

Q2,00,00

14.10.22

- # Scouting for project idea (Chandrasekharan Chap 3)
- # organizational structure (Larson Chap 3)
- # Overview
- # Feasibility Study
- # Market Demand & Analysis
- # Financial Analysis
- # Technical Analysis

# What is a Project?

- A project is a one-shot, time-limited, goal-directed, major-undertaking, requiring the commitment of varied skills & resources
- A project is a combination of human & non-human resources pooled together in a temporary organization to achieve a specific purpose.
- A project is a temporary endeavor undertaken to create a unique product or service.
- A project involves a current outlay (or current & future outlays) of funds in the expectation of a stream of benefits extending far into future.
- The term **Project** – also refers to as a **capital expenditure**, **capital project**, **capital investment**

# **Project Management**

Project management provides an organization with powerful tools that improve its ability to plan, implement, & control its activities as well as the ways in which it utilizes its people & resources.

## **Why Project Management**

- Project management allows the management to be responsive to:
- (1) the client & environment
  - (2) identify & correct problems at an early stage
  - (3) make timely decisions about trade-off between conflicting project goals, &
  - (4) ensure that managers of the separate tasks that comprise the project do not optimize their individual tasks at the cost of the total project
    - that is, that they do not sub-optimize.

# Forces Fostering Project Management

There are three leading forces, which foster the modern project management:

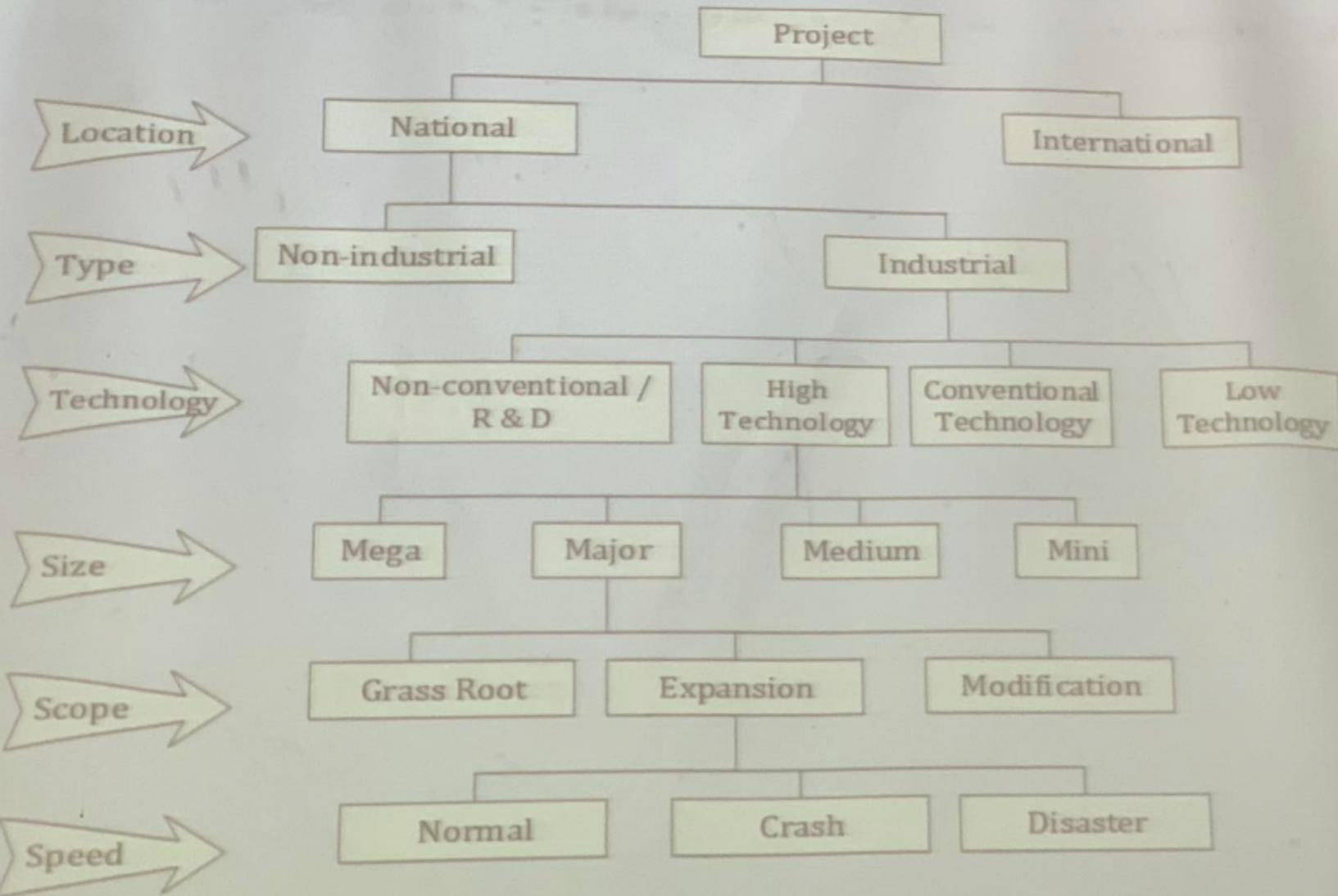
- (1) The exponential expansion of human knowledge allows an increasing number of academic disciplines to be used in solving problems associated with the development, production, & distribution of goods & services.
- (2) Satisfying the growing demand for a broad range of complex, sophisticated customized goods & services depends on our ability to make the product design (development) an integrated part of the production & distribution.

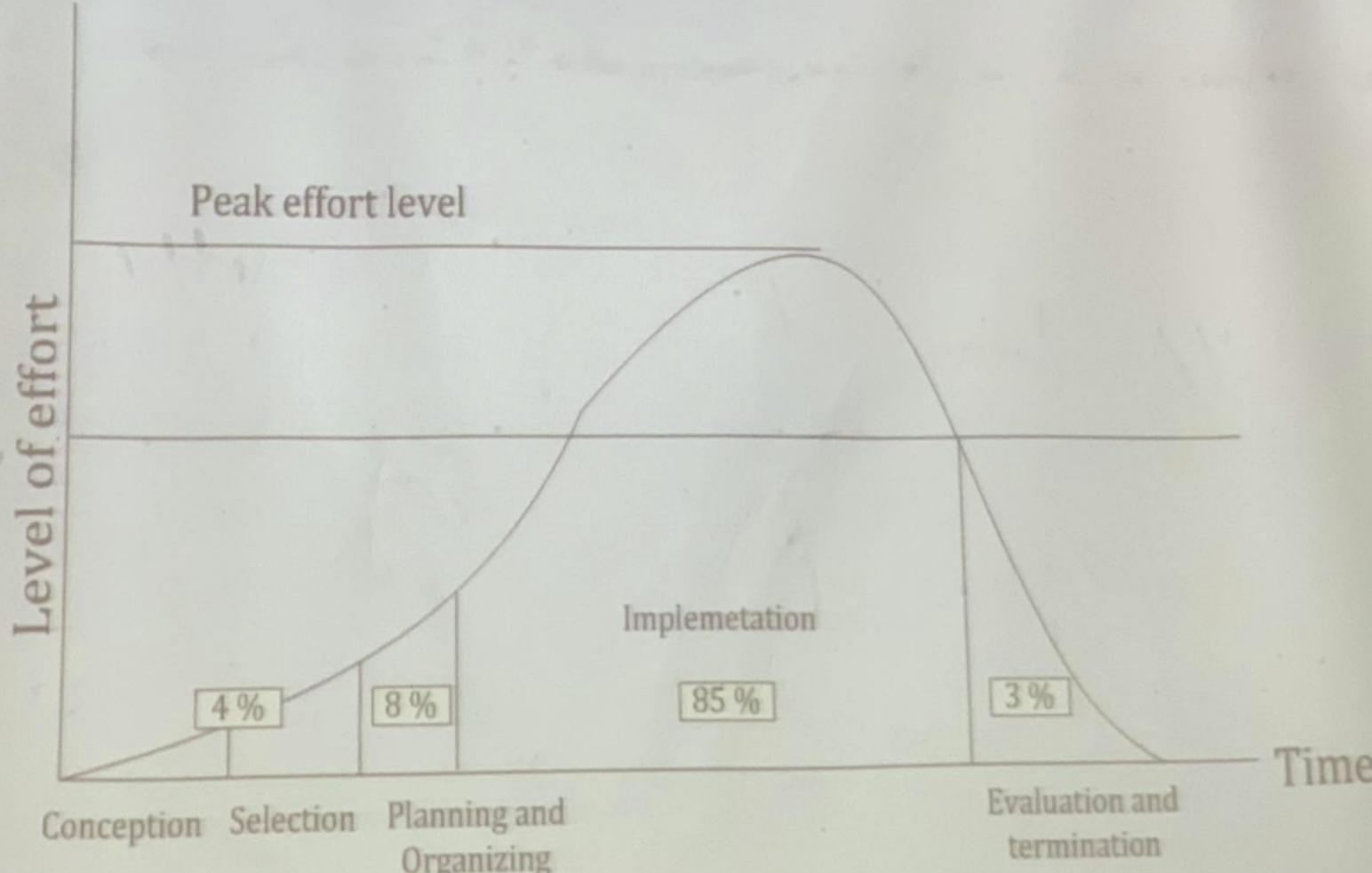
## Forces Fostering Project Management contd...

(3) The worldwide evolution of competitive markets forces us to include cultural & environmental differences in our managerial decisions (about what, where, when & how to produce & distribute output).

In addition to the above mentioned forces, ***intense competition*** among the institutions (both profit & non-profit organizations) puts sever pressure on the organizations to make their complex & customized output available as quickly as possible (Time to market).

# Categories of Projects





## Project Life Cycle Curve

# Project Life Cycle Phases

- **Conception Phase:** The project idea germinates during this phase. At this stage the ideas need to be put in black & white & given some shape before they can be considered & compared with competitive ideas.
- **Selection Phase:** Here the ideas are screened based on several factors like governmental issues, availability of inputs, market, reasonability of cost & risk involvement etc. Thus, the appropriate idea of project is selected.
- **Planning & Organizing Phase:** This phase is involved with preparation for the project to take off smoothly. At this phase documents such as *Project execution plan* are prepared & the process moves towards the implementation of the project.

## Project Life Cycle Phases contd...

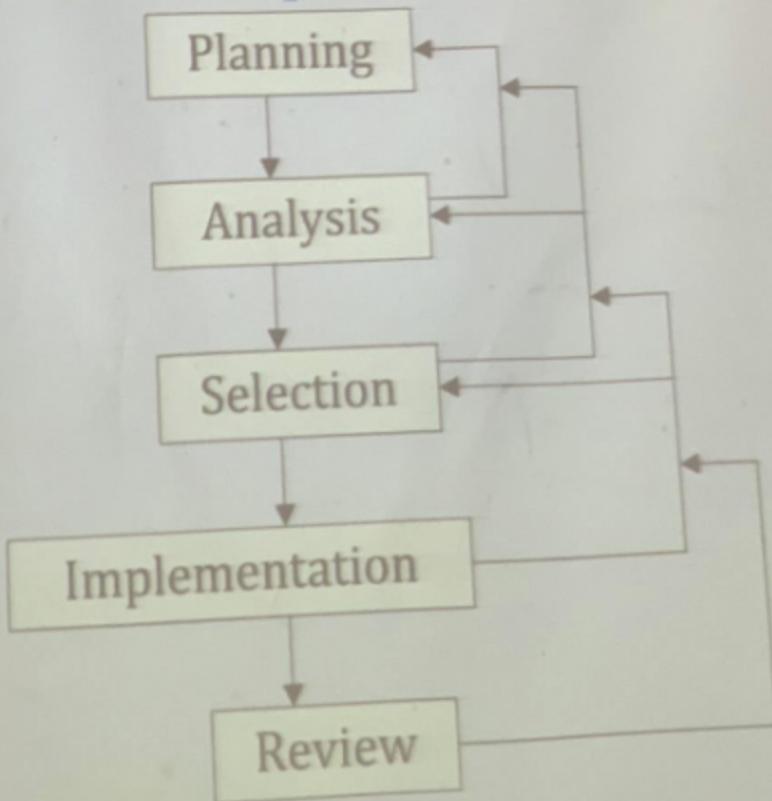
- **Implementation Phase:** This is the main phase of project life cycle, where (traditionally) maximum effort & time are involved. Detailed engineering, ordering, delivery, construction, & commissioning of the plant take place during this phase.
- **Evaluation & Termination Phase:** The final phase of project life cycle deals with two elements: (1) the evaluation of quality, cost, & timing performance of the project & (2) closing the project (closing the project accounts, materials reconciliation carried out, dues collections & outstanding payments are made)

# Capital Project: Difficulties

While capital project decisions are extremely important, they also pose difficulties, which stem from three principal sources:

- (1) **Measurement Problems:** Identifying & measuring the costs & benefits of a capital expenditure proposal tends to be very difficult.
- (2) **Uncertainty:** A capital project decision involves cost & benefits that extend far into future. It is impossible to predict exactly what will happen in future. Hence, there is usually a great deal of uncertainty characterizing the costs & benefits of a capital expenditure decision.
- (3) **Temporal spread:** The costs & benefits of a associated with a capital project spread out over a long period of time, usually 10-20 years for industrial projects & 20-50 years for infrastructural projects. Such spread of time creates problems in estimating discount rates & establishing equivalences.

## Phases of Capital Budgeting Process



# The key issue in project analysis

