

Need for Project Management

*This case was written by **Rama Krishna S**, ICMR Center for Management Research (ICMR). It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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CASELET 01

Bharathi Heat Exchangers Ltd. is into building quality industrial boilers since 1974. By 1990, it was the second largest boiler manufacturer in India. The company had 750 employees on rolls.

During the 1980s, the company's profits increased significantly. The success of the company was attributed to its single product line (boilers) with standardized design. During this time, the company concentrated on improving its existing model rather than developing new models or new products. By the late 1980s, the company gained expertise in manufacturing boilers. The company was able to build and deliver advanced boilers to its clients within their budget and on time. Overwhelmed by their own expertise in building boilers, the company was extremely complacent and felt that this successful trend would continue.

But the company's financial statements in 1991 showed decreasing profits due to the sharp decline in orders for boilers. Problems began when the company's clients began demanding boilers as per their specifications. Although the company had the technical expertise to build boilers according to customer specifications, it incurred losses due to cost and schedule overruns. These losses were mainly due to the management's inability to plan and estimate the costs of manufacturing boilers according to the new designs given by the clients.

This made the company search for alternate ways of managing its projects. At a quarterly review meeting, the company's CEO, Rajeev Dutta(Dutta), said, "We can no longer manage the activities in the company using traditional management practices. It is high time we consider every client's order as a separate project." He also commented that, "Managers should understand that managing projects require a completely new set of tools and skills. The need of the hour is project management." But, the senior managers who were with the company from its inception felt otherwise. Ashok Singhal(Singhal), one of the senior managers, felt that there was no difference between a project and a process. He said that the functional approach used to manage processes, which had proved effective for 20 years, would be good enough to handle the new projects also.

QUESTIONS FOR DISCUSSION:

1. Why do you think that a company which was successful for 20 years suddenly ran into problems?
2. Do you agree with Singhal's statement, "Processes are not different from projects"? What are the salient features of a project?
3. Do you think that Dutta's suggestion to implement project management in the company is viable? What is project management?

CASELET 02

Decotilé, a French company, produces and markets a variety of tiles made of wood, ceramic, marble and granite. Decotilé has a high quality granite production facilities at seven quarries located in India. The company exports slabs of granite of different sizes and shapes (that are used for a variety of decorative applications) to Europe, Asia and the United States of America.

In the late 90s, Decotilé's granite product sales increased dramatically, and the company found it impossible to cater to demand from its existing seven quarries. In Jan 1999, Decotilé decided to set up a project to expand its granite production capacity at the existing quarries. Experts recommended a four fold capacity expansion of the quarries to cater to market demand.

The quarries are located in a remote area, inhabited by a nomadic tribe facing extinction. They are surrounded by meadows on which the tribals' cattle graze. Each of the seven sites had open-air quarries, a waste dump where the stone chips and the waste generated from mining activity was dumped, an office building, a maintenance yard for storing machinery and other raw materials, and housing quarters for hundred and sixty employees. Granite was extracted from the quarries, using machinery or manual labor, and was shifted to a processing plant where the final cutting, shaping and polishing would be done.

The proposed project required Decotilé to acquire 600 acres of surrounding land. As the quarries are about 80 to 100 km away from any major town, management will have to hire and relocate labors to work at these sites. Due to the adverse conditions prevailing in that area, the company has to source everything from nearby towns to provide basic amenities to its employees.

Finally, after 6 months of successful lobbying, Decotilé got permission from the government to expand the quarries. On 13th July 1999, Decotilé formally announced the start of the expansion project to the local press. The project soon ran into trouble. An NGO filed a suit against it, alleging that the proposed project would be a serious threat to the environment and the tribe whose numbers are already dwindling. There were also protests from human rights activists objecting to the company's exploitation of local labor. Environmentalists feared that the pollution caused by this project would disturb the ecosystem. Soon, a local politician threw his hat into the ring and the project faced the threat of termination even before it started.

This issue came up at Decotilé's board meeting. Many directors felt that the company should terminate the project, but Henry Emmanuel, an executive director opposed this and said, "Since this project is key to the company's growth, every attempt is to be made to salvage the project." After a long discussion the board decided to send Jomy George (the project manager), to the site to handle the situation on the spot. The management asked Jomy George (George) to report to Henry Emmanuel (Emmanuel), who would act as the project sponsor located at headquarters.

QUESTIONS FOR DISCUSSION:

1. Identify the stakeholders of this project and explain how each of them can influence the success of the project.
2. How can Jomy George salvage the project?
3. What would be the role of the project sponsor (Emmanuel) in this situation? How should Jomy George use the services of Emmanuel to tackle this situation?