

'Encouraging new investments in Maharashtra'

EPACK
EXCELLENCE THROUGH INNOVATION



Raj Kalady highlights the importance of completing projects on time in Maharashtra due to large investments happening and also to keep the momentum strong.

CURRENT SCENARIO

Infrastructure industry is driving India's GDP growth is an obvious fact. This is bolstered by the planned government spending of ₹46.4 trillion (USD 1 trillion) for the 12th five-year plan (2013- 17) and a staunch commitment for infrastructure investment proposed by the government.

Maharashtra, one of the most industrialized and better-developed states in India, is the most favoured investment destination. According to the 42nd Quarterly Survey of Projects Investment conducted by ProjectsToday, as of 31 March 2011, the state had 8,198 projects worth a whopping ₹727,475 crore in various stages of planning and implementation.

Planned infrastructure spends and growth projections however paint only one half of the picture. With such large investments coming in, the importance of completing projects on time has increased manifold. Successful project delivery and spend efficiency, by the Government and Private sector alike, are imperative to realize the desired growth and consequent benefits. While modest strides have been made in enhancing project delivery, projects are still burdened by serious time and cost overruns, misconduct, wastage, all within an inflationary environment.



Roads in Mumbai

EXPERTSPEAK

While infrastructure has been driving economic growth in India, even then it has been noticed that out of 561 projects (costing ₹150 crore and above), 242 projects are delayed as on 1st January, 2012.

The main factors for delay have been primarily identified as the following:

- Land acquisition, delay in procurement of equipment
- Law and order problems
- Inadequate infrastructure
- Delay in mobilization by contractors
- General cost escalation due to delay
- Increase in prices of cement and steel and exchange rate variations
- Poor project management capability of vendors, suppliers, and contractors
- Re-work due to improper quality assurance management and design issues
- Long waiting period for tests conducted for performance assurance

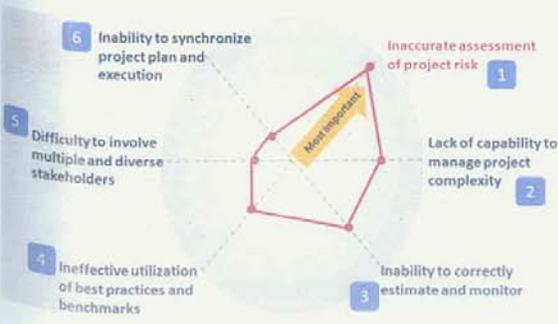
PERFORMANCE OF INFRASTRUCTURE SECTOR ACROSS INDIA

Industry	Number of Projects	% Projects with Cost Overrun	% Projects with Time Overrun
Railways	122	83	98
Road transport and Highways	154	54	85
Shipping and Ports	61	31	95
Steel	43	19	81

CHALLENGES AND CONSTRAINTS

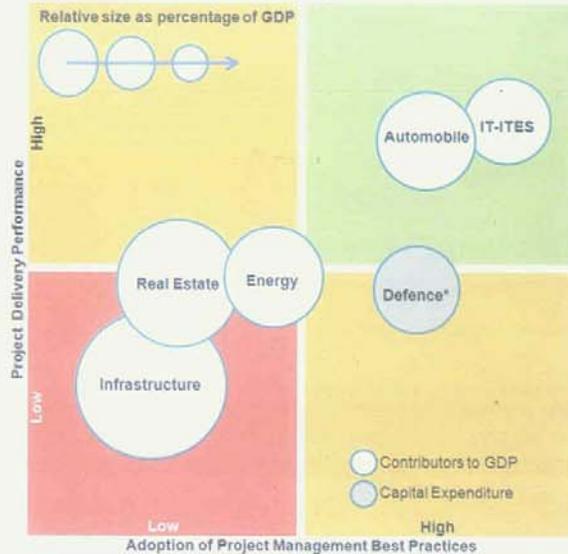
The PMI-KPMG Infrastructure Study 2010 points out that time and cost overruns impede the sector's potential and also highlights on how project management can help ensure efficient deployment of resources.

- 75 per cent of respondents feel that delays in regulatory approvals and land acquisition caused overall project delays
- 72 per cent of respondents feel that material input costs are highly susceptible to escalations.
- Over half of the respondents in the survey feel that disputes between project owners and contractors arise from delays and damage claims.
- 62 per cent of the respondents feel that periodic risk management reports can improve the potential of project risk management practices.



An area of concern that emerged was the lack of comprehensiveness in risk identification, leading to high impact and low probability risks often causing the largest adversity to infrastructure projects.

The findings from FICCI PMI study on 'Project Management in India - Insights from six key sectors' may be summarized as given in the figure below, positions the key sectors on two dimensions - 'Adoption Level of Project



Management Best Practices' and 'Project Delivery Performance'. This figure captures the perception of industry experts and project practitioners.

IMPORTANCE OF PROJECT MANAGEMENT AND RECOMMENDATIONS TO BUILD ADEQUATE INFRASTRUCTURE

The industry can do well by implementing a collaborative approach. Some practices seen internationally are 'integrated project teams' housed in the same office, sharing reports that tracks project progress jointly. Each party's costs are effectively transparent, creating an atmosphere of mutual trust and dependence.

Adoption of best-practices to improve project management that drive collaboration are seen as cornerstone enablers of project success.

PROJECT EXECUTION: ADOPTION OF BEST PRACTICES

It is perceived that IT-ITES sector have both high level of adoption of project management best practices and delivery performance. Though Infrastructure has highest contribution to GDP among the six sectors studied; it clearly comes out as one of the areas requiring more focused approach to build project management capability and practices which can realize benefits in this sector.

Enhancing resource utilization through better planning and monitoring is important which can suffice only as a short term measure. Affirmative steps taken will help ensure quality education and professional project

PROJECT EXECUTION: ADOPTION OF BEST PRACTICES																	
Focus Area	Measures tracked for project delivery improvement	Adoption Level	Adoption level of Best Practices across the sectors														
Cost	<ul style="list-style-type: none"> Project Cost Performance Return on Investment 	High	<table border="1"> <thead> <tr> <th>Sector</th> <th>%Yes</th> </tr> </thead> <tbody> <tr> <td>Automobile</td> <td>70</td> </tr> <tr> <td>Defence</td> <td>50</td> </tr> <tr> <td>Energy</td> <td>40</td> </tr> <tr> <td>Infrastructure</td> <td>20</td> </tr> <tr> <td>IT & ITES</td> <td>80</td> </tr> <tr> <td>Real Estate</td> <td>30</td> </tr> </tbody> </table>	Sector	%Yes	Automobile	70	Defence	50	Energy	40	Infrastructure	20	IT & ITES	80	Real Estate	30
			Sector	%Yes													
Automobile	70																
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Real Estate	30																
Delivery	<ul style="list-style-type: none"> Project Schedule Performance Project Cycle-Time Staffing Strategic Business Alignment Voice of Customer Knowledge Management 	Medium															
			Risk	<ul style="list-style-type: none"> Risk Management Capability 	Low												

management training. Companies need to invest more in talent creation as opposed to the current investment focus on attraction and retention.

Modern project management process - powerful transformational management methodology that has undeniably helped individuals and organizations successfully plan and accomplish many difficult objectives and projects around the world. Project management has grown, matured and spread to include a robust set of theories, principles, methodologies, practices, activities, professionals and organizations. Adoption of systematic project management practices in key sectors, such as infrastructure will not only help attain project objectives but also provides a scope for national savings by lowering project execution costs.

Infrastructure which is expected to grow to 9% of GDP attracts less than 10% of certified project managers. Apart from entry of large private players in the energy sector which has improved project delivery, opportunities for improvement in this sector needs to consider benchmarks and best practices as next level intervention.

Clearly the large contributors to GDP like the infrastructure, real estate and energy will benefit from project management interventions. However, such initiatives to develop project management capabilities within these sectors need to be augmented with domain and sector-specific experience. Developing project managers sans the domain expertise in infrastructure, real estate or energy sector will realize limited benefits only.

In addition to the above, the Maharashtra government needs to do away with the procedural delays: it will need to bring in legislation for online development permission. It will need to bind on government departments and agencies to clear the necessary files pertaining to approvals within a stipulated timeframe.

More and more use of technology, reducing interface with the public will also help curb corruption and time taken for providing approvals.

There has definitely been a turn-around over the last decade in the way large organizations in India perceive adoption of best-practices to improve project management. It's heartening to know that India has the third largest PMI membership - after the United States and Canada - with eight chapters and over 19,000 PMI members. Most of these are in the IT sector though. Focus needs to be generated to spread project management to government departments and sectors, like Infrastructure, heavily contributing to national GDP.

The execution of projects within budget and schedule is critical to achieve project success and deliver on the Infrastructure industry's growth projections. On-time and within-budget delivery will require project owners and contractors alike, to embed project management as an organization-wide process and to ensure that leading practices are implemented.

THE WAY FORWARD

Maharashtra today needs a transformational approach to rise above the challenges and prepare for a stronger economy and a brighter society. Project management can be that transformational tool. For the infrastructure sector, transformation means embracing newer methods, adopting best practices from other sectors, building transparent and trust relationships with all the stakeholders, and employing sustainable policies for long-term benefit. The country has already seen the benefits of employing the Public-Private Partnership (PPP) model in large projects. The PPP model has helped bring about higher project success across the country.

A country poised for growth can achieve its target only with concerted effort from all corners. India today needs the public and private sector to manage its infrastructure projects on time and within budget, which in turn will facilitate the development of other sectors. The need of the hour is a collaborative approach between the government, the private sector and academia to build a talent pool of skilled and certified project managers to can deliver projects successfully and contribute to the transformation of the country.

The government, which has come under severe criticism for losing its dominance in attracting investments to Gujarat and other states, will need to take some extreme steps quickly for regaining its glory of being one of the ideal states for investments in near future.

(The author is Managing Director of PMI India.)

SOURCE

1. PMI-KPMG Study on Drivers for Success in Infrastructure Projects 2010 - Managing for Change
2. PMI FICCI Report Project Management in India - Insights from Six Key Sectors
3. Ministry of Statistics & Program Implementation (MOSPI)