



STUDY NOTE - 7

PROJECT MANAGEMENT

SECTION - 1

OVERVIEW OF PROJECT MANAGEMENT

This Section includes

- **What is Project Management?**
- **Project Performance**
- **Steps in Project Management**

1.1. WHAT IS PROJECT MANAGEMENT?

- 1.1.1 The term 'project' refers to a major and out-of-the-ordinary activity, involving a substantial outlay of resources in terms of capital, time and effort. For these reasons, it has to be both conceived and executed timely, properly and cost effectively. While its success can bring long-term rewards, its failure can lead to disastrous consequences. Any cost or time overrun in the project implementation is a sign of sickness from the beginning.
- 1.1.2 A project, therefore, essentially means the following:
1. Commitment to process / technology.
 2. Huge capital outlay
 3. Long gestation
 4. Decisions are strategic and generally irreversible.

1.2. PROJECT PERFORMANCE

- 1.2.1 The key objective of project management is resource optimization. The performance measures in project management are:
1. Cost
 2. Time
 3. Project performance, i.e., whether the project successfully meets the targets and delivers desired results.



- 1.2.2 Project cost refers to the cost of capacity resources that organizations purchase and use for years to make goods and provide services. Cost commitments associated with long-term assets create risk for an organization and remain even if the asset does not generate the anticipated benefits and also reduce an organization's flexibility. Therefore, organizations should approach investments in long-term assets with considerable care. Both excess capacity and imbalance in capacity in any section of the production process would result in serious financial and operational implications. The cost of production would increase much higher and thereby project would become unviable.
- 1.2.3 Organizations have developed specific tools to control the acquisition and use of long-term assets because organizations are usually committed to long-term assets for an extended time, which creates the potential for either excess capacity that creates excess costs or scarce capacity that creates lost opportunities.

1.3. STEPS IN PROJECT MANAGEMENT

- 1.3.1 Project management encompasses the following steps:
1. Project Conceptualization: Identification of investment opportunities, evaluation, project identification and project formulation.
 2. Project Appraisal, using various investment criteria.
 3. Project Planning, including raising resources and the integration various stakeholders
 4. Project Execution or Implementation: Converting the thoughts and proposals into reality.
 5. Project Review