

INVESTMENT PROJECTS: GENERAL PRESENTATION, DEFINITION, CLASSIFICATION, CHARACTERISTICS THE STAGES

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Abstract

The activity of investment must subscribe to the coordinates of a economic-social development strategy manifested through programmes or projects. Programmes have a less precise identification, with a wider spectrum and, in most cases, for their implementation it is necessary to detail one or several projects . The investment project is the concrete motivation of some current expenses in the hope of future benefits. Its specific features, distinguishing it not only from current activities, but also from other types of projects, are: amplitude, finality and structure.

Keywords: project, investment project, performance, time, cost .

1. PROJECTS: DEFINITION, CLASSIFICATION, CHARACTERISTICS

The classification of the activities performed in a company can be made into two big categories: operational and entrepreneurial, project-type activities.

Operational activities are current, repetitive activities, prone to the influence of some internal factors, controllable through executives, in which the decision -making factors are interested more in the optimization of the interdependence between the internal organizational structure and the external medium so as to lead to the increase in the overall performance of the company.

Entrepreneurial activities of the “*project*” type are non-repetitive, prone to the influence of some exogenous variables, and the executives are hard to control completely.

In simple terms, the concept of project is used for work packages or interdisciplinary activities, in which more persons or fields are involved. Usually this is about activities with the characteristics of a project and not about projects in the strict sense of the word. The use of the concept of project in a broader sense may lead to the danger that any complex activity may be considered a project, which on the level of an organization would lead to the unjustified, bureaucratic complication of interior relationships.

Projects are different from operations, which represent primary, routine activities and from programmes, which represent a group of projects managed in coordination, to gain benefits that would not result if they were managed separately. The operations can be found both in the project activity and in the functional, regular one in an enterprise. The correct classification of a task as project, programme or operation is important from a practical perspective because - according to this- it needs a certain structural organization, specific progress procedures, techniques and support instruments, resource allotment, and it produces specific costs.

Specialised literature abounds in attempts at giving the most accurate definition to the concept of project. In the English literature there is an obvious tendency to emphasise the action, means and methods of reaching the goals, while the French specialists insist on the intentional aspect of choosing and defining the purpose.

We estimate that the most accurate definition of project is given by Association Francaise du Management de Projet“ according to which *a project is a specific step which allows the methodic and progressive structuring of a future reality.* (1).

An interesting perspective upon the field of application for projects is given by the French sociologist J.P.Boutinet (2) who approaches the topic in the context of the existence of a double opposition between the individual pole of intentions (identity) and the collective pole (participation), as well as between the technical pole of innovation and the existential pole of

looking for meaning. From this perspective results a hierarchy of projects on five levels, from the most individual to the ones of great collective involvement, thus:

Individual projects are called "individual" because they refer to the individual, but their accomplishment implies several factors. These projects could be: for the youth - career guidance projects, social integration projects, for adults - career-related projects, for the elderly - retirement-related projects.

Projects of intention are focused on research, constructions, architecture, building equipment and machinery, and they are oriented towards purposes of a technical nature to accomplish them under a system of cost restraints, deadline and technical specifications.

Action projects deal with the acquisition of means necessary in the management of action or interaction processes such as: fitting out projects, health projects, educational projects etc. They are also called "interminable" because they have long life cycles, but they automatically follow the same duration characteristics enumerated above.

Organizational projects are meant for enterprises or institutions and they seek to combine strategy with the culture and the spirit of the enterprise.

Social projects are regulated by reference values: urban projects, educational projects, political projects etc.

Organizational projects and social projects are of great collective involvement and usually do not imply technical innovation. Anyway, a project does not necessarily involve technical innovation, it may be built on the principle of using an old technique in a new manner or focuses on management, commercial, organizational or financial innovation which imply specific techniques of evaluation and analysis. In general a project has a certain degree of innovation which is not absolute because the people, techniques and regulations can change before its final stage.

Practice has shown that it is precisely the lack of clearly defined, operational, quantifiable and controllable objectives that often leads to the wrong classification of the task as project, to the incorrect direction of the project or even its failure.

In the Explanatory Dictionary of Romanian, the concept of project is defined as follows:

- a plan or an intention of doing something, of organizing;
- the first stage of an economic, social, financial plan that is to be discussed, accepted and approved in order to be applied;
- some technical work, devised on the basis of a given topic, established and considered by the beneficiary of the project, which includes economic calculus, drawings and the instructions necessary for the execution of a contract, product, machine, pharmaceutical product etc.

Projects are unique activities, oriented towards an objective, with a high level of novelty and a complex task, but limited from the perspective of material and human resources.

Since a project implies the performance of an activity for the execution of a new product or service, it is necessary an interdisciplinary collaboration within some organizational structure, the application of special methods and the existence of specific risks. Considering these aspects, we can identify the following characteristics:

- ✚ the existence of a specific, precise and coherent objective;
- ✚ the purpose of the project which is defined by a need, a specific or potential request with qualitative and technical-economic parameters and functionalities; the purpose of the project is in competition with time, because this one may elope or even annihilate the results through the ageing of constructive solutions;
- ✚ the cost of the project, whose size is determined by its dimensions, namely by the level of allotted resources; the cost is in competition with time: the long delay of its creation or execution may lead to increases in cost;
- ✚ limited duration with a specific initiating moment and a specific closing moment, during which there are mobilized resources, means and skills; also, there are defined the intermediate times of processes, stages and phases of the project;
- ✚ it may be evaluated on the basis of a specific methodology using criteria for costs and/ or profitability;

- ✚ it has a clear geographical and temporal location;
- ✚ it has an administrative and management structure of its own (head of project and team), partly or completely autonomous from the overall activity of the entity.

In this context we may say that any project is characterized by three categories of objectives:

- performance objectives, in the sense that any project must be executed within respecting some technical specifications regarding its execution and functioning, the future products must be on a pre-determined technical standard expressed through its feasibility, maintainability, organoleptic properties etc. or a certain ability to meet the market's demands;
- time objectives, the implementing deadlines of the project, which mean hard restrictions of the project that must be rigorously respected;
- cost objectives, the translation in financial terms of the necessity and effectiveness of the project for the initiating agent and it is a reflection of the way in which the other two categories of objectives are respected.

The ratio of forces between the three categories of objectives may change from a stage to another of the project's life-cycle. Thus, in the incipient stage of identifying the idea of the project, technical performance objectives are more important than the other two, and cost is more important than time.

In the pre-investment stages we may estimate that the three categories of objectives are equally important and the project must be devised in such a way as to satisfy the beneficiary's demands from all points of view. In the implementing stages, time is essential, followed by technical execution qualities, within the limits of the cost budgets. Periodical evaluation of the progress of execution usually shows deviations that require supplementary costs, and the simplest way of correction means the re-evaluation of the initial cost budgets.

2. INVESTMENT PROJECTS: DEFINITION, THE STAGES OF AN INVESTMENT PROJECT

The activity of investment must subscribe to the coordinates of a economic-social development strategy manifested through programmes or projects. Programmes have a less precise identification, with a wider spectrum and, in most cases, for their implementation it is necessary to detail one or several projects.

In this context the investment project can be defined as an optimal set of actions of investment based on sector, global and coherent planning on the basis of which a defined combination of human, material etc. resources leads to economically and socially determined development.

From the definition we notice that in order to apply a project it needs a set of means, different in their nature, which, to be operated, must rely on well-coordinated actions.

In other words, any activity must take place in a pre-established order, not too early as this may mean a waste of resources, but not too late, as this may compromise the project's purpose itself.

Finally, the project must have a well defined and quantified purpose which, even if it can not be assimilated with the purpose of the programme it derives from, must contribute to its achievement. The investment project is the concrete motivation of some current expenses in the hope of future benefits. Its specific features, distinguishing it not only from current activities, but also from other types of projects, are: amplitude, finality and structure.

The execution of any investment project is under the pressure of two factors: time and cost. For managers, but also for the other factors involved in the project, respecting the periods for execution and the consumption of resources: human, material, financial, technical etc. is a permanent preoccupation during execution. But for this they need adequate tools and techniques, both for the correct dimensions of the time and resource parameters and for later monitoring and control on site.

The shaping of the execution process is based on a specific trait of projects, namely that their execution is a complex structure of activities in a specific technological and constructive interdependence, characterized by:

- ✚ assimilation with a certain role during the execution of the project; not performing an activity may affect execution, the finalizing time or may compromise quality or cost objectives;
- ✚ strict time delimitation, with a clear beginning and ending;
- ✚ consumption of resources: material, financial, human and time, with a specific cost and available within limits;
- ✚ connection with at least another activity through a relation of anteriority which, technologically speaking, shows that it cannot start even if only one of the previous activities is not completed- possible partial superimpositions are accepted in particular circumstances.

The activities which contribute to the execution of a project are of three types:

- actual - consuming resources and time;
- expectations- consuming only time (for example hardening the concrete);
- fictitious- consuming neither time nor resources, being just technological conditioning between certain activities in the first two categories.

For an investment project to succeed it is firstly necessary a common conception of the problem and its definition together with the beneficiary, a conception that implies:

- ✚ the clarification of the positions of those involved and the clear definition of the project theme, which means defining the objectives of the project, elaborating the strategy, planning the necessary means, tools and stages. The clear, quantifiable results of the different stages of the project will allow qualitative and quantitative evaluation, as well as an evaluation of reaching the objectives;
- ✚ the setting of ways and rules of cooperation with the beneficiary all along the project, an aspect that will allow clarification of language misunderstandings, interpretation of tasks, avoidance of conflicts, re-evaluation of different problems concerning the execution of the project at minimal expenses. Solving conflicting situations that occur in any project is easier if there is a basis for mutual trust, partnership and understanding the position of each participant in the project;
- ✚ access to information and provision of quality information by promoting information policies on the progress of the project that must be open, clear, unbiased for negative interpretation. The information must be fairly complete, accurate, sent in adequate form and in due time to those using it in making decisions or in performing an activity, so that it allows a correct estimate of the situation at any time;
- ✚ a realistic evaluation of the resources available for the initiation and performance of the project.

The execution of an investment project cannot start on the idea that the source for certain facilities will appear later, when its use is urgent.

In the opinion of the PhD candidate, the life -cycle of investment projects includes several stages, namely the stage of devising the concept, the stage of executing it and the stage of implementing it, which are characterized by clear results, their analysis and decision -making for the next stage. This staging of performing any investment project is utterly important for the introduction of evaluation, control and decision -making stages after each important stage. The progress of an investment project requires specific work methods and adequate principles, on condition of a systemic approach.

A systemic approach of the whole process of executing an investment project is presented in figure 1.

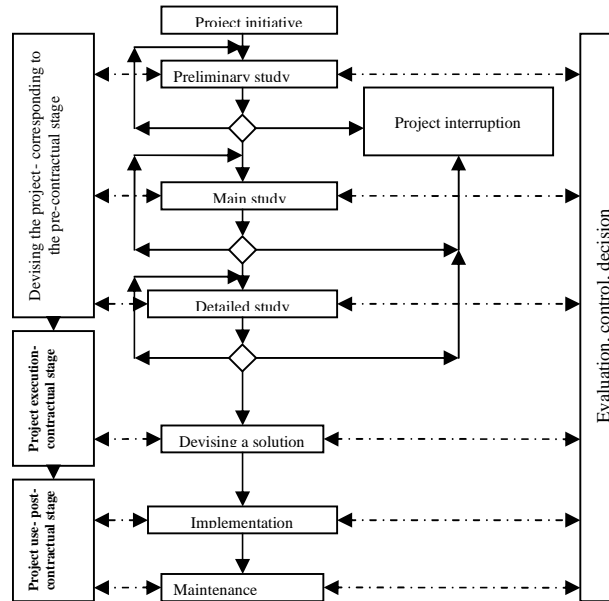


Figure no. 1- The stages in accomplishing an investment project

The possibility of introducing moments of decision-making after each stage, of exerting control while executing a project, of establishing clear responsibilities and of allotting a distinguished budget is permitted precisely by the execution of the project in clear structures- stages and processes, and its main purpose is the decrease in uncertainty of executing projects.

The clarification and description of those methodological elements which allow a decrease in practical complexity, through a very clear organization both of the structure of investment projects and of the processes of accomplishing them, has practical relevance (3).

In the opinion of the PhD candidate, the correspondence between the stages of the project and the processes in an investment project is represented as in figure 2.

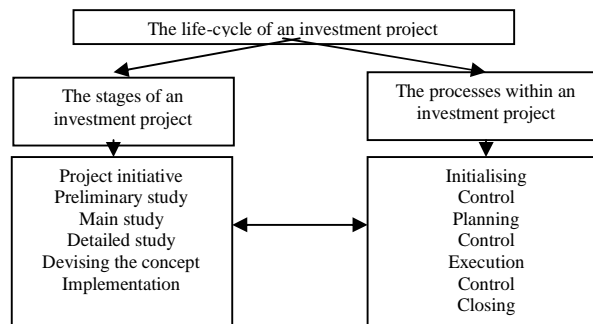


Figure no. 2- The correspondence between the stages and processes of an investment project

Basically, in an investment project, the progress and stages of the project appear as follows:
 + *the project initiative* originates in a stage anterior to the progress of the project and can be formulated by the primary organization or by other initiators. The objective of this stage is given by the acceptance of the project by the decision-making factors who must consider the resources necessary to accomplish the project, synthesized mainly in the financial resources, but also reaching a decision upon the benefits of initiating the project. After a verification of the components of this stage, the analysis of the results of the verifications already done and the implementation of the

resulting corrections, the result of this stage is finalized, consisting in establishing the theme, the general objective of the project and the resources allotted for the accomplishment of the project.

✚ **the preliminary study** implies the analysis of the potential of the project, the establishment of the fields to be approached and of the results to be obtained, the establishment of alternative solutions and of

✚ the possibilities of its accomplishment from a economic, political and social perspective. Also, this stage implies the identification and establishment of limits, the analysis of the medium, the verification of the project's feasibility and its global planning. The results of this stage, after adequate verification and

✚ analysis, lead to a proposal of progress of the project, which will then involve costs and the involvement of the organization in a field that may only be abandoned with loss.

✚ **the main study** implies the elaboration of a complex concept illustrated by the choice of the most adequate option from the perspective of feasibility and of the balance between cost and profit, the defining of detailed projects, the detailing of sub-projects, the establishment of their interfaces with the context of the overall project, the elaboration of recommendations for all sub-projects. All these stages of this phase include a systemic approach, namely monitoring through adequate types of control and the influence of the final decisions with the results of control.

✚ the stage of **the detailed study** implies the detailing of procedures of building, the detailed description of all sub-projects, of tasks for each participant, including the calculus and the establishment of budgets.

✚ centralizing the results of the specific stages of the projects, presented above, appears in the stage of **elaborating the concept of the investment project**, which implies the identification and establishment of solutions, of adjacent paperwork, establishing the organizational structures and regulations with a focus on following the main cost-profit objective.

✚ **implementation** represents the last stage of the investment project, and it implies the practical application of all the accomplished stages and phases. Now it can be seen whether the project's paperwork and concept are comprehensible for the user. Along the implementation and practical application of the project there may occur situations in which the entire system of the project is prone to one or several re-evaluations, which are imposed by the control systems adequate to this stage.

NOTES :

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 (2) Boutinet J.P. – *Psychologie des conduites a projet*. Collection "Que sais-je ?,nr.2770, 1993, p 126.
 (3) Mariana Mocanu, Carmen Schuster – *Managementul proiectelor*, Ed. All Beck, 2001

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