggestions that help achieve strategic objectives.

2 Building Business Cases

Standardized business cases for all proposals allow analysis and comparison using rough estimates of expected costs and benefits.

3 Assessment and Modeling of Capabilities

Evaluate feasibility: are the people and skills required available, both individually and collectively, while operations continue?

4 Selection and Prioritization

Use results from phases 1 to 3 plus additional parameters (risk, cash flows, timing) to achieve a balanced portfolio.

Seven Components of Portfolio Management (cont.)

5 Strategy Implementation

Execute the projects and programs in the portfolio in parallel to current operations. Inclusion in the portfolio is not necessarily permanent.

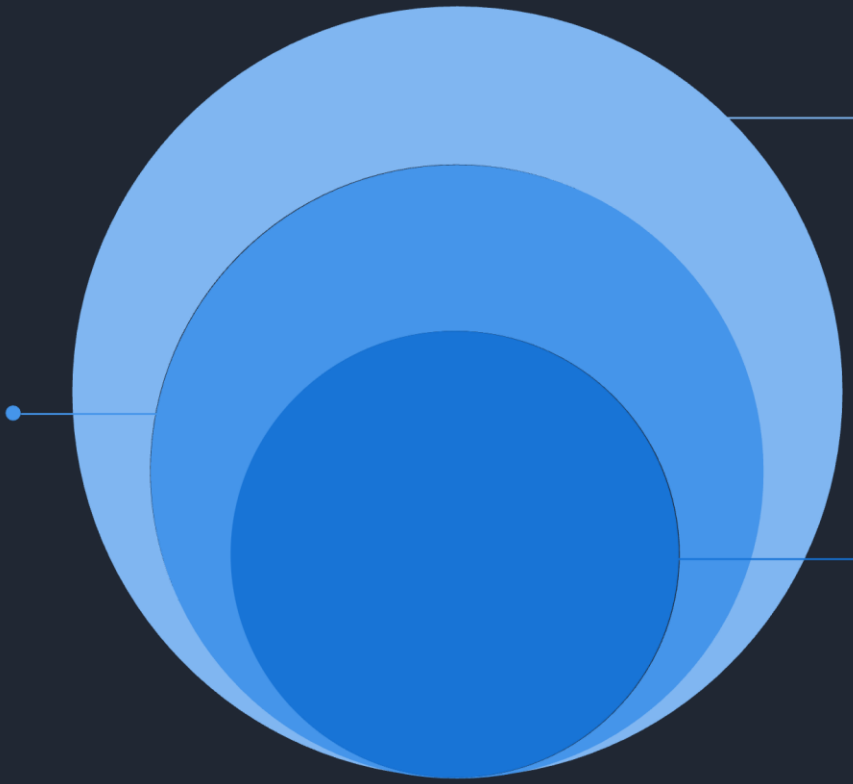
6 Change Management

Accompanies the entire cycle. Addresses culture, values, readiness for change, adoption of deliverables, and benefit realization through communication and consultation.

7 Harvesting Benefits

Validate achievements, identify gaps, and feed back into the portfolio cycle to define new initiatives addressing those gaps.

Deliverables, Outcomes, Benefits, and Goals



Portfolios

Align programs to achieve organizational goals

Programs

Combine projects to realize collective benefits

Projects

Deliver products and measurable outcomes

An integrated vision is essential. If an organization initiates more projects than it can handle, leading to resource constraints, the root cause lies in inadequate portfolio preparation, not in project management itself.

1.3 THE BUSINESS CASE

What Is a Business Case?

A business case is a proposal that outlines the **potential impact on the business** if a proposed project is approved or rejected. Its goal is to prevent the organization from investing resources in unfavorable projects and to prioritize those with better prospects.

> If the initiator does not invest the time to articulate a business case in writing, detailing the idea, its costs, benefits, risks, and alternatives, it suggests the idea lacks sufficient priority even for the person proposing it.

The breadth and depth of a business case depend on the organization's specific policies, the size of the investment, and the available time.

1.3 THE BUSINESS CASE

Elements of a Business Case

Project Justification

The problem or opportunity, its causes and effects, and which aspects the project will address.

Alternatives Evaluated

Options considered, including "do nothing," minimum solutions, and various approaches, with reasoning for the chosen solution.

Financial Estimates

Rough estimates of costs, benefits, and timelines using a "rough order of magnitude" (ROM) approach.

Risks, Assumptions, Constraints

Identified risks, assumptions underlying estimates, and existing constraints the project must work within.

For extensive business cases, add an **executive summary** and **recommendations** to facilitate decision-making.

1.3 THE BUSINESS CASE

Return on Investment (ROI)

ROI measures the rate of return on money invested, allowing financial comparison between projects of different natures. The investment with the highest ROI is typically prioritized.

Example Calculation

Investment: **€100,000**
Annual cost reduction: **€45,000/year** for 4 years
Total return: **€180,000**
Net return: **€80,000** over 5 years
Annual net return: **€16,000**
ROI: **16% per year**

Interpreting ROI

Whether 16% is a good ROI depends on the alternatives available. Many organizations define a **minimum required ROI**; projects below this threshold are discarded early. A sophisticated version discounts future cash flows to present value, enabling comparison across projects with different return periods.

Non-Economic Analysis and the Decision Matrix

Beyond ROI, qualitative parameters can be incorporated into a **multi-criteria decision matrix** to compare projects holistically.

Criterion	Weight	P1 Score	P1 Total	P2 Score	P2 Total
ROI	50	8	400	10	500
Risk	20	8	160	5	100
CO2 / Decarbonization	5	10	50	0	0
Social	10	7	70	0	0
Image	15	10	150	4	60
Strategic Objective X	50	8	400	5	250
Total			**1230**		**910**

Project 1 (ROI 16%) outscores Project 2 (ROI 20%) when risk and strategic alignment are factored in. Subjectivity is reduced by averaging assessments from a panel of evaluators.

1.4 INITIALIZING A PROJECT

What Does Initializing a Project Mean?

Initiating a project involves defining a new project or a new phase of an existing project by **obtaining authorization to commence**. The purpose is to align stakeholders' expectations with the project's objectives.

1

Define Scope and Resources

Initial scope is defined and initial financial resources are committed.

2

Identify Stakeholders

Stakeholders who will impact the overall outcome are identified and recorded.

3

Appoint Project Manager

A project manager is assigned and recorded in the project charter.

4

Authorize the Project

Once the charter is approved, the project manager gains authority to allocate organizational resources.

Key Activities During Initialization

Stakeholder Analysis

Identify, analyze, and categorize stakeholders and their interests.

Problem / Opportunity Clarification

Clarify which aspect of the problem or opportunity the project will address.

Purpose, Goal, and Strategy

Define the purpose and goal of the project, identify strategies, and select the most appropriate approach.

Key Deliverables and Risks

Identify key deliverables, high-level risks, assumptions, and constraints.

Project Charter

Prepare the project charter, which formally authorizes the project and outlines the project manager's authority.

1.5 STAKEHOLDERS

Identify Project Stakeholders

Stakeholders are individuals or groups with a stake in the outcome of your project. Understanding their expectations and contributions is vital for building relationships and ensuring satisfaction.

Project Customer

Funds the project, has a significant say in what it will accomplish, and approves deliverables throughout the lifecycle.

Project Sponsor

Wants the project to succeed and possesses the formal authority to make it happen. Assists in prioritizing objectives and engaging unsupportive stakeholders.

Functional Managers

Oversee departments and are responsible for personnel you may need to staff your project.

1.5 STAKEHOLDERS

More Stakeholder Roles

Project Management Office (PMO)

Supports project managers by developing organizational methods, monitoring compliance, and providing training, coaching, and mentoring.

Team Members

Assigned to the project; their job security may depend on their performance and adherence to their assignments.

Impacted Departments

Departments or individuals who impact the project or are affected by it. Both groups are considered project stakeholders.

1.5 STAKEHOLDERS

Analyze and Classify Stakeholders

The stakeholder analysis document helps store information as you identify stakeholders and learn about their involvement.

01

Connection and Motivation

Determine how each stakeholder is connected to the project, their department, and their position within the organization.

02

Influence Network

Identify who the stakeholder listens to, enabling effective engagement strategies.

03

Objectives and Expectations

Identify which project objectives and requirements matter to each stakeholder and how they prioritize them.

04

Influence and Interest

Categorize each stakeholder by influence and interest to prioritize your time and engagement efforts.

05

Contributions

Document what each stakeholder contributes so you know who to approach when specific needs arise.

1.6 SCOPING THE PROBLEM

Big Problems Require a Structured Approach

> The only way to approach an elephant is one bite at a time. Organizational goals are like elephants, and their achievement often surpasses the capabilities of a single project.

The Program Approach

A program comprises related projects and operations. Projects deliver the components for change; operations utilize those components to bring about the desired change.

Example

Instead of a 5-year project to assess new equipment, define a program: a 1-year project to install the equipment, followed by 4 years of operations demonstrating the €45,000 annual savings. The project has its own success criteria; the program delivers the business case benefits.

Decomposing a Complex Problem

Consider a goal to double customer retention from 35% to 85% within three years. This cannot be solved in a single effort. Breaking it down reveals multiple root causes:

Each smaller problem can be addressed through a single project or sub-program. Resolving all sources should result in the desired outcome: increased customer retention.

The Project Manager's Capacity Constraint

2,000

Hours per Year

A full-time project manager's available working hours (50 weeks x 40 hours).

1:6

Management Ratio

Approximately 1 manager or coordinator for every 6 full-time equivalents (FTEs), a rule consistent since ancient times.

12,000

Max Hours Managed

If a project's estimated effort exceeds 12,000 hours per year, the PM requires additional support or team leaders.

72,000

Expanded Capacity

A PM overseeing 6 team leaders, each managing 6 people, can oversee up to 72,000 hours of work.

1.7 PURPOSE AND GOAL

Start with the Problem Statement

The first step toward project success is finding out what the project will accomplish and why. Both are distilled from the **problem statement**.

Section 1: Current State

Describe the current situation, including pain points expressed by stakeholders and consequences in areas such as money, time, productivity, or competitive advantage. This formulates the **purpose statement**.

Section 2: Ideal Future State

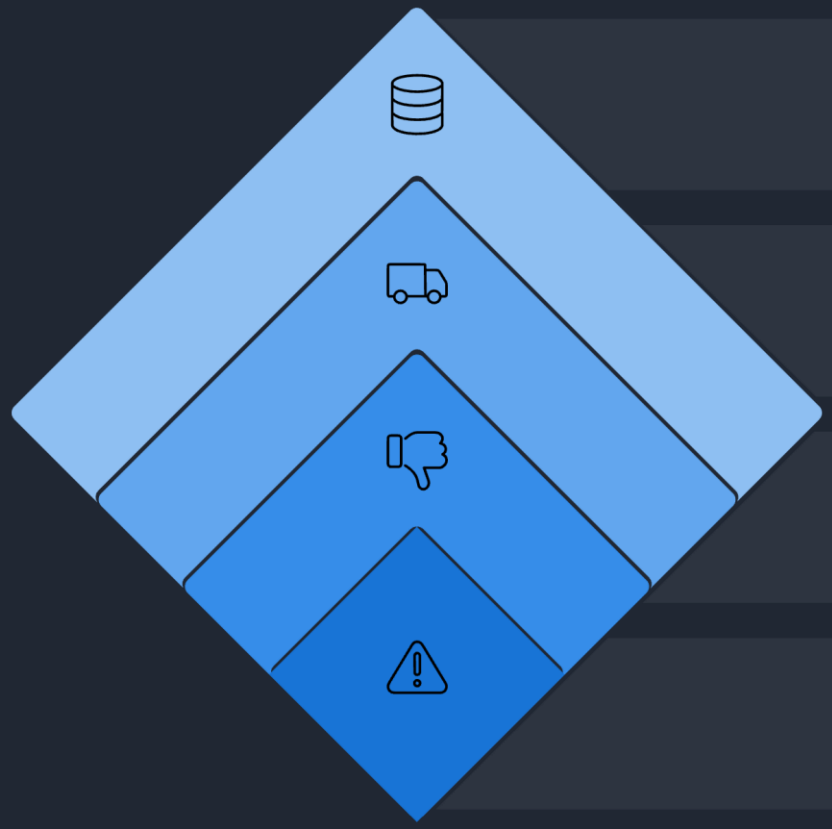
Describe what the matter would look like once a solution is implemented. This defines the **goal** to be attained.

⚠ People often jump straight to solutions. Solutions describe outputs, not the problem. Focus on understanding and agreeing on the problem first.

1.7 PURPOSE AND GOAL

The 5 Whys Technique

The process of defining the problem is a group effort. Ask a series of "why" questions until the underlying reasoning is identified. This drills down to the core problem, as many frustrations are mere symptoms.



Why 3

Information spread across systems

Why 2

Long delivery times and low transparency

Why 1

Customer dissatisfaction

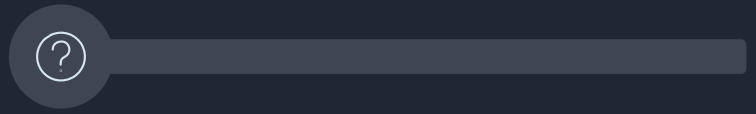
Symptom

Low customer retention

This type of answer gets us closer to objectives: "consolidating information in one system" and "defining workflows including participating suppliers."

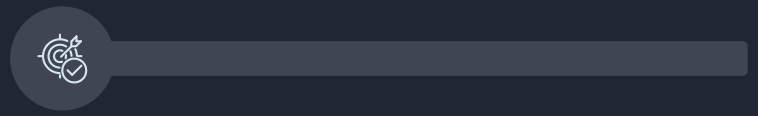
1.7 PURPOSE AND GOAL

Purpose, Goal, and Objectives



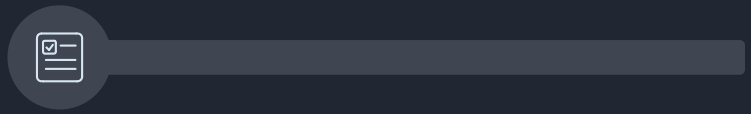
Purpose (The "Why")

"We should provide accurate transaction status because the current lack of transparency is making us lose customers, costing x amount per year."



Goal (The "What")

"Provide transparency of the status of all transactions along the entire workflow." Specific and easy for everyone to understand.



Objectives (The "How")

Defined after selecting a strategy. Example: "Consolidate information in one system" and "define and implement workflows for all products including suppliers."

1.8 BUSINESS REQUIREMENTS

What Are Business Requirements?

Two Types of Requirements

Business Requirements: Describe the new capabilities the organization will have as a result of the project. Defined during initialization at a high level.
Functional Requirements: Specify how the solution will satisfy those needs. Defined during planning when subject matter experts are available.

Example: Transparency Project

New capabilities the organization seeks:

- Customers place, follow up, and change orders online without customer service intervention
- Invoicing customers without human intervention from accounting
- Summary and status of all orders and invoices, including past transactions
- Customer service identifies callers immediately with all information at hand

1.8 BUSINESS REQUIREMENTS

Business Requirements vs. Technical Statements

Business Requirements (Correct)

Focus on new capabilities the business seeks to acquire. These are outcomes of the project, not descriptions of how they will be implemented. They are part of the project charter definition work.

Technical Statements (Avoid Now)

Statements including files, feeds, tables, flags, indicators, architecture, and similar solution-oriented details do not belong in the initialization stage. Save these for planning.

High-level business requirements are not technical requirements. They are the new capabilities the business seeks to acquire through the project.

1.9 STRATEGY SELECTION

Identifying and Evaluating Alternative Strategies

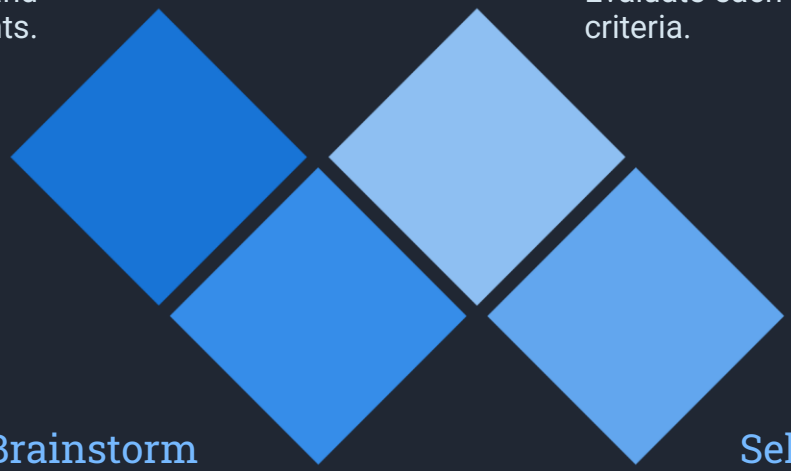
There is usually more than one way to achieve a project goal. Evaluate alternatives using a **decision matrix** before committing to any solution.

Define Criteria

Set decision criteria and assign weights.

Score Alternatives

Evaluate each option against criteria.



Group Brainstorm

Generate diverse strategy options together.

Select Strategy

Choose the highest rated alternative.

Brainstorming should be a free flow of ideas. The goal is to generate as many options as possible before evaluation begins. This ensures you are not only doing your work well, but also doing the right work.

1.9 STRATEGY SELECTION

Strategy Decision Matrix: Example

Goal: "Increase transparency of transactions for all products along their entire workflow." Three strategies evaluated against five weighted criteria:

Criterion	Weight	Online	Score	Batch Night	Score	Manual	Score
Speed and accuracy	5	5	25	4	20	2	10
Initial investment	3	1	3	3	9	3	9
Cost per year	4	5	20	4	16	1	4
Speed of availability	5	2	10	4	20	4	20
Internal resources	2	1	2	2	4	4	8
Total			**60**		**69**		**51**

The batch overnight solution scores highest at 69, primarily due to lower initial investment and faster availability.

1.9 STRATEGY SELECTION

Refining the Decision Matrix

To improve accuracy, define each criterion numerically. For example, for **initial investment**:

Initial Investment	200k-500k	101-200k	51-100k	21-50k	10-20k
Score	1	2	3	4	5

The same approach applies to cost per year, speed of availability, and likelihood of internal implementation. Precise ranges reduce subjective debate and allow the team to reconsider weights if scores are tied. If feasibility is uncertain, consider a **feasibility study** (or "spike" in Agile) before committing to a strategy.

1.10 KEY DELIVERABLES

What Is a Deliverable?

A deliverable is anything produced or provided as a result of a process. When the project is accomplished, the **key deliverable** must have been produced, handed over, and accepted.

Key Deliverable

The tangible or intangible item that satisfies the main goal. Example: the online transaction system up and running, along with associated processes and capabilities to operate it.

Intermediate Deliverables

Needed to satisfy objectives leading to the goal. Example: transparent workflows per product, integrated IT system, training for operators, handbooks, supplier capabilities.

Management Deliverables

Project management plans, charters, reports, and documents that help manage the project. These are internal deliverables not always shared with the final customer.

1.10 KEY DELIVERABLES

Deliverables: Key Characteristics

Tangible or Intangible

Deliverables can be tangible (a magazine, a phone, a product) or intangible (a cultural change, a decrease in process errors).

Dependent on Each Other

Deliverables commonly depend on the completion of other deliverables. An architectural design is an intermediate deliverable enabling the key deliverable: the house.

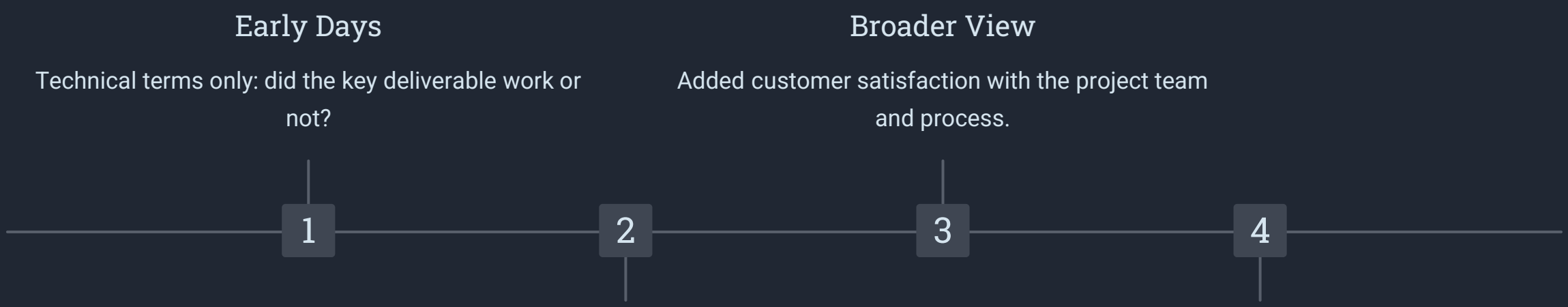
Relative to Perspective

What is a key deliverable for one party (the architect's design) is an intermediate deliverable for another (the overall project manager).

1.11 SUCCESS CRITERIA

Defining Project Success

A significant problem with assessing project success is that it is often imprecise. Different interpretations from different viewpoints are allowed. The definition of project success has evolved over time.



1.11 SUCCESS CRITERIA

A Practical Project Scorecard

Define clear, quantifiable success criteria at the start of the project, not at the end. Here is an example scorecard:

Delivery on Time

Measured by the planned end date (in the last approved PM Plan) versus the actual delivery or final acceptance date.

Within Budget

Measured by planned costs versus actual costs at project close.

Acceptable Quality

All "must be" requirements met, plus 80% of "should be" requirements, and optionally 20% of "can be" requirements.

Customer Satisfaction

Satisfaction with both the solution and the project team, with possible weighting relative to other criteria.

Risks vs. Assumptions

Risk

A potential future problem that has not yet occurred. Future conditions that could have an adverse impact on the project, with uncertainty regarding their occurrence. If 100% certain, they are facts, not risks.

Assumption

A statement believed to be true for planning purposes. You are not 100% certain, but you assume it to be true. The same statement can be an assumption or a risk depending on the combination of probability and impact.

If the combination of probability and impact of a negative event is unacceptably high, state it as a risk. If acceptable, it can be classified as an assumption.

Inherent Project Risks

Inherent risks exist based on the general characteristics of the project. Assess these at initialization to inform project design decisions.

Characteristic	High Risk	Low Risk
Total effort hours	More than 20,000 hours	Less than 250 hours
Duration	Longer than 12 months	Less than 3 months
Team size	Over 25 members	Fewer than 5
Organizations involved	More than three	One
Project scope	Poorly defined	Well-defined
Business benefit	Not clear	Well-defined
Requirements	Complex, hard to define	Clear, easy to define

More Inherent Risk Factors

Characteristic	High Risk	Low Risk
External dependencies	3 or more outside projects/teams	No more than one
Project sponsorship	Unknown or passive	Identified and enthusiastic
Changes to processes	Large amount of change	Little change
PM experience	Little experience on similar projects	Multiple similar projects
Team location	Dispersed at several sites	Located together
Technology	New technology for critical components	No new technology required
Supplier	Never worked with before	Proven supplier

⚠ If the sponsor is unknown or passive, it is almost certain the project will fail. Consider not starting the project until a committed sponsor is identified.

Constraints

Constraints are limitations beyond the control of the project team that need to be managed accordingly. Unlike risks, they are not uncertain; they are facts.

Date Constraints

Certain milestones or phases must occur by specific dates. Example: a product launch tied to an international trade fair that will not wait.

Resource Constraints

A maximum number of people available for the project, or specific requirements such as language skills or availability on certain days.

Budget Constraints

The project cannot exceed a certain funding amount. If planning reveals the required scope exceeds the budget, negotiations on scope or budget are necessary.

1.13 PROJECT CHARTER

What Is a Project Charter?

The project charter is the document that compiles all information developed during the initiation process. Its approval by the governance body is the **foundational act of a new temporary organization**.

> Think of the project charter as a power of attorney granted to the project manager by the sponsor or customer.

There are three potential outcomes of the charter approval process: the project is approved and can proceed to planning, it is denied, or it is sent back for revisions.

✓ Once the project charter is signed, the project manager is authorized to use the organization's resources to plan the necessary work to achieve the goal.

1.13 PROJECT CHARTER

Contents of a Project Charter

Project Identity

Project name, purpose and goal, high-level project description, and key deliverable(s).

Requirements and Criteria

Initial high-level requirements and project success criteria.

Risks and Constraints

High-level risks, assumptions, constraints, and possibly a high-level milestone schedule.

Resources and Organization

Allocated funds or budget constraints, list of stakeholders, and organizational structure showing how the project fits into the overall organization.

PM Authority

Name of the project manager, their responsibilities, and the extent of their authority (leading the core team, requesting resources, making contract decisions).

1.13 PROJECT CHARTER

Why Define the PM's Authority in the Charter?

Project Authority vs. Functional Authority

Project managers do not possess the same authority as functional managers within the permanent organizational structure. A project manager's authority begins with the project, extends throughout its duration, and applies solely to that specific project.

Making Authority Explicit

It is essential for people to understand what the project manager is authorized to do. The level of authority can vary depending on the type of project and organization. Some organizations require the co-signature of the project manager alongside the sponsor, treating it as a contractual agreement.

1.14 KICKOFF MEETING

The Kickoff Meeting: Purpose and Objectives

Once the project charter is approved, the kickoff meeting officially launches the project and transitions it into the planning stage.

Official Announcement

Officially announce to all stakeholders that the project has started and highlight the existence of the new temporary organization.

Shared Understanding

Ensure everyone has a shared understanding of the project, its goals, and their respective roles and responsibilities.

Launch Planning Stage

Set the stage for the upcoming planning stage, which requires organizational resources and team commitment.

1.14 KICKOFF MEETING

Kickoff Meeting Agenda

01

Introductions

Introduce stakeholders to each other, as not all participants may be acquainted.

02

Recap the Project Charter

Review the information outlined in the charter, including purpose, goal, and key deliverables.

03

Review the Organigram

Emphasize the project's organizational structure: sponsor, PM, team members, customer, PMO, steering committee, and any other roles.

04

Review the General Approach

Discuss the high-level milestone schedule if available, so everyone understands how the project will unfold and their short-term tasks.

05

Confirm Project Start

Formally confirm the project is now in progress and provide an opportunity for questions and concerns.

1.14 KICKOFF MEETING

Kickoff Meeting: Practical Considerations

Attendees

The project team, sponsor, and key stakeholders should be present. If the number is overwhelming, hold mini-kickoff meetings for others or share the meeting information with those unable to attend.

Duration

Most kickoff meetings can be completed within one to two hours. Complex or controversial projects may require a longer timeframe, which is a worthwhile investment of time.

Preparation

The kickoff meeting is the first impression for the project. It must be well-organized, efficient, and productive. The PM should collaborate with the sponsor to agree on how the meeting will proceed.