2.7 AN ADEQUATE MANAGEMENT METHOD FOR IT TELECOMMUNICATION PROJECTS

Summary: Nowadays we would like to find a new consistent management method, which can be used as an effective tool by the project managers to manage and control the IT telecommunication projects. The managers have to plan and implement projects according to stakeholders’ expectations and in the possible most efficient way both in terms of costs and time. At the first, I would like to introduce two project management methods, financed and organized by the EU and the US government. These organizations define the project management method. These methods are sustainable and transparent. The Project Cycling Management has to be applied to manage every EU project, while the Earned Value Project Management has to be applied to manage every US government supported project. We applied in the new method a special combination of both for IT Telecommunication projects.

Keywords: project management, earned value, telecommunication

1. INTRODUCTION

Europe is a pioneer in information and communication technologies (ICT). It worked out Tim Berners-Lee, CERN particle physics research institute employees, the principles of the World Wide Web in 1989. From 1993, CERN left everyone in the World Wide Web for free and free to use. In Hungary, this year launched www.fsz.bme.hu server. Between 1988 and 1991, the ETSI (European Telecommunication Standard Institute) has prepared the standard for mobile phones. The MPEG (Moving Picture Experts Group) standard and the ADSL (Asymmetric Digital Subscriber Line) technology also developed in Europe. Unfortunately, in recent years, Europe has fallen behind in the global market competition. Germany and France will lead major efforts, in the coming years; this gap does not grow further. If an area can be said that the rapidly changing environment must compete in the market challenges, and it is true many times in the area of telecommunications. The development projects in telecommunications, high momentum, and the sector's rapid development. So, the project management techniques should also evolve (Tapscott-Williams 2007).

Project management is of the same age as early civilizations. In the Roman Empire, the good architects applied the planning and organizing methods. Project management is the discipline of planning, organizing, and managing resources to bring about the successful completion of specific project goals and objectives. As a discipline, Project Management developed from different fields of applications – among others – including construction, engineering and defence. Two forefathers of project management are Henry Gantt, called the father of planning and control techniques, who is famous for his ‘Gantt chart’ as a project management tool; and Henri Fayola for his creation of the five management functions, which form the basis for the body of knowledge associated with project and program management. Frederick Winslow Taylor was the founder of scientific management theory (Csath, 2004). His work is the forerunner to modern project management tools including work breakdown structure (WBS) and resource allocation. In this paper, I show a new WBS for IT Telecommunication projects (Görög 2003). The 1950s marked the beginning of the modern Project Management era. Project management was formally recognized as a distinct discipline arising from the management discipline. Again, in the United States, prior to the 1950s, projects were managed on an ad hoc basis using mostly Gantt charts and informal techniques.
and tools. At that time, two mathematical project-scheduling models were developed. The ‘Critical Path Method’ (CPM) developed in a joint venture by both DuPont Corporation and Remington Rand Corporation for managing plant maintenance projects. The other model is the ‘Program Evaluation and Review Technique’ or PERT, developed by Booz-Allen & Hamilton as part of the United States Navy’s (in conjunction with the Lockheed Corporation) Polaris missile submarine program (Wikipedia Project management 2012). These mathematical techniques quickly spread into many private enterprises. One of my purposes with this essay is introducing two up-to-date project management methods and building up a new one from them. This method will be an adequate method for IT Telecommunication projects. The first is the Project Cycling Management (PCM) method. This method has to be applied to manage every EU project. In the case of PCM, the cycle starts with the identification of an idea and continues with developing that idea into a working plan that can be implemented and evaluated. Ideas are identified in the context of an agreed strategy. Financing must be added to the project plan. After the project implementation, we evaluate and audit the results. We utilize experiences in the next cycles. This is the cycle method. This method is the main character of PCM. Controlling, monitoring and evaluation are parts of PCM. In PCM, one of the main questions is defining the strategy. EU projects have the overall goal of making the European Union competitive in the world economy. The fulfilment of this basic strategic goal defines the success of the project. In 1992 the European Commission (EC) adopted Project Cycle Management’ (PCM) as its primary set of project design and management tools (based on the Logical Framework Approach), and a first PCM manual was produced in 1993. The manual was subsequently updated in 2001, shortly after the publication of the EC’s most recent Development Policy document (April 2000). A decision was made in early 2003 to update the PCM manual again (now referred to as the PCM ‘Guidelines’) as a result of which the experiences gained through implementing the ‘new’ development policy have been incorporated (European Commission 2003). Among others, there have been issues addressed, such as the ones that rose by the ongoing international debate on aid effectiveness, and feedback from participants attending PCM training. These are the aspects being relevant from the point of view of this study as well. These new Guidelines have been prepared to support ongoing improvements in the quality of EC development assistance. Quality is defined primarily by the relevance, feasibility and effectiveness of the programs and projects supported with EC funds, including how well they are managed. The other method is the ‘Earned Value Management’ (EVM). This method is applied in the USA. We have to use EVM in government-supported projects. In 1998 EVM criteria were accepted as an American National Standards Institute/Electronic Industry Association standard, called ANSI/EIA 748. Project Management Institute in Boston worked out EVM techniques. The method contains a lot of useful tools and indicators.

These indicators facilitate managing projects. These indicators help us to evaluate projects and predict the future of a project. The advantages of both (PCM and EVM) methods can be applied to all projects of any size or complexity. We can use them in every case independently of industry or size. In my essay, I propose to use EVM tools as indicators in PCM. In this way, we can control and evaluate the projects on schedule. In this essay, I propose to use the indicators of EVM with PCM in case of EU projects. It is important because the EU controller can determine how successful the project is.

2. EARNED VALUE PROJECT MANAGEMENT

In the first part of the essay, I introduce the Earned Value Project Management. The base of the method is the earned value. The earned value is the value of the completed work. It is not about cost or money; it is the value of the work and this value is expressed in dollar (or
euro or forints). Through the entire life cycle of the project, we monitor the earned value and compare it with the planned value. I compare the actual cost with the earned value too. Minimum quarterly we calculate the indicators and based on them we can re-plan the project.

The history of EVM started in 1930s when the industries in the USA developed fast and electronic and oil industries started great high-technology projects. The earned value concept originally came from the industrial engineers working in the early American factories. After the general depression, they understood that they had to measure the efficiency of projects, otherwise sources of investment were wasted. The newer history started in 1996 on the 27-th seminar of Project Management Institute. It was held in Boston. They declared that the Earned Value Management applied to every project is independent of size or industry. The same year they declared that in government supported projects the Budgeted Costs for Work Scheduled (BCWS) and the Budgeted Costs for Work Performed (BCWP) methods had to be applied. These methods are based on Earned Value Project management method. The EVM technique can be applied in case of multi-billion dollar huge high technology projects and only some hundred thousand-dollar software projects, too (Fleming and Koppelman, 2000).

EVM is a methodology used to measure and communicate the real physical progress of a project taking into account the work completed, the time taken and the cost incurred to complete that work. Earned value helps evaluate and control project risks by measuring project progress in monetary terms. Some famous firms apply EVM techniques in their projects (for example GE, GM, Microsoft, etc. (Fleming and Koppelman, 2000). Henceforth, the fundamental conception of EVM is introduced. The fundamental conception is as follows: we measure and assess the earned value at important points of the timescale of the project, for example on a quarterly basis. At first, I compare the earned value with the actual costs; then we compare the planned value of the completed work at this point of time. I define the cost performance indicator CPI and the schedule performance indicator SPI.

![Figure 1: Time & budget](image)

Source: own construction based on Mulanny 2001

Let us see it on a simplified example: I have 1 million dollar/year for a project. In the first quarter, we will spend 300 thousand dollars according to forecast. After the first quarter, we make the project status review. We show in the figure a three-dimensional model. Earned value is the third dimension, the first is the time and the second is the cost. According to my example, at the end of the first quarter the value of the completed work amounts to 200 thousand dollars. This is the earned value. The actual costs amount to 300 thousand dollars. The value earned for the work performed compared with the actual cost incurred for the work performed (taken directly from the contractor’s accounting systems), provides an objective measure of cost efficiency. On the other hand, comparing earned value with the planned value measures the dollar value of work accomplished versus the dollar value of work planned. Any difference is called a schedule variance.
Planned value = $300k

Earned Value = $200k

Actual Cost = $300k

Schedule Variance (SV) = -$100k

Cost Variance (CV) = -$100k

Performance Indices:

- Schedule Performance Index and
- Cost Performance Index give indications of the health of the project.

- Is the project on time, in budget or not?
  Schedule Performance Index is the ratio of Earned Value and Planned Value of completed works. A SPI < 1 is not good.
  SPI = Earned Value / Planned value in our case is SPI=0.67.
- Cost Performance Index is the ratio of Earned Value and the actual costs of completed works. A CPI < 1 is not good.
  CPI = Earned Value / Actual Cost in our case is CPI=0.67.

- Now, I introduce the Earned Value concept in nutshell.
- Earned Value Management (EVM) is a program management technique that integrates technical performance requirements, resource planning, with schedules, while taking risk into consideration.
- The Control Account Plan (CAP) is containing these important characteristics of the project. CAP is built by three main points:

\[ \text{Figure 2: Three-dimensional model} \]

\[ \text{Source: own construction based on Mullany and Burgess 2002} \]

1.) Technical performances
At first I determine the technical arrangement of the project.
It is containing the Work Breakdown (WBS) Structure and the Organizing Breakdown Structure (OBS) and determines the main responsibilities.
Then

2.) Budget
Now I have to determine the budget of project.
3.) Schedule.
The CPI and SPI are measured periodically. In this way we (can) define new indicators, too. These are CPI (p) and SPI (p).

When I plan a project I have to answer six questions: What?, Why?, When?, How?, Where?, Who?

But in case of EVM the Project Management Institute has defined the project planning process as a ten-step iterative effort, consisting of the followings:

- Define the project scope and identify specific tasks with the use of a WBS.
- Assign responsibility for performance of each of these specific tasks.
- Identify the interfaces between tasks.
- Identify the key project milestones.
- Prepare the master schedule.
- Prepare the top budget.
- Prepare detailed task schedules.
- Prepare detailed task budgets.
- Integrate the task schedules and budgets with the project master schedule and top budget.
- Set up the project files.

Earned Value requires a special scheduling system. There are the next steps required (Hobs, 2000):

- Schedule the authorized work in a manner that describes the sequence of work and identifies the significant task interdependencies required to meet the requirements of the program.
- Identify physical products, milestones, technical performance goals, or other indicators that will be used to measure progress.
- Identify at least monthly, the significant differences between both planned and actual schedule performance, and we need answers to these question:
  - What was the cost estimate for the work scheduled?
  - What work has been accomplished?
  - What was the cost estimate of completed work?
  - What have been our costs?
  - What are the variances?
  - Earned Value Management requires the synchronization of the planned value with the earned value in order to isolate any planned Schedule Variance (SV).

The EVM requires monitoring of project performances based on the Master Schedule Plan vertically and I need to establish the main responsibilities horizontally, too.

The Work Break down Structure is an integral part of beginning the concept of earned value. The WBS is defining as a hierarchical structure, which is necessary to fulfill the mission project. This definition in the United States government-funded projects must also be prepared in practice. The WBS is the first and second level defines the owner, while the lower levels, the project manager and the team. For projects where the cost increases there is a risk the entire WBS is the project manager and team will be defined, because the WBS is to be incorporated into the control and observation points.
The negative earned value SV simply indicates to the project that it is failing behind its scheduled work. Finally, I can make the EVM Performance Report based on key data elements of CPI and SPI (Schulte, 2005). Earned Value Management helps Project managers to measure project performance. It is a systematic project management process used to find variances in projects based on the comparison of worked performed and work planned.
EVM is used in the cost and schedule control and can be very useful in project forecasting. The essence of earned value management is we are monitoring at the same time the cost, schedule and technical performances and the risk. You can see on the next Figure 5.

**Figure 5: The essence of EVM**

Source: own drawing based on Flemming and Koppelmann 2000

### 3. PROJECT CYCLE MANAGEMENT

In the second part of my essay, I introduce the Project Cycle Management (henceforth PCM). The PCM is identified in the context of an agreed strategy. PCM is developed out of an analysis of the effectiveness of development aid undertaken by the OECD Development Assistance Committee during the late 1980’s. PCM is based on the cycle theory. It contains the following processes:

Problem identification → Workout strategy, planning → Workout program → Executing, Monitoring → Evaluation, Correction.

**Figure 6: Project Cycle**

Source: own construction based on Bloom & Huskey 2001

The European Committee requires applying the 3P+1T concept to EU supported projects. Politics → Program → Project → Tender (Kjel and Karsson 2004). PCM was introduced by the European Commission in the early 1990’s to improve the quality of project design and management and thereby to improve aid effectiveness.

The details of what occurs during each phase differ between institution, reflecting differences in procedures. However, within all instructions the cycle shares three common themes:
The cycle defines the key decisions, information requirements and responsibilities at each phase.

- The phases in the cycle are progressive – each phase needs to be completed for the next to be tackled with success.
- The cycle draws on evaluation to build experience from existing projects into the design of future programs and projects.

**Figure 7: Theory of Cycle**

Let us see my challenges: the communications lines are not high speed enough among Universities. We need 10 Gigabit/s or 40 Gigabit/s speed fibre data communications lines. I have to build it up.

**Table 1: SWOT analysis**

<table>
<thead>
<tr>
<th>Strengths: Do not start from zero. We have old infrastructure too; use it.</th>
<th>Weaknesses: The business is not profitable for us.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities: Universities demand other services.</td>
<td>Threats: Other providers will be cheaper; The quality performance is not good enough.</td>
</tr>
</tbody>
</table>

Source: own construction
In PCM the first is the strategic analysis (EU Commission March 2004). Three steps need to be made:

1.) **SWOT analysis**
This method is about 50 years old. I need to fill the strengths, weaknesses, opportunities and threats table Figure 8.

![Figure 8: Problem tree](image)

**Source:** own construction

2.) **Problem tree defining.**
The problem analysis involves the identification of major problems faced by beneficiaries and the development of a problem tree to establish causes and effects. The steps are: identification of the problems. Identification of the main problem and Cause - Effect identification
Drawing of the problem tree
Analyze cause – effects
Effect: No Research and development are in place in super highway communications among universities
Causes: There are no optical fibres; there are no IT devices; there is no high speed communication; there is no data communication.

3.) **Objectives tree.**
A problem tree presents negative aspects of an existing situation; an analysis of objectives presents the positive aspects of desired future situation. This involves the reformulation of problems into objectives; the “objective tree” conceptualizes the mirror image of the problem tree. The cause and effect relationships are “means and end” relationships.
Forecast– How to solve the problem?
Cause – effects change to means – ends
Tools – results
Ends – Let the research and developing teamwork among the universities in a super high way communications lines are.

Means: build up optical fibre networks; install IT devices; install DWDM 100Gbs devices.

The Logical Framework Approach (LFA) was developed in the late 1960’s to assist the US Agency of International Development to improve its project planning and evaluation system. It was designed to address three basic concerns, namely that: Planning was too vague, without clearly defined objectives that could be used to monitor and evaluate the success (or failure) of a project. Management responsibilities were unclear, and, Evaluation was often an adversarial process, because there was no common agreement as to what the project was really trying to achieve. The LFA has since been adopted as a project planning and management tool by most multilateral and bilateral development agencies. The EC has
required the use of LFA as part of its Project Cycle Management system since 1993, and it provides a core set of tools with which to undertake assessments of project quality.

Figure 9: Objectives tree

![Objectives tree diagram]

Source: own construction and filled

Over time, different agencies have modified the formats, terminology and tools of the LFA; however the basic analytical principles have remained the same. Knowledge of the principles of LFA is therefore essential for all staff involved in the design and delivery of EC development assistance (Vörös, 2005).

In this way, we set the overall objective, the project purpose and the results and last but not least the activities. Now we determine beneficiaries and stakeholders. During the formulation phase, project ideas can then be fully developed in the knowledge that they are based on real beneficiary needs and are sufficiently ‘owned’ by the main stakeholders. In the planning phase the log frame and its output is called “Log Frame Matrix” (LFA). The log frame itself consists of a table, or matrix, which has four columns and (in its most basic form) four rows. The vertical logic identifies what the project intends to do, clarifies the causal relationships and specifies the important assumptions and uncertainties beyond the project manager’s control. The horizontal logic relates to the measurement of the effects of, and resources used by, the project through the specification of key indicators if measurement, and the means by which the measurement will be verified. (European Commission Guidelines 2004 pp.102)

Table 2: Log Frame Matrix

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Intervention Logic</th>
<th>Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumption and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Let R&amp;D be in the UNI’s</td>
<td>Number of R&amp;D workers</td>
<td>how many students use the UNI network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If we renovate the old UNI would be high speed (100Gbs)connections</td>
<td>Number of conferences and workshops</td>
<td>Office of National Heritage, Register of local municipality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New UNI building and lecture halls</td>
<td>A lot of PhD students</td>
<td>International science results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological plan, building optical cables</td>
<td>Tools, Knowledge, Experiences</td>
<td>Costs, Schedule, CPI and SPI</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own construction
The Log Frame Matrix was developed in the USA in 1950’s. The European Union implemented the Log Frame Matrix in the project cycle management method in 1996. It is very efficient tools for the project managers to manage the EU supported projects. The Log Frame Matrix contains the controllability and efficient-ability of the project. The verifiable indicators are very important. I propose to use the EVM indicators CPI, SPI too in PCM. These indicators would have an important role in the controlling, monitoring and evaluating of the project and the data collection, too. We would intervene in the project based on CPI and SPI if it is necessary. I could care of assumption of the project if we apply the EVM technique.

4. THE NEW METHOD AND ITS APPLICATION

The challenge was having twenty universities networked with each other and the network center in the capital of Hungary. We had to build up a high-speed infrastructural optical network among the universities. We solved project management with Microsoft Project 2003. It has an „Earned Value” option too. Due to planning we had to obtain lots of official permits. For the most of the universities, the end dates were very strict. We had to build the system up for them in half a year. Now, I introduce how these tasks could be solved by the project (Gönczi, 2009).

First of all, we set up a project team. The team members were experts from technical, finance and sales fields. The team members were in a non-stop contact with each other via electronic communication lines. The first condition was the backbone communications solved by Electricity Power Company. We had to connect to this backbone network.

The project management activities included:
- Flow - charts
- network planning
- performance evaluation
- progress checkups
- resource management
- application of web information and a reporting system
- contract management: we had to enter into contract with the owner of backbone networks
- claim management
- cost planning: we have only predetermined costs
- schedule: we have to build the network half a year; I used MS Project 2003
- quality management: on completion of networks we have to control the predetermined quality
- documentation management: we have to solve inventory of all networks
- Risk management: a lot of events we have to make amends for digging above the planned cost; we have to compromise with natural park.
- configuration and change management
- Re-planning helps with to calculate earned values.

Let’ look a sample example how to apply the CPI-SPI indicators in my project. The costs of excavation and laying one kilometer cable are four million forints. Unfortunately I crossed a private ended property and the landowner demanded one million forint compensation. Finally the cost was five million forint. The CPI = Earned value / Actual value = 4/5= 0,8. It is less than 1, this is not good. Let’s see the Schedule Performance Indicator. One kilometer excavation takes two week (10 working days), and the cost of working time / week is two million forint. Unfortunately there was rain. I didn’t work two days long. So I worked only
eight days and its earned value only 3,2 million forint, but unfortunately I had to pay 4 million forints. So SPI=Earned value / Actual value = 3, 2/4=0,8. Less than 1, this is not good for me. The next period was more fortunate for me.

<table>
<thead>
<tr>
<th>Time</th>
<th>Earned Value (Million HUF)</th>
<th>Cost Value (Million HUF)</th>
<th>CPI</th>
<th>Earned Value Schedule (Million HUF)</th>
<th>Schedule Value (Million HUF)</th>
<th>SPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011. 10. 05.</td>
<td>4</td>
<td>5</td>
<td>0,80</td>
<td>3,2</td>
<td>4</td>
<td>0,80</td>
</tr>
<tr>
<td>2011. 11. 05.</td>
<td>8</td>
<td>9,2</td>
<td>0,87</td>
<td>7,5</td>
<td>8</td>
<td>0,94</td>
</tr>
</tbody>
</table>

Source: own construction

I hadn’t paid any extra costs and I could faster work than in the previous period. The cumulative CPI= 8/9,2= 0,87 and SPI=7,5/ 8=0,94 are improved. Documented experimental data (about 700 successful projects) in the quarterly monitoring for any time or in the cost of more than 15% slippage should not be allowed, because a larger difference irreparable. The CPI and SPI calculation by hand it can be kept constant. It very useful the MS Project software too, it has a built in earned value apply (Introducing Microsoft Office Project 2003). Let’s look the figure of management organizing system (Fig. 10.).

Figure 10: Management organizing system

At the first I have made the management organizing system. The main part of this system is the CAP control account plan. The Cap has to be exact, consistent and accurate. Then I organized the Multifunctional team. This team controlled my project from start to end. I managed the project at all levels of time, the performance; the result of monitoring. I monitored and evaluated it. I applied operational management of the technical work to address areas of integrated the commitment and the identified resources. I applied the multi-task management tool.
The endpoints were in five regions of the country: Western, Eastern, Southern, Northern and Middle Hungary. Each region had its own Project Manager. Every manager had to report to the Centre in all time. Every problem has been resolved on time and when it was required we re-planned the project in terms of its costs and schedule, too. We calculated the Cost Performance Indexes and the Schedule Performance Indexes and re-planned the projects accordingly. I have accomplished the project on time and collected many experiences. Let us pay more attention to the coordination of work force management; quality assurance issues and subscriber demands and better coordination of subcontractors (Appleyard Lee and James 2005).

5. CONCLUSION

Since the Project Cycle Management method has not lived up to expectations, which are added, so the EU’s managers apply the Project Cycle Management is necessary to check how other projects. The projects has been missing from the review of the quantitative analysis that will help project participants to the project cost and time modify conditions if the situation warrants it. The Project Cycle Management is only project managers to expectation, rightly so; since public money is always tight settlement should be handled. However, the project’s progress at the internal progresses can be monitored. The turning points, it should be possible, the project participants that are re-engineering project, all the time, taking into account both the cost ratios.

The new model of development has shown that not only earned value indicators were added to the Project Cycle Management method, but the project management of all previously used elements of force must be deleted and the project with all the participants, recipient, concerned with the customer contact should be and their needs taken into must be considered.

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