

# **Chapter 1**

## **Introduction**



### **1. Statement of problem**

Business environment today involves rapid changes, drastic competition and globalization because of high level of technological development and innovation. To be able to cope with such a dynamic environment, business needs an appropriate and effective management approach in order to handle situations which may occur. Interestingly, an important management area, regarded as one of the key business drivers for competitive edge, is business development. This involves investment activities on various development projects. Improper management approach in this area may bring about tremendous loss.

In reality, project failure may be caused by uncompetitive production cost, price, insufficient cash flow, and so on. To be able to do business successfully, project feasibility study for such various development projects must be taken into account and be done thoroughly prior to making decision. That means relevant staff must understand typical project feasibility and management before taking action.

In this study, project feasibility study in investment in manufacturing facility is predominately concerned with marketing, manufacturing, finance, and management implications. A case study on project feasibility in an investment project in China will be used as an application of project feasibility software package.

### **2. Objective**

To develop a project feasibility software package as an aid for investment decision-making in manufacturing facility.

### **3. Background**

#### **3.1 Company profile and project generation**

Thai Modern Plastic Industry Public Company Limited (TM) is a major food packaging manufacturer in Thailand. Its product ranges mainly cover food containers, such as cups, trays, dishes, bowls, and so on. Since 1996, TM has been

certified ISO9002 and ISO14001. The certifications can reflect the standard of Quality Management System (QMS) and Environment Management System (EMS) used in the company.

At present, top management has set as its strategy to expand business opportunity through geographic, conglomerate, and concentric diversification in order to be able to cope with the current economic crisis. [Garry et al., 1991] The China project which involves investment in a manufacturing base is regarded as a pilot project which is a significant step for company to establish a foothold in China. Despite China currently becoming a country with outstanding potential for development, project feasibility still needs thorough analysis. A poor financial feasibility may bring about failure and the company may stand to lose the potential business in that country.

### **3.2 The China project rationale**

China has experience tremendous GDP growth rate [Leong and Lim, 1993] averaging 10% per annum for the past few years. This economic expansion has produced an impressive rate of industrialization. Correspondingly, high consumption of consumer goods (e.g., automobile, electrical appliances) has been taking place. The large number of Chinese population reflects a huge potential demand and encourages multinational corporations (MNC) to do businesses in China. The China project first focuses on packaging industry owing to the existing core competency of TM.

## **4 Scope of Study**

The scope of project feasibility study involves market analysis, manufacturing / engineering, management implications, financial, and investment plan for manufacturing facility investment in Shanghai, China. In financial analysis, its software program would be developed and implemented not only sole China project but other investment projects in the future. That software development procedures cover :

**4.1 Software Development** This stage comprises system analysis, design, programming & monitoring.

**4.2 System analysis and design** First of all, we need to understand the requirement of the system. All relevant information for this process will be clarified through business modeling and its description.

**4.3 System programming and monitoring** It is expected that Microsoft Excel may be used as a tool in developing such software program.

Once software program has been readily completed, these steps are consequently followed to apply the case study : collect the data, use the program, and synthesize the results. Afterwards, discuss on the results, their benefits and recommendation for further study.

## **5. Expected benefits**

5.1 To facilitate economic decision-making.

5.2 Provide the guideline in implementing the projects.



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