Chapter 1: The World of Project Management

True/False

1. A primary purpose of forming projects is to assign the responsibility for accomplishing some organizational task to a specific person or small group.

Answer: True Response: See page 2 Level: easy

2. One of the few similarities between project management and general management is that both exist in the well-defined organizational structure of superior/subordinates in the overall organization.

Answer: False Response: See page 4 Level: medium

3. Many recent developments in project management are being driven by changes in the nature of the American workforce.

Answer: False Response: See pages 2 and 3 Level: medium

4. Achieving both strategic and routine goals are growing in importance in project management.

Answer: True Response: See page 3 Level: medium 5. While general managers have their authority limited to specific areas in the overall organization, project managers have authority over any activity required by the project.

Answer: False Response: See page 5 Level: medium

6. Projects are always carried out under conditions of uncertainty.

Answer: True Response: See pages 7 Level: easy

7. One can trade-off time and cost when managing a project, but the project's technical specifications must be maintained exactly as the client initially specifies.

Answer: False Response: See page 7 Level: medium

8. Nonnumeric project selection methods are only suitable if numeric methods are not available.

Answer: False Response: See pages 11 and 12 Level: medium

9. If a PM manages her project well enough she can eliminate uncertainty.

Answer: False Response: See page 21 Level: Easy 10. When using financial methods for selecting projects, the payback period is the simplest and best method to use.

Answer: False Response: See page 13 Level: medium

11. Rank-ordering a large number of projects can be done with a Q-sort.

Answer: False Response: See page 12 Level: medium

12. A disadvantage of using the payback period method for selecting projects is that it cannot reflect the time-value of money.

Answer: True Response: See page 13 Level: medium

13. A disadvantage of using the discounted cash flow method (or net present value) for selecting projects is that it ignores all non-monetary factors associated with the project.

Answer: True Response: See page 16 Level: medium

14. A disadvantage of using scoring models rather than financial models for selecting projects is that they cannot include the project's profitability.

Answer: False Response: See page 18 Level: medium 15. A PM does not need to understand why a project is selected for funding because he did not initiate the process.

Answer: False Response: See page 21 Level: medium

16. The main distinction between platform and breakthrough projects is that the former usually depend on existing technology.

Answer: True Response: See page 32 Level: medium

17. The main distinction between platform and derivative projects is that the latter depend on existing technology.

Answer: False Response: See page 32 Level: medium

18. A key deficiency of the aggregate project plan is that it provides little information about the resources committed to the various projects.

Answer: False Response: See page 33 Level: medium

19. One reason for the emphasis on project management is that tasks fit neatly into business-as-usual.

Answer: False Response: See page 1 Level: easy 20. Programs are subdivisions of projects.

Answer: False Response: See page 2 Level: easy

21. Projects are subdivisions of programs.

Answer: True Response: See page 2 Level: easy

22. A similarity between project management and general management is the tendency to "manage by exception."

Answer: False Response: See page 4 Level: medium

23. Project budgets are primarily modifications of budgets for the same activity in the previous period.

Answer: False Response: See page 4 Level: medium

24. In project management, superior-subordinate relationships are known and lines of authority are clear.

Answer: False Response: See pages 5 Level: medium 25. Having responsibility for the outcome of a project without the authority of rank or position is common in project management.

Answer: True Response: See page 5 Level: medium

26. Negotiating the purchase of a new car would typically be characterized as winwin negotiation.

Answer: False Response: See page 6 Level: medium

27. In project management, it is often necessary to trade-off one objective for another.

Answer: True Response: See pages 6 Level: easy

28. The construction of a house would likely follow a J-shaped lifecycle.

Answer: False Response: See page 9 Level: medium

29. A project that is selected because it is necessary for continued operations exemplifies a sacred cow.

Answer: False Response: See page 11 Level: medium 30. The comparative benefits method is considered a nonnumeric project selection method.

Answer: True Response: See page 11 and 12 Level: medium

31. When using the weighted scoring model, the categories for each scale must be in equal intervals.

Answer: False Response: See page 18 Level: medium

32. Scoring methods were developed to overcome some of the disadvantages of simple financial profitability methods.

Answer: True Response: See page 17 Level: medium

33. One limitation of scoring methods is that they can only incorporate quantitative data.

Answer: False Response: See pages 17 and 18 Level: medium

34. As a rule of thumb, the number of factors included in a scoring model should be at least 10.

Answer: False Response: See page 17 Level: medium 35. Projects success is not determined by the portfolio of projects in an organization..

Answer: False Response: See page 35 Level: medium

36. R&D projects are oriented toward using newly developed technologies or existing technologies in a new manner.

Answer: True Response: See page 32 Level: medium

37. Projects with deliverables that are incrementally different from existing offerings are classified as platform projects.

Answer: False Response: See page 32 Level: medium

38. Projects in which team members may never physically meet before the team is disbanded and another team reconstituted is called a virtual team

Answer: True Response: See page 3 Level: easy

39. The project manager depends on legitimate authority to gain the cooperation of the many departments in the organization that may be asked to supply technology, information, resources and personnel to the project.

Answer: False Response: See Page 5 Level: medium 40. In the early years of a project when outflows usually exceed inflows, the NPV of the project for those years will be positive.

Answer: False Response: See page 15 Level: medium

41. As the present value of future returns decreases with rising discount rates, firms with high hurdle rates favor short-run projects.

Answer: True Response: See Page 16 Level: medium

Multiple Choice

- 42. Which of the following are projects?
 - a) the design and development of a new product
 - b) gathering and entering employment data for a Bureau of Labor Statistics quarterly report

c) producing a car on an automobile assembly line

- d) a and b above.
- e) a, b, and c above.

Answer: a Response: see page 2 Level: medium

- 43. Which of the following is not a trend in project management?
 - a) achieving strategic goals
 - b) improving project effectiveness
 - c) quasi projects
 - d) reductive projects
 - e) achieving routine goals

Answer: d Response: See page 3 Level: medium

- 44. Which of the following criteria can be included in scoring models for selecting projects?
 - a) potential profitability of the projectb) potential impact on the firm's competitive positionc) the organization's ability to market the output of a projectd) All of the above can be included
 - e) only a and b above

Answer: d Response: See page 17-18 Level: medium

- 45. If the initial investment is a project is \$100,000 and the expected annual net profit for the project is \$20,000, the payback period is:
 - a) One fifth of a year
 b) 4 years
 c) 5 years
 d) 10 years
 e) insufficient information to determine the payback period

Answer: c Response: See page 13 Level: medium

- 46. Which of the following is not a characteristic of a project?
 - a) They are unique
 - b) They are routine
 - c) They have specific due date
 - d) They have a specific deliverable
 - e) They have a purpose

Answer: b Response: See page 1 Level: medium

47. Which of the following would not be considered a project?a) placing the weekly replenishment orderb) a political campaign

c) constructing a new office buildingd) developing a new cancer treatment.e) writing a new textbook

Answer: a Response: See pages 1 and 2 Level: easy

48. "Blue Sky" projects are
a) R & D projects
b) Platform projects
c) Breakthrough projects
d) Derivative projects
e) High risk projects

Answer: a Response: See page 32 Level: medium

49. Searching for the third alternative is most closely associated with

a) win-win negotiation
b) project planning
c) project budgeting
d) the three goals of a project
e) the weighted scoring model

Answer: a Response: See page 5 Level: medium

- 50. Which of the following is not related to the three goals of a project?
 - a) time
 - b) data
 - c) schedule
 - d) cost
 - e) performance

Answer: b

Response: See page 6 Level: medium

51. Projects that begin with a slow start, have quick momentum in the middle, and have a slow finish are said to follow which type of lifecycle?
a) J-shaped lifecycle
b) L-shaped lifecycle
c) an exponential growth lifecycle
d) an S-shaped lifecycle
e) an X-shaped lifecycle

Answer: d Response: See page 9 Level: medium

52. Which of the following is a nonnumeric project selection method?
a) Q-sort method
b) payback period
c) discounted cash flow method
d) real options
e) scoring methods

Answer: a Response: See page 12 Level: medium

- 53. Which of the following is a numeric project selection method?a) comparative benefitsb) payheek period
 - b) payback periodc) Q-sort methodd) operating/competitive necessitye) sacred cow

Answer: b Response: See page 12 Level: medium 54. In Crystal Ball, cells that contain outcomes we are interested in are called
a) assumption cells
b) distribution cells
c) forecast cells
d) decision cells
e) define cells

Answer: c Response: See page 24 Level: medium

55. A matrix that illustrates the magnitude of both product and process changes resulting from a project is called
a) the aggregate project plan
b) the product-process matrix
c) the aggregate master production schedule
d) the balanced scorecard
e) the R&D project portfolio

Answer: a Response: See page 32 Level: medium

56. The ______ attempts to link the organization's projects directly to the goals and strategy of the organization.
a) the product-process matrix
b) the balanced scorecard
c) the action plan
d) project portfolio process
e) the work breakdown structure

Answer: d Response: See page 31 Level: medium

57. Which of the following is are criteria for project selection?a) Is there a market offering for the project resultsb) How risky is the projectc) Is the project synergistic with other important projects

d) All of the above

Answer: d See response page 25 and 26 Level: medium

58. The aggregate project plan can be used for the following except:
a) View the mix of projects within each illustrated aspect
b) Determine the profitability of the projects
c) Analyze and adjust the mix of projects within each category or aspect
d) Identify and adjust the gaps in the categories, aspects, sizes and timing of the projects.

Answer: b Response: See page 24 Level: medium

Short Answer

59. Briefly explain what a project is.

Response: See pages 1-2

60. How do you know if project completion is successful?.

Response: See pages 6-7

61. What are the major trends in project management?

Response: See pages 2 and 3

62. To what extent can the three goals of a project be traded-off for one another?

Response: See pages 6 and 7

63. Briefly highlight the difference between win-win and win-lose negotiation strategies.

Response: See page 5

64. Why is having a negotiation skill in win-win negotiation necessary for the project manager?

Response: See page 5-6

65. Briefly describe each of the three fundamental goals of a project.

Response: See page 6-7

66. Briefly describe the two different life cycles of projects.

Response: See pages 8 and 9

67. Explain what the third alternative is in negotiation.

Response: See page 6

68. Briefly explain the advantages of using scoring models to evaluate and select projects rather than using financial models.

Response: See pages 17 and 18

69. Briefly explain the project portfolio process.

Response: See page28-31

70. Briefly differentiate between derivative and breakthrough projects as defined by Wheelwright and Clark.

Response: See pages 29