### Chapter 12

Initiating

# Learning Objectives

When you have completed this chapter you should be able to:

1. Understand the importance of initiating projects that add value to an organization
2. Discuss the background of ResNet at Northwest Airlines
3. Distinguish among the three major projects involved in ResNet
4. Appreciate the importance of top management support on ResNet
5. Discuss key decisions made early in the project by the project manager
6. Relate some of the early events in ResNet to concepts described in previous chapters
7. Discuss some of the major events early in the project that helped set the stage for project success

# Chapter Outline

**What Is Involved in Project Initiation?**

**Background on Northwest Airlines**

**Background on ResNet**

**Selecting the Project Manager**

**Preparing Business Justification for the Projects**

Beta Project

ResNet 1995 and ResNet 1996

**Developing the Project Charter**

**Actions of the Project Manager and Senior Management in Project Initiation**

**Lecture Notes**

The starting phase of a project is shown in Figure below:

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## What Is Involved in Project Initiation?

All of the nine project management knowledge areas are covered in the previous chapters, and the next five chapters focus on the project management process groups, such as, initiating, planning, executing, controlling, and closing. These five chapters are based on a real project.

* Chapters 12-16 are all based on a real case study
* Fay Beauchine, VP of Reservations at Northwest Airlines (NWA), sponsored the ResNet projects
* Peeter Kivestu, a marketing director, was the project manager for ResNet
* ResNet was the first information technology project led by non-technical managers at NWA

ResNet was initiated to meet an explicit business objective; to stop losing money in the reservations call center. This strategy is consistent with the research on why firms invest in IT projects presented in Chapter 4, Project Scope Management.

## Initiating is the process of recognizing and starting a new project or project phase

## It is critical to ensure that the right kinds of projects are being initiated for the right reasons

## It is better to have moderate or even a small amount of success on an important project than huge success on an unimportant one

## Supporting Explicit Business Objectives

## The most important reason for initiating IT projects is to support explicit business objectives

## NWA was having financial difficulties in the early 1990s, so reducing costs was a key business objective

## ResNet would help stop the financial drain caused by the reservation call centers

## Background on Northwest Airlines

The Northwest Airlines Web site at [www.nwa.com](http://www.nwa.com), to see the latest information on the company. NWA's primary business is air transportation, not information systems development.

* Northwest Airlines is the world’s fourth largest airline and America’s oldest carrier
* In 2001, NWA had over 53,000 employees worldwide
* The reservation system used 3,000 dumb terminals in the early 1990s
* The reservation process was becoming more complex, and the call centers were losing money

## Background on ResNet

ResNet was broken into three distinct projects, which follows suggestions for reducing risk and making projects manageable.

## Selecting the Project Manager

How Peeter was selected to be the project manager. Also that there is often a high turnover of project managers working on a particular project, making it very difficult for new project managers. Peeter was the project manager for all three ResNet projects, and many of the people on the project team were also on all three projects. The continuity in staff helped ensure the success of the projects.

## Preparing Business Justification for the Projects

The business justification for ResNet focused heavily on financial benefits such as net present value and payback period. Peeter also focused on using business terms to justify the need for ResNet. Figure 12-3, the executive summary for justifying ResNet.

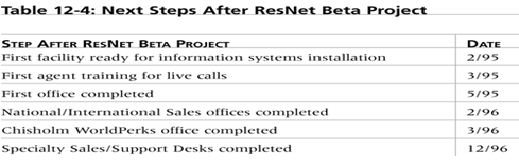


## For the Beta project

## Fay convinced senior managers to invest $500,000 into developing a prototype system

## Peeter emphasized his track record as a leader and what the competition was doing

## Arvid was well-known and respected for his IS expertise



## Preparing Business Justification for the Projects

## For the ResNet 1995 and 1996 projects

## Very strong justification was needed to make major investments

## Peeter prepared detailed plans and focused on

## key business objectives of the project

## impressive results from the beta project

## the opportunity to make money with the new system (NPV estimate of $37.7M)

## Developing the Project Charter

Northwest Airlines did not use project charters in the early 1990s. They did create a PR-2, which is more like a project plan. There were several people working on ResNet before it was officially approved as a project, which is often done in the real world.

## Actions of the Project Manager and Senior Management in Project Initiation

Actions taken in this section and how they helped to set up the ResNet project for success.

* Quickly assembling a strong project team
* Getting key stakeholders involved in the project early
* Preparing detailed analysis of the business problem and developing project measurement techniques
* Using a phased approach
* Preparing useful, realistic plans for the project