



Business first...

Project Management later



- Economist
- 3 MBAs in Europe / **Professor**
- 4 Running companies / **Entrepreneur**
- 8 published books / **Author**
- Project Management **Consultant**
- Project Management Institute / **Volunteer**



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Objetives



1. **Finance project Analysis**

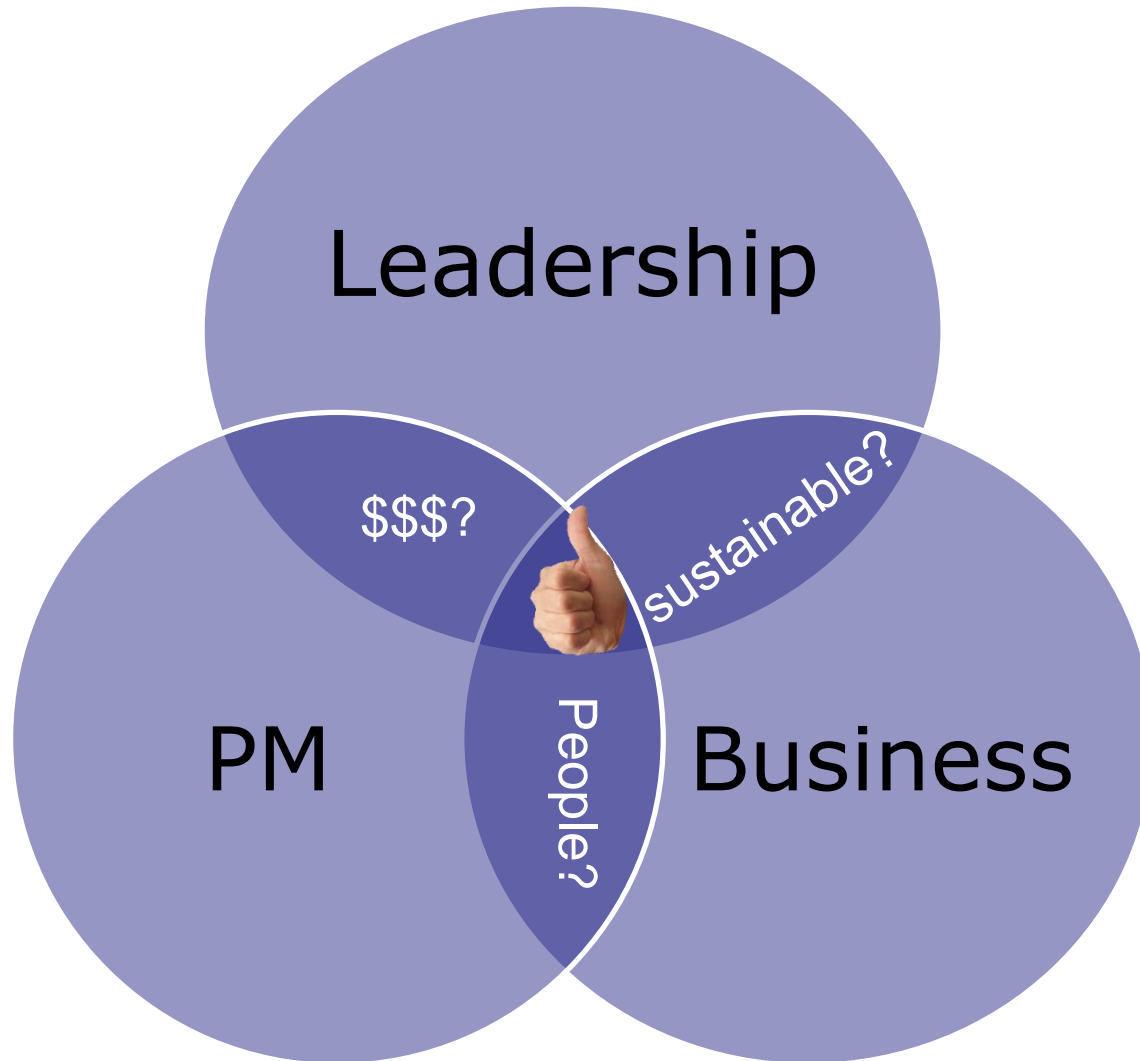
2. **Worthwhile to invest?**



Why do Project fail?

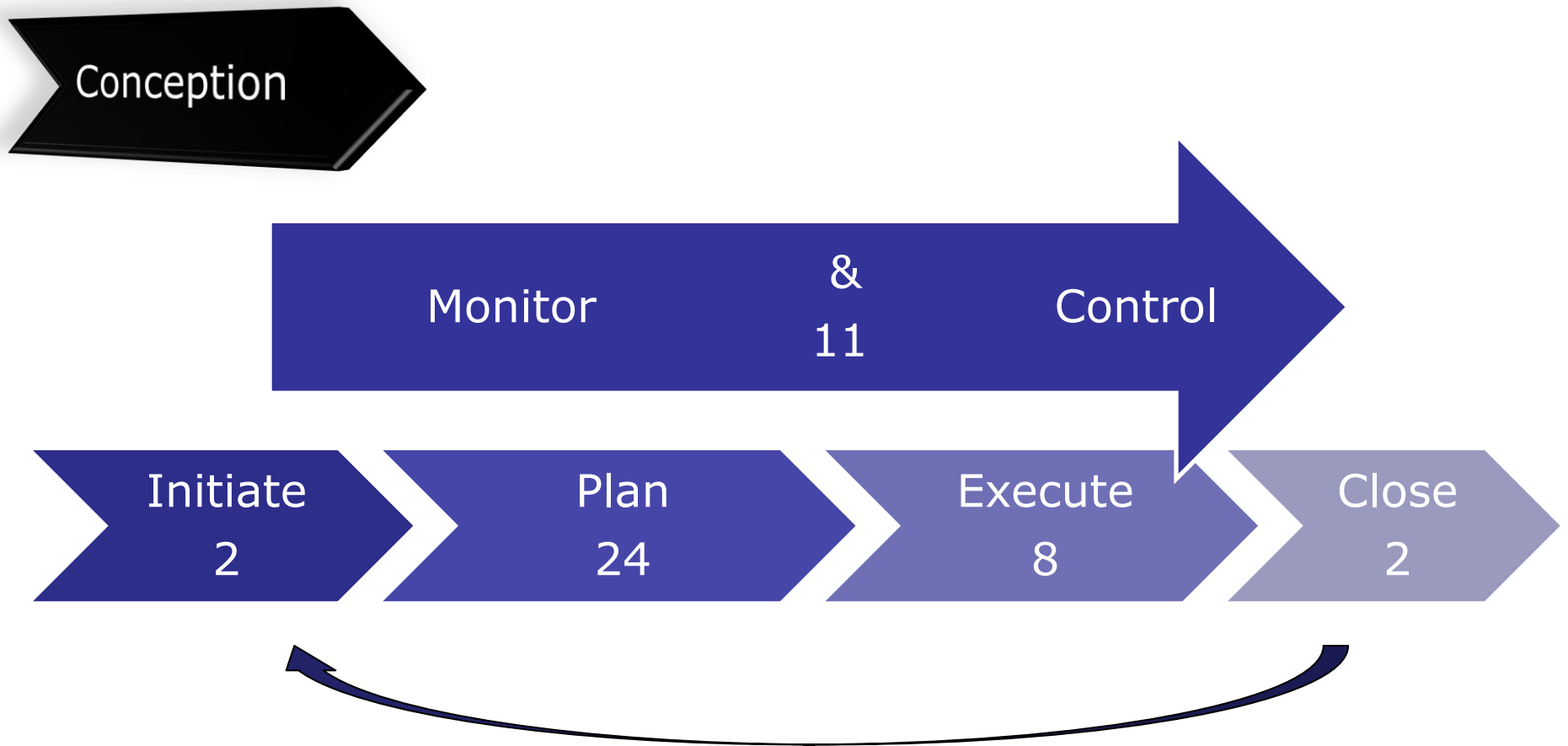


Trilogy for success



Source: PMI Talent Triangle

Process Groups



Project Analysis?

Monitor

&

Control

Correct process

Initiate

2

Plan

24

Execute

8

Close

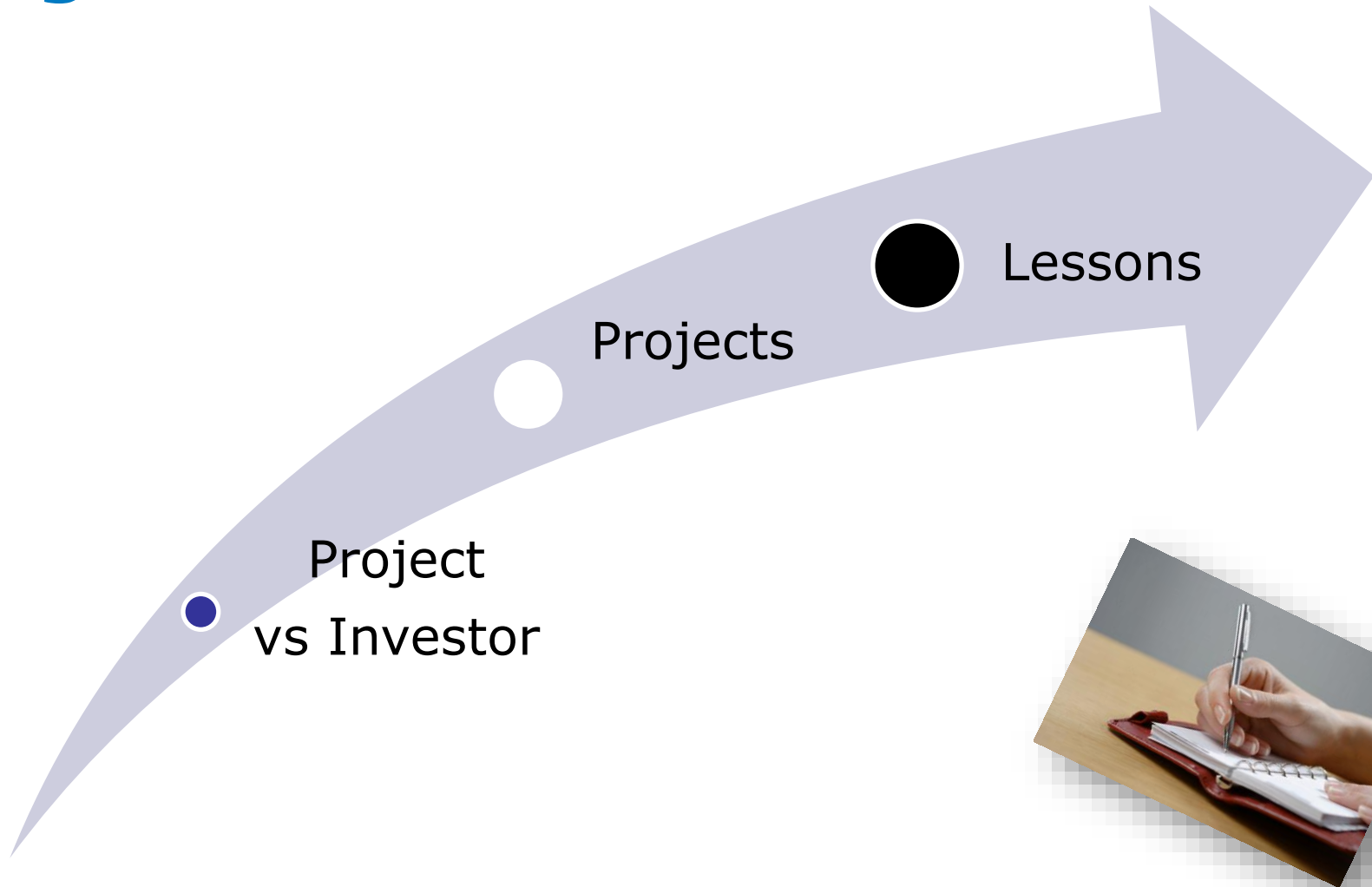
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Analysis

Right projects

Agile
Adaptive
Lean
Scrum
Crystal
Kanban
Extreme
Software
Systems
Backlogs
Dashboards
Stories
Sprints
Dynamic
Pragmatic
Driven
Feature
Leah
Stories
Scrum
Crystal
Extreme
Systems
Agile
Backlogs
Dashboards
Stories
Sprints
Dynamic
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Feature
Leah
Stories
Scrum
Crystal
Extreme
Systems
Agile

Agenda



One year ago, Mary developed a software investing \$100.
60% was financed by a loan at 10% annual interest rate.

After a year, Mary decides to pay the loan and its interests.

If she sells the software at \$120:

a) Which is the project profitability (%)?

b) Which is the investor profitability (%)?



+ Financial leverage

Answers

One year ago, Mary developed a software investing \$100.
60% was financed by a loan at 10% annual interest rate.

After a year, Mary decides to pay the loan and its interests.

If she sells the software at \$108:

a) Which is the project profitability (%)?

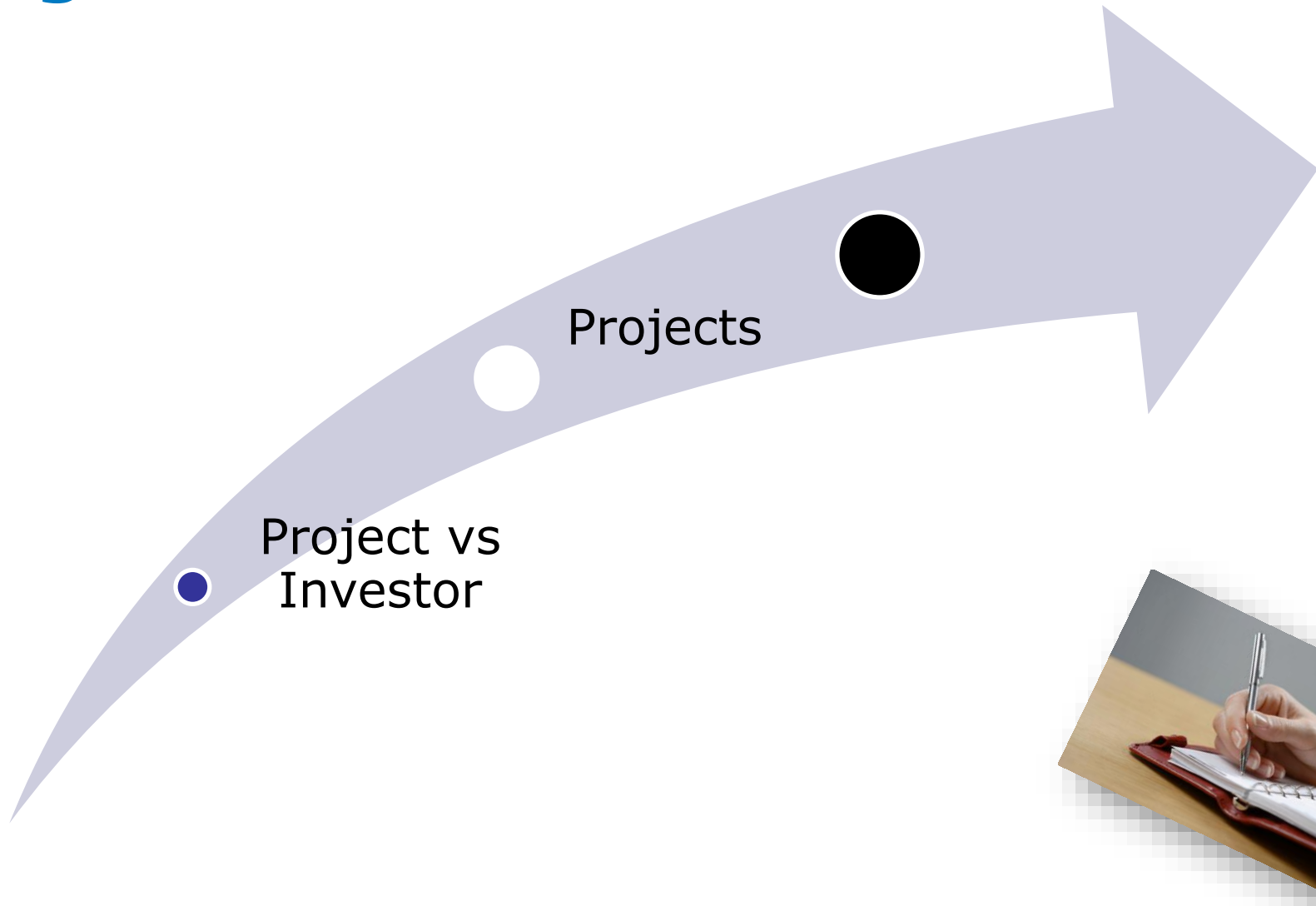
b) Which is the investor profitability (%)?



- Financial leverage

Answers

Agenda



Project Analysis

- Market research = \$10,000 (50% paid)
- You win \$2,000 per year in a similar work
- Land and Building = \$24,000 (daddy's gift)
- Annual workforce = \$9,000
- Machine = \$8,000
- Annual license = \$1,000
- Municipality permit = \$5,000
- Working capital = \$3,000
- Your investment won't lose value over time
- You have \$200,000 in your bank at 10% per year

Minimum sales per year?

(Breakeven sales to cover all costs)



Answers

Income = 12.000

Costs = -8.000

Market research = -10.000

PROFIT = -6,000



Don't do the project

Lose \$10,000

Income = 12.000

Costs = -8.000

Market research = -0

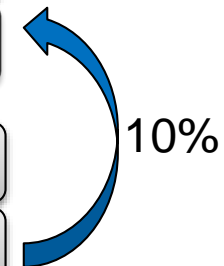
PROFIT = 4,000



Do the project

Just lose \$6,000

Workforce	9,000
Annual license	1,000
Operative costs	10,000
Market research	0
Land and building – gift?	24,000
Machine	8,000
Municipal permit	5,000
Working capital	3,000
Investment	40,000
Alternative salary	2,000
Own capital	4,000
Opportunity costs	6,000
Minimum sales	16,000



Some results

- \$ 2,000
 - \$ 6,000
 - \$ 13,300
 - \$ 13,600
 - \$ 17,000
 - \$ 27,000
 - \$ 50,000
 - \$ 56,000
 - \$ 60,000
 - \$ 64,000
- If estimated sales were \$15,000...
You will invest!
You will lose money!
- Answer
\$16,000
- If estimated sales were \$20,000...
You won't invest!
You could lose a good opportunity!

Conclusions?

Incremental Project

Your Company is a going concern. Its sales are \$100,000 per year.

Is it worthwhile to invest \$12,000 in a new machine to increment the production?

With that investment, the workforce will increase from \$9,000 to \$11,000; and the working capital will increase from \$3,000 to \$6,000.

You don't need any other cost for this Project.

Minimum sales per year?

Going concern company. Sales \$100k

Workforce	9,000
Annual license	1,000
Operative costs	10,000
Market research	0
Land and building	24,000
Machine	8,000
Municipal permit	5,000
Working capital	3,000
Investment	40,000
Alternative salary	2,000
Own capital	4,000
Opportunity costs	6,000
Minimum sales	16,000

New Project

Investment = \$12,000

Workforce = \$11,000

Working capital = \$6,000

Minimum sales?



Without Project

With project

Incremental

Workforce 9,000

11,000

2,000

Annual license 1,000

1,000

0

Operative costs 10,000

12,000

2,000

Market research 0

0

0

Land and building 24,000

24,000

0

Machine 8,000

20,000

12,000

Municipal permit 5,000

5,000

0

Working capital 3,000

6,000

3,000

Investment 40,000

55,000

15,000

Alternative salary 2,000

2,000

0

Own capital 4,000

5,500

1,500

Opportunity costs 6,000

7,500

1,500

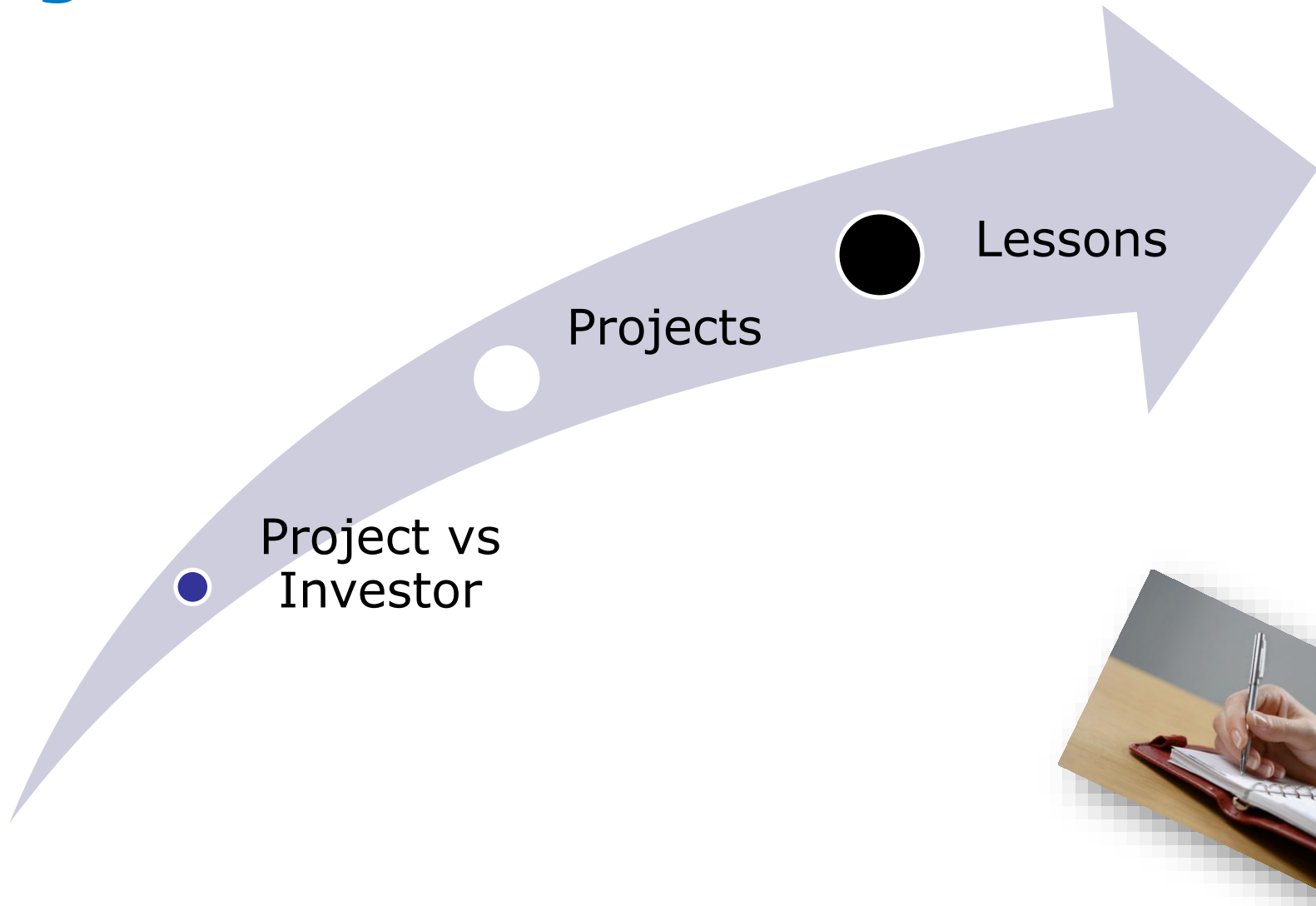
Minimum sales 16,000

19,500

3,500

Answer: \$103,500

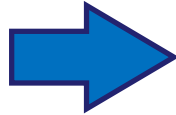
Agenda



Lessons learned

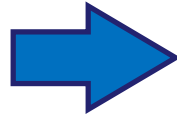
Project \neq Investor

Separate



Operative costs vs. Investment

Identify



Relevant costs (Incremental)

1°



100% of operative costs

2°



Opportunity costs

Questions?



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Enjoy the Projects you do...

Do the those projects you
enjoy!