

MEANING OF PROJECT

A project is a scientifically evolved work plan devised to achieve a specific objective within a specified period of time. It presupposes commitment to tasks to be performed with well defined objectives, schedule and budgets. Each project differ in size, nature, objectives or complexities.

The dictionary meaning of word project is that it is a scheme, design, a proposal of something intended or devised to be achieved.

According to Encyclopaedia of Management, "a project is an organised unit dedicated to the attainment of a goal the successful completion of a development project on time, within budget, in conformance with pre-determined programme specifications."

Project management scholars emphasise that a project is an unique and non-repetitive activity which aims at systematically co-ordinating inputs in the direction of intended outputs. Another school of thought looks upon a project as a combination of interrelated activities to achieve any specific objective.

Several economists and bankers have defined a project in many ways. The World Bank defines a project as "an approval for a capital investment to develop facilities to provide goods and services." According to Harrison, "a project is a non-routine, non-repetitive, one-off undertaking normally with discrete time, financial and technical performance goals". Giitinger defined it as 'the whole complex of activities involved in using resources to gain benefits.'

Thus, a project is a well planned activity that includes a correct consideration of alternatives, identification of key issues, broad participation, compactness and enforce ability. It should be neat, clear and specifically designed to facilitate the entrepreneur in the attainment of objectives. There are different types of projects according to the needs as research projects, agricultural projects, sub-projects and projects related to market equipment, technology, production, location etc.

PROJECT CLASSIFICATION

Though every project has three basic features :

a course of action specific objective definite time duration but every project has certain unique features also. So different authorities have classified projects in various ways. These can be defined as follows :

1. Quantifiable and Non-Quantifiable Projects : These two broad categories of projects were given by Little and Mirrless. According to them Quantifiable projects are those in which a plausible quantitative assessment of benefits can be made and Non-Quantifiable projects are those for which such an assessment is not possible. Project related to industrial development, power generation, mineral development etc. are forming part of quantifiable projects, while projects for health, education, welfare and defence etc. come under the category of non-quantifiable projects.

2. Sectoral Projects : The planning commission has accepted the sectoral criteria to classify the projects. According to this classification, a project may fall in any one of the following sectors :
- (i) Agriculture and Allied Sector
 - (ii) Irrigation and Power Sector
 - (iii) Industry and Mining Sector
 - (iv) Transport and Communication Sector
 - (v) Social Services Sector
 - (vi) Miscellaneous

This sort of classification of projects is quite useful for resource basis allocation of their at techno-economicmacro levels

3. Techno-Economic Projects : Projects classified on the basis of their characteristics are further divided into three main groups :—

(i) Factor Intensity-Oriented Classification {This type of classification clearly the

investment project as is involve capital intensive or human or resources labour-

intensive are involved depending in project upon development.whether large

specifyscale

(ii) as Causation-Oriented demand based or raw Classification material based : The projects-depending causation-oriented on projects the non-availability are determinedof

certain goods of certain or services raw materials, and consequent skills or demand other inputs for such as the goods dominant or services reason for or thethe

availability development of the project.

(iii)Magnitude-Oriented Classification : In this the size of investment forms the basis for classification of projects. Projects may thus be classified as large-scale, medium-scale and small scale projects depending upon the investment.

Techno-economic characteristics-based projects classification is useful in facilitating the process of feasibility appraisal. This we shall study in detail in chapter project appraisal.

4. Financial Institutions Classification : All India and state financial institutions classify the projects according to their time duration, experience and the purpose for which the projects are being prepared. These are as follows : (i) New projects

- (ii) Expansion projects (iii) Modernisation projects
 - (iv) Diversification project
5. Others : Some other service oriented projects can be classified as follows :
- (i) Welfare projects
 - (ii) Service projects
 - (iii) Research and development project (iv) Educational project etc.

Hence, it is clear from above described classification of the projects, that one class of project does not fit all when it comes to managing the projects in larger teams. The amount of documentation and required project management activities must scale to the class of the project. This process allows project managers to determine the structure of project.

PROJECT CYCLE

As we have discussed earlier that projects may be of different shape, size and nature but these all follow some basic steps. So it can be said that each project has a life cycle with certain phases. Basically project life cycle refers to a logical sequence of activities to accomplish the objectives of a project. It has four phases :

- (i) Initiation of project
- (ii) Planning phase
- (iii) Execution and controlling phase
- (iv) Project closure phase

All the above defined phases are interrelated as shown in the diagram below :

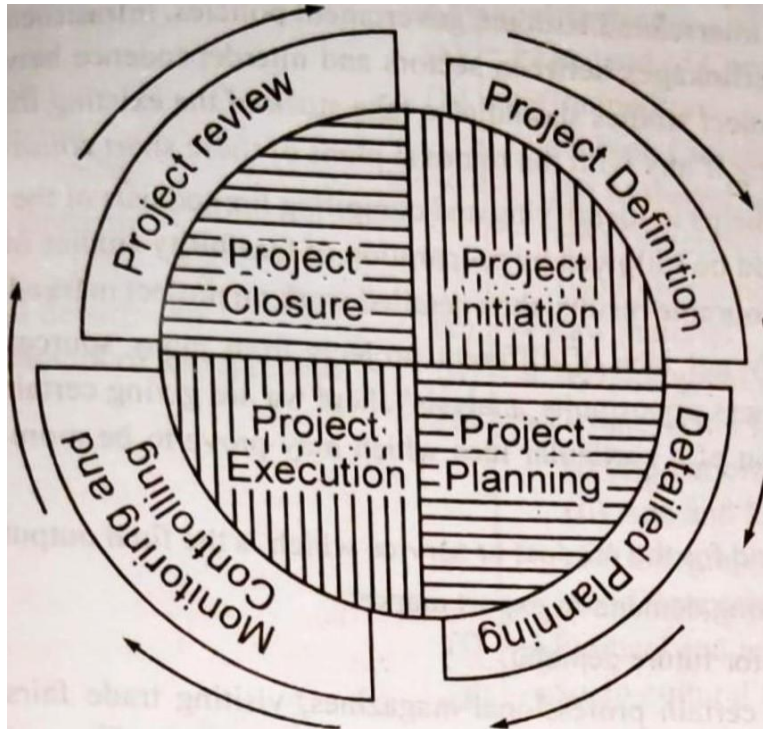


Fig. : Project Life Cycle

- (i) **Initiation** : This is the first stage of project life cycle. In this stage the project is identified and its scope is well defined along with the approach to be taken to deliver the desired outputs. The critical success factors are defined here clearly.
- (ii) **Planning** : The second phase should include a detailed identification and assignment of each task with steps until the end of the project. It has complete analysis of risks involved and a definition of a criteria for the successful completion of each deliverable. During this phase the governance process is defined, stake holders are identified and reporting frequency and channels are agreed.
- (iii) **Execution and Controlling** : The most important task is to ensure that the project activities are properly executed and controlled. During this phase, the planned solution is implemented to solve the problem specified in the project's requirements. It requires an update of risk analysis and score cards with preparation of final testing.
- (iv) **Closure** : In this stage, the project is brought to its proper completion. This is characterised by a written formal project review report specifying the formal acceptance of the final product by the client and other closure formalities.

PROJECT IDENTIFICATION

Project identification is the first step taken by any entrepreneur going to start a new venture. The task of identifying a feasible and promising project from several lucrative ideas is a bit difficult to any new entrepreneur. It must be ensured, through the mechanism of project evaluation that projects

marked out for implementation should be of the highest priority or urgency from national policy's view point because it is interrelated with the government policies, infrastructural development, skills and need of people. Interlinkages between sectors and interdependence between projects should be considered carefully. Project studies should also take stock of the existing institutional arrangements and pin-point shortcoming if any with the removal plans of these short comings.

All this information helps in identifying and compiling limited lists of the probable projects likely

to be selected. This should be followed by preparation of feasibility studies of the marked projects. If these studies produce favourable results, then detailed work on project marked can be moved further.

An entrepreneur may get idea of different projects from many sources as we have discussed earlier under topic "business opportunity analysis". here we are giving certain aspects which play an important role in selection of a particular idea which may prove to be more beneficial than certain others. These are :

- (1) Potential demand for the product or service which is the final output of selected project.
- (2) Volume of existing demand in export market.
- (3) Study of scope for future demand.
- (4) Going through certain professional magazines, visiting trade fairs, exhibitions showing more new products.
- (5) Ideas given by government agencies, knowledgeable persons.
- (6) New products launched in market etc.

All these above defined points taken under consideration open new avenues to identify the project.

Selection of Product : Product can be selected through following specific considerations : (1)

Volume of existing demand.

- (2) Assess potential of existing competitor and estimation about probable competitors.
- (3) Scope for future demand.
- (4) Infrastructural facilities.
- (5) Technological and managerial assistance.
- (6) Availability of raw material and labour.
- (7) Government policies, legislation, controls.
- (8) Incentives and concessions given by government on certain products.
- (9) Environmental factors.
- (10) Regional Benefits.

(11) Social, economic, cultural, educational conditions and population Of the area of consumption of product.

(12) Personal choice/interest and motivation of the entrepreneur.

Thus identification and selection of project depends upon various factors• These can be broadly classified as Internal factors and External factors. This can be shown as :

Criteria for Selection Of a Project

I. Internal Factors : The factors with in the enterprise are called as internal factors. The selection of a product, to great extent depends upon these.

- (a) Cost : The entrepreneur may think about a new product or may sell an already existing product with some modifications. It is obvious that the cost of a completely new product will be high as it will include cost of research, initial investment on new machinery and training of employees etc. The cost for a modified and already existing product will be comparatively lesser.
- (b) Experience : Experience of any business or technology required to start any venture plays very significant role. As companies already experienced in electronics and the technology of business machinery, such as IBM, Hewlett-Packard etc. found it easier to enter the computer industry than other without prior experience.
- (c) Differentiation : An entrepreneur should select to product which is different from the competitor, and this difference need not to be real/actual rather it may be like psychological impact on consumer. e.g., kinetic differentiating itself from other scooters. In the same market Bajaj has different image.
- (d) Financial Strength : Before selecting any project, the entrepreneur must analyse his/her financial status, or the resources from where the finance needed may be arranged. Luxory products need very high initial investment such as cars, cement factory, jewellery show-rooms etc. Semi-luxory products such as T.V., washing machines etc. need comparitively lesser amount. And the convenience goods like soaps, cereals etc. need very less amount.
- (e) Functional Departments : There are several different departments in an enterprise. These all have different responsibilities and tasks resulting in different plans and actions. As finance department is concerned with funds, development department is related to operational management and marketing department has different role. Therefore, an entrepreneur must study the strength and weakness of all of his/her functional departments before making a decision of project identification.

(f). Personal Traits : Being human. an entrepreneur has a unique set of personality traits. A person's self-confidence level, risk taking capacities, optimism, flexibility. creativity, skills and interests play very significant role in selection of project.

2. External Factors : The forces outside the organisation also effect the decision of any entrepreneur in selection of any particular product. These factors known as external factors are as follows :

(a) Demand of Consumers : Successful entrepreneurs are those who can understand the need of consumer and can launch the product according to changing trends Of the market. Unmet needs always exist, and this may be the key criteria in selection of product.

(b) Competition : An entrepreneur must study the market structure to analyse the prospective competitors. These are four basic types of market structure :

- Pure competition
- Monopolistic competition
- Oligopoly
- Pure monopoly

(i) Pure Competition : When there are many small sellers. selling homogeneous products under the same conditions to many small buyers. They have complete information and understanding about each other Here is easy entry for new entrepreneur with small risk. e.g., vegetables, grossery items etc.

(ii) Monopolistic Competition : Here these are many sellers with many buyers, selling almost same products but with a different stretegy. The difference in product may be actual or psychological, i.e., just created through good advertising policy. e.g., now a days we see that different cloth brands are offering different attractive schemes to customer.

(iii) Oligopoly : Oligopoly exists when some large interdependent firms account for the bulk of an industry's sales. Each oligopolist has a large number of consumers and their actions and policies directly affect others. These face strong competition and hence always try to anticipate the policies of others. For e.g.. cold drink companies, automobile sector, cement etc.

A new entrepreneur would find it very difficult to enter an oligopolistic industry as it needs strong financial strength, great proffessional skills and good marketing tactics.

(iv) Pure monopoly : It is just opposite of pure competition. Here one enterprise produces a product that has no close substitute. e.g., natural gas and electricity supply in whole city. However local or state government regulate the monopolistic prices etc.

An innovative entrepreneur with something new and creative may enter into such market.

- (c) Raw-Materials : Entrepreneurs must analyse the availability of raw materials for its project.
- (d) Technological Improvements : We are living in a world of technology. Science and technology has touched every corner of life. Today people need new products to simplify their daily problems. Such demand is so high that almost every day a new product is being launched, with a promise of new, improved technology. An entrepreneur must keep in pace

with the change in technology. The selected product should be of modern technology keeping in mind the safety of consumers also. Entrepreneurs must be aware of safety and health regulations provided by government agencies. .

- (e) Demographic Factors : Demographic factors suggest the study or scientific research study of Human population and its distribution structure in a particular area. An entrepreneur should take into consideration the demographic factors i.e., size, growth rate, education, occupation, paying capacity of population, where he wants to sell the product.
- (f) Political and Legal Rules : Every country has different political and legal rules and regulations for business. An entrepreneur must study the local rules and state laws before deciding any product.
- (g) Socio-Cultural Factors : Business is a social activity. It is directly affected by social and cultural values, norms, beliefs, customs and habits. An entrepreneur should understand the preferences and needs of the society on which he is concentrating as a market.

Conclusion

Therefore selection of a product needs careful analysis and observation by the entrepreneur. He may face various barriers such as technical problems, wrong timing, market niche, competitors, government constraints etc. in successful operation of the enterprise. hence the identification of a project should be done with complete study and research by an entrepreneur.

