

Generation of Ideas

Identifying suitable project ideas is the most important step in the whole process of project preparation. The search for promising project ideas is the first step towards establishing a successful venture. The key to success lies in getting into the right business in the right time. The objective is to identify investment opportunities which are feasible and promising.

Generation of an idea of producing a new product, new business, requires imagination sensitivity to environmental changes and the realistic assessment of what the firm can do? A project is not a product or commodity to be purchased. It has a promise as well as a risk.

An idea regarding a required intervention in a specific area to address identified problem is formed and developed. This idea is usually hatched through discussions by specialists and local leaders in a community need based on issues and turned into a proposal.

Generally project ideas are generated depending on:

- Consumer needs
- Market demand
- Resource availability
- Technology
- Natural calamity
- SWOT analysis
- Political considerations etc.,

The project idea selection is selection of project idea from available alternatives is to be best suited to the entrepreneurs' capacity, competence and willingness. The project Selection includes

- Profitability
- Feasibility

- Resource-ability
- Acceptability

The basic criterion for selection of a project could be existence of a favorable cost-benefit relationship.

Project identification

A search for promising project ideas could contribute towards achieving specified development objectives. Project identification should be an integral part of the Macro-planning exercise of the state with sectoral information and strategies as the main source of the ideas.

Generally ideas are formed from several sources based merely on some vested interests of the individuals involved. However irrespective of their origin, project ideas should be in general aim at overcoming constraints on the national development effort.

Tasks involved in Generation and Screening of a Project Idea



1. Generation of Ideas-

A panel is formed for the purpose of identifying investment opportunities. It involves the following tasks which must be carried out in order to come up with a creative idea-

(A) SWOT Analysis- Identifying opportunities that can be profitably exploited

(b) Creating Good environment- A good organizational atmosphere motivates employees to be more creative and encourage techniques like group discussion etc.

2. Monitoring the Environment-

An organization should systematically monitor the environment and assess its competitive abilities in order to profitably exploit opportunities present in the environment. The key sectors of the environment that are to be studied are-

(a) Economic Sector-

- Growth rate of economy
- Inflation rate
- Globalization
- BOP situation

(b) Competition Sector-

- No. of firms and their market share
- Entry barriers
- Market prices
- Policies of industry
- Comparison with products of competitors

- Homogeneity

(c) Socio- demographic sector-

- Income distribution
- Population trends
- Women Employment rate
- Education level

(d) Government sector-

- Government projects
- Tax framework
- Financial norms
- Import and export policies
- Subsidies

(e) Technology sector-

- State of technology
- Emergence of new technology
- Access to technical know how

(f) Supplier sector-

- Availability and cost of raw material, money and energy.

3. Corporate Appraisal-

It involves identification of corporate strengths and weaknesses. The important aspects that are to be considered are-

(a) Market and Distribution-

Market image, share, distribution cost, product line, customer loyalty.

(b) Production and Operations-

Availability of raw material and power, fixed and variable costs, condition and capability of plant and machinery.

(c) Business Resources-

Business image, Dynamism of top management, state of industrial relations.

(d) Research and Development-

Research capabilities of a firm, Testing facilities, coordination between research and other departments of an organization.

(e) Finance and Accounting-

Cost of capital, Tax situation, Relations with shareholders and creditors.

4. Looking for Project Ideas-

There are various sources to look for a good project idea such as trade fairs and exhibitions, investigating local materials and guidelines, analyzing performance of existing industries, studying the consumption pattern of people, stimulating creativity to produce new products, Analyzing performance of social and economic trends, suggestions of financial institutions and development agencies.

5. Preliminary Screening-

It refers to eliminating of project ideas which are not promising. The factors to be considered while screening for ideas are-

- Comparability with promoter
- Consistency with Government priorities
- Availability of inputs
- Acceptability of risk level
- Adequacy of market

6. Project Rating Index-

It is a tool used for evaluating large number of project ideas. It helps in streamlining the process of preliminary screening. Hence a preliminary evaluation may be converted in rating index.

7. Sources of the Net Present Value-

In order to select a profitability and feasibility project, a project manager must carry out a fundamental analysis of the project and factor market to know about entry barriers which lead to positive net present value.

8. Entrepreneurial Skills-

An individual must possess few traits and qualities in order to be a successful entrepreneur. He must be a good leader, strong minded person, rational decision maker, competitive etc.