

Introduction ways to  
consider if projects  
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## **Introduction**

Establishing a medical care facility can double up as a business venture or an entity for the general well being of the society.

Demand for quality medical care is on the rise as population takes an increasing trend; to be a successful business man in this sector, one requires being a professional in the sector. In this paper we will consider how a budget of \$100million can be utilized by a group of 20 medical practitioners as they establish a health care facility in a locality with a population of 500,000 people; it will be located 30miles down town, it will consider financial, legal, and alternative health care models reinforced by your knowledge of strategic planning and capital budgeting.

## **Project Management/ Starting Up a New Business**

Before one decides to take a profit making venture in a certain area, he/she should interpolate probability of success in the business.

This comes before looking for funds for the project and continues further.

After one has realized that it is possible that the said business can be a success, the next step is to project manage the start up.

## **Business venture**

The first thing before one sets out to start a business is the survey of the location that one wants to make an establishment. This is because; the success of the business is dependent on how well he is going to capture customers to buy from him. Different places require different set ups for their success.

In our case, it is a medical facility that is located 30 miles from the main town; when it comes with the case of a hospital; the most important thing is the quality that patients are likely to get. The distance is crucial yes, but patients are willing to travel for longer distances if they will get quality medical attendance; with this the venture is not threatened by distance (Shane, 2003).

### **Project Management**

Before undertaking a project, but after realizing that the business venture is likely to be a success, the next step is project management. This is the point that financial outlay is considered; there are different ways to consider if projects will be viable; they include; The pay back method of analyzing projects has been interpolated as the most easy and straight forward method of project analysis. The method is simply looking at the period of time that a certain project is going to take to recoup the amount of money that the investor has invested.

What this means is that the method recommends not to be interested by the benefits that a certain project is going to bring but the interest should be on how long will the project take for you to get the money that had been invested. Initial outlay (\$100million) = gains from the business X payback period. The next method of evaluating the project is using net present value, this involves taking into account the duration that the project is likely to be in operation then discount the income using cost of capital, if the NPV is a positive number then a project is viable.  $N. P. V. = (\text{discounted outflows} - \text{initial capital}) = (\text{discounted outflow} - \$100\text{millions})$  If NPV is positive, then the project is viable, if it is negative then the project should not be started.

**Financial Consideration**

Capital outlay in a business is an important aspect to consider when starting up; the capital initially employed in the business should be recouped in a certain period of time.

If the capital was financed from a loan then it must be repaid; so there is need to ensure that a business will do well enough to cater for its financial obligation. This will be in consideration of business risk; business risk is the uncertainty on to whether the kind of business that one has engaged in will be of success. This is in both existing business when they want to extend their business to other areas of a start up business. When investing in some kind of a business there is the initial and subsequent running expenses. In a business environment the proceeds from the business should cover all this and there will remain a portion that is the profit of the investor. This is not always the case as one may invest and then only losses are accruing from the investment; the risk that the firm will have to undertake is that of possibility that the business leads into a loss.

On the other side, this is a normal situation that must be faced in business. The most important thing is to do a good study of the market situation before you invest. In our case the target population is 500, 000 people, what is important to note is the kind of medical care that the population requires. If there is an area that the current medical care fails to satisfy the population then it is important to focus in this area more than those that are highly populated by practitioners. I would recommend for professional service like dentals, surgery, ENT's, mortuary, and gynecology among others.

Clinical services though an important and inevitable part in any hospital set up should not be emphasized a lot since patients can have alternatives in other hospitals. An outlay of \$100million is enough to lay good medical facilities. Sustainability is another important issue when managing a certain project. For example, all health care policies are projects that require a long-term use of money. They can only be successful if there is adequate flow of money throughout the life of the project.

During the evaluation, it is the time that the real cost of the project be calculated. This is then weighed upon the desired results. If a businessman enters in an area that he cannot survive he is putting himself in a financial risk.

This is the risk that the business will not be able to meet the long term and medium term financial obligations. This obligation means the financed capital obligation, the shareholders interests, and the cost of capital. If the business has taken a loan to be able to finance the various projects then there must be a way that the loan will have to be paid. These will be involving the principal and the interest parts of the payment.

The business can only be able to do this if it is run at a gain. The shareholders, debenture holders, and interest creditors also invested in the business with the expectation that they are going to get a gain from their investment. The business has this obligation to fulfill. The risk here is whether the amount of profit that is being derived from the business will be enough to cater for all these expenses? There is the exposure of a company's strength as the company law provides that the financial

statements of any company must be prepared. They have some disclosures that they must give and thus if the business is not doing well it will hinder future decisions of potential investors. This has the possibility of limiting the level of growth in the future because it cannot access equity from the issue of shares. It can also lead to reduced confidence on the part of investor, which may have a negative effect to the business (Livingston, 2008).

### **Alternative Medical Care**

Competition is a good element in the business arena since it ensures that quality of goods and services provided are good; it is the one that keeps the businessmen on their toes to ensure that they earn customer loyalty. In the medical practice, quality and professional service is crucial since it involves the health of human beings. Health care is provided by the government at a subscribed rate as one of the functions of the government. The number of government hospitals in the location and the kind of services that they provide should be interpolated to ensure that there is a need that they are not satisfying the customers. In many countries, government hospitals are not efficiently managed and thus people seem to have a fading trust on their services. There are times that a huge number of people wait for services; this compromises the quality they offer as well as patient customer relationship. These are some of the areas that should be looked into and taken advantage of. The private sector and nongovernmental medical care is another area that where patients are treated; here they have better services than government hospitals but they suffer limited facilities.

Our initial capital, \$100million is a good amount to make a better facility than those of private sector. Another area that has been of great concern in

the medical sector is human expertise; we are lucky that we already have 20 qualified medical practitioners; in this case we will have a comparative advantage. The cost of labor is likely to be minimized since we can give services at a lower rate. Leadership is another factor that can be used to keep off competition; the success of an organization is dependent on the quality of decision made by its manager. One of the major attributes that make a good manager stand out is his or her decisiveness. The quality of decisions made by a manager is reflected in the performance of his or her organization.

Other than the control by decision of the management, customers influence almost all parts of a business. The available target customers' needs should be well understood so as when deciding the kind of business to engage in, one is aware of the available customer segment. By segment we mean the class, social status, age, and income level. One must align himself to the interest of the customer and by so doing there will be continued business. When a business is established, the success will be dependent on the quality of the good/services that it will offer to the market. They must be those that satisfy the needs of the customer. As the business, he should listen what other people have to say about the entire process (Schmenner, 1995).

### **Capital Budgeting**

Capital budgeting is ensuring that the finances available for various long term developments are utilized in the most efficient way.

In our case we have a budget of \$ 100million that should be used to establish a medical facility. This money can be divided into two:- a) Capital good purchase b) Operational expenses

### **Capital Good Purchases**

This is building of the facility and buying of facilities to be used in the business. To budget for this expense, a research should be done on the current level of technology that is in the market as well as their cost. Capital good purchase should have its special budget; it should consider the probable costs of all capital goods which will be required to establish the business. Let's assume that our capital goods budget is \$80million. A sample budget looks like; A frame work of a probable capital budget

Amount	Duration of the project	Building and premises	\$40million	Three
years	Equipments, plants, machinery and computers	\$22millions	After	
	completion of building and premises, it should take	6months.	Legal and	
	statutory costs	\$500, 000	Undertaken after approval of the facility	
	and ambulances	\$4. 5million	Should be bought after approval but before start	
	of operation	Staff quotas	13million	Should be made after approval of the
	building for a medical facility			