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**COURSE NAME: FTO 047 PROJECT MANAGEMENT**

**Student’s Profile**

 **The Role of Finance in Project Management**

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**INTRODUCTION**

Every now and then, people embark in projects such as construction of a building, manufacturing a product, delivering a new product to a client, organizing a meeting, and implementing a new business process, all these are excellent projects but the process of implementing and completing them is key, achieving this will take a lot of financial management so that costs can be well minimized to give an outstanding outcome and result within the stipulated time frame.

Though the word finance is all encompassing, we cannot rule out the fact that any project needs resources to be initiated, processed, and completed. These resources include human and financial resources which is not limited to the purchase of materials, payment of wages and salaries ,the employees that do the work and so on.

A project can be temporary because it has a starting period and an ending period especially when the scope is known, and resources are defined. It can also be ongoing for a long period of time, but the overall aim is to achive results at the end of the period.

However, the above can be achieved when finance plays its role in financing a project.

This essay mainly discusses the role of finance in managing a project and how expedient it is to have financial resources in embarking on a project because it will determine the success or failure of that project.

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***Project management*** is the application of skills, tools, knowledge, techniques to project activities to meet the project requirements. It involves planning and organizing all tasks, events, schedules towards the accomplishment of a particular project in an organization.

Project management involves a one-time project rather than an ongoing activity.

Resources that are to be managed involves both human and financial capital, although project management is often closely associated with engineering projects but other organizations such as advertising, startups/small businesses, information technology and healthcare now make use of project management and thus, hire project managers.

Project managers make use of visual representation of workflow such as Gantt charts and PERT charts to determine which tasks are to be completed.

A project is a unique, short-term endeavor undertaken to achieve planned objective which could be defined in terms of outputs, outcomes, or benefits. It can also be defined as an activity that is temporary having a start and end date, is unique and brings about change. A project is deemed to be a success if it achieves the objectives according to their acceptance criteria within an agreed timescale and budget.

Generally, projects are formed to solve a problem or take advantage of an opportunity.

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***Why do Projects fail?***

**H**owever, there are so many reasons why projects fail, let’s look at the following

reasons**:**

1. Because of poor project and program management discipline

2. Due to lack of executive-level support

3. Because of wrong team members

4. Due to poor communication

5. There is no measures for evaluating the success of the project

6. No risk management

7. Inability to manage change

But all the above reasons can be linked to one source: finance!

**What is Finance?**

Finance can be defined as providing funding for; it can also be defined as the management of large sums of money by cooperate bodies and organization, it deals with how an individual or an organization acquires money and how they spend or invest the money.

It is the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting.

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Looking at the factors that determine the viability of a project, we’ll focus on the ‘4Ps’ which are itemized and explained accordingly:

►People

►Product

►Process

►Project

Without these four elements, projects, planning and execution will be impacted with roadblock issues and are less likely to meet their original goals.

***►People***

This is virtually any form of stakeholder who is directly or indirectly involved in the project, they include: Project Manager, administrator, team members, client/customers and end-users, sponsors and investors, business analysts, IT professionals etc.

They are to ensure the success of the project, identifying the skills, roles and responsibilities of each person involved. The right people at this stage are very important as they are known as the primary resources. Adequate team members will determine the successful completion of the project.

***► Product***

This stands for the project scope along with deliverables

The Product represents the goal of the project, for example the creation of a new

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business department. The resources, materials, quality, and everything else that defines the development of the project belongs to the product. Having a good knowledge of all the elements related to the product will help the project manager to define and control the deliverables throughout the project life cycle.

***► Process***

This stands for the process the team will follow order to produce the product. The

process focuses on how the product will be delivered. This involves the exact activity

that needs to be completed as well as putting specific project management strategy in place. This comes with a very detailed process on how to handle things for certain meetings to a very specific pattern of workflows.

***► Project***

 We can call this the structure or framework that is overseed by the project .This puts all the emphasis on the importance of the project manager who coordinates and controls the whole project through its life cycle, always maintaining an overview. The project manager makes sure that all the team members have all the resources to move the project forward.

***Analysis of the 4P’s***

The above describes the dependability of a successful project.

The role of finance cannot be overemphasized as without money, the people cannot be employed, without finance, there would be no product or processes or the project itself.

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Therefore, finance plays an important role to make sure all the ‘4P’s are put together to produce a successful project.

Let us consider the following factors:

**Funding**: Without the ability to fund a project, it won’t get done for it requires cash, loan or grant before any work can start

**Progress:** There is a relationship between organizations completing their work

efficiently and ownership releasing timely payments for the projects to run smoothly.

**Growth and Expansion:** Completion of projects profitably leads to growth of the organizations, but to complete projects, finance is needed.

In looking at the role of finance in Project Management, let us look at the financial phases in project management

***Phase 1****-* Project Initiation: A project comes to play by initiation. The person initiating such project is the owner, and for that project to come to reality, funding is key. The owner therefore secures funding to pay for the project. It can be as little as redesigning the roof of an office to building a bridge in a major city. Funding can be in the form of cash, loans, or grants.

***Phase 2***- the initiator seeks out qualified firms to do the work as the initiator looks for the most qualified firm based on their credit worthiness and how much revenue they make annually.

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***Phase 3***- The owner issues out official contracts to firms to do the work which obligates them to do the work

***Phase 4***-The owner releases progress payments as work is completed, and this should be done timely with a clear payment schedule.

***Phase 5***-The owner accounts for its own costs, revenue and profit as work progresses, calculating and putting into consideration its overheads, cost-to-complete, gross profit, and net profit.

***Phase 6***- Once final payments are issued, the organization pays all costs and are left with profit and its uses the profit to keep the organization moving.

From the above discussions, it is important to know that finance plays a major role in the execution and completion of any project, that is why it is very expedient for a project to calculate the cost before embarking on any project

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**CONCLUSION:**

There is an adage that says ‘ Cash is King’: this is true because the role finances play in managing a project cannot be overemphasized.

Project management entails a lot than just the face value of its name, as it is more of a theoretical framework than problem solving.

I can conclude to say that finance plays a major role in project management: from the inception through the execution to the completion of a project.

As explained earlier in this essay, I discussed how expedient it is that resources are to project management because it will determine how successful or unsuccessful a project might be in achieving its set goals and objectives, for resources are needed in every facet of a project’s life cycle.

It should also be noted that such funds should be effectively utilized and managed.

Project management entails a lot than just the face value of its name, as it is more of a theoretical framework than problem solving. No matter how inexperienced a project manager is (if I were one presently), the knowledge in this essay will make me to overcome obstacles and manage risks and achieve my set objectives.

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**HOW I CAN APPLY KNOWLEDGE GAINED TO MY COMMUNITY**

I have gained a lot of knowledge from this essay on the role finance plays in project management. I have learnt that you cannot embark on a project without finances:

I can apply the knowledge gained to the Non-profit organization that we initiated, knowing fully well that resources both human and capital are needed to accomplish the various projects the Non-profit will embark on and that without such funds or resources, the projects will not be executed and completed.

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**HOW PROJECT MANAGEMENT HAS ENRICHED MY KNOWLEDGE**

The overall concept of project management has enriched my knowledge in that I am more knowledgeable about what project management is, how to manage a project and the important role finance plays in managing a project resulting to a successful project whose objectives are achieved.

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