

Week 4 Individual Assignment

[Student name]

[Course]

Topic: Explain the importance of the project charter and what should be included in the charter? Discuss how IT projects are identified and prioritize within an organization. Discuss NPV, ROI and payback analysis. How are they used to help identify which projects are chosen. What should be included in a Project management plan?

Discussion

Project integration management refers to the coordination of activities of a project such as resources to ensure they are performed together in project management. Project integration management is used because it establishes how the project activities and tasks are related to each other and how other different departments of the organization relate to the project in progress (Schwalbe, 2016, p. 138). The process of project integration management starts with ensuring the development of the project charter then the project management plan. It helps manage and monitor the project tasks, ensures the integration control of change is established, and assists in closure of the project.

Project Charter

A project charter is a formal document that kicks off the initiation of a project. It identifies the existence of a project and includes the projects direction and objectives. A project charter is usually created by the project sponsor along with the project manager. This involves collaborating with project team members to create the document and key stakeholders to formally sign off and acknowledge the project (Schwalbe, 2016, p. 138). This ensures that the project will support the organization and that the goal and objective of the project are realistic and achievable.

Purpose and content. The project charter summarizes the scope, schedule, budget, quality objectives, deliverables, and milestones of the project. It serves as an important communication tool that provides a consolidated source of information about the project that can be referenced throughout the project life cycle. The purpose of a project charter is it outlines the roles of responsibilities of stakeholders in the project.

Benefits and importance. The project charter is important in project management because it can be used as a reference document in the future. It provides a sense of direction for the project manager to follow. There are many benefits to a project charter. It explains how and why a project is important, it provides the project manager authority to complete the project, and it is able to measure the success of a project.

Project Identification

Identifying projects in IT project management involves evaluating and deciding if a proposed project should be taken on, based off aspects such as costs, benefits, and risks. Project identification is generally the first step of any project. It's a process of documenting, validating, ranking and approving candidate projects within an organization. Companies identify methods differently based on the focus and mission of the company.

Prioritization. Prioritizing projects can be a challenge for any project team within many organizations. One of the best methods to use to help prioritize IT projects is implementing a prioritization matrix. A prioritization matrix can be an effective tool and is designed to be quick and easy to use. The matrix helps determine the order in which projects should be completed, considering various factors. Team members rate each factor and assign a weight if needed. The calculations will show the best opportunity and where the team should focus resources.

Evaluating. Evaluating a project is collecting and analyzing data to determine whether the objectives have been achieved. It measures the efficiency, effectiveness, and impact of the project. Monitoring the project provides information that an evaluator can use to aid in decisions about improving, continuing, or discontinuing a project (Mathis, 2011).

Financial Analysis

One of the most important parts of the project planning process is the financial analysis. Not only should projects be on time and on budget, but they also need to contribute to both shareholder value and the long-term financial success of the business (Cohen, 2000). The goals of this phase are to determine whether to take on the project, to calculate its profits, and to ensure stable finances during the project. Simply, financial analysis evaluates project liquidity and profitability. Liquidity is assured by cash flow analysis, while the profitability is evaluated by the net present value (NPV), return on investment (ROI), and payback analysis.

Net present value. NVP is a tool that is used in capital budgeting and investment decisions by organizations. It signifies the difference between present values of cash inflows and cash outflows over a period and shows how profitable an investment option is in the long run. NVP shows how much an investment, project, or cash flow is worth. This is how NVP is used to help identify which project should be chosen. When total cash inflow is greater than cash outflow, NVP is positive, which means that the project is profitable. Negative NVP means the project is unprofitable and zero NVP means neither profit nor loss.

Return on investment. ROI refers to the ratio between total net profits and cost of investment. This tool is used to evaluate the efficiency of an investment or to compare the efficiencies of several investment alternatives. A high ROI is considered as favorable and vice versa. ROI can help identify which project should be chosen because it's a good indicator of the financial gain or loss of the project in relation to its total cost. It shows the real value of the project by considering the efficiency of the project.

Payback analysis. Payback analysis refers to the time required to earn back the amount invested in assets. When the payback period of investment is shorter, the project is acceptable and vice versa. This tool helps in making an investment decision and an estimation of risk associated with the investment proposal. Payback analysis is used to help identify which project should be chosen by analyzing the liquidity of a project.

Project Management Plan

A project management plan clearly defines how a project is executed, monitored and controlled, and closed. The project management plan is used to determine the project outcome, the success of it, the people who would be involved in the project, the process using which the project will be measured, and communication plan. It is created by the project manager, key stakeholders, and project team members.

Importance. The project management plan is essential in a successful project because every important detail regarding the project is in it. The primary purpose of a project management plan is to execute and achieve the vision of the chosen project. It should be used as a reference for any decision that is made on the project and for clarification of unclear areas. Without a proper project management plan in place, the stakeholders would be exposed to chaotic management, facing unclear objectives, lacking proper resources, and depending on unrealistic planning.

Main components. The purpose of the document is to provide a comprehensive framework of what must be achieved through the execution of the project, procedures to solve it, steps to measure, communication, and who's involved. The project management plan is used to describe every phase of the project include the planning, executing, monitoring and controlling, and the closure of the project.

References

Cohen, D. J. (2000). Why finance matters for project managers. Paper presented at Project Management Institute Annual Seminars & Symposium, Houston, TX. Newtown Square, PA: Project Management Institute.

Mathis, K. (2011, April 19). How to Evaluate Your Project. Retrieved from <https://pmhut.com/how-to-evaluate-your-project>

Schwalbe, K. (2016). Information Technology Project Management. Boston, MA: Cengage learning.