



▶ We are recognized as the volunteer organization of innovative project management professionals. We provide value to our stakeholders and the community at large. We promote the development of project management as a benefit in all industries.

▶ We promote project management by providing services, tools and knowledge to project sponsors, project managers, team members and the community. We provide a forum for networking and opportunities for social interaction.

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FEBRUARY 11TH PMI-OC DINNER MEETING

**Successful Projects:
Against All Odds**

By Mike Rose

Most projects carry risks and it is important for the project team and manager to recognize the risks, monitor the risks, and have contingencies for handling the situations if the risks become a reality. Classic project risks include things such as leading edge - unproven technology, excessive scope, aggressive schedule, new team, and unknown business domain.

Usually, a project manager would try to eliminate the risk by changing the situation that caused the risk, such as choosing proven technology over unproven or limiting scope to a reasonable level for a fixed duration. Projects should be reconsidered if they carry two or more of the key risks that cannot be reduced or eliminated.

What if a project team was asked to take on a project that had all of the identified risks - demanding delivery date, leading edge technology, no existing team, no hardware infrastructure, no previous business domain knowledge and aggressive scope? What are the odds that this project would fail?

Irvine Technology Corporation will share an experience that required all of the skills of an experienced project manager, lots of luck and the Herculean efforts of a dedicated staff to complete the project that had all things going against it from the start.

Michael Rose is President of the Irvine Technology Corporation. Prior to his current position, he served as the Director of Analysis and Quality Assurance with The First American Title Insurance Company. Mr. Rose started his career in the technology industry in 1986, holding numerous positions as a senior consultant focusing on object oriented design and development. He has served as a senior consultant providing IT solutions to such notable companies as the Cendant Corporation, Avco Financial Corporation, Informix Software, Inc., Yamaha Motor Corporation and The Home Club.

Mr. Rose grew up in Southern California and is a graduate of California State University, Fullerton, where he earned a Bachelor of Science Degree in Business Administration with emphasis in Management Information Systems in 1987. He later became an instructor at California State University, Fullerton for the Object Oriented Techniques course.

Over the years, Mr. Rose has been active in community affairs and information technology industry trade groups. He was a founding member and served as Vice President and Chairman of the Object Oriented Developers Association of Southern California.

Since joining ITC, he has been the driving force behind implementing a unique project management framework that accurately assess all critical business objectives which allows ITC to consistently build successful systems for their clients.

Vendor Showcase: ESI
See ad on page 8

NEW PROJECT MANAGEMENT PROFESSIONALS

Behdad Baseghi	PMP-#55669
Russell Demetri Ollie	PMP-#15627
Kevin English	PMP-#58470
Genaro Estrada	PMP-#58643
William Ghattas	PMP-#47502
Suresh Guttikonda	PMP-#41890
Ken Hoard	PMP-#6330
Jack Charles Hodge	PMP-#57863
Nita Jameson	PMP-#56530
Mark Layton	PMP-#24109
Glenn Norum	PMP-#56020
Sriram Ramadas	PMP-#56995
Eddie Rangel	PMP-#57864
Pamela Wade	PMP-#56634
Matthew Williamson	PMP-#56484
Mary Willman	PMP-#56291
New PMI-OC PMPs:	16
Total PMI-OC PMPs:	298

NEW MEMBERS

RaghuRam Bariged	Cap Gemini Ernst and Young
Behdad Baseghi	
Jonathan Bronson	KPMG LLP
Rajasekhar Chevuri	Pentafour Software Solutions, Inc.
Richard Coyle	
Russell Demetri Ollie	
Robyn Dunyon	
Bruce Eriksen	Competitive Information Systems
Suresh Guttikonda	
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Maria Hines	
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Brian Kuhle	Marriott
Mark Layton	Platinum Edge, Inc.
Brandon Lee	
Eric Marking	Framework, Inc.
James McLaughlin	AmerisourceBergen Corp.
William McLean	Alboa Life and Casualty
Charles Meagher	Insignia/ESG
Christopher Mellen	Noresco
Troy Messer	Ingram Micro
Suresh Nair	
James Nisbet	
Denise Perkins	
Sriram Ramadas	
Tara Regan	Digital Convergence
Gene Rosen	
Kevin Steinfeld	Cap Gemini Ernst and Young
Herbert Turner	Galaxy Hotel Systems, LLC.
Total new members:	30
Total PMI-OC members:	965

THE PRESIDENT'S COLUMN



Objective Decision Making: Overcoming the Obstinate Goats

Early in my career as a Project Manager, I led a software evaluation team tasked with a make or buy decision. The Project Sponsor and the IT Director were at odds on the approach and I found myself caught in the crossfire. Being new to the profession, I did not have the tools to overcome the battling and help steer the project team toward the best solution. Thinking about this situation reminded me of a Grimm Fairy Tale titled "The Obstinate Goats."



Once upon a time . . . two mountain goats happened to be going down the opposite slopes of a valley, through which flowed a rushing river. Now, some of the mountain dwellers had bridged the river by placing a large tree trunk that had been struck by lightning, to join the steep rocky banks.

The two goats met head on half way across the tree trunk, for each wanted to cross to the other side. But the trunk was not nearly wide enough for them to pass each other, and neither goat was inclined to give way. Obstinate, they began to bicker, but neither would budge an inch. Words soon led to action and they started to fight, till finally both tumbled off the tree trunk into the river below.

While no one physically landed in the river on my project, the outcome was a direction based on strong will and personal agenda rather than what was best for the business. The project team (including myself) retreated and gave in to the pressure of the two personalities involved, letting the more powerful player dictate the direction. Ultimately, the best solution was a third option that was not considered until a few years later, after the first application fell short of customer expectations.

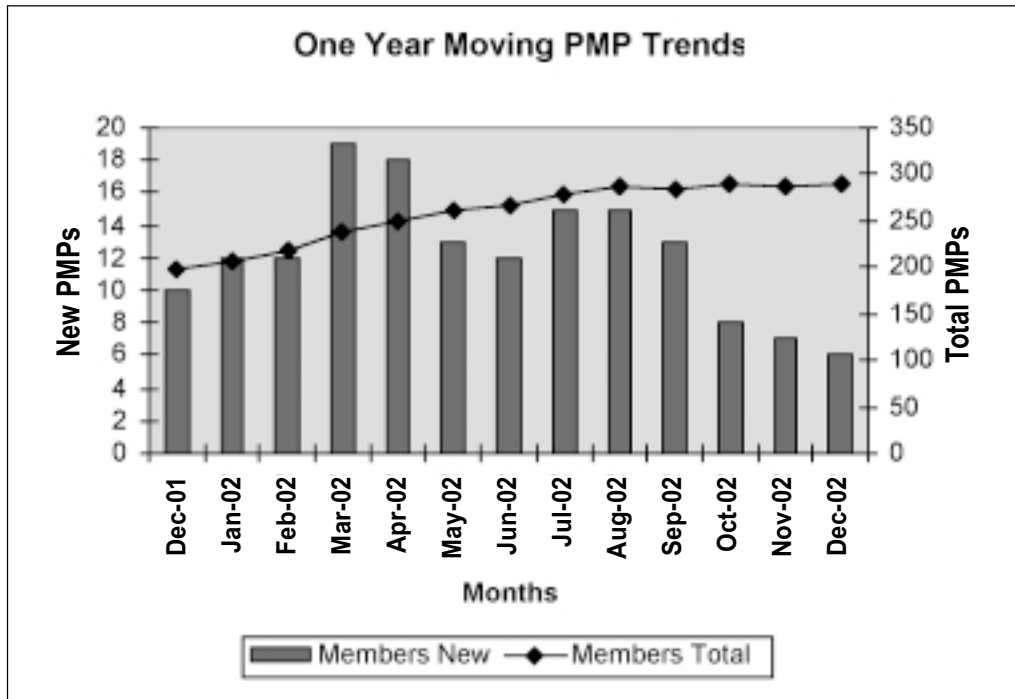
What can we do as Project Managers when faced with this type of situation? How can we get buy-in from all stakeholders ensuring we've come to the best decision possible? One way that has worked for me is to focus on project objectives, clear evaluation techniques, and risk analysis to determine the best decision for the business. By focusing on objective facts, we can remove the personalities from the equation.

- Performing a make or buy analysis using a scoring matrix that measures the vendor, functional, technical and financial aspects of each candidate solution, while considering the importance to the organization of each criteria evaluated. This provides a weighted score for objective comparison of alternatives.
- Performing a quantitative and qualitative risk analysis provides identification of the risks associated of each solution, considering probability of occurrence and impact or cost to the project and organization.

By using objective methods to elicit and analyze the facts, we remove the personalities from the decision-making process and focus on what matters most – implementing quality solutions that meet customer expectations. Consider this the next time you find yourself caught between two obstinate goats on your project.

Adrienne Keane, PMP

MEMBERSHIP AND PMP TRENDS



VOLUNTEER OF THE MONTH

George Meier Honored as Volunteer of the Month



Mike Beard, PMP (left), PMI-OC Chapter's Vice-President of Operations with January Volunteer of the Month, George Meier, PMP

A resolution was unanimously passed, at the December Board meeting of your Chapter, designating **George Meier, PMP** as the **Volunteer of the Month for January**. Our newly designated Chapter Volunteer Coordinator, **J. C. Moreno**, honored George at our January 2003 general meeting, by presenting him with a Certificate of Appreciation.

George has been a member of the chapter since February 1999 and became a PMP in June 2001. Volunteering for good causes seems to be an innate characteristic of George, simply because he genuinely believes in giving back to the community in which he lives.

Before applying his formidable volunteering skills for our chapter, he spent a considerable amount of effort in mentoring kids at risk. His great success story is transforming a boy who at one time was about to be locked up for truancy and many other mischievous acts. Today that same boy is a doctor of veterinary medicine.

Regarding his contributions to our chapter, George participated as a member of the volunteer team for the March 2002 ACP meeting, which was jointly hosted by the LA and OC Chapters. He organized the catering of international food for the *Project Management Around the World Symposium*, which was the capstone of that ACP meeting. Later that year he involved himself in the November Strategic Planning meeting.

On his own initiative, during the Risk Symposium in Long Beach last September, George undertook the redesign of the participant registration packets, which reduced the time to complete the entire process to less than one hour.

George is a frequent contributor to *Milestones*. He writes excellently prepared, comprehensive and engaging reviews of the speaker's presentation from the previous month's meeting. One can only imagine that upon reading his articles, *Milestones* readers are induced (if not compelled) to attend next meeting.

A native of Switzerland, George was encouraged to visit the United States by an American dentist, Don Seligman, with whom he had developed a friendship and who was residing in Switzerland at the time. Since Don's parents were living in Culver City, it seemed natural for George to settle in California. The Seligmans offered him their hospitality during his first few weeks and were instrumental in getting him settled at USC.

He earned his PhD in Electrical Engineering at USC and subsequently received pre- and post-doctoral fellowships from the National Institutes of Health (NIH) for developing and applying principles of engineering and physics to issues and problems in medicine and human physiology.

Because of his commendable performance for NIH, he was asked to extend his tenure for two more years of research at Drexel University's department of Biomedical Engineering, and Temple University School of Medicine, where he joined the faculty as Assistant Professor of Physiology. During those years he also collaborated with USC's Biomedical Engineering program and the Rand Corporation's Life Sciences department in Santa Monica, where he applied principles of engineering communication theory in epidemiological studies and stochastic analyses of bone-marrow cancer data. The results of his highly regarded investigations appeared in the *IEEE Annals of Biomedical Engineering* and in the *American Journal of Physiology*.

Ever curious, George became fascinated with electro-optics and radar systems, which landed him at Hughes Aircraft. He spent eight years there as manager of advanced technology development projects. It was his tenure at Hughes that stirred his beginning interest in project management. Since then he has held a variety of global positions as a project manager.

Having lived and worked in several countries in four continents, he has attained fluency in six languages: Italian, Spanish and Portuguese in addition to his native tongues, German and French - and of course English. Today, his professional focus is on the management of international technical projects, chiefly in Western Europe, Latin America as well as Taiwan and Vietnam.

He enjoys every opportunity for sharing his professional insights and experience gained over many years of managing projects in the challenging environment of the international business arena. As a result, he holds teaching positions in project management at the Keller Graduate School of Management and international marketing at the UCI Graduate School of Management.

Dave Jacob

SELLING THE PROJECT OFFICE

There are two types of work in every company: process work and project work (this model was first articulated to me by Cutter Consortium Senior Consultant Rob Thomsett). Process work is the fundamental work of any company. Taking orders, delivering products, processing invoices, and collecting receivables are examples. Project work is taking an existing process or an idea for a new process, running it through the process (albeit a special process) called a project, and implementing a new or better process: (new or existing) process => project => (implemented or better) process. In most companies, about 90% of the work is process work and 10% is project work. In IT organizations, the split is about 70/30.

The skills required to manage processes and projects are different. Both require the ability to lead, communicate, motivate, negotiate, and resolve conflict, but processes are managed from a position of power, while projects are managed from a position of influence. This major difference is many times lost on people.

This is where the project office comes in. The project office's most important function, in my opinion, is to teach people (who have most likely been managing processes) the skills they need to manage projects. Under the Project Management Institute's (PMI) project management body of knowledge (PMBOK), this means developing the skills of integration, scope, risk, cost, time, quality, communications, human resources, and procurement management.

A quick word about the PMI approach to project management. Like it or not, the PMI has become the de facto standard for project management. One of the important things this approach provides that is often lost in IT projects is the distinction between development methodology (analysis, design, build, test, implement) and project management methodology (initiation, planning, execution, control, closing).

Development methodology focuses on how to develop the product. Project management methodology focuses on how to manage the process of developing the product. Often, IT project managers focus too heavily on development methodology, forgoing the project management methodology. Although the two are intertwined, it is important to keep them separate. Many IT project managers enjoy doing the work more than managing it.

By focusing specifically on project management skills and methodologies, the project office can develop project management into a core competency and create a culture of project management. Why is that important? Well, if a project is taking a process and making it better, and if you can turn the management of projects into a core competency, then your company should have a competitive advantage. You should be able to take ideas and implement them faster, better, cheaper, and with better quality than companies that do not have project management as a core competency. Also, you will learn to cancel bad projects quicker (not a trivial skill).

Unlike IT development, which goes from waterfall development at one end to component-based and object-oriented development at the other, project management methodologies are much narrower in variation.

Although Internet and Web development is a lot faster, the basic principles of project management are still the same and are still required. A project office can provide many essential components of this, including training, reporting, enterprise-wide understanding of all projects and how they relate, clarification of project methodologies, and so on. Building a core competency and a culture of project management is a competitive advantage that all companies can use.

Steve Hawrysh

Stephen P. Hawrysh, CCP, PMP is the manager of the program office at Fingerhut Companies Inc., a leader in multichannel marketing. Mr.Hawrysh can be reached at Steve.Hawrysh@Fingerhut.com.

Try Your Knowledge on PMP Exam Questions

(Answers are on page 12)

Here is a sample of some questions:

1. The investment in quality initiatives is:
 - a. Typically borne by the project as part of its management reserve.
 - b. Addressed as a contingency plan and budgeted as a management reserve.
 - c. Typically borne by the performing organization since the project may not last long enough to reap its rewards.
 - d. Typically part of the project's budget.
2. One output of the information distribution process is:
 - a. An information distribution system to be used for project communications.
 - b. Project records.
 - c. A listing of each stakeholder and their respective information needs.
 - d. A description of how information about project activities can be retrieved..
3. The output from the source selection process is the:
 - a. Proposal.
 - b. Procurement documents.
 - c. Contract.
 - d. Procurement management plan.
4. A workaround is:
 - a. A response that is planned as an opportunity.
 - b. Changes to bring expected future performance of the project in line with the plan.
 - c. An unplanned response to a previously unidentified or accepted negative risk event.
 - d. The need to take corrective action as a result of a planned risk response.

JANUARY MEETING REVIEW

Doing More with Less: Four Productivity Life Savers

Joan Knutson's presentation harkened back to the founding days of our chapter. In those early days a couple dozen members got involved in the after-dinner presentation. Early chapter members carried over the tradition from the Los Angeles chapter of asking thoughtful questions of the presenter. Some members from that time have been worried recently about the loss of intimacy and interaction with the gain of participants, in January's case, 140 diners.

Joan established the tone of the meeting by discarding her feedbacky mike then positioning herself in midst of the tables for her presentation. Her performance should be used as an example for future presenters.

Joan's topic was real and immediate. Project managers are always pressed to do more with less. Based on her experience and practice doing more with less she pointed out four challenges. Her presentation consisted of eliciting pre-emptive and reactive ways to deal with each challenge to do more with less. These four circumstances are:

- Poor Performers
- Turnover
- Overstaffing
- Sustained Overtime



Presenter Joan Knutson (left), with PMI-OC Vice President of Communications, Glen Fujimoto

Joan's presentation abilities are best appreciated by highlighting by how she made these topics come alive and personalized each even for a large audience.

For poor performance, Joan made visible the notion by asking ten audience-members to stand up. Then she identified three people who, for purposes of a project assignment, lacked skills, availability or knowledge to perform. She paraphrased Ed Yourdon, author of "Death March," by pointing out that it would probably be more effective to lose those three individuals than to add a high performing individual to the same team.

The audience provided insights to avoid such a problem by setting expectations for performance early, providing better process or tools, or make an example of those who failed to perform. She dealt with "making an example" as a theme developed by in our audience participation. She did not endorse this, but made it possible for people in the room to see that their pre-emptive choices were broad, but not all equally effective results.

In her second point - turnover - Joan challenged the participants to identify from a list of six which three project roles' departure would most harm project performance. She reminded our group that turnover's costs include interruption, distraction and the changing of relationship chemistry. After each audience member had chosen their most critical, many expressed surprise with at least one of those she identified.

Client or sponsor came out topmost. Project manager, she identified as second. Project administrator surprised many ranking third place. Participants frequently picked subject matter experts or functional managers for the top three. Joan closed out this second topic by eliciting the difference between those who leave the company and those who transfer out of the team elsewhere in the company. The audience came to understand that although transferring out appears to cause less of an impact, the false expectation

of contribution and availability postpones and enlarges the impact of turnover.

Joan used kinesthetic learning to clarify the consequences of the third demand to do more with less. In the front and the back of the hotel ballroom she selected ten individuals to stand in a circle facing inward. She asked each to grasp the hand of another in the circle. Then she asked each to grasp the hand of another



individual in the circle. Then she asked each circle to unscramble themselves without letting go of the hands they held. Neither group succeeded.

She explained that what the 20 participants experienced and 120 audience members observed - connectivity in a larger group is most difficult to unravel. She used the equation for non-linear growth of connectivity among components to explain this difficulty. By adding two more people to each group of ten and split those 12 into two circles of six and giving them the same directions as the original circle, two of the four smaller groups were able to sort themselves out as a braided circle with more clear-cut connectivity.



Continued on page 7

January Meeting Review

Continued from page 6

For her fourth point she drew upon the work of F. L. Harrison's, unfortunately out of print 1992 edition, "Advanced Project Management." She illustrated how overtime's benefits decline relatively rapidly. Like several of her other points, questions were raised and fielded that brought the knowledge and skill of our organization into the presentation. This topic was explored further in exchange between participants and presenters during the concluding Q & A session.

Her recommendations included the idea that one might consider scheduling overtime early in the project to assure that critical first steps were completed on time and while individuals were relatively fresh. In reactive response to overtime, the benefits would spring from:

- 1) defining the time frame of the needed overtime,
- 2) being sensitive to the impact on those who would be working overtime, and
- 3) enlist the participants in finding alternatives to overtime.

Joan set a standard for presentation excellence by providing several actionable take-aways, learning something from her audience while informing them, and demonstrating that interaction and intimacy can be created among our large audience. Since most project managers have presentation responsibilities, Joan also modeled professional explanatory approaches. These included physical learning; elicitation of knowledge and insight from participants, and focus on practical approaches to a relevant problem/opportunity.

Frank Reynolds, FLMI, CCP, PMP

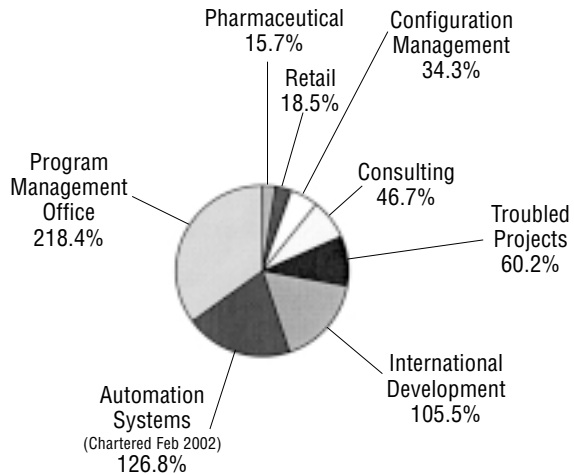
FACTS FROM PMI'S DATA ARCHIVE

Do you want more bang for your membership bucks? Join a Special Interest Group-SIG!

Here's where the action has been in 2002! Take a look at these impressive growth numbers. Consider the Project Management Office SIG - it grew by 218%, and the Automation Systems SIG, which grew by 127%. Also the International Development SIG grew impressively by 105%.

Are you part of the growth?

Eight SIGs that Grew the Most



So where is the IS SIG? Well, the Information Systems SIG drew the biggest membership in 2002 with 15,288 participants; however, its membership declined from 2001 by 6.75%, which seems to track to our country's economy. What's perhaps even more alarming is the Quality in Project Management SIG - it shrank by 24%.

If you are already a PMI member, you may join on-line, in the PMI members area or www.pmi.org. You may also contact the customer service department at (610) 356-4600.

See where your SIG ranked . . .

SIG	Members	Growth
Aerospace & Defense	1,028	3.40%
Automation Systems* Chartered Feb 02	41	126.83%
Automotive	353	-11.33%
Configuration Management	137	34.31%
Consulting	1,149	46.74%
Design-Procurement- Construction	1,868	-9.10%
Diversity	162	-0.62%
E-Business	1,721	-14.88%
Education and Training	1,062	-5.18%
Environmental Management	311	-5.47%
Financial Services	1,638	-6.72%
Government	1,016	4.04%
Hospitality Management	66	3.03%
Information Systems	15,288	-6.75%
Information Tech. & Telecom	3,039	-0.36%

SIG	Members	Growth
International Development	165	105.45%
Manufacturing	462	-15.15%
Marketing & Sales	535	-17.38%
Metrics	422	9.48%
New Product Development	1,305	-13.33%
Oil, Gas, Petrochemical	542	9.96%
Pharmaceutical	1,108	15.70%
Program Management Office	528	218.37%
Quality in PM	1,780	-24.38%
Retail	124	18.55%
Risk Management	1,572	-5.53%
Service & Outsourcing	832	-14.90%
Students of Project Management	223	-25.11%
Troubled Project	279	60.22%
Utility Industry	732	-5.19%
Women in PM	2,232	-9.45%

Compiled by
George D. Meier, PMP

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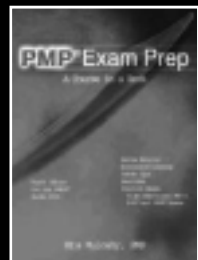
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Scholarships through PMI® for the 2003-2004 Academic Year

Scholarships through PMI® for the 2003-2004 academic year

The PMI® Educational Foundation Scholarship program has two local educational scholarships which were recently established and are currently accepting applications for the 2003-2004 academic year.

Both of these scholarships were created because a dearly loved and respected Southern California member passed on in 2002, **Charles Lopinsky**. Anyone interested can obtain a guide and application information from the PMI website at www.pmi.org/pmief/scholarships.htm.

Let's continue to grow our profession.

Scholarship Name:

Los Angeles Chapter
Charles Lopinsky Memorial
Scholarship

Established by:

PMI Los Angeles Chapter

Degree Eligibility:

Masters or Doctoral

Amount: \$2000

Area of Focus: Project management related studies at the following Los Angeles colleges/universities: Keller Graduate School of Management and the University of California - Irvine or Los Angeles campuses.

Scholarship Name:

Orange County Chapter
Charles Lopinsky
Memorial Scholarship

Established by:

PMI Orange County Chapter

Degree Eligibility:

Masters or Doctoral

Amount: \$2000

Area of Focus: An Orange County, California, USA resident pursuing a degree in project management.

THE PMI RESEARCH ACHIEVEMENT AWARD

PMI INTRODUCES TWO NEW AWARDS IN 2003

The PMI Research Achievement Award recognizes and honors an individual or group of individuals who have significantly enhanced the concepts, knowledge and/or practices of project management through professionally conducted and authored project management research. This award is just one way to help recognize and honor the contribution of your colleagues and peers to the advancement of the Project Management body of knowledge.

Eligibility:

- The recipient may work in any field, such as business, government, nonprofit, academia, research, consulting or training.
- The individual must have made contributions to the advancement of the PMBok that are consistent with the definitions adopted by the PMI Research Program.
- The award may be given to PMI members or non-members.

Submittal Deadline: 28 February 2003

PMI COMMUNITY ADVANCEMENT THROUGH PROJECT MANAGEMENT AWARD

The PMI Community Advancement through Project Management Award recognizes an individual, PMI Component or organization for a particularly significant or sustained performance that improves the well being of a community. The award will focus on the successful completion of a project, multiple projects or the application of project management principles to the *pro bono* delivery of goods and services. *Pro Bono* is defined as "volunteer work provided without any form of compensation, whether financial, in kind or business advantage."

The three categories of the new award are as follows:

- **Individual:** may be volunteers or leaders in the community, industry, business, academia, not-for-profit organizations, or any other movement, and who is recognized for advancing the well-being of communities through the application of project management principles.
- **PMI Component:** is any chartered PMI component organization such as chapters, specific interest groups and colleges.
- **Organization:** may be a business, a not-for-profit organization, government agency or any other entities that does not fall under any of these categories but undertakes project(s) that contribute significantly to the social good without any type of compensation.

Submittal Deadline: 28 February 2003

Get involved in the PMI Professional Awards Program! For more information about these awards and how to nominate someone, please visit the awards section of the PMI Web site (www.pmi.org). All nominations must be received by postal mail addressed to the Manager, Marketing, at PMI Headquarters no later than **28 February 2003**.

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CHANGE IN PROCEDURE

to Update Your Contact Information for PMI Orange County

Our goal is to ensure members are receiving our newsletter, the *Milestones*, and chapter announcements on events via e-mail distribution.

Effective May 1, 2003, the PMI Orange County Chapter will only be receiving member information updates from PMI Headquarters. We encourage our members to update their address, phone numbers and email address via PMI's web site.

The following is the procedure to update your membership information.

1. Go to PMI's home web page at <http://www.pmi.org>
2. Under Global Membership and Communities, click on Membership.

3. Under Quick Links, click on Membership Log On or here is the link to the member area on PMI HQ website:
<https://secure.pmi.org/edit/>
 - a. You will need your PMI Member ID number and system password.
 - b. Forget your member password? Please contact the PMI Headquarters Customer Service department at 610-356-4600 option 8 or send an email message to pmihq@pmi.org to verify your membership and be issued a new password.

Thank you for assisting us to ensure you are receiving member communications. If you have any questions, please contact Judy Quenzer, VP Membership at membership@pmi-oc.org.

Judy Quenzer
VP Membership



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Answers to PMP Exam Questions

From page 5

1. c. Typically borne by the performing organization since the project may not last long enough to reap its rewards.
PMBOK 2000, paragraph 8.0 (page 97)
2. b. Project records.
[Planning] *PMBOK 2000*, paragraph 10.2.3.2 (page 122)
3. c. Contract.
[Executing] *PMBOK 2000*, paragraph 12.4.3.1 (page 156)
4. c. An unplanned response to a previously unidentified or accepted negative risk event.
[Controlling] *PMBOK 2000*, paragraph 11.6.3.1. (page 146)
Note that answer "b" is the definition of *corrective action*.

SMART IDEAS IF CHANGING JOBS OR WORKING AS A CONSULTANT

Love those tech stocks, but don't marry them!

We've heard it all our lives. As Americans, the mantra has haunted us from the day we were born. No matter how hard we try, the cliché lingers in our minds. Now, due to the technology stock meltdown, it comes racing back to the forefront of our minds. "Don't put all your eggs in one basket!"

Why didn't investors listen! Why did investors invest in so many tech stocks with questionable earnings or downright massive losses? Why did investors totally disregard this one foundational investment truth?

I believe the single biggest factor in this recent market meltdown can be summed up in one word: **Denial**. You thought I was going to say greed, didn't you? That would actually explain the first half of the problem, but not the last half. Sure, greed pumped the market up to unsustainable heights, but it wasn't only greed that caused the cratering into the ground.

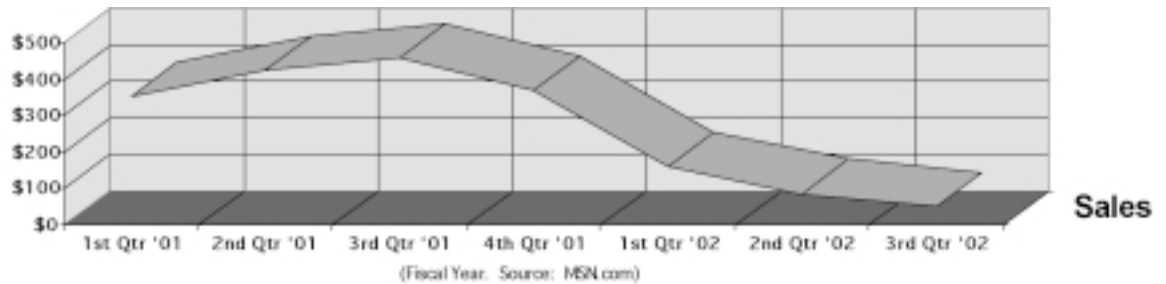
Denial can be a powerful driver in the investor's psyche. If you own a cluster of your favorite tech stocks and most if not all of them have fallen to depths you didn't think was possible, what should you do now? To better answer that question, let's make an example of a company I'm sure you're all familiar with: Sun Microsystems.

Now, here's a company that was one of the most touted stocks on CNBC. The stock price was going to the moon and beyond! With their servers and Java, the company could do no wrong. But then, cracks started to show in the armor. Quarterly sales started to slow (See chart below). The hot technology spending by companies started to cool. Finally, the bottom fell out. Sun Microsystems sales dropped nearly 50% since mid-2001. Consequently, their stock dropped from \$60 to less than \$3.

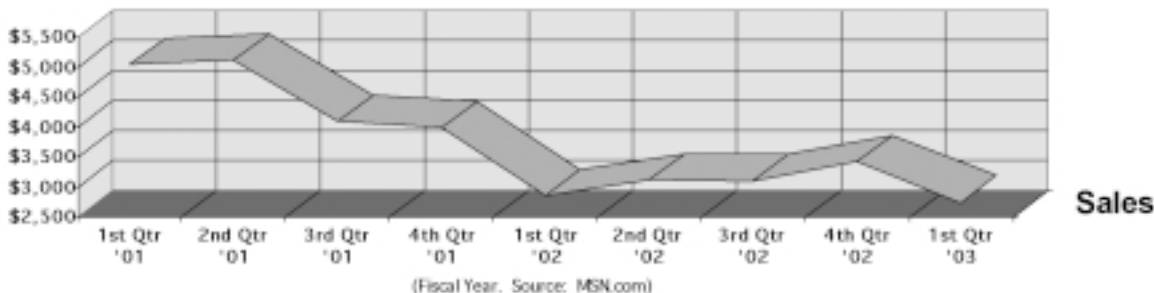
Legendary stock picker Peter Lynch used to say that he would hold stocks long-term, as long as their "story" didn't change. The story of a company was their sales and earnings growth, as well as their future potential. If everything stayed on track, he would hold for the long-term (meaning 3-to-5 years or longer). If the sales or earnings of the company started to falter, Lynch didn't have a problem selling. Especially if the company's sales and earnings fell off a cliff!

Here's another example: CIENA Corporation. Here's an optical networking equipment maker that ran into similar problems. With quarterly sales only one-tenth the level of Sun Microsystems, this company still had an avid investor following. After their sales skyrocketed in the late 1990's, their sales didn't just fall off. They collapsed (See chart below)! On the chart, you can see the same pattern as Sun, but look at the actual numbers. While Sun's sales dropped 50%, this company's dropped nearly 90%! I don't know about you, but I think if ANY company's sales dropped off that much, you can bet they are scrambling just to stay alive. Additionally, their stock also cratered down below \$3, but it was much higher than Sun's. CIENA's stock peaked at around \$150!

CIENA Quarterly Sales: In \$mil



SUNW Quarterly Sales: In \$bil



Smart Ideas

Continued from page 14

Lessons to be learned.

No. 1 – Overcoming Denial: The denial came when investors denied the reality of the collapsing sales volume. There were exit signs all along the way, but few took the opportunity. Collectively, we can all learn from the mistakes of the past, but what can we do in the future?

Employment: If you're a technology/telecommunications professional looking for a new employment situation, don't be in denial about a prospective company's future outlook. For example, if the company you're eyeballing has Internet Service Providers, dot.coms and telecomm equipment manufacturers as their main customers, you may want to take a pass. Think about it. Many ISPs have gone bankrupt, the dot.com's have imploded and the telecomm equipment manufacturers have laid off tens of thousands and are so weighed down with \$billions in debt, they are struggling just to stay afloat. Therefore, if you go to work for one of their suppliers, chances are you're going to be in for a major struggle. Better to go with a company whose sales maybe only leveled off, instead of falling off a cliff.

Additionally, look for tech companies that have the financial wherewithal to make it through this devastating tech storm. Get a copy of their most recent annual report or look up on a financial web site the company's cash on hand. If they brag about having \$600 million in the bank, but have been consistently losing \$200 million each quarter, they may be heading for a financial meltdown. There's nothing worse than accepting a position, pouring your heart and soul into the company, only to be laid off nine months later. Remember, do your homework!

No. 2 – Get a grip! Think about selling the hopeless losers: Tax time is right around the corner. Selling any big-time tech stock losers you may own may not be such a bad idea. You can write off up to \$3,000 of losses against ordinary income and carry-forward any additional losses. These can then be used against future income or to offset any future capital gains (yes, you may have some of those again someday).

Besides, you were supposed to be diversified. If you were one of the thousands of investors who defied this incredibly important investment rule, there is always time to correct your mistake. If you had the vast majority of your investment dollars in tech stocks going into the 2000-2002 meltdown, don't compound your error by sticking with it now. If you can admit that you made a mistake "back then" and know you wouldn't make it again, what are you doing with all your money in tech today? Contact your tax advisor and find out what your tax saving strategies could be for 2002.

No. 3 – If you HAVE to hang on to tech stocks, at least try to diversify. I've seen this over and over again. Investors who marry certain tech stocks (Cisco and Broadcom immediately come to mind) and cannot at least entertain the idea that they may NEVER come back! Or, if they do eventually come back, maybe it takes 20 years! All the while, they're locked into tech stocks that have dropped from a high of \$80 or \$280 down to \$10! Remember, when Cisco hit \$30 and Broadcom hit \$50, everyone said they couldn't go lower!

If you HAVE to hang on to tech, try this: Sell your hopeless losers and re-invest the money into a technology index. They trade just like stocks, but own a "basket" of individual securities. For example, let's say you still own some software stocks that have plunged 95%. You could sell those losers, turn right around and buy a tech index (the Nasdaq 100, ticker symbol "QQQ" is very popular) with the proceeds. That way, you could at least diversify your tech holdings into 100 different Nasdaq stocks.

Of course, now more than ever, you really need to properly diversify. You can no longer have the majority of your retirement savings in the hottest tech/telecom stocks. You should be looking at many other areas available to you as an investor. Make a commitment to yourself to do it right from here on out.

Steve Rumsey

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Steve K. Rumsey of Rumsey Asset Management specializes in asset allocation strategies and risk management techniques for individual and retirement plan portfolios.

DINNER MEETING

TUESDAY, FEBRUARY 11, 2003

Program: **Successful Projects
Against All Odds**

Location: Wyndham Gardens Hotel
3350 Avenue of the Arts, Costa Mesa
Behind the O. C. Performing Arts Center

Time: 5:30 - 9:00 p.m.

Cost:	In Advance:	At the Door:
	Members \$30.00	Members \$45.00
	Non-Members \$35.00	Non-Members \$45.00

Please register at www.pmi-oc.org. You can pay via credit card in advance or by cash/check at the door.

Make your reservation by 9:00 p.m., Thursday, February 6th, to obtain the "in advance" price. Reservations made after 9:00 p.m., Thursday, February 6th, will be charged the "At Door" price.

If you are unable to attend, please cancel your reservation at www.pmi-oc.org. Members and non-members who cancel after Sunday, February 9th after 9:00 p.m. will be invoiced a \$15 cancellation fee. Members and non-members who make reservations and do not show up at the meeting will be invoiced a \$15 no show fee.

PMI-OC BREAKFAST ROUNDTABLE

**FOURTH TUESDAY OF EVERY MONTH
FEBRUARY 25, 2003**

Location: **Hilton Hotel**
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3050 Bristol Street (near Paularino)
Costa Mesa
Atrium Café, Lobby Level
714-540-7000

Time: 7:15-8.45 a.m.

Register: Send your e-mail reservation to
Thomas Sippl at tsippl@pacificlife.com

Cost: Self-paid breakfast
Parking is validated

PMI-OC WEB SITE

Visit our web site at: <http://www.pmi-oc.org> to make your reservation for the dinner meeting and to stay informed of events that are important to members and to project management.

E-MAIL

If you would like to receive e-mail announcements about upcoming PMI-OC events, contact programs@pmi-oc.org

JOB POSTING TABLE

Share available employment opportunities with PMI-OC dinner meeting attendees. Submit your opening to Theresa Theiler, tt1591@sbc.com.

MILESTONES is published for the members of the Orange County Chapter of the Project Management Institute for the purpose of notifying members of meetings, Chapter activities, member accomplishments, and to provide information regarding project management in local business and government agencies. Advertising is welcome. However, its publication does not constitute endorsement by the Chapter or the Project Management Institute. Subscription rate for non-members is \$12.00 per year for individuals with U.S. mailing addresses.

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FEBRUARY 11 DINNER MEETING
Successful Projects Against All Odds
Speakers: Mike Rose
Vendor Showcase: ESI

FEBRUARY 24 PMI-OC BOARD MEETING
E-mail: info@pmi-oc.org for meeting information

FEBRUARY 25 BREAKFAST ROUNDTABLE
See page 15

MARCH 11 DINNER MEETING
Project Managing a Rose Parade Float
Speaker: Tim Estes
Vendor Showcase: Pacific Edge Software

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