

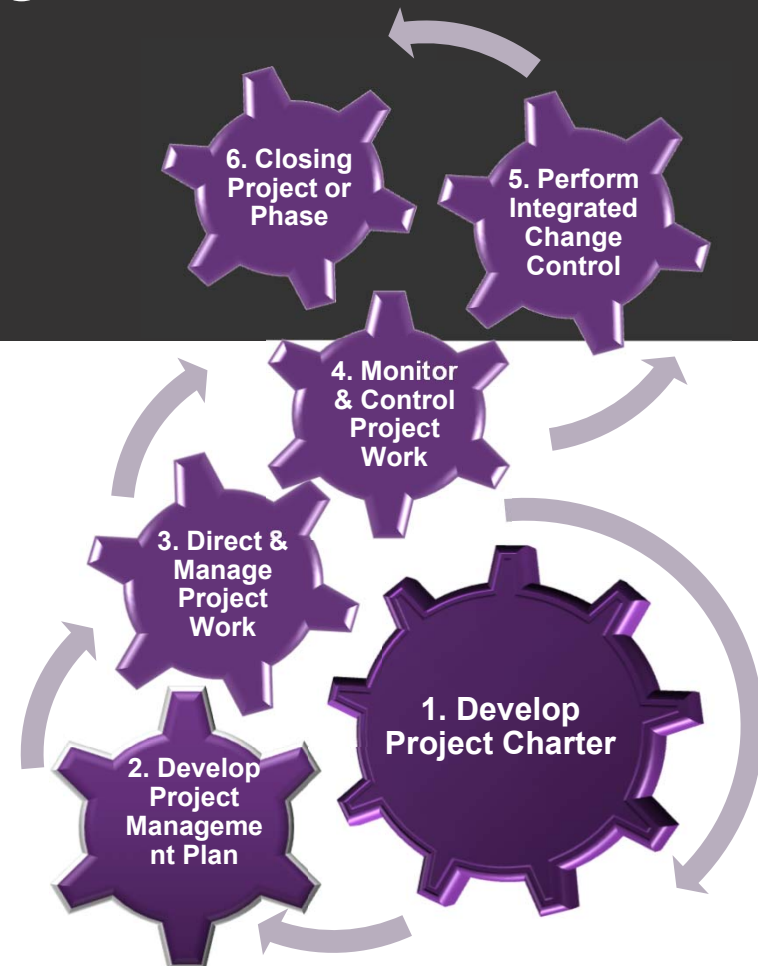


MONASH University

Information Technology

FIT2002 Seminar 3

Project Integration Management



Recap from Video 1:

- Project integration management is the first of the ten project management knowledge areas
- It involves coordinating all of the other project management knowledge areas throughout a project's life cycle.
- Before selecting projects to pursue, it is important for organisations to follow a strategic planning process.
- IT projects should support the organisation's overall business strategy.

Recap from Video 1: (cont..)

- Project integration management includes the following 6 processes:
 1. Developing the project charter
 2. Developing the project management plan
 3. Directing and managing project work
 4. Monitoring and controlling project work
 5. Performing integrated change control
 6. Closing the project or phase

Recap from Video 2:

- Common techniques for selecting projects:
 - broad organisational needs – need, funds and will
 - categorising projects – project's impetus, time window, overall priority
 - performing financial analyses – NPV, ROI, Payback
 - developing weighted scoring models, and
 - using balanced scorecards.

An NPV Exercise

Assuming cash flow starts at end of period 0 (= beginning of Period 1) , i.e. start from Year 0					
Discount rate	8%				
Discount factor					
Year	0	1	2	3	TOTAL
Benefits	\$0	\$200,000	\$200,000	\$200,000	\$600,000
Discounted benefit					
Costs	\$140,000	\$40,000	\$40,000	\$40,000	\$260,000
Discounted costs					
Cash flow					
Discounted cash flow					
Cumulative disc cash flow					
NPV					
ROI					

Payback period??

Solution:

Assuming cash flow starts at end of period 0 (= beginning of Period 1) , i.e. start from Year 0								
Discount rate	8%							
Discount factor	1.00	0.93	0.86	0.79				
Year	0	1	2	3	TOTAL			
Benefits	\$0	\$200,000	\$200,000	\$200,000	\$600,000			
Discounted benefit	\$0	\$185,185	\$171,468	\$158,766	\$515,419			
Costs	\$140,000	\$40,000	\$40,000	\$40,000	\$260,000			
Discounted costs	\$140,000	\$37,037	\$34,294	\$31,753	\$243,084			
Cash flow	(\$140,000)	\$160,000	\$160,000	\$160,000	\$340,000			
Discounted cash flow	(\$140,000)	\$148,148	\$137,174	\$127,013	\$272,336	$NPV = \sum_{t=0 \dots n} A_t / (1 + r)^t$		
Cumulative disc cash flow	(\$140,000)	\$8,148	\$145,322	\$272,336				
NPV	\$272,336	Payback is during the 1st year						
ROI	112.0%	ROI = total discounted benefits - total discounted costs / discounted costs						
		ROI = 515,419 - 243,084 / 243,084 = 112%						

Weighted Scoring Model

Weighted Scoring Model					
			Project 1	Project 2	Project 3
Criteria:	Weight:		Score	Score	Score
• Supports key business objectives	25%		90	80	70
• Has strong internal sponsor	20%		90	80	70
• Has high ROI	15%		50	70	90
• Provides positive NPV	15%		50	70	90
• Has low risk in meeting triple constraint	15%		70	60	50
• Payback within 2 years	10%		90	100	80
	100%				

Weighted Scoring Model Solution

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• Payback within 2 years	10%		90	100	80
	100%		75	76	74

Recap from Video 3:

- Creating a project charter to formally initiate projects
- Developing a Project Management Plan
 - Introduction or overview of the project
 - Description of how the project is organised
 - Management and technical processes used on the project
 - Work to be done, schedule, and budget information
- Directing and managing project work
 - Coordinating planning and execution
 - Providing leadership and a supportive culture
 - Capitalising on product, business, and application area knowledge
 - Project execution tools and techniques
- Monitoring and controlling project work

Recap from Video 4:

- Performing integrated change control
 - 3 main objectives are:
 - Influencing the factors that create changes
 - Determining that a change has occurred
 - Managing actual changes as they occur
 - Change control system
 - Includes – change control board, configuration management, and a process for communicating changes
- Closing projects or phases