

## 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 doesn't need to understand why a project is selected for funding because he didn't 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 win-win 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

### ***Multiple Choice***

38. 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

39. 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

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

Answer: d

Response: See page 17-18

Level: medium

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

e) insufficient information to determine the payback period

Answer: a

Response: See page 13

Level: medium

42. 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

43. Which of the following would NOT be considered a project?

- a) placing the weekly replenishment order
- b) a political campaign
- c) constructing a new office building
- d) developing a new cancer treatment.
- e) writing a new textbook

Answer: a

Response: See pages 1 and 2

Level: easy

44. "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

45. 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

46. 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

47. 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

48. 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

49. Which of the following is a numeric project selection method?
- a) comparative benefits
  - b) payback period
  - c) Q-sort method
  - d) operating/competitive necessity
  - e) sacred cow

Answer: b

Response: See page 12

Level: medium

50. 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

51. 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

52. 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

### ***Short Answer***

53. Briefly explain what a project is.

Response: See pages 1-2

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

Response: See pages 6-7

55. What are the major trends in project management?

Response: See pages 2 and 3

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

Response: See pages 6 and 7

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

Response: See page 5

58. Why is having negotiation skills in win-win negotiation necessary for the project manager?

Response: See page 5-6

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

Response: See page 6-7

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

Response: See pages 8 and 9

61. Explain what the third alternative is in negotiation..

Response: See page 6

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

Response: See pages 17 and 18

63. Briefly explain the project portfolio process..

Response: See page 28-31

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

Response: See pages 29