

MODULE 1 INTRODUCTION

Topics covered:

Management-Meaning, nature and characteristics of management, scope and functional areas of management, goals of management, levels of management, brief overview of evolution of management.

Planning-nature, importance, types of plans, steps in planning.

Organizing-nature and purpose, types of organization.

Definition of management:

Simplest definition is that it is defined as the art of getting things done through people.

Management can also be defined as the process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish the use of people and resources.

It is systematic way of doing things.

A manager is one who contributes to the organizational goals indirectly by directing the efforts others by not performing the task by himself

A person who is not a manager makes his contribution to the organizations goals directing by performing the task himself.

Four management activities included in this process are: Planning, organizing, actuating and controlling.

Planning: means thinking of their actions in advance.

Organizing: means that managers coordinate human and material resources of the organization.

Actuating: means that managers motivate and direct subordinates.

Controlling: means that managers attempt to ensure that there is no deviation from the norm or plan.

The definition involves the act of achieving the organizations objectives.

A manager also uses people and other resources such as finance equipment to achieve their goals.

Management involves the act of achieving organizations objectives.

Description on Management Activities:

Planning is a function that determines in advance what should be done which is looking ahead and preparing for the future

It is a process of determining the objectives and charting out the methods of attaining those objectives.

It is determination of what, where and how it is to be done and how the results are to be evaluated.

It is done for the organization as a whole but every division, department or subunit of the organisation.

It is a function which is performed by the managers at all levels-top (which may be as long as five years), middle (shorter may be week) and supervisory.

Organizing and staffing is a function which may be divided into two main sections namely the human organization and material organization.

Once the plans have been developed and the objectives established they must design and develop a human organization to carry out plans successfully.

It may defined as a structure which results from identifying and grouping work, defining and delegating responsibility and authority and establishing the relationships.

Staffing is also considered an important function in building the human organization involves building the right person for the right job.

Fixes responsibility for a manager to find the right person for the right job and ensures enough manpower for the various positions needed for the organization which involves selection and training of future managers and suitable system of compensation

Different objectives require different kinds of organizations.

Directing is the next step after planning, organizing and staffing

Involves three sub- functions namely **communication leadership and motivation**

Communication is the process of passing information from one person to another
Leadership is the process of guiding and influencing the work of his subordinates by the manager.

Motivation is the arousing the desire in the minds of the workers to give their best to their enterprise.

To pull out the weight effectively, to be loyal to their enterprise and carry out the task effectively.

Has two types of motivation financial and nonfinancial

Financial: takes the form of salary, bonus, profit-sharing etc.

Nonfinancial: takes the form of job security, opportunity of advancement recognition praise etc.

Controlling is a function which ensures everything occurs in conformity with plans adopted and involves three elements:

1. establishing the standards of performance
2. Measuring current performance and comparing it against the established standards.
3. taking action to correct any performance that does not meet the standards, management process:

Nature of management:

1. All the managers carry out the managerial functions of planning, organizing, staffing leading and controlling
2. management applies to any kind of organization
3. applies to managers at all organizational levels
4. the aim of the managers is same create the surplus
5. managing is concerned with productivity, which implies effectiveness and efficiency

Characteristics of management:

Management is

1. Intangible (not measurable and cannot be seen) but its presence can be felt by efforts in the production sales and revenues.
2. universal and it is applicable to all sizes and forms of organizations
3. a group activity and it involves getting things done with and through others
4. Is goal oriented and all actions of management are directed at achieving specific goals.
5. is science as well art and emerging now as a profession

6. is multidisciplinary and it has contributions from psychology, sociology, anthropology

Scope of the management:

The management is a must for every organization which encompasses for profit as well as non-profit organizations, government as well as non-government organizations, and service as well as manufacturing organizations.

It is in fact difficult to find an area of activity where management is not applicable.

Management is not only limited to business enterprises for profits but also to the for non-profit organizations like educational institutions, health care organizations, financial organizations, stores management for keeping their cost of the operation at the optimal levels

Government organizations like municipal corporations, water supply departments, electricity boards in providing best possible services to the public

Non-government agencies like environmental agencies benefit from management in achieving their social objectives in cost effective manner

Manufacturing organizations extensively use management to increase production to enhance the quality of the products manufactured and similarly

Service organizations benefit from management in providing an exemplary service experience to the customers.

Roles of a manager:

I) Interpersonal roles:

(i)Figure head: performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.

(ii)Leader: every manager must motivate and encourage their employees, try to reconcile their individual needs with the goals of the organization.

(iii)Liaison: in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.

(II)Informational roles:

Monitor: must perpetually scan his environment for information interoga te his liaison nad subordinates to get any solicited information useful for the organization.

Disseminator: manager passes the privileged information directly to the subordinates who otherwise would not have access to it.

Spokesman: may require spending a part of the time in representing the organization before various outside groups having some stake in the organization such as government officials, labour unions, and financial institutions.

(III) Decisional roles:

(i)Entrepreneur: in this role the manager proactively looks out for innovation to improve the organization by means of means creating new ideas, development of new products or services or finding new uses for the old ones.

(ii)Disturbance handle r: must act like a firefighter to seek solutions to various unanticipated problems

(iii)Resource allocator: must divide work and delegate authority among his subordinates.

(iv)Negotiator: must spend considerable time in negotiations.

Example: the foreman negotiating with the workers for the grievance problems

Goals of management:

1. **Ensure that management's work serves a higher purpose.** Management, both in theory and practice, must orient itself to the achievement of noble, socially significant goals.
2. **Fully embed the ideas of community and citizenship in management systems.** There's a need for processes and practices that reflect the interdependence of all stakeholder groups.
3. **Reconstruct management's philosophical foundations.** To build organizations that are more than merely efficient, we will need to draw lessons from such fields as biology and theology, and from such concepts as democracies and markets.
4. **Eliminate the pathologies of formal hierarchy.** There are advantages to natural hierarchies, where power flows up from the bottom and leaders emerge instead of being appointed.
5. **Reduce fear and increase trust.** Mistrust and fear are toxic to innovation and engagement and must be wrung out of tomorrow's management systems.
6. **Reinvent the means of control.** To transcend the discipline-versus-freedom trade-off, control systems will have to encourage control from within rather than constraints from without.
7. **Redefine the work of leadership.** The notion of the leader as a heroic decision maker is untenable. Leaders must be recast as social-systems architects who enable innovation and collaboration.
8. **Expand and exploit diversity.** We must create a management system that values diversity, disagreement, and divergence as much as conformance, consensus, and cohesion.
9. **Reinvent strategy-making as an emergent process.** In a turbulent world, strategy making must reflect the biological principles of variety, selection, and retention.
10. **De-structure and disaggregate the organization.** To become more adaptable and innovative, large entities must be disaggregated into smaller, more malleable units.
11. **Dramatically reduce the pull of the past.** Existing management systems often

- mindlessly reinforce the status quo. In the future, they must facilitate innovation and change.
12. **Share the work of setting direction.** To engender commitment, the responsibility for goal setting must be distributed through a process where [share of voice](#) is a function of insight, not power.
 13. **Develop holistic performance measures.** Existing performance metrics must be recast, since they give inadequate attention to the critical human capabilities that drive success in the creative economy.
 14. **Stretch executive time frames and perspectives.** Discover alternatives to compensation and reward systems that encourage managers to sacrifice long-term goals for short-term gains.
 15. **Create a democracy of information.** Companies need holographic information systems that equip every employee to act in the interests of the entire enterprise.
 16. **Empower the renegades and disarm the reactionaries.** Management systems must give more power to employees whose emotional equity is invested in the future rather than in the past.
 17. **Expand the scope of employee autonomy.** Management systems must be redesigned to facilitate grassroots initiatives and local experimentation.
 18. **Create internal markets for ideas, talent, and resources.** Markets are better than hierarchies at allocating resources, and companies' resource allocation processes need to reflect this fact.
 19. **Depoliticize decision-making.** Decision processes must be free of positional biases and should exploit the collective wisdom of the entire organization.
 20. **Better optimize trade-offs.** Management systems tend to force either-or choices. What's needed are hybrid systems that subtly optimize key trade-offs.
 21. **Further unleash human imagination.** Much is known about what engenders human creativity. This knowledge must be better applied in the design of management systems.
 22. **Enable communities of passion.** To maximize employee engagement, management systems must facilitate the formation of self-defining communities of passion.
 23. **Retool management for an open world.** Value-creating networks often transcend the company's boundaries and render traditional power-based management tools ineffective. New management tools are needed for building complex ecosystems.
 24. **Humanize the language and practice of business.** Tomorrow's management systems must give as much credence to such timeless human ideals as beauty, justice and community as they do to the traditional goals of efficiency, advantage, and profit.
 25. **Retrain managerial minds.** Managers' traditional deductive and analytical skills must be complemented by conceptual and systems-thinking skills.

Levels of management:

In any organization, there are three levels of management the first-line, middle and top level managers.

First-line management: is made up of foreman and white collared supervisors.

Middle management: consists of vast and diversified group consisting plant managers, personnel managers and department heads.

Top management: consists of board chairman, the company presidents, and the executive vice presidents.

Managerial skills:

The manager is required to possess three major skills: Conceptual skill which deals with ideas, human relations skill which deals with people and technical skill which deals with things.

(i) **Conceptual skill:** deals with the ability of manager to take a broad and farsighted view of organization and its future, ability to think in abstract ability to analyse the forces working in a particular situation.

(ii) **Technical skill:** are managers understanding of the nature of the job that people under him have to perform.

Refers to the person's knowledge and proficiency in any type of process or technique.

(iii) **Human relations skill:** is the ability to interact effectively with people at all levels and the manager sufficient ability to

- a) to recognize the feelings and sentiments of others.
- b) to judge the possible reactions to and the outcomes of various courses of action
- c) to examine his own concepts and values which may enable to more useful attitudes and about himself.
 - Skill mix of a manager with the change in his level:
 - a) **Top level:** technical skill becomes less important
 - b) **Middle management:** human relations skill become more important
 - c) **Supervisory skill:** technical skill becomes more important.

A Management is called science if

1. the methods of the inquiry are systematic and empirical
2. if the information can be ordered and analysed and
3. results are cumulative and communicable

Systematic means orderly and unbiased attempt to gain knowledge must be with the personal or other prejudice

Inquiry being empirical means that it is not an armchair speculation or priori approach.

the scientific information so collected as raw data must be finally ordered and analysed with the statistical tools which makes the results

Communicable and intelligible which also permits repetition of the study and the results in the sense that what is discovered is added to which has been found before which helps us to learn from past mistakes and obtain guides for the future

B. Management as art

As the science considers the why phenomena management as an art is concerned with the understanding how a particular task can be accomplished which involves art of getting things done through others in a dynamic and non-repetitive fashion and has to constantly analyse the existing situation, determine the objectives, seek the alternatives, implement, coordinate, control and evaluate information and make decisions.

As the knowledge of management theory and principles is a valuable kit of the manager but it cannot replace his managerial skills and qualities which has to be applied and practiced which makes us to consider manager as an art.

Like the art of a musician or the art of a painter who uses his own skill and does not copy the skills of others

C. Management is a profession

Characteristics of a profession:

1. existence of organized and systematic knowledge
2. Formalized methods of acquiring training and experience.
3. existence of an association with the professionalization as a goal
4. existence of an ethical code to regulate the behaviour of the members of the profession
5. Charging of fees based on service.

Management as Profession

- a) Does not have fixed norms of managerial behaviour
- b) no uniform of code of conduct or licensing of managers
- c) entry of managerial jobs are not restricted to individuals with a special academic degree only and hence management cannot be called a profession

Evolution of the management:

1) Early classical approaches represented by

a) scientific management b) administrative management and c) bureaucracy

2) Neoclassical approaches represented by

a) human relations movement and behavioural approach

3) Modern approaches represented by

a) Quantitative approach b) systems approach and c) contingency approach

1 a) Scientific management:

Taylor's contributions under scientific management

1) Time and motion study:

started time and motion study under which each motion of job was timed out with the help of stop watch of doing job was found and shorter and fewer motions were developed and amongst these the best job was found which replaced the old rule of thumb knowledge of the workman.

2) Differential payment:

New payment plan called the differential piece work was introduced which was linked incentives with production. under this plan a worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard which would motivate the workers to increase production

3) Drastic reorganization and supervision:

Introduced two new concepts separation of planning and doing and functional foremanship.

Taylor suggested that the work should be planned by the foreman and not by the worker and there should be as foreman as there are special functions involved in doing a job and each of these foreman should give orders to the worker on his specialty.

4) Scientific recruitment and training :

Taylor emphasized the need for scientific selection and development of the worker.

He says that management should develop and train every worker to bring out his best facilities and enable him to do a higher, more interesting and more profitable class of work than he has done in past.

5) Intimate and friendly cooperation between the management and the workers :

Taylor argued that both the management and the workers both should try to increase production rather than quarrel over profits which would increase the profits to such an extent that labour and management would no longer have to compete for them and should sow common interest in increasing productivity.

Contributions and limitations of scientific management:

Contributions:

- 1) Time and motion studies have made us aware that the tools and physical movements involved in a task can be made more efficient and rationale.
- (2) Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.
- (3) The scientific management have to work design encouraged the mangers to do one best way of doing the job.

Limitations:

1. Taylors belief that economic incentives are strong enough to motivate workers for increased production proved wrong as there are other needs such as security, social needs, or egoistic needs rather than financial needs
2. Taylors time and motion study is not accepted as entirely scientific as there is no best way of doing the same job by two individuals as they may not have same rhythm, attention and learning speed
3. Separation of planning and doing the greater specialization inherent in the system tends to reduce the need for skill and greater monotony of work.
4. Advances in methods and better tools and machines eliminated some workers who found it difficult to get other jobs and caused resentment among them.

Fayol's Administrative management:

Henry Fayol is considered as the father of administrative management(1841-1925) where the focus is on development of broad administrative principles.

He was a French mining engineer turned a leading industrialist and a successful manager.

He provided a broad analytical framework of the process of administration.

Fayol's 14 principles of management :

1) Division of work: In the management process produces more and better work with the same effort as the various functions of management like planning, organizing, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors which must be entrusted to specialists in related fields.

2) Authority and responsibility: Implies that the manager should have the right to give orders and power to exact obedience and the manager also may exercise formal authority and also

personal power.

Formal authority is derived from the official position and personal power is the result of Intelligence, experience, moral worth, ability to lead, past service etc.

Responsibility is closely related to authority and an individual who is willing to exercise authority must also be prepared to bear responsibility to performers etc. the work in the manner desired.

3) Discipline: Absolutely essential for smooth running of the business and discipline means the obedience of authority, observance of rules of service and norms of performance, respect for agreements, sincere efforts of completing the given job, respect for superiors.

Best means of maintaining discipline are

a) good supervisors at levels

b) Clear and fair agreements between the employees and the Employer.

4) Unity of command: This principle requires that each employee should receive instructions about a particular work from one superior only if reported to more than one superior would result in confusion and conflict of instructions.

5) Unity of direction: Means that there should be complete identity between individual and organizational goals on the one hand and between the departmental goals on the other hand and both should not pull in different directions.

6) Subordination of individual interest to general interest: In a business concern, an individual is always interested in maximizing his own satisfaction through more money,

recognition, status etc. which is against the general interest which lies in maximizing production and hence there is a need to subordinate the individual interest to the general interest.

7) Remuneration: Remuneration paid to the personnel of the firm should be fair and should be based on general business conditions such as cost of living, productivity of the concerned employees and the capacity of the firm to pay and the fair remuneration increases workers efficiency and morale and fosters good relations between them and management.

8) Centralization: The degree of centralization or decentralization of authority must be decided on the basis of nature of the circumstances, size of the undertaking, the type of activities and the nature of organizational structure.

9) Scalar chain: Scalar chain means the hierarchy of authority from the highest executive to the lower stones for the purpose of communication and states superior-subordinate relationship and

the authority of superiors in relation to subordinates at various levels and the orders or the communications should pass through the proper channels of authority along the scalar chain.

10) Order: Putting things in order needs effort and the management should obtain orderliness in work through suitable organization of men and materials and the principle of right place for everything and for every man should be observed by the management which requires the need for scientific selection of competent personnel, correct assignment of duties to personnel and good organization.

11) Equity: Means equality of fair treatment which results from a combination of kindness and justice and employees expect management to be equally just to everybody which requires managers to be free from all prejudices, personal likes or dislikes.

12) Stability of tenure of personnel: Is necessary to motivate workers to do more and better work and they should be assured security of job by management which if not provided they have fear of in security of job, their morale will be low and they cannot give more and better work.

13) Initiative: Means freedom to think out and execute a plan which when provided to the employees leads to innovation which is the landmark of technological progress.

Initiative is one of the keenest satisfactions for an intelligent man to experience and hence managers are required to give sufficient scope to show their initiative.

14) Esprit de corps: Means team spirit which should be created by the management among the employees and is possible only when all the employees pull together as a team and there is scope for realizing the objectives of the concern and there should be harmony and unity among the staff which is a great source of strength to the undertaking which could be achieved through avoiding divide and rule motto and use achieved through avoiding divide and rule motto and use of verbal communication and written communication to remove misunderstandings.

Contributions and limitations of administrative management:

Contributions:

- 1) Fayol's principles met with wide spread acceptance among writers on management and among managers and managers themselves.
- 2) Drawing inspiration from Fayol a new school of thought known as the Management Process School came into existence.

Limitations:**1) Fayol's principle of specialization lead to the following dysfunctional consequences:**

(a) Leads to the formation of small work groups with norms and goals with each individual carrying out own assigned part without bothering about the overall purpose of the organization as a whole.

(b) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.

(c) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.

2) One of the findings of Fayol's principles is that there is nothing in Fayol's writings to indicate it is the proper one to apply like for example the principle of unity of command and the principle of unity of specialization or division of labour cannot be followed simultaneously.

In this way many of these principles are full of contradictions and dilemmas.

3) Fayol's principles are based on a few case studies only and have not been tested empirically and whenever tested have fallen like autumn leaves.

4) These principles are often stated as unconditional statements of what should be done in all circumstances when what is needed are conditional principles of management.

5. The principles of Fayol such as the principles specialization, chain of command, unity of direction and span of control result in the mechanistic organizational structures which are insensitive to employees Social and psychological needs.

6. These principles are based on the assumption that the organization are closed systems but in reality organizations are open systems and hence the rigid structures so created do not work well under stable conditions.

Bureaucracy

German scientist Max Weber is considered to be the father of Bureaucracy.

Made a study on various business and government organizations and distinguished three types of administration amongst them.

Leader oriented tradition oriented and bureaucratic.

(i) Leader oriented: Administration is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.

(ii) Tradition oriented: all managerial positions are handed down from generation to

generation and who are you rather than what you can do becomes the primary function.

(iii) Bureaucratic oriented: is based on the persons demonstrated ability to hold the position and no person can claim particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family and the people earn positions because they are presumed to be best capable of filling them.

Important features of Bureaucratic Administration:

1) Insistence on following standard rules:

There should not govern by the personnel preferences of the employer but it should be governed by the standard rules which provides equality in the treatment of subordinates and continuity and predictability of action.

2) Systematic division of work:

Increases production by improving efficiency and saving time in changing over from one job to another.

3) Principle of hierarchy followed:

Each lower officer is under the control and supervision of a higher one.

4) Not necessary for the individual to have knowledge of and training in the application of rules:

These form the basis on which legitimacy is granted to his authority.

5) Administrative acts, decisions and rules are recorded in writing:

Makes the organization independent of people besides making peoples understanding more accurate.

6) There is rational personnel administration:

People are selected on the basis of their credentials and merit and are paid according to their option in their hierarchy, promotions are made systematically and there is on winning peoples loyalty and commitment.

Neo-classical approach:

They are called neoclassical because they do not reject the classical concepts but only try to refine them.

The human relations movement:

Emerged to achieve complete production efficiency and workplace harmony was developed in helping managers to deal more effectively with the people side of their organizations.

Came into existence due Hawthorne's experiments conducted by Elton Mayo and his colleagues at the Western Electric Company's plant in Cicero, Illinois from 1927 to 1932 which employed 29,000 workers to manufacture telephone parts and equipment.

Elton Mayo's experiments can be divided into following four parts: 1) Illumination experiments 2) Relay assembly test room 3) Interviewing program 4) Bank wiring test room

Illumination Experiments:

Productivity was correlated with illumination, tested, experiments were done on a group of workers and the productivity was measured at various levels of illumination for the first time and two groups were formed and set up in different buildings for the second time this time one group called the control group worked under the constant level of illumination and the other group called the test group worked under changing levels of illumination.

Results: When post-productivity of two groups were compared, it was found that illumination affected production only marginally.

Relay assembly test room:

In this phase, the object of study being broadened, along with the impact of illumination on production, other factors such as the length of the working day, frequency and duration of rest pauses and other physical conditions were taken into consideration.

A group of six women workers, who were friendly with each other, were selected for the experiment, were told about the experiment, were made to work in a informal atmosphere with the supervisor researcher in a separate room who acted as a friend, philosopher and guide.

Several variations were made in the working conditions during the study, to find the most ideal combination for production.

Results: the researchers found that the production group had no relation with the working conditions which went on increasing and stabilized at a high level even when all the improvements were taken away and the poor pre-test conditions were reintroduced and something else was responsible for this.

(a) feeling of importance among girls as result of participation in the research and the attention they got

(b)warm informality ,tension- free interpersonal and social relations amongst small groups and relative freedom from strict supervision and rules lead to these results (c)high group cohesion among girls

Interviewing programme:

The knowledge about the informal group processes which were accidentally acquired in the second phase made researchers design the third phase.

They wanted to know about the basic factors responsible for human behavior at work

Method used to know the basic factors: More than 20000 workers were interviewed.

Questions were asked relating to the type of supervision, working conditions, living conditions and so on.

Indirect questions were asked to the workers and the workers were free to talk about their favorite topics related to their work environment.

Results: the study revealed that the workers social relations inside the organization had an unmistakable influence on their attitudes and behavior and about the all-pervasive nature of informal groups on their culture and the production norms which the members were forced to obey.

Bank wiring observation room:

Involved in-depth observation of 14 men making terminal banks of telephone wiring assemblies, to determine banks of telephone wiring assemblies, to determine the effect of informal group norms and formal economic incentives on productivity.

Results: Study revealed that group evolved its own production norms for each individual worker which were much lower than the those set by the management and the workers would produce that much and no more thereby defeating the incentive system

This artificial restriction of production saved workers from a possible cut in their piece rates and protected weaker and slower workers from being reprimanded or thrown out of jobs.

Class of workers-production rate Called foolish-was more than the group norm were isolated, harasses or punished by the group in the several ways and were called rate busters.

Those who were too slow were nicknamed as chisellers.

Those who complained to the supervisor against their coworkers were called

squealers. **Conclusion:** The experience of the Hawthorne experiments had a profound impact on the luminaries of the human relations movement.

Came to realize the important role played by informal groups in the working of an organization

Contributions:

The contributions can be summarized as follows:

- 1) a business organization is not merely a techno-economic system but is also a social system and hence it is important to provide social satisfaction to the workers to produce goods.
- 2) There is no correlation between improved working conditions and high production.
- 3) A workers production norm is set and enforced by his group and not by the time and motion study done by the industrial engineer and those deviating from the group were penalized by the coworkers.
- 4) Worker does not work for money only and also nonfinancial awards affect his behavior and limit the economic incentive plan.
- 5) Employee centered, democratic and participative style of supervisory leadership is more effective than task centered leadership.
- 6) The informal group and not the individual is the dominant unit of analysis in organizations.

Limitations:

- 1) is swing in the opposite direction and is as much incomplete as the scientific management and administrative management. The human relations writers saw only the human variable as critical factor
- 2) The implicit belief that every organization can be turned down into one big happy family which could satisfy everybody was not correct as every organization is made up of a number of diverse social groups with incompatible values and interests.
- 3) This approach emphasizes the importance of symbolic rewards and underplays the role of material rewards.
- 4) Approach provides an unrealistic picture about informal groups by describing them as major source of satisfaction for industrial workers and it is assumed that many workers do not come to the factory to seek affiliation and affection.

- 5) Approach is in fact production oriented and not employee oriented as it claims to be. Many of its techniques (running canteens, social groups) trick workers into false sense of happiness.
- 6) The leisurely process of decision making of this approach cannot work during emergency.
- 7) Makes an unrealistic demand on the superior and wants him to give up his desire.
- 8) Approach is based on wrong assumption that satisfied workers are more productive workers because attempts to increase output by improving working conditions and the human relations skills of a manager generally in the dramatic productivity increases that are expected.

Behavioral approach:

This version is an improved and a more mature version of the human relation approach management.

These do not believe in the highly classical organization structures which were built around the traditional concepts of hierarchical authority, unity of command, line and staff relationships and narrow spans of control.

They believe that a lot of domination takes place by the managers which causes subordinates to become passive and dependent on them.

These scientists prefer more flexible organization structures and jobs built around the capabilities and aptitudes of average employees.

Modern approaches

- 1) Quantitative approach
- 2) Systems approach
- 3) Contingency approach

PLANNING:

Meaning of Planning:

Planning is an intellectual process which requires manager to think before acting.

It is thinking in advance. It is planning that managers of organization decide what is to be done, when it is to be done, how it is to be done, and how it has to be done.

Decision making is an integral part of planning.

It is the process of choosing among alternatives. Obviously, decision making will occur at many points in the planning process.

Planning is a continuous process like a navigator constantly checks where his ship is going in the vast ocean, a manager must constantly watch his plans must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans.

Importance of planning

1)Minimizes risk and uncertainty

By providing a more rational, fact-based procedure for making decisions, planning allows managers and organizations to minimize risk and uncertainty.

Planning does not deal with future decisions, but in futurity of present decisions.

2)Leads to success:

Planning does not guarantee success but studies have shown that, often things being equal, companies which plan not only outperform the non-planners but also their past results.

This may be because when a businessman's actions are not random arising as mere reaction to the market place

Planning leads to success by doing beyond mere adaption to market fluctuations.

With the help of a sound plan, management can act proactively and not simply react. It involves to attempt to shape the environment on the belief that business is not just the creation of environment but its creator as well.

3) Focus attention on the organizations goals:

Planning helps the manager to focus attention on the organizations goals and activities.

This makes it easier to apply and coordinate the resources of the organization more economically.

The whole organization is forced to embrace identical goals and collaborate in achieving them.

It enables the manager to chalk out in advance an orderly sequence of steps for the realization of organizations goals and to avoid needless overlapping of activities.

4) Facilitates control:

In planning, the manager sets goals and develops plans and to accomplish these goals.

These goals and plans then become standards against which performance can be measured.

The function of control is to ensure that activities conform to the plans. Thus control can be exercised only if there are plans.

5) Trains executives:

Planning is also an excellent means for training executives.

They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.

Forms of planning:

There are many forms and styles of planning, and planning practices are likely to vary from organization to organization.

One useful way of classifying them is to distinguish between strategic planning and tactical planning.

About Strategic planning involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals and depends on the data collect in the outside the organization such as market analysis, estimates of costs, technological developments and so on and if the data being mostly imprecise make strategic planning less certain.

About Tactical planning involves deciding specifically how the resources of the organization will be used to help the organization achieve these strategic goals. for example if the organization has prepared a ten- year strategic plan which envisages a profit rate of 25% on capital employed in the tenth year, it also necessary to prepare a more detailed tactical plan for the next year, with a specific target of 10% on the capital employed.

Strategic planning

1) decides the major goals and policies of allocation of resources to achieve these goals

2) Done at higher levels of management. Middle managers sometimes not even aware

Tactical planning

that strategic planning being considered.

3)it is long term

4. Is generally based on long term forecasts

about technology, political environment and is more uncertain.

5)is less detailed because it is not involved with the day to day operations of the organization

1)decides the detail use of resources for achieving these goals

2)is done at lower levels of management

3)it is short term

4)is generally based on the past performance of the organization and is less uncertainly

5)is more detailed because it is involved with the day-to-day operations of the organization

Types of plans:

Plans are arranged in a hierarchy within the organization

- At the top of this hierarchy stand objectives.
- Objectives are the broad ends of the organization which are achieved by means of strategies.

Strategies in their turn are carried out by means of the two major groups of plans. **Single use plans and standing plans.**

Single use plans are developed to achieve a specific end and when the end is reached the plan is dissolved.

The two major types of plans are single use plans are programmers and budgets. Standing plans on the other hand are designed for situations that recur often to justify the standardized approach.

For example, it would be inefficient for a bank to develop a single use plan for processing a loan application for each new client.

instead it uses one standing plan that anticipates in advance whether to approve or turn down the request based on the information furnished, credit rating, etc. the major types of plans are policies, procedures methods and rules.

Objectives:

Are the goals of the organization which the management wishes the organization to achieve?

These are the end points or pole-star towards which all business activities like organizing, staffing, directing and controlling are directed.

Only after having defined these end points the can determine the kind of organization the kind of personnel and their qualifications, the kind of motivation, supervision and direction and the control techniques which he must employ to reach these points.

Objectives are the specific targets to be reached by an organization.

They are the translation of the organization's mission into concrete terms against which the results can be measured.

Example:1)university decision to admit a certain number of students or the hospitals decision to admit a certain number of indoor patients.

Characteristics of the objectives:

Some of the important characteristics of the objectives are:

1) Objectives are multiple in numbers:

Implies that every business enterprise has a package of objectives set out in various key areas.

There are eight key areas in which objectives of performance and results are set which are (I) market standing (ii) innovation (iii) productivity(iv) physical and financial resources(v) profitability (vi) Manager performance and development (vii) worker performance(viii) attitude and public responsibility.

2) Objectives are either tangible or intangible:

For some objectives such as in the areas of market standing, productivity, and physical and financial resources) there are quantifiable values available.

Other areas of objectives are not readily quantifiable and are intangible, such as manager's performance, workers morale, public responsibility etc.

3) Objectives have priority:

Implies that at one particular given point of time, the accomplishment of one objective is relatively more important than others.

Priority of goals also says something about the relative importance of certain goals regardless of time.

For example, the survival of organization is necessary condition for the realization of other goals.

4) Objectives are generally arranged in a hierarchy:

This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives.

Objectives at all levels serve as an end and as a means.

5) Objectives sometimes clash with each other:

The process of breaking down the enterprise into units requires that objectives be assigned to each unit.

Each unit is given the responsibility of attaining an assigned objective.

The process of allocating objectives among various units creates the problem of potential goal conflict and sub optimization on, where in achieving the goals of one unit may put in risk of achieving the goals of the other.

Requirements of sound objectives:

- (i) Objectives must be clear and acceptable: The objectives must be clear and understandable amongst people which could be achieved by unambiguous communication, should be compatible with their individual goals.
 - (ii) Objectives must support one another: Objectives could interlock or interfere with one another which require the need for coordination and balancing the activities of the entire organization, otherwise its members may pursue different paths making it difficult for the manager to achieve the company's overall objectives.
 - (iii) Objectives must be precise and measurable: An objective must be spelled out in precise, measurable terms the reasons for which being
 - (1) The more precise and measurable the goal, the easier it is to decide the way of achieving it.
6. Precise and measurable goals are better motivators of people than general goals.
7. Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals.
8. It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.
- (iv) Objectives should always remain valid: Means that the manager should constantly review, reassess and adjust them according to the changed conditions.

Advantages of objectives:

The following are the benefits of objectives

- (i) They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.
7. They act as motivators for individuals and departments of an enterprise imbuing their activities with a sense of purpose. ult in undesirable com
8. They eliminate haphazard action which may result in undesirable consequences.
9. Facilitate coordinated behavior of various groups which otherwise may pull in

different directions.

(v) Function as a basis for managerial control by serving as standards against which actual performance can be measured.

(vi) They facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.

(vii) Lessen misunderstanding and other conflict and facilitate communication among people by minimizing jurisdictional disputes.

(viii) Provide legitimacy to organizations activities.

Strategies:

A corporate strategy is a plan which takes these factors into account and provides optimal match between the firm and the environment.

Two important activities are involved in strategy formulation

(i) environmental appraisal

(ii) corporate appraisal

(i) Environmental appraisal:

(1) Political and legal factors:

An analysis of the relevant environment results in the identification of threats and opportunities.

Key environment factors which need to be studied are

(a) stability of the government and its political philosophy.

(b) taxation and industrial licensing laws

(c) monetary and fiscal policies

d) Restrictions on capital movement, repatriation of capital, state trading etc.

Economic factors

(a) level of economic development and distribution of income

(b) Trend in prices, exchange rates, balance of payments.

(c) Supply of labour, raw, material, capital etc.

(3) Competitive factors:

(a) identification of principle competitors

(b) analysis of their performance and programmes in major areas

(c) antimonopoly laws and rules of competition

(d) protection of patents, trademarks, brand names and other industrial property rights

(4) Social and cultural factors:

(a) literacy levels of population

(b) religious and social characteristics

(c) extent and rate urbanization

(d) rate of social change

(ii) Corporate appraisal:

Involves the analysis of company's strengths and weaknesses.

A company's strength may lie in outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, personal relationship with customers, efficient transportation and logistics, effective sales promotion, high turnover of inventories and capital etc.

The company must plan to exploit these strengths to the maximum. Similarly it may suffer from a number of weaknesses.

Standing plans:

Policies:

A policy is a general guideline for decision making which sets up boundaries around decisions including those that cannot be made and shutting out those that cannot.

A policy can be considered as a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which managerial action takes place. Policies suggest how to do the work.

They do not dictate terms to subordinates and provide only a framework within which the decisions must be made by the management in different spheres.

Example: 1) Recruitment policy of a company is to recruit meritorious people through the employment exchange

2) Distribution policy of a fertilizer company is farmer oriented. Policies and objectives guide thinking and action, but with a difference. Objectives are end points of planning while policies channelize decisions to these ends.

Advantages of policies:

1) Policies ensure uniformity of action in respect of matters at various organizational points which make actions more predictable.

2) Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.

3) makes it easier for the superior to delegate more and more authority to the his subordinates without being unduly concerned because he knows that whatever decision the subordinates make will be within the boundaries of the policies.

4) Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.

Types of policies:

Can be classified on the basis of sources, functions or organizational levels

1) Classification on the basis of sources: three types originated, appealed, implied and imposed policies

(a) Originated policies:

Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own.

These policies are set out in print and embodied in manual.

(b) Appealed policies:

Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.

(c) Implied policies:

Are also policies which are stated neither in writing nor verbally.

Such policies are called implied policies.

Only by watching the actual behavior of the various superiors in specific situations can the presence of implied policy is ascertained.

(d) Externally imposed policies:

Are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions.

Example: policy dictated by the government law.

2) Classification on the basis of functions:

On the basis of business functions, policies may be classified into production, sales, finance, and Personnel policies.

Every one of these functions has number of policies.

For example:

Sales function may have policies relating to market.

Production function: may policies relating to the method of production, output, inventory, research.

Finance function: may have policies relating to capital structure, working capital, internal financing etc.

Personal function: may have policies relating to recruitment, training, working activities, welfare activities etc.

3)Classification on the basis of organizational level:

On this basis range from major company policies through major departmental policies to minor or derivative polices applicable to the smallest element of organization.

Procedures:

Policies are carried out by means of more detailed guidelines called procedures.

A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work.

The same steps are followed each time that activity is performed.

For example: the procedure for purchasing raw material may be (i) the requisition from the storekeeper to the purchasing department.

(ii) Calling tenders for purchase of materials.

(iii)placing orders with the suppliers who are selected (iv)inspecting the materials purchased by the inspecting department

(v) Making payment to the supplier of materials by the accounts department.

Similarly, the procedure for the recruitment of personnel may be (i)inviting applications through advertisement

(ii) screening the applications

(iii) conducting written test

(iv)conducting interview for those who have passed the written test and

(v) Medical examination of those who are selected for the posts.

Procedures may also exist for conducting the meetings of directors and shareholders, granting loans to employees, issuing raw materials from the stores department, granting sick leaves to the employees, passing bills by the accounts department.

Policies

1. Are the general guidelines to both thinking and action of people at higher levels
2. Help in fulfilling the objectives of the enterprise .
3. are generally broad and allow some latitude in decision making
4. are often established without any study or analysis

Procedures

- 1 .are the guidelines to action only usually for the people at the lower levels
2. show us the way to implement policies
3. Are specific and do not show latitude.
4. are always established after thorough study and analysis of work

Advantages and limitations of procedures:

Advantages:

1) They indicate a standard way of performing a task which ensures a high level of uniformity in performance in the enterprise.

2)they result in work simplification and elimination of unnecessary steps and overlapping 3)they facilitate the executive control over performance by laying down the sequence and timing of each task, executives dependence on the personal attributes of his subordinates is reduced

4)they enable employees to improve their efficiency by providing them with knowledge about their entire range of work.

Limitations:

(1)By prescribing one standard way of performing a task, they limit the scope for innovation or improvement of work performance.

(2)By cutting across department lines and extending into various other departments, they sometimes result in duplication, overlapping and conflict. These limitations can be overcome if the management reviews and appraises the procedures periodically with an intention to improve them.

Steps in planning:

The various steps involved in planning are as follows:

1) Establishing verifiable goals or set of goals to be achieved:

The first step in planning is to determine the enterprise objectives which are often set up by the upper level or top managers, usually after number of possible objectives have been carefully considered.

There are many types of objectives managers may select: desired sales volume or growth rate, the development of a new product or service or even a more abstract goal such as becoming more active in the community.

The type of goal selected will depend on a number of factors: the basic mission of the organization, the value its managers hold and the actual and the potential abilities of the organization.

2) Establishing planning premises:

It is the second step in planning to establish planning premises which is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, general economic conditions, production costs and prices, probable competitive behavior, capital and material availability and government control and so on.

Planning can be variously classified as under

- a. internal and external premises
- b. tangible and intangible premises
- c. controllable and non controllable premises

(a) Internal and external premises

Premises may exist within and outside company.

Internal premises include sales forecasts, policies and programmes of the organization, capital investment in plant and equipment, competence of management, skill of labor, etc.

External pre mises can be classified into three different groups Business environment, factors which influence the demand for the product, and the factors which affect the resources available to the enterprise.

(b) Tangible and non-tangible premises:

Tangible premises: those which can be quantitatively measured while

Intangible premises are those which being qualitative in character and cannot be measured.

Tangible examples: population growth, industry demand, capital and resources invested in the organization are all tangible.

Intangible: political stability, sociological factors, business and economic environment are all tangible.

(c) Controllable and non controllable pre mises:

Some of the planning premises are controllable and some are non-controllable and because of the non-controllable factors there is need for the organization to revise the plans periodically in accordance with the current development.

Examples of uncontrollable factors: strikes, wars, natural calamities, emergency, legislation etc.

Examples of controllable factors: company's advertising agency, competence of management member's skill of the labour force, availability of resources in terms of capital and labour, attitude and behavior of the owner's of the organization.

3) Deciding the planning period:

It is the next task once the upper level managers have selected the basic long term goals and the planning premises.

Business plans are made in some instances once for a year and plans are made for decades based on some logic and future thinking.

The factors which affect the choice of period are:

- (a) Lead time in development and commercialization of new product.
- (b) The time required to recover capital investments or the pay-back period and
- (c) Length of the commitments which are already made.

4) Finding alternate courses of action:

The fourth step of planning is to find the alternate courses of action.

Example: securing the technical knowhow by engaging a foreign technician or by training staff abroad.

5) Evaluating and selecting the alternate courses of action:

After selecting the alternate courses selection the best course or course of action with the help of quantitative techniques and operations research.

6) Developing the derivative plans:

Once plan formulated, its broad goals must be translated on day to day operations of organization Middle level managers must draw up the appropriate plans, programmes and budgets for their sub-units which are described as derivative plans.

7) Measuring and controlling the process: Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

Limitations of planning:

7) Planning is expensive and time consuming process. it involves significant amount of money, energy and also risk without any assurance of the fulfillment of the organizations objectives

8) Sometimes restricts the organization to the most rational and risk free opportunities. Curbs the initiatives of the manager and forces him to operate within the limits set by it and sometimes cause delay in decision making in case of emergency.

9) Scope of planning is limited with rapidly changing situations.

10) Establishment of advance plans tends to make administration inflexible.

Example: business changes, change in government policy, may make the original plan lose its value.

9) Another limiting factor in planning is the formulating of the accurate premises.

10) Planning may sometimes face peoples resistance to it.

ORGANIZING:**Definition:**

An organization can be defined as a social unit or human grouping deliberately structured for the purpose of attaining specific goals.



An organization can also be defined as the **process of identifying and grouping of the work to**

be performed, defining and delegating responsibility and authority and establishing relationships for

the **purpose** of enabling people to work most effectively together in the **accomplishment** of their **objectives**.

Nature of organization:

5. An organization basically consists of **group of people** who form the dynamic human element of the organization
6. Organization helps in **identifying** the various tasks to be performed which are assigned to the individuals to perform to **achieve** the **common objectives** or common purpose of the organization.
9. It ensures to achieve **coordination** amongst the people working in various departments of the organization and ensures **integrated efforts** to achieve organizational objectives or goals.
10. It **delegates authority** to the managers with commensurate responsibility and accountability for the discharge of their duties and also amongst different hierarchical levels in an organization.
11. It also aides in **achieving financial, physical material** and **human resources**.
12. Organizations are part of the larger environment and hence they are **influenced** by the **external environment**.

Organization **helps** in the **realization** of the plans made by the managers

- 8) It helps in **nurturing** and **growing special skills** and talents by the virtue of division of labor
- 9) It facilities **seamless communication**.

Purpose of an organization:

- **The purpose of any organization is to achieve goals for which it is formed which aims at achieving common objectives through its group member efforts.**
- The organizations exist for different purpose and the efforts for organizational members are directed for the achievement of this purpose.
- **For example:**

For business organization the purpose is to develop people and their skills for contributing towards the growth of the enterprise through profits

For nonprofit organization the purpose the objective would be to serve the members of the committee in a productive manner

Types of organization:

a) Business organization: are those organizations which are formed with the purpose of earning profits the sole purpose being to earn surplus in the form of profits without which they cannot survive and grow

Example: Firms engaged in manufacturing, trading, services etc

b) Non -profit service organizations: are those organizations that do not have the motive of making profits but to serve the people of the specific community or a segment of a society. Example: Rotary club, Lions club, Orphanages, Charitable hospitals etc.

Principles of organization:

The principles of organization are as follows

1) Objectives: The objectives of the enterprise influence the organization structure and hence the objectives of the enterprise should first be clearly defined.

Then every part of the organization should be geared to the achievement of these objectives.

2) Specialization: Effective organization must promote specialization.

The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.

3) Span of control: As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum.

That means, an executive should be asked to supervise a reasonable number of subordinates only. **4)Exception** :As the executives at the higher levels have limited time, only exceptionally complex problems should be referred and routine matters should be dealt with by the subordinates at lower levels.

This will enable the executives at higher levels to devote time to more important and crucial issues. **5) Scalar Principle:** This Principle is sometimes known as the “chain of command”. The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.

6) Unity of command: Each subordinate should have only one superior whose command he has to obey. Multiple-subordination must be avoided for it causes Uneasiness, disorder, indiscipline and undermining of authority.

7) Delegation: Proper authority should be delegated at the lower levels oh manager of the organization also. The authority delegated should be equal to responsibility that is each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activity.

9) **Responsibility:** The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates

END

MODULE 2 STAFFING

Topics covered:

Staffing- meaning, process of recruitment and selection.

Directing and controlling- meaning and nature of directing, leadership styles, motivation theories.

Controlling- meaning, steps in controlling, methods of establishing control, Communication- Meaning and importance,

Coordination- meaning and importance

STAFFING: Nature and importance of proper staffing:

Definition of Staffing: **The process of recruiting, retaining, developing and nurturing the workforce is called staffing**

- 1) It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- 2) Ensures greater production by putting the right man in the right job.
- 3) It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personal if any in advance.
- 4) Helps to prevent underutilization of personnel through over manning and the resultant high labor cost and low profit margins.
- 5) Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

Recruitment:

It is defined as the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs.

Sources of requirement:

- Can be broadly classified into two categories: **internal and external**
- Internal sources refer to the present working force of the company.
- Vacancies other than the lowest level may be filled by the existing employees of the company.

External sources of recruitment

1) Re-employing former employees: laid off employees or employees left due to personal reasons may be reemployed who may require less training compared to the strangers of the enterprise.

2) Friends and relatives of the present employees: personnel with a record of good relationships may be encouraged to recommend their friends and relatives for Appointment in the concern where they are employed.

- 3) **Applicants at the gate:** suitable unemployed employees who call at the gates of the factories or companies are called are interviewed by the factory or company personnel and those who are found suitable for the existing vacancies are selected.
- 4) **College and technical institutes:** many big companies remain in touch with the colleges and technical institutions to recruit young and talented personnel.
- 5) **Employment exchanges:** employment exchange set up by the government for bringing together those men who are in search of the employment and these who are in search of employment and those who are looking for men. Employment exchanges are considered a useful source for the recruitment of clerks, accountants, typists.
- 6) **Advertising the vacancy:** can be done by advertising the vacancy in leading news papers which may be used when the company requires services of persons possessing certain special skills or when there is acute shortage of labor force.
- 7) **Labor unions:** persons are sometimes recommended for appointment by their labor unions.

Selection:

Steps in the selection procedure:

- 1) **Job analysis:** Is the process by means of which a description is developed of the present methods and procedures of doing a job, physical conditions in which the job is done, relation of the job to other jobs and other conditions of employment
- 2) **Job description:** The results of the job analysis are set down in job descriptions for production workers, clerical people and the first- line supervisors and managers also.
- 3) **Job specification** A job specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.

➤ Commonly used selection procedure steps.

Application blank: Filling the application blank by the candidate is the first step in which the applicant gives relevant personal data such as qualification, experience, firms in which he has worked.

- 2) **Initial interview:** Selected personnel based on the particulars furnished in the application blank are called for the initial interview by the company which is the most important means of evaluating the poise or appearance of the candidate.
- 3) **Employment tests:** Are used for the further assessment of the candidate of his nature and abilities certain tests are conducted by the company. These are:
 - (i) **Aptitude test:** is used in finding out whether a candidate is suitable for clerical or a mechanical job which helps in assessing before training as how well the candidate will perform the job.
 - (ii) **Interest test:** is used to find out the type of work in which the candidate has an interest.
 - (iii) **Intelligent test:** used to find out the candidates intelligence and candidates mental alertness, reasoning ability, poor of understanding are judged.
 - (iv) **Trade or performance achievement test:** this test is used to measure the candidate's level of knowledge and skill in the particular trade or occupation in which all he will be appointed, in case he is finally selected. In this test the candidate is asked to do a simple

operation of the proposed job.

Example: A candidate for a driver may be asked to drive to test his driving proficiency, a typist may be asked to type out some letters to find out his speed and efficiency.

(v) Personality test: is used to measure those characteristics of a candidate.

4) Checking references: used to know about the important personal details about the candidate, his character, past history his background verified from the people mentioned in the application after selection and found satisfactory at the interview.

5) Physical or medical examination: is another step in selection procedure. The objectives of

this examination are (i) to check the physical fitness of the applicant for the job applied for (ii) to protect the company against the unwarranted claims for compensation under certain legislative enactments. **6)**

Final interview: This interview is conducted for those who are ultimately selected for employment and the selected candidates are given an idea about their future projects within the organization.

Theories on the formation of informal groups:

1) Propinquity theory: Means that individuals affiliate to one another because of spatial or geographical proximity in an organization where employees who work in the same area or office become close to one another.

2) Similarity or balance theory: people with similar attributes, interests and work-related needs are attracted to one another where in the employees form union for fighting indiscriminate or unilateral treatment of the employer.

3) Complementarily theory: In this theory the people with complimentary needs and/or abilities are attracted to one another.

4) Social comparison theory: individual suffers from the need of self-evaluation and he wants to test himself against other members to determine whether or not his ideas, opinions, and judgments correspond to those of others in the group.

5) Interaction theory: Group formation is the result of activities, interactions and sentiments and the more activities they share, the more numerous will be their interactions and the stronger will be their sentiments.

6) Exchange theory: Group formation is based upon reward-cost outcomes of interaction. Rewards from interactions gratify the needs while costs incur anxiety, frustration, fatigue or boredom.

Distinction between formal and informal organization:

Formal organization

- 1) It is prescribed structure of roles and relationships. Consciously coordinated towards a common objective.
- 2) Its values, goals and tasks are predominantly oriented towards productivity, efficiency, growth and so on.
- 3) Well defined in shape, majority of the

Informal organization

- 1) It is natural and spontaneous structure, arising out of the social tendency of people to associate and interact.
- 2) Values, goals and tasks predominantly centre on individual and group satisfaction, esteem, affiliation, friendship.
- 3) It is shapeless and there are a number

formal organizations being pyramid shaped.

4) There is prescribed, mostly written system of reward and punishment and the rewards can be monetary

of multi-directional, intricate relationships which can be easily charted.

4) There is unwritten system of reward and punishment and rewards take the form of continues membership.

DIRECTING AND CONTROLLING, COMMUNICATION, COORDINATION:

Definition:

- Means issuance of orders and leading and motivating subordinates as they go about executing orders Consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.
- Is a vital in managerial function Is used to stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results.
- To conclude direction is the process of utilizing the techniques in issuing instructions and making certain that operations are carried out on as originally planned.

Requirements or principles of effective direction:

1) Harmony of objectives:

- The goals of its members must be in complete harmony with the goals of an organization
- The manager must direct the subordinates in such a way that they that they perceive their goals to be in harmony with enterprise objectives.
- For Example the company's profits may be associated with the employee's gains by giving additional bonus or promotion.

2) Unity of Command:

The subordinates must receive orders and instructions from one supervisor only the violation of which may lead to conflicting orders, divided loyalties and decreased personal responsibility for results.

3) Direct supervision

Every supervisor must maintain face-to-face contact with his subordinates which boosts the morale of the employees, increases their loyalty and provides them with feedback on how well they are doing.

3) Efficient Communication:

- Communication is an instrument of direction through which the supervisor gives orders, allocates jobs and explains duties and ensures performance.
- Is a two way process which enables the superior to know how his subordinates feel about the company and how the company feels on a number of issues concerning them.
- In communication comprehension is more important than the content.

5) Follow-through:

- Is an act of following through the whole performance of his subordinates to keep check on their activities, help them in their cat and point out deficiencies if any and revise their direction if required.

Leadership Styles:

- Three leadership styles widely used:
 - 1) Traits approach
 - 2) Behavioral approach
 - 3) Contingency approach

Traits approach:

- Trait is basically a character and deals with personal abilities and assumed to be God's gift and abilities are identified as mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc.

Traits approaches –

- Trait theories argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits.
- Early trait theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have.
- Now we have moved on from this approach, and we're learning more about what we can do as individuals to develop leadership qualities within ourselves and others.
- Traits are external behaviours that emerge from things going on within the leader's mind – and it's these internal beliefs and processes that are important for effective leadership.

2 .Behavioral approach –

➤ Behavioral theories focus on how leaders behave. There are three types of leaders:

- a. **Autocratic leaders** make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.

b. **Democratic leaders** allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This type of style is important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas.

c. **Laissez-faire leaders** don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable and motivated, and when it doesn't need close monitoring or supervision. However, this style can arise because the leader is lazy or distracted, and, here, this approach can fail.

3. Contingency approach–

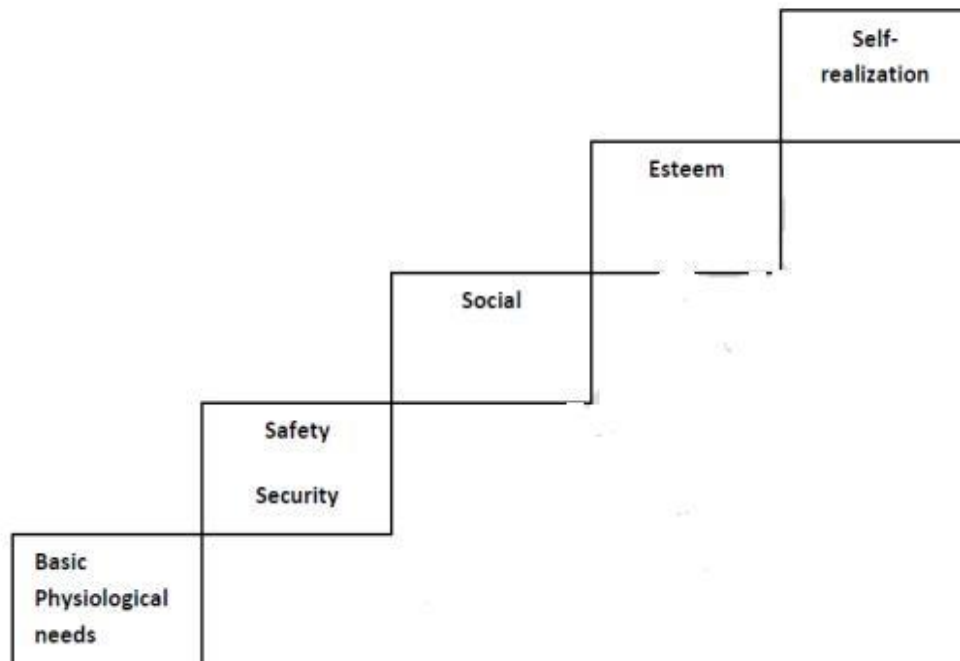
- Situation influencing good leadership
- The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation.
- These theories try to predict which leadership style is best in which circumstance.

Motivation theories:

- 1) Maslow's need hierarchy theory
- 2) Herzberg's two factor theory
- 3) McClelland's achievement theory
- 4) Victor Vroom's Expectancy theory
- 5) Adams equity theory
- 6) Skinners behaviour modification theory

1) Maslow's need hierarchy theory:

An unsatisfied need is the basis for the motivation process and the starting point and begins the chain of events leading to behaviour as shown in the figure below.



- Order of priority of human needs begins with the person's unsatisfied need at the lowest level-identification of the need develops in the form of a goal which leads to the fulfilment of the need to achieve the goal.
- These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.
 - (i)Physiological needs:** Arise of the basic physiology of life like the need for food, water, air, etc which must be at least satisfied partially for continued survival. **(ii)Security needs:** Needs to feel free from economic threat and physical harm which need protection from arbitrary lay-off and dismissal, disaster and avoidance of the unexpected.
 - (iii)Egoistic needs:** are the needs which relate to respect and prestige the need for dominance for example.
 - Can be classified as self-esteem and esteem from others. Self esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy

(iv)Self-fulfilment needs: are the needs to realize ones potential that is realizing one's own capabilities to the fullest-for accomplishing what one is capable of to the fullest. example a musician must make music etc.

According to Maslow, people attempt satisfy their physical needs first. as long as the needs are unsatisfied they dominate and after they become reasonably satisfied and progress to the next level and so on.

Herzberg's Two-factor theory:

- Original study based on the research by Fredrick and Herzberg who interviewed 200 engineers and accountants and were asked about the good times and bad times they think about their jobs.
- Out of these interviews two factors emerged called the
 - I Maintenance factors
 - II Motivators or satisfiers.

I Maintenance factors (Factor 1)

- 1) Fair company polices and administration
- 2) A supervisor who knows the work
- 3) A good relationship with ones supervisor.
- 4) A good relationship with one's peers.
- 5) A good relationship with ones subordinates.
- 6) A fair salary
- 7) Job security
- 8) Personal life
- 9) Good working conditions
- 10) Status

II) Motivators or satisfiers (Factor 2)

- 1) Opportunity to accomplish something significant
- 2) Recognition for significant achievements
- 3) Chance for advancement
- 4) Opportunity to grow and develop on the job
- 5) Chance for increased responsibility
- 6) The job itself.

Some facts about the two factors:

- 1) Motivators are job centered
- 2) Maintenance factors are related working conditions and environmental conditions.
- 3) These two groups of factors are also known as intrinsic and extrinsic rewards.
- 4) These two sets of factors are unidirectional.

McClelland's need for achievement theory:

- According to McClelland there are three important needs
 - (i)The need for affiliation
 - (ii)the need for power
 - (iii)the need for achievement

(i)Need for affiliation:

 - Reflects desire to interact socially with people Concerned about the quality of an important personal relationship

(ii) The need for power:

 - Person having high need for power tries to exercise the power and authority Concerned with influencing others and winning arguments

(iii) The need for achievement (n Ach):

 - Has three distinct characteristics
 - (a)preference in setting moderately difficult but potentially achievable goals
 - (b) Doing most things himself rather than getting them done by others and willing to take personal responsibility for his success or failure and does not want to hold responsible for it.
 - (c) Seeking situations where concrete feedback is possible.

4) Victor Vroom's Expectancy theory:

Works under conditions of free choice where an individual is motivated towards activity which he is most capable of rendering and which he believes has the highest probability of leading to his most preferred goal. The basic concepts of this theory are

1) First and second level outcomes:

- Job related goals before an individual such as promotion, increase in salary, recognition, and praise and so on are called second level outcomes.
- Each second level outcome can be associated with a value called valence for each individual.
- The valence can be positive, negative or zero

Valence positive: individual wants to attain promotion **Valence**

negative: does not want to attain promotion

Valence ze ro: outcome towards which he is indifferent Second level outcomes can be achieved in different ways:

(i)promotion by leaving the organization , by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.

2) Instrumentality:

- All first level outcomes have equal probability of leading the individual to the second level outcome the individual has subjective estimates of these probabilities ranging from - 1 to +1 which are called instrumentalities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome
- **These instrumentalities are helpful in determining the valence of each first-level outcome The valence of each first-level outcome is the summation of all products arrived by multiplying its instrumentalities with the related valences of the second level outcomes.**

3. Expectancy:

- It is the probability estimate which joins the individual's efforts to first level outcome
- Expectancy values are always positive ranging from 0 to 1.

4. Motivation:

- **Motivation** is the multiplicative function of the valence of each first- level outcome (V1) And they believed expectancy (E) that given effort will be followed by a particular first level outcome, That is $M=f(V1 * E)$

5) Adams equity theory:

- In this theory, **Equity is defined as the ratio between The individual's job inputs (such as effort, skill, experience, education and seniority) to the job re wards (such as pay or promotion) it is believed that the individuals motivation, performance and**

satisfaction will depend on his on his or her subjective evaluation o f his or her effort/reward ratio and the effort/reward ratio of others in similar situations

6) Skinners behavior modification theory:

The theory developed by researches done by B.F Skinner.

- The theory is believed and based on the behavior of the past circumstances which they have learnt that the certain behaviors associated with pleasant outcomes and certain other behaviors are associated with unpleasant outcomes.
- Example: Obedience to authority leads to praise and disobedience leads to punishment.
- The consequences that increase the frequency of a behavior are positive reinforcement (praise or monetary rewards) or negative enforcement (A manager requiring all subordinates to attend early morning meetings if the performance falls below a certain desired level of the organization.
- **Negatives of the above theory proposed: Avoids concern for the inner motivation of the individual.** Skinners behavior modification theory is criticized for two reasons
 - (i) Overemphasis of extrinsic rewards ignores the fact that people are better motivated by intrinsic rewards.
 - (ii) The theory is unethical no manager has a right to manipulate and control his employees behavior life.

Communication

- Communication means Exchange of opinions, facts ideas or emotions by two or more persons.
- The sum of all things what one does to create an understanding in the minds of other s.
- Is the process of passing information, correct understanding and with right Interpretation from one person to another.

Importance of communication:

- The importance of communication rose from the fact that earlier business was considered only a technical and formal structure.
- But by Hawthorne's experiments it was realized that every organization requires structure is a social system involving the interactions of the people working at different levels and proper communication is required to the goals of the organization, organizations existence from the birth to continuing

Coordination

- Is the orderly synchronization or fitting together of the interdepe ndent efforts of individuals to attain a common goal
- For example in hospital the proper synchronization of the activities of the nurses, doctors, wards attendants and lab technicians to give a good care to the patient.
- Can be considered as an essential part of all managerial functions of planning, organizing, directing and directing if the manger performs these functions efficiently and expertly coordination is automatically generated and there remains no need for special coordination.

Coordination is required at every level of all managerial functions

In planning: performs his function of planning by coordination of the interrelating the plans of various departments

In organizing: coordination is required in grouping and various activities to subordinates and in creating departments

In directing: coordination is required to take effect of his particular action will have on other departments and executives

In controlling: coordination is required manager evaluates operations and checks whether performance is in conformity with the desired results.

Techniques of coordination:

➤ The following are the important techniques of coordination

1) Rules procedures and policies:

- Helps in coordinating the subunits in the performance of their Repetitive activities.
- Standard policies, procedures and policies are laid down to cover all possible situations
- If the breakdown of the above occurs more rules, regulations are required to be framed to take care of the breakdown

2) Planning:

- Ensures coordinated effort and targets of each department dovetail with the targets of all other departments.
- Example: fixing the targets of the 10000 units of additional production and consequently the sales requires the coordination of the two departments respectively to meet the demands and achieve the target.

3) Hierarchy:

- Is the simplest device of achieving coordination by hierarchy or chain of command By putting together independent units under one boss some coordination among their activities is achieved.
- Sometimes defective because makes individuals dependent upon, passive towards and subordinates to the leader.

4) Direct contact:

- Used to solve the problems created at the lower levels which affects the employees can be resolved by formal informal contacts to prevent overloading to top executives.

5) Task force:

- Temporary group made up of representatives from the same departments facing problems and exists as long as the problems lasts and each participant returns to normal tasks once the solution is reached

6) Committees:

- Arise due the fact when certain decisions consistently become permanent.
- These groups are labelled committees.
- This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding, of ideas, encourages the acceptance of commitment to policies and makes implantation more effective.

7) Induction:

- Of a new employee is a social setting of his work is also a coordinating mechanism.
- The device familiarizes the new employee with organizations rules and regulations dominant norms and behaviour, values and beliefs and integrates his personal goals with organizational goals.

8) Indoctrination:

- Device commonly used in religious and military organizations is another coordinating device which develops the desire to work together for a purpose. The major task of a leader being to build an organization can be succeeded by the indoctrination and other means by converting the neutral body into a committed body

9) Incentives: providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.

10) Liaison departments : evolved to handle transactions and typically occurs between the sales and production departments.

11) Workflow: is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment which is largely shaped by the technological, economic and social considerations and helps them in coordination.

END

MODULE 3 ENTREPRENEUR

Topics covered:

Entrepreneur – meaning of entrepreneur, types of entrepreneurship, stages of entrepreneurial process, role of entrepreneurs in economic development, entrepreneurship in India, barriers to entrepreneurship.

Identification of business opportunities- market feasibility study, technical feasibility study, financial feasibility study and social feasibility study.

Entrepreneur: An **entrepreneur** is an enterprising individual who builds capital through risk and/or initiative. The term was originally a loanword from French and was first defined by the Irish French economist Richard Cantillon. Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome. Jean- Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century - he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labour".

Types of entrepreneurs:

The literature has distinguished among a number of different **types of entrepreneurs**, for instance:

Social entrepreneur

A social entrepreneur is motivated by a desire to help, improve and transform social, environmental, educational and economic conditions. Key traits and characteristics of highly effective social entrepreneurs include ambition and a lack of acceptance of the status quo or accepting the world "as it is". The social entrepreneur is driven by an emotional desire to address some of the big social and economic conditions in the world, for example, poverty and educational deprivation, rather than by the desire for profit. Social entrepreneurs seek to develop innovative solutions to global problems that can be copied by others to enact change.

Social entrepreneurs act within a market aiming to create social value through the improvement of goods and services offered to the community. Their main aim is to help offer a better service improving the community as a whole and are predominately run as nonprofit schemes. Zahra et al. (2009: 519) said that "social entrepreneurs make significant and diverse contributions to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems

Serial entrepreneur

A serial entrepreneur is one who continuously comes up with new ideas and starts new businesses. ^[4] In the media, the serial entrepreneur is represented as possessing a higher propensity for risk, innovation and achievement. ^[5]

Lifestyle entrepreneur

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interests and talent with the ability to earn a living. Many entrepreneurs may be primarily motivated by the intention to make their business profitable in order to sell to shareholders.^[examples needed] In contrast, a lifestyle entrepreneur intentionally chooses a business model intended to develop and grow their business in order to make a long-term, sustainable and viable living working in a field where they have a particular interest, passion, talent, knowledge or high degree of expertise.^[6] A lifestyle entrepreneur may decide to become self employed in order to achieve greater personal freedom, more family time and more time working on projects or business goals that inspire them. A lifestyle entrepreneur may combine a hobby with a profession or they may specifically decide not to expand their business in order to remain in control of their venture. Common goals held by the lifestyle entrepreneur include earning a living doing something that they love, earning a living in a way that facilitates self-employment, achieving a good work/life balance and owning a business without shareholders. Many lifestyle entrepreneurs are very dedicated to their business and may work within the creative industries or tourism industry,^[7] where a passion before profit approach to entrepreneurship often prevails. While many entrepreneurs may launch their business

with a clear exit strategy, a lifestyle entrepreneur may deliberately and consciously choose to keep their venture fully within their own control. Lifestyle entrepreneurship is becoming increasingly popular as technology provides small business owners with the digital platforms needed to reach a large global market. Younger lifestyle entrepreneurs, typically those between 25 and 40 years old, are sometimes referred to as Treps.

Cooperative entrepreneur

A cooperative entrepreneur doesn't just work alone, but rather collaborates with other cooperative entrepreneurs to develop projects, particularly cooperative projects. Each cooperative

entrepreneur might bring different skill sets to the table, but collectively they share in the risk and success of the venture.

Theory-based Typologies

Recent advances in entrepreneurship research indicate that the differences in entrepreneurs and heterogeneity in their behaviors and actions can be traced back to their the founder's identity. For instance, Fauchart and Gruber (2011, Academy of Management Journal) have recently shown that - based on social identity theory - three main types of entrepreneurs can be distinguished: Darwinians, Communitarians and Missionaries. These types of founders not only diverge in fundamental ways in terms of their self-views and their social motivations in entrepreneurship, but also engage fairly differently in new firm creation.

Evolution of Entrepreneurship Researchers have been inconsistent in their definitions of entrepreneurship (Brockhaus & Horwitz, 1986, Sexton & Smilor, Wortman, 1987; Gartner, 1988). Definitions have emphasized a broad range of activities including the creation of organizations (Gartner,

1988), the carrying out of new combinations (Schumpeter, 1934), the exploration of opportunities (Kirzner, 1973), the bearing of uncertainty (Knight 1921), the bringing together of factors of production (Say, 1803), and others (See Long, 1983). The outline below presents some authors definitions of entrepreneurship and attempts to summarize these viewpoints into a more meaningful whole.

Richard Cantillon (circa 1730); Entrepreneurship is defined as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty.

Jean Baptiste Say (1816); The entrepreneur is the agent "who unites all means of production and who finds in the value of the products...the reestablishment of the entire capital he employs, and the value of the wages, the interest, and rent which he pays, as well as profits belonging to himself."

Frank Knight (1921); Entrepreneurs attempt to predict and act upon change within markets. Knight emphasize the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control.

Joseph Schumpeter (1934); The entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. The carrying out of new combinations can take several forms; 1) the introduction of a new good or quality thereof, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of new materials or parts, 5) the carrying out of the new organization of any industry. Schumpeter equated entrepreneurship with the concept of innovation applied to a business context. As such, the entrepreneur moves the market away from equilibrium. Schumpeter's definition also emphasized the combination of resources. Yet, the managers of already established business are not entrepreneurs to Schumpeter.

Penrose (1963); Entrepreneurial activity involves identifying opportunities within the economic system. Managerial capacities are different from entrepreneurial capacities

Harvey Leibenstein (1968, 1979); the entrepreneur fills market deficiencies through inputcompleting activities. Entrepreneurship involves "activities necessary to create or carry on an enterprise where not all markets are well established or clearly defined and/or in which relevant parts of the production function are not completely known.

Israel Kirzner (1979); The entrepreneur recognizes and acts upon market opportunities. The entrepreneur is essentially an arbitrageur. In contrast to Schumpeter's viewpoint, the entrepreneur moves the market toward equilibrium.

Gartner(1988); The creation of new organizations

The Entrepreneurship Center at Miami University of Ohio has an interesting definition of entrepreneurship: "Entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty. "

In summary, entrepreneurship is often viewed as a function which involves the exploitation of opportunities which exist within a market. Such exploitation is most commonly associated with the direction and/or combination of productive inputs. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and often are associated with creative and innovative actions. In addition, entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. In this sense entrepreneurial activity is fleeting. An individual may perform an entrepreneurial function in creating an organization, but later is relegated to the role of managing it without performing an entrepreneurial role. In this sense, many small-business owners would not be considered to be entrepreneurs. Finally, individuals within organizations (i.e. non-founders) can be classified as entrepreneurs since they pursue the exploitation of opportunities. Thus entrepreneurship is appropriately considered to be a form of entrepreneurship

Essential Functions of an Entrepreneur

An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise. He carries out the whole set of activities of the business for its success. He recognizes the commercial potential of a product or a service, formulates operating policies for production, product design, marketing and organisational structure. He is thus a nucleus of high growth of the enterprise.

According to some economists, the functions of an entrepreneur is classified into five broad categories:

1. Risk-bearing function,
2. Organizational function,
3. Innovative function,
4. Managerial function, and
5. Decision making function.

1. Risk-bearing function:

The functions of an entrepreneur as risk bearer are specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a loss.

The entrepreneur, according to Knight, "is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured nor capitalised nor salaried too. "

Richard Cantillon conceived of an entrepreneur as a bearer of non-insurable risk because he described an entrepreneur as a person who buys things at a certain price and sells them at an uncertain price.

Thus, risk bearing or uncertainty bearing still remains the most important function of an entrepreneur which he tries to minimise by his initiative, skill and good judgement. J.B. Say and other have stressed risk taking as the specific function of the entrepreneur.

2. Organisational Function:

Entrepreneur as an organiser and his organising function is described by J.B. Say as a function whereby the entrepreneur brings together various factors of production, ensures continuing management and renders risk-bearing functions as well. His definition associates entrepreneur with the functions of coordination, organisation and supervision. According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. In this way, he describes an entrepreneur as an organiser who alone determines the lines of business to expand and capital to employ more judiciously. He is the ultimate judge in the conduct of the business.

Marshall also advocated the significance of organisation among the services of special class of business undertakers.

1. Innovative Function:

The basic function an entrepreneur performs is to innovate new products, services, ideas and informations for the enterprise. As an innovator, the entrepreneur foresees the potentially profitable opportunity and tries to exploit it. He is always involved in the process of doing new things. According to Peter Drucker, "Innovation is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth". Whenever a new idea occurs entrepreneurial efforts are essential to convert the idea into practical application.

J.A. Schumpeter considered economic development as a discrete dynamic change brought by entrepreneurs by instituting new combinations of production, *i.e.* innovation. According to him innovation may occur in any one of the following five forms.

The introduction of a new product in the market with which the customers are not get familiar with. Introduction of a new method of production technology which is not yet tested by experience in the branch of manufacture concerned.

The opening of a new market into which the specific product has not previously entered.

The discovery of a new source of supply of raw material, irrespective of whether this source already exists or has first to be created.

The carrying out of the new form of organisation of any industry by creating of a monopoly position or the breaking up of it.

2. Managerial Function:

Entrepreneur also performs a variety of managerial function like determination of business objectives, formulation of production plans, product analysis and market research, organisation of sales procuring machine and material, recruitment of men and undertaking, of business operations. He also undertakes the basic managerial functions of planning, organising, coordinating, staffing, directing, motivating and

controlling in the enterprise. He provides a logical and scientific basis to the above functions for the smooth operation of the enterprise thereby avoids chaos in the field of production, marketing, purchasing, recruiting and selection, etc. In large establishments, these managerial functions of the entrepreneur are delegated to the paid managers for more effective and efficient execution.

1. Decision Making Function:

The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise. A. H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.

He determines the business objectives suitable for the enterprise.

He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.

He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors and financiers.

He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.

He decides the development of a market for his product, develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.

He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firms image before others.

Intrapreneurship

In 1992, *The American Heritage Dictionary* acknowledged the popular use of a new word, intrapreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". Intrapreneurship is now known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship.

History

The first written use of the terms '_intrapreneur', '_intrapreneuring,' and '_intrapreneurship' date from a paper written in 1978 by Gifford and Elizabeth Pinchot. Later the term was credited to Gifford Pinchot III by Norman Macrae in the April 17, 1982 issue of *The Economist*.^[2] The first formal academic case study of corporate entrepreneurship or intrapreneurship was published in June 1982, as a Master's in Management thesis, by Howard Edward Haller, on the intrapreneurial creation of PR1ME Leasing within PR1ME Computer Inc. (from 1977 to 1981). This academic

research was later published as a case study by VDM Verlag as *Intrapreneurship Success: A PRIME Example* by Howard Edward Haller, Ph.D. *The American Heritage Dictionary of the English Language* included the term 'intrapreneur' in its 3rd 1992 Edition, and also

credited^[3] Gifford Pinchot III as the originator of the concept. The term "intrapreneurship" was used in the popular media first in February 1985 by *TIME* magazine article "Here come the Intrapreneurs" and then the same year in another major popular publication was in a quote by Steve Jobs, Apple Computer's

Chairman, in an interview in the September 1985 *Newsweek* article,^[4] where he shared, "The Macintosh team was what is commonly known as intrapreneurship; only a few years before the term was coined—a group of people going, in essence, back to the garage, but in a large company."

CONCEPT OF ENTREPRENEURSHIP:

1. Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity. 2. Entrepreneurship is the pursuit of opportunity without regard to resources currently controlled. From both definitions above, we can note that Entrepreneurs are opportunity driven. Opportunity comes from changes in the environment, and one characteristic of Entrepreneurs is that they are good at seeing patterns of change. It is also evident that Entrepreneurs are not resource driven - while the manager asks, "Given the resources under my control, what can I achieve?" the Entrepreneur asks "Given what I want to achieve, what resources do I need to acquire?"

Difference between Intrapreneur and Entrepreneur:

Intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment.

Intrapreneurs, by definition, embody the same characteristics as the Entrepreneur, conviction, passion, and drive. If the company is supportive, the Intrapreneur succeeds. When the organization is not, the Intrapreneur usually fails or leaves to start a new company. An Intrapreneur thinks like an entrepreneur seeking out opportunities, which benefit the corporation. It was a new way of thinking, in making companies more productive and profitable. Visionary employees who thought like entrepreneurs. IBM is one of the leading companies, which encourages INTRAPRENEUR.

MAIN DIFFERENCE BETWEEN ENTREPRENEURSHIP AND INTRAPRENEURSHIP:

There are, of course, a few things that are different between Intrapreneurship and Entrepreneurship. For starters, the Intrapreneur acts within the confines of an existing organisation. The dictates of most organisations would be that the Intrapreneur should ask for permission before attempting to create a desired future - in practice, the Intrapreneur is more inclined to act first and ask for forgiveness than to ask for permission before acting. The Intrapreneur is also typically the intra-organisational revolutionary - challenging the status quo and fighting to change the system from within. This ordinarily creates a certain amount of organisational friction. A healthy dose of mutual respect is required in order to ensure that such friction can be positively channeled. One advantage of Intrapreneurship over Entrepreneurship is that Intrapreneur typically finds a ready source of "free" resources within the organisation which can be Stages of Entrepreneurship

There are six stages of an entrepreneurial venture that founders of companies will encounter. If you choose to purchase an existing business, you may skip a few steps, but you will still be forced to address several of them. The six steps are:

1) CONVICTION 2) IDEA 3) CONCEPT 4) VENTURE 5) BUSINESS 6) SUSTAINABLE BUSINESS

Stage 1: CONVICTION

No matter the stage of the business when an individual begins his/her entrepreneurial journey, every entrepreneur must address his/her conviction to be an entrepreneur. This sounds trivial, but I believe it is the most important step in the process. It SHOULD be the first step; however, many entrepreneurs wait until the VENTURE stage to address it. This can lead to grave problems. In the CONVICTION stage, an entrepreneur needs to figure out if he/she has the conviction to withstand the fundamental issues of entrepreneurship.

Stage 2: IDEA

The IDEA stage is the easiest stage. Everyone has an idea for a business. This is also the most fun stage because the cost is zero and the excitement level high. Of course, the IDEA stage is the basis for every other stage so it cannot be dismissed; however, as an entrepreneur, you should never confuse an "idea" for a "concept". As you will see in the next step, a concept has much more structure than an idea and subsequently warrants a different concerns and decision making

Stage 3: CONCEPT

As mentioned above, a concept is characterized by structure. In the CONCEPT stage, you take your idea and employ a certain intellectual rigor which includes:

- Extensive market research
- Development of the business model
- Conceptualization of the type of the team required to execute
- Engagement of informal and formal advisors

Stage 4: VENTURE

This is the most challenging stage of the business and for many entrepreneurs the most fun...well at least in the beginning. The VENTURE stage is characterized by significant investment. This investment typically comes in two forms: money and time. In most cases, as the entrepreneur, it is "your" money and "your" time; and those can often be significant.

Stage 5: BUSINESS

The BUSINESS stage is where all entrepreneurs strive to be. This is the stage where you have revenues that are commensurate with your expenses. Of course, there may be unprofitable months or years, but in general, the business can support itself with little outside capital. This is the stage where you are most likely to find investors.

Stage 6: SUSTAINABLE BUSINESS

Although most entrepreneurs are satisfied to build a Business, they should strive to become a Sustainable Business. There are unique challenges to creating a sustainable business and it can be defined in different ways. It is typically characterized by time. Ventures that last 10+ years may be thought of as sustainable; however, the real challenge is for a business to outlast the involvement of its founders. That is a more relevant definition of a sustainable business.

The Role of the Entrepreneur

Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct.

A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the entrepreneurs and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

For years, economists viewed entrepreneurship as a small part of economic activity. But in the 1800s, the Austrian School of Economics was the first to recognize the entrepreneur as the person having the central role in all economic activity. Why is that?

Because it's entrepreneurial energy, creativity and motivation that trigger the production and sale of new products and services. It is the entrepreneur who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs.

Entrepreneurs seek disequilibrium--a gap between the wants and needs of customers and the products and services that are currently available. The entrepreneur then brings together the factors of production necessary to produce, offer and sell desired products and services. They invest and risk their money--and other people's money--to produce a product or service that can be sold at a profit.

More than any other member of our society, entrepreneurs are unique because they're capable of bringing together the money, raw materials, manufacturing facilities, skilled labor and land or buildings required to produce a product or service. And they're capable of arranging the marketing, sales and distribution of that product or service.

Entrepreneurs are optimistic and future oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit. They're fast moving, willing to try many

different strategies to achieve their goals of profits. And they're flexible, willing to change quickly when they get new information.

Entrepreneurs are skilled at selling against the competition by creating perceptions of difference and uniqueness in their products and services. They continually seek out customer needs that the competition is not satisfying and find ways to offer their products and services in such a way that what they're offering is more attractive than anything else available.

Entrepreneurs are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible. They create all wealth, all jobs, all opportunities, and all prosperity in the nation. They're the most important people in a market economy--and there are never enough of them.

As an entrepreneur, you are extremely important to your world. Your success is vital to the success of the nation. To help you develop a better business, one that contributes to the health of the economy, I'm going to suggest that you take some time to sit down, answer the following questions, and implement the following actions:

What opportunities exist today for you to create or bring new products or services to your market that people want, need and are willing to pay for? What are your three best opportunities?

1. Identify the steps you could take immediately to operate your business more efficiently, especially regarding internal operating systems.
2. Tell yourself continually "Failure is not an option." Be willing to move out of your comfort zone, to take risks if necessary to build your business.
3. Use your creativity rather than your money to find new, better, cheaper ways to sell your products or reduce your costs of operation. What could you do immediately in one or both of these areas?
4. Imagine starting over. Is there anything you're doing today that, knowing what you now know, you wouldn't get into or start up again?
5. Imagine reinventing your business. If your business burned to the ground today, and you had to start over, what would you not get into again? What would you do differently?

Entrepreneurship in India – hype or happening ?

Sramana is doing a series on Entrepreneurship – Innovation in India for Forbes and requested my perspective about the same. I chose to write down my thoughts as a post and seek out your thoughts about it as well.

When it comes to entrepreneurship in India, for the longest time now, it seems that most of us have been rehashing, repeating and regurgitating the same things over and over again:

~Revamp Education system|| , ~Lack of funding|| , ~No ecosystem|| , ~No product companies|| , ~Indian mindset and culture|| , ~Bureaucratic red-tape|| and many other such reasons.

Its time we really took a deep, hard look at what is the current state of entrepreneurship in India, what is broken and how can we really fix it ?

In all fairness, I am not on ground zero. And so it may seem as inappropriate to many that I speak of entrepreneurship in India while residing in the US. You might very well diss my opinions expressed below based on the same grounds, and in that case, I welcome your perspective – hopefully we can have a healthy discussion via the comments. In my defense, even though I'm

not at ground zero, I have been closely monitoring the startup and entrepreneurship scene in India over the last couple of years. I've talked to lots of Indian entrepreneurs, tech enthusiasts and VC's over this time – enough to form an opinion.

If someone who's totally ignorant about the Indian market walks up to me and asks me about entrepreneurship in India – my answer to them would be that its more hype than happening. The awareness about entrepreneurship is definitely increasing incredibly, but not enough converts yet. Lots of wannapreneurs, but few actual entrepreneurs. Again, my goal isnt to ridicule or point fingers, but rather narrow down on what's broken.

Some of the most commonly attributed reasons for the lack of entrepreneurship in India:

Lack of funding:

Is lack of funding that much of a big deal really ? The cost to do a technology startup has gone down drastically. Reduced hardware costs, bandwidth costs have dropped, cloud computing and open source technologies make it really cheap to launch a technology startup. Unless you are launching a capital intensive business, why should you really need outside funding for doing a startup ?

Look at the Ycombinator model – \$5k – \$10K per startup, which is literally peanuts if you need to survive in Silicon Valley. Why cant Indian entrepreneurs be cheap in a similar way ? Why not bootstrap ?

No Ecosystem:

If you would have made this argument 5 years back, I'd probably have agreed. But over the last few years, the startup ecosystem has improved by leaps and bounds. VC's have entered the Indian market, events and conferences are helping the startup community to network and converge, B- plan competitions on various campuses are raising awareness, an active and vibrant community is forming around entrepreneurship.

Bureaucratic red-tape:

While I agree that some things in this aspect are not as smooth as in other countries. However, most of the entrepreneurs I talked to did not cite this as a major hindrance as part of their entrepreneurial journey. Hire a chartered accountant and he will take care of majority of the initial process of incorporation, taxation and other legalities.

No Product Companies:

I for one don't really buy into this argument. While I agree that product companies may offer long term sustenance value (while current outsourcing focused services companies are simply benefiting from the cost advantage), but then entrepreneurship is still entrepreneurship – be it a services or a product company.

Below are some of the reasons that I personally think have a strong impact on entrepreneurship in India:

Revamping Education:

If you look at the success of Silicon Valley, one of the key factors that was instrumental in shaping it was Stanford & UC Berkeley. Ditto is the case with Israel's Technion. I strongly believe that education, innovation and entrepreneurship go hand in hand – especially technology innovation. While the IIT's have immensely successful alumni, the IIT's have not been able to create a fertile hotbed of innovation & entrepreneurship in their own backyard.

At the same time, we need to encourage out of the box thinking as part of our education system. Rote learning can only get us so far. We need to ramp up coursework so that student skills remain in sync with the rest of the market. When Stanford and other universities are teaching iPhone and Facebook app related courses, teaching Cobol & Fortran to Indian students would be stupid in today's age. Students should be encouraged to consider entrepreneurship as a viable career option. I believe this to be the single biggest factor that could foster entrepreneurship in India. Young college graduates are at an age when their inherent risk is at the least to becoming an entrepreneur. Educating them early enough would also give them ample time to shape up their skills and experience that can prepare them for their entrepreneurial journey. We also should make it easy and acceptable for students to take sabbaticals from their degree coursework. Currently, this is frowned upon in Indian society — we should try to make people more accepting of it.

The NEN Foundation has done a good job at increasing entrepreneurship awareness across various campuses. However, when you take a quick peek at some of the questions that are asked by some of the student participants, it just boggles your mind. Few are requesting ideas, several requesting funding even before doing any analysis of the idea and several others simply leave you in sheer disbelief. One common aspect across most of the questions is that they are looking for handholding. And I think that really needs to change. I'm not sure if we're (including mainstream media that has glamorized stories about entrepreneurship and VC fundings) sending them the wrong signals – but if you think all information, market research and other info will be served to you on a silver platter, then probably being an entrepreneur is not in your best interests.

We missed out on the technology innovation bus, but if we don't really ramp up our education system and associated R&D – innovation, we might end up sitting on the sidelines of the cleantech wagon as well.

Lack of Good Mentors:

India does not have a large pool of successful entrepreneurs who have built global level companies and are keen on mentoring the next generation of entrepreneurs. From a lot of entrepreneurs that I've talked to — they were more desperately seeking good mentors as opposed to funding.

We probably need someone to lead & pave the way just like what Yossi Vardi did to Israel and what NR Murthy did to the outsourcing market in India.

Lack of M&A activity:

This I say just from the technology market. M&A is just not happening in the Indian market. Consequently, the already existing portals, news sites get a chance to launch their own services without any strong startup getting an opportunity to establish itself.

These are the three things that I think have the biggest impact — but then, there's a good chance that you might disagree. This is a highly subjective topic and everyone has their own conviction about it. I think when it comes to technology entrepreneurship, we should try and do a detailed case study of Israel. The country has just a population of 7 million, hostile neighbors and high taxes. Yet it boasts of the 2nd highest concentration of startups just after the

US. They're definitely doing something right. And that's what we should try & emulate.

IDENTIFICATION OF BUSINESS OPPORTUNITIES

Business opportunities can be obtained from various manazines, trade journals, financial institutions, government, commercial organizations, friends, relatives, competitors etc. Choosing of best business opportunity from the information collected requires ingenuity, skill and foresight of entrepreneur. An entrepreneur has to identify and select the most rewarding opportunity from the available ones. For this one has to evaluate the following areas and understand the gap between demand and supply.

Study of government rules and regulations regarding the different business opportunities.

Extensive and in depth study of promising investment opportunity.

SWOT analysis of the business opportunities.

Market feasibility study.

Technical feasibility study.

Financial feasibility study and

Social feasibility study.

An opportunity can be defined as an attractive and excellent project idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision. A good business opportunity must be capable of being converted into feasible project. Two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.

Sources of business ideas

- 1.Unfulfilled demand; An Unfulfilled demand will open doors to new products
- 2.Own idea: One own creative idea can result in a business opportunity.
- 3.Social and economic trends: Social and economic trends necessitate demand for new products.
- 4.Magazines/Journals/Research publications: Magazines/ Journals/ Research publications form a major role of ideas.
- 5.Government: Government also identifies and proposes ideas and give support for business opportunities.
- 6.Emerging new technology and scientific know how: commercial exploitation of indigenous and imported technologies and know-how is another source of opportunities.
- 7.Changes in consumer needs: the needs of consumers change giving rise to requirement of new business opportunities.
- 8.Trade fairs/Exhibitions: Trade fairs and technical exhibitions also offer wide scope for business opportunities.
- 9.Banks and government agencies: Commercial banks and government agencies encourage entrepreneurs by providing business opportunities, ideas subsidies, loan etc.

MARKET FEASIBILITY STUDY

Feasibility study is a detailed work of collection of data analysis and concludes the feasibility of that operation. Market feasibility study involves the study and analysis of the following aspects. Market feasibility study will assess whether the product has good market. This needs to study the following:

Nature of market: The nature of market in terms of monopolistic or perfect competition is to be studied.

Cost of production: It is essential to study and control cost of production. Cost of production decides the selling price.

Selling price and profit: Selling price plays a vital role in profit. In price sensitive goods like cosmetics, one should be careful in fixing the price.

Demand: Present demand and demand forecast are prepared and studied. This will decide the facility planning.

Market share: Estimated market share is to be made. Comparison is made with share of similar products.

Target market: Study is made with regard to the target market and market segmentation.

TECHNICAL FEASIBILITY STUDY

In technical feasibility study, the following points are studied.

Location of the project: The data regarding the location of project is very important.

It may be located in rural, urban or semi-urban areas.

Construction of factory, building and its size: The construction details, the nature/type of building and its size for the project are to be analyzed.

Availability of raw materials: The study of availability of raw materials, sources of supply, alternate sources, its quality and specifications cost etc., are to be studied.

Selection of machinery: The selection of machinery required to produce the intended product is to be carried out. The specifications are capacity, cost sources of supply, technology evaluation of various makes of the machine. Their good and bad etc., are studied.

Utilities: The details about availability of utilities like water, gas electricity, petrol, diesel etc. are to be studied.

Production capacity: Establishment of production capacity and utilization of production capacity are analysed.

Staff requirement: Study and analysis of requirement of workers, technical staff and officers etc. is to be made.

Technical viability: The technical viability of the opportunity is to be studied.

FINANCIAL FEASIBILITY STUDY

Financial feasibility is the most important aspect of a business opportunity. Some of the aspects involved in financial feasibility study are:

Total capital cost of project: It is very essential to study the total cost of project.

This includes fixed capital, working capital and interest factor.

Sources of capital: The study of main sources of capital is to be made. If capital is borrowed, interest burden is to be studied in detail.

Subsidiary sources for additional finance: After study of main sources of capital, subsidiary sources of capital are to be identified and studied.

Financial for future development of business: Financial requirement for future development of business are to be studied. Working capital requirement for at least three months running of enterprise are to be estimated.

Break Even Analysis(BEA): BEA is to be carried out to see at what level of production/sales will make the organization no loss/no profit situation. BEA is very useful to identify the level of production that makes profit.

Estimation of cash and fund flow: It is very essential to make a study of estimation of cash and fund flow in the business.

Return on investment(ROI): ROI is to be calculated to see the amount of return on investment for the investors/share holders and how much they get.

Proposed balance sheet: Proposed balance sheet is made showing liabilities and assets, depreciation, interest burden, profits expected etc.

Cost of labour and technology: The cost of employees is to be estimated and studied. If technology is not available then it has to be purchased from any R & D institution or by way of foreign collaboration.

SOCIAL FEASIBILITY STUDY

Social feasibility study is important in the social environment.

- Location: The location is in such a place that it should not have objection from the neighbors.
- Social problem: The enterprise should not create any nuisance to the public.
- Pollution: There should not have any sort of noise or other pollution objectionable society. Suitable measures are to be taken for controlling pollution.
- Other problem: Any other problems related to the society and people are to be studied.

END

PREPARATION OF PROJECT AND ERP

PREPARATION OF PROJECT

Project is a scheme for investing resources which can be reasonably analyzed & evaluated as an independent unit. It is analyzed as independent unit.

Quantifiable & non quantifiable

Quantitative assessments are made involving Projects on health education & defense

Sector projects: Automobile, food processing, transport, educational, power

Techno-Economic projects.

- a. Factor intensity – oriented classification based on the intensive of factors projects such as capital intensive or labour intensive.
- b. Cause – oriented Projects are classified as demand based on raw material based.
- c. Magnitude oriented Project based on the magnitude of investment

Project identification

Concerned with collection of economic data, compiling & analyzing it to identify the possibility of investment to produce the goods or services for making profit

1. Observe
2. Trade & profession marketing
3. Bulletin & Research institutes
4. Endearment

resources. Project selection

1. Technology
2. Equipment

3. Investment size
4. Location
5. Marketing
- 6.

Need of Project report

1. It serves as a road map describing the direction of enterprises its goal to achieve them.
2. It also serves to attract investors & lenders.

Contents of report:

- General information
- Promoter
- Location
- Land&building
- Plant & machinery
- Capital requirement and cost
- Operational requirement and cost
- Raw material
- Man power
- Products
- Market
- Economic analysis
- Working capital
- Requirement of funds

Project formulation

1.General information which includes

- Bio data of promoter
 - Industry profile
 - Constitution & organization.

2.Project decision utilililes, pollution control, communication system, transport facilities, machinery & Equipment, capacity of the plant, Technology selected.

3. Market potential capital costs & sources of finance
4. Capital costs & sources of finance
5. Assessment of working capital requirement
6. Other financial aspects
7. Economic & social variables
8. Project implementation.

Objectives

1. To develop & strengthen their entrepreneur quality.
2. To analyze environmental set up relating to small industry & business
3. To select product
4. To formulate project report for a product
5. Good & bad about the entrepreneurship
6. To appreciate the need for entrepreneurship
7. To understand the process & procedures & formalities involved in setting up enterprise
8. To give knowledge of sources of helps concessions.
9. To acquire the basic skills
10. To enable them to communicate regularly
11. Develop broad vision of business passion for integrity & unity

GUIDELINES BY PLANNING COMMISSION FOR PROJECT REPORT

Planning commission of India issued some guide lines for preparing/ formulating realistic project reports. The project formulation stage involves the identification of investment options by the enterprise and in consultation with the Administrative ministry the planning commission and other concerned authorities. The summary of the guidelines by planning commission are presented here.

General information:

The feasibility report must include the analysis of the industry to which it belongs. The

report should deal with description of type of industry, its priority, past performance, increase in production, role of public sector, technology, allocation of funds and information about the enterprise.

Preliminary Analysis of alternatives

The details like gap between demand and supply of proposed products, availability of capacity, list of all existing plants in industry, indicating their capacity, level of production attained, list of present projects and list of proposed projects. All technically feasible options are considered here. Location of plant/ project, requirement of any foreign exchange, profitability, return on Investment, alternative cost calculations etc., are to be presented.

Project Description

The feasibility report should provide a brief description of the technology/process selected for the project, information pertaining to the selection of optimal location, population, water. Land, environment, pollution and other environmental problems etc., are to be provided.

The report should contain details of operational requirements of the plant, requirement of water, power, personnel, land, transport, construction details for plant and offices etc.

Marketing plan:

The details like marketing plan, demand, target price of product, distribution methods etc., are to be presented.

Capital requirements and costs

Information with regard to capital requirement and costs with breakup are to be provided. The estimates should be realistic and based on logical information.

Financial Analysis

Financial analysis is essential to assess the financial viability of the project.

A proforma balance-sheet, details of depreciation, clearance for foreign exchange, details of any income tax rebate, incentives for back work areas are to be included.

Economic Analysis

Social profitability analysis is to be made. Impact of the operations on foreign trade, direct costs and benefits are to be included in the report.

Miscellaneous aspects

Depending upon the nature and size of operation of a particular project, any other relevant information may be included in the project report.

NETWORK ANALYSIS:

Network is a set of symbols connected with each other with a sequential relationship with each step making the completion of a project/event. A business plan or any project contains various activities. Any delay in any activity will affect the other activities, project is delayed, costs will go up leading to reduced profit. A number of networking techniques have been developed for project scheduling.

They are:

- Program me evaluation and Revuew techniques
- Critical path method
- Line of balance
- Graphical evaluation and Review techniques
- Work shop analysis and scheduling programme

Among these, PERT and CPM are the most widely used network analusis techniques in project management.

Importance of network analysis

The network analysis helps in identifying the hidden stages involved in project estimates. By identifying them the management can improve on the ongoing project estimates and learn for future use. The following are some of the points that speak about the importance of network analysis.

1. The whole project has to be considered with reference to the sequence of

activities and events. Sequence means activities that are to follow on after another leading to an event.

2. The events should be considered as different branches of operations.
3. The different segments of the project are treated as separate network which are finally integrated to the overall network. Then the entire project may be put on one network.
4. The time estimates may be done based on either previous experience of similar types of operations or may be based on probabilities for the ones where previous experience does not exist.
5. Cost estimates would depend on the project time estimates and the charge of prices of different factors of production.
6. The physical progress of the project, nature of events, job formed and snags in different areas of project work would call for corrective action at appropriate time. The concept of crashing would be helpful to reduce penalties.

Programme evaluation and Review techniques (PERT)

PERT was first developed as a management aid for completing Polaris Ballistic missile project in USA during 1958. It worked well in completing this project well in advance. From then on PERT schedules the sequence of activities to be completed in order to accomplish the project within a short period of time. It helps to reduce both cost and time of the project.

Steps involved in PERT:

- The various activities involved in the project are drawn up in a sequential relationships to show which activity follows what.
- The time required for completing each activity of the project is estimated and noted on network.
- The critical activities of the project are determined.
- The variability of the project duration and probability of the project completion in a given time period are calculated.

Advantages of PERT:

1. It determines the expected time required for completing each activity.
2. It helps completion of project within an expected time period.
3. It helps the management in handling uncertainties involved in the project there by reducing the element of risk.
4. It enables detailed planning of activities.
5. It stresses for correct action at a given time period there by helping the project to be completed on time.

Limitations of PERT:

1. Difficult to provide realistic/correct time estimates for new activities in the absence of past data.
2. There is no provision in this techniques about requirement of resources at various activities.
3. For the effective control of a project using PERT, it calls for frequent updates and revision of calculations which is a costly affair.

Critical path method (CPM)

CPM was first developed by Dupont of USA in 1956 for doing periodic overhauling and maintenance of a chemical plant. CPM differentiates between planning and scheduling of the project. Planning refers to determination of activities to be accomplished; scheduling refers to the introduction of time schedules for each activity of the project. The duration of different activities in CPM are deterministic. There is a precise known time for each activity in a project.

Advantages of CPM:

1. It helps in ascertaining the time schedule of activities having sequential relationship.
2. It makes control easy for the management.
3. It defines the most critical elements in the project. Thus, the management is kept

alert and prepared to focus their attention on the critical activities.

4. It makes room for detailed and better planning.

Limitations of CMP:

1. CPM operates on the assumption that there is a precise known time that each activity in the project will take. But this may not be true in real practice.
2. CPM estimates are not based on any statistical analysis.
3. CPM cannot be used as a controlling device for the simple reason that any change introduced will change the entire structure of network. It is not a dynamic controlling device.

Difference between PERT and CPM

Though PERT and CPM look same, they differ in certain aspects. The differences between PERT and CPM are listed below:

PERT	CPM
Its origin is military	Its origin is industry
Event oriented approach	Activity oriented approach.
Allows uncertainty.	Does not allow uncertainty
It has three time estimates	Only single time estimate
Time – besed	Cost-based
Probabilistic model	Deterministic model
There is no demarcation between critical	Marks critical activities

and non-critical activities.	
It averages time.	Does not average time
It is suitable where high precision is required in time estimates.	Suitable where requirement of precision is reasonable.

ERRORS OF PROJECT REPORT

Project report formulation is very important and not an easy task. The entrepreneurs often make errors while preparing project report. The following are some of the widely noticed errors in project report:

Product selection:

It is noticed that some entrepreneurs commit mistakes by selecting a wrong product for their enterprise. They select the product without giving due attention to product related and other aspects such as demand for that product, market need, competition, life cycle, availability of resources like raw materials, skills labour, technology etc

Capacity utilization estimates:

The entrepreneurs many times make over optimistic estimates of capacity utilization. Their estimates are based on completely false premises and are made in complete disregard of present performance of the enterprise, prevailing market conditions, competitive atmosphere, the technical snags etc.

Market study

Production of goods is ultimately meant for sale. Hence market study plays vital role and is very important. Market study is a difficult task. Some entrepreneurs assume that there

will be good market for their product without conducting effective market study, leading to failure.

Technology selection

The technology varies from product to product. Selection of wrong technology leads to wrong product or product with inferior quality. Selection of right technology is very important.

There are two types of errors made by some entrepreneurs in selecting the location of enterprise. First, they are attracted by the concessions and government offers, financial incentives to establish industries at a particular location.

Selection of Ownership form

Many enterprises fail merely due to the ownership form of enterprises is not suitable.

PROJECT APPRAISAL

Project appraisal means the assessment of a project in terms of its economic, social and financial liability. This makes it necessary to recognize the interrelationship of various aspects of a project. This exercise is critical as it calls for a multidimensional analysis of the project. Financial institutions carry out project appraisal to assess its creditworthiness before giving finance to a project.

Method of project appraisal

Any project is appraised under the following contexts:

- Economic analysis
- Financial analysis
- Technical Feasibility
- Managerial competence
- Market analysis

Economic analysis

Economic analysis of appraisal is fundamental one. Economic analysis includes requirements for raw materials levels of capacity utilization, expected sales, expected expenses and expected profits. Business should have a volume of profit that decides sales to

be achieved. The amount of sales has to be calculated to achieve the target profits. Demand for the product is to be identified carefully as it is the deciding factor of project feasibility points considered for the location of the enterprise are to be maintained. The Government policies in this regard should be considered. The government offers specific incentives and concessions for selling up industries in notified backward.

Financial Analysis

Financial is one of the most important prerequisites to establish an enterprise. It is the finance that facilitates an entrepreneur to bring together the labour, raw materials and other facilities to produce goods. Financial analysis includes assessment of financial requirements like fixed capital and working capital, land and building, plants and machinery are some of the examples of fixed capital assets. The working capital is also analyzed. Working capital is that amount of funds which is needed in day-to-day's business operation. Break-even analysis is made to assess at what level of production/sales will result in no loss/no gain situation.

Technical feasibility

While making project appraisal, the technical feasibility of project is made. Technical feasibility means the adequacy of the proposed plant and equipment to produce the product at proposed technology. It should be ensured that know-how is available within the entrepreneur or should be obtained from outside in the form of either collaboration or purchase or franchise.

Managerial competence

Before the actual start of production, there is a need to study the market with respect to demand, target customers, when and where the products are to be sold. Production has no value unless the produced goods are sold. Hence, knowledge of anticipated market for a product becomes an important aspect in every business. Demand forecasting is one such method of knowing the anticipated market. The various methods of estimating the demand for a product are:

1. Opinion pool.
2. Market survey.

3. Life cycle analysis.
4. Desk survey.
5. Dealers opinion etc.

IDENTIFICATION OF BUSINESS OPPORTUNITIES

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- SWOT analysis of the business opportunities.
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- Financial feasibility study and
- Social feasibility study.

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publications form a major role of ideas.

5. Government: Government also identifies and proposes ideas and give support for business opportunities.

6. Emerging new technology and scientific know how: commercial exploitation of indigenous and imported technologies and know-how is another source of opportunities.

7. Changes in consumer needs: the needs of consumers change giving rise to requirement of new business opportunities.

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- Utilities: The details about availability of utilities like water, gas electricity, petrol, diesel etc. are to be studied.
- Production capacity: Establishment of production capacity and utilization of production capacity are analysed.
- Staff requirement: Study and analysis of requirement of workers, technical staff and officers etc. is to be made.
- Technical viability: The technical viability of the opportunity is to be

studied. **FINANCIAL FEASIBILITY STUDY**

Financial feasibility is the most important aspect of a business opportunity. Some of the aspects involved in financial feasibility study are:

- **Total capital cost of project:** It is very essential to study the total cost of project. This includes fixed capital, working capital and interest factor.
- **Sources of capital:** The study of main sources of capital is to be made. If capital is borrowed, interest burden is to be studied in detail.
- **Subsidiary sources for additional finance:** After study of main sources of capital, subsidiary sources of capital are to be identified and studied.
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Social feasibility study is important in the social environment.

- **Location:** The location is in such a place that it should not have objection from the neighbors.
- **Social problem:** The enterprise should not create any nuisance to the public.
- **Pollution:** There should not have any sort of noise or other pollution objectionable society. Suitable measures are to be taken for controlling pollution.
- **Other problem:** Any other problems related to the society and people are to be studied.

MODULE 5: MICRO AND SMALL ENTERPRISES

SMALL SCALE INDUSTRIES

- Definition;
- Characteristics;
- Need and rationale:
- Objectives;
- Scope; role of SSI in Economic Development.
- Advantages of SSI Steps to start an SSI - Government policy towards SSI;
- Different Policies of S.S.I.; Government Support for S.S.I. during 5 year plans,
- Impact of Liberalization,
- Privatization,
- Globalization on S.S.I.,
- Effect of WTO/GATT Supporting Agencies of Government for S.S.I
- Meaning; Nature of Support; Objectives; Functions; Types of Help; Ancillary Industry and Tiny Industry (Definition only).

Definition:

- An **industrial undertaking** in which **investment** in fixed assets in plant and machinery, whether held in ownership or on lease in fixed assets in plant and machinery whether held ownership terms or on lease or by hire purchase, **does not exceed Rs.100 lakh** is treated as a small-scale industry.

Characteristics of Small Scale Industries

(1)A small scale industry is generally a one man show even in cases where the small units are run by a partnership firm or a company; the activities are mainly carried out by one of the partners or directors.

(2)In SSIS the owner himself is a manager also and these units are managed in a personalized fashion. the owner has not only the first hand knowledge of the ongoing business of the firm but also takes effective participation in all matters of business decision taking

(3)The SSIs have smaller gestation period as compared to larger SSIs that is the period after which the return of investment starts.

(4)Scope of SSI is generally localized catering the needs of local and regional demands. (5)SSIs can be located anywhere use indigenous resources subject to the availability of these resources like raw material labor etc.

(6)SSIs are fairly labor intensive with comparatively smaller capital investment as small as 600-700 rupees for an artisan and his family to begin with than the larger units.

(7) The development of the small scale industries in rural areas promotes balanced regional development due to the decentralization and utilization local resources and also prevents influx of job seekers from cities and urbanization.

(8) The small scale industries are more susceptible to change, highly reactive and receptive to socio-economic conditions.

Rationale of small scale industries

- The rationale of small scale industry established which is based on the industrial policy resolution (IPR) of 1956 formulated by the government which states “they provide immediate large scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate an effective mobilization of unutilized resources of capital and skill”
- can be broadly classified into four categories as arguments
 - (1) **Employment argument**
 - (2) **Equality argument**
 - (3) **Decentralization**
 - (4) **Latent resources argument**

1) Employment argument: Arguments:

(i) That they have a potential to create immediate large scale employment opportunities, which use of more of labor per unit than investment

(ii) That the employment-generating capacity of small sector is eight times than that of large sector as they are labor intensive

Thus the employment argument becomes an output argument

(ii) Equality argument: Arguments:

i) That they ensure a more equitable distribution of the national income and wealth due to the widespread nature of the SSIs as compared to large scale units, more labour intensive than large units their decentralization and dispersal to rural and backward areas and provide more employment opportunities to the unemployed

3) Decentralization argument Arguments:

(i) That it emphasizes the necessity of regional dispersal of industries to promote balanced regional development in the country

(ii) That it helps to tap local resources such as, materials, idle savings, local talents by starting small enterprises in a group of villages thereby improving the standard of living in the backward villages. One Example is the economy of Punjab which has more number of SSIs as compared to Maharashtra.

4. Latent resource argument: Arguments: That the small enterprises are capable of mopping up latent and unutilized resources like hoarded wealth and ideal entrepreneurial ability.

Objectives:

- (i) To generate immediate and large scale employment opportunities with relatively low investment
- (ii) To eradicate unemployment problem in our country
- (iii) To encourage the dispersal of industries all over country covering small towns, villages and economically lagging regions.
- (iv) To bring backward areas to main stream of national development
- (v) To promote regional development of the whole country
- (vi) To ensure more equitable distribution of national income.
- (vii) To encourage effective mobilisation of untapped resources. (viii) To improve the level of people in the country

Scope:

- 1) Manufacturing activities
- 2) servicing/repairing activities
- 3) Retailing activities
- 4) Infrastructural activities like transportation, communication and other public utilities.
- Financial activities
- 5) whole-sale activities
- 6) Construction activities

Government policy towards small scale industries to strengthen the scope for small industrial development in the country

- 1) Announced the reservation policy for small scale industry development in the country in 1947 which included 47 items for exclusive manufacture in SSI sector
- 2) By 1983 the reserve list included 836 items for exclusive production in SSIs.
- 3) The main objectives being to insulate the small sector from unequal completion of large industrial establishments. Important industries reserved for exclusive development in the small sector are: Food and allied industries, Textile products; leather and leather products including footwear; rubber products: plastic products :chemical and chemical products: glass and ceramics: mechanical engineering transport equipment: metal cabinets all types: pressure stove: electrical appliances: electronic equipments and components: boats and truck body buildings: auto parts components mathematical and survey instruments; sports goods; stationary items, clocks and watches etc.

Government policy for small scale enterprises:**IPR 1948**

- 1) Accepted for the first time the importance of small scale industries in the overall economic development of the country.
- 2) Realized that small scale industries are particularly suited for utilization of local resources and for creation of employment opportunities
- 3) Passed a resolution that the central government in cooperation with state governments should solve the problems of SSI like raw materials, capital, skilled labor, marketing etc to protect SSIs

IPR 1956

- 1) Industries development and regulation act was passed in 1951 to regulate and control the industries in the country
- 2) Parliament accepted to develop “**the socialist pattern of society**” as the basic aim of economic policy which came in form in 1956
- 3) Measures were taken to provide sufficient vitality to decentralized sectors and to work with the large scale industry
- 4) Small scale industries board constituted a working group in 1959 to formulate a development plan for SSIs during the third five year plan in 1961-66
- 5) During this period projects like “Rural Industries Projects” and “Industries Estate Projects” were started during this period to strengthen the small sectors
- 6) Thus the IPR 1956 aimed at “Protection plus Development” which initiated a modern SSI in India

IPR1977

1) Emphasized new renewal policy was based on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.

2) Thus IPR1977 accordingly classified small sector into three categories

(i) Cottage and household industries: to provide self-employment on large scale

(ii) Tiny sector: promoting investment in industrial units in plant and machinery up to 1 lakh **(iii)**

Small scale industries: comprising of industrial units with an investment of Rs.10 lakhs and up to 15 lakhs for ancillary industries.

Measures suggested for promotion of small scale and cottage industries:

(i) Reservation of 504 items for exclusive production in small-scale sector

(ii) Proposal to set up „district industry centre” agency in each district which was introduced in 78

Thus as per this resolution the small sector was thus to be protected, developed and promoted

IPR 1980

- The Government of India adopted a new industrial policy resolution (IPR) on July
- 23/1980 The main objective of this policy were
 - i) Increase in investments of tiny plants from Rs1 lakh to 2 lakh and from 10 lakhs to 20 lakhs for SSIs and from Rs.15 lakhs to 25 lakhs in case of ancillaries.

- ii) Introduction of the concept of nucleus plants in case of DICS in each industrially backward district and to promote maximum small scale industries there.
- iii) Promotion of village and rural industries to generate economic viability in the villages well compatible with the environment. Thus IPR 1980 emphasized the spirit of IPR 1956

IPR 1990

- Was announced during June 1990
- Resolution continued to give the increasing importance to small-scale enterprises to serve the objective of employment generation
- **Important elements in the resolution to boost the development of small scale industries of IPR 1990 are**

(i) Investment ceiling increased in plant and machinery for SSIs was raised from 35 lakhs to 60 lakhs and for ancillary industries from 45 lakhs to 75 lakhs

(iii) 836 items reserved for exclusive manufacture in small scale industry

(iv) subsidy introduced for SSIs by the central government for SSIs in rural and backward areas capable of generating employment

(v) to improve competitiveness amongst SSIs programs of technology upgradation was implanted under the apex technology development centre in small Industries Development Organization (SIDO)

(vi) to ensure adequate and timely flow of credit facilities for the small scale industries a new apex bank known as „**Small Industries Development Bank of India (SIDBI)**’ was established in

1991

(vii) Greater emphasis on training of women and youth under **Entrepreneurship Development Program (EDP)** was started.

(viii) implementation of de licensing of all new units with an investment of Rs.25 crores in fixed assets in non-backward areas Rs.75 crores in centrally notified backward areas and De licensing took place for 100% export oriented units set up in export processing zone took place with a ceiling of Rs.75 lakhs.

Salient features of the new small enterprise policy of 1991

- 1) Increase in investment limit in plant and machinery of tiny enterprises from **2 lakhs to 5 lakhs** irrespective of the location of the enterprise
- 2) Inclusion of the industry related services and business enterprises **irrespective of the location** as small industries
- 3) Introduction of the **limited partnership Act**. Which would limit the financial liability of the the new entrepreneurs to the capital invested.
- 4) Introduction of a scheme of Integrated Infrastructural Development for small-scale industries
- 5) Introduction of **factoring services** to help solve the problems of delayed payment to small sector
- 6) **Market promotion** of the small scale industries products through **co-operative/public sector institutions**, other specialized professional/marketing agencies and the consortium approach

- 7) To **set up a technology development cell** in the Small Industries Development Organization (SIDO)
- 8) **To accord priority to small and tiny sector** in the allocation of indigenous raw materials. 9) Setting up of export development centre in SIDO
- 10) **To widen the scope of National Equity Fund (NEF)**, to enlarge the single window scheme and also to associate commercial banks with provision of composite loans

Impact of globalization and liberalization on SSI in India

Prior globalization scenarios:

- 1) Before the introduction of economic reforms in 1991 the SSI sector was overprotected
- 2) The small scale industry had never a strong desire to grow to medium and large scale because of the benefits of protection given to it.
- 3) Many of the policies also discouraged the growth of the small units to larger ones.

Post globalization scenario:

With globalization the SSI are exposed to stiff competition both from the large-scale sector-domestic and foreign- and from MNCs

The poor growth rate in SSIs during the post liberalization period can be attributed due to the following factors:

- 1) The government policy did not ensure the interests or priority of the sector
- 2) the SSIs were left to the mercy of the lending institutions and promotional agencies as a result of which the SSI sector suffered deterioration in the quality of its output industrial sickness and retrograde growth.
- 3) also resulted in the delay of the implementation of the projects, inadequate availability of finance and credit, expensive mode of communication, marketing problems, cheap and low quality products, delay in payments, technological obsolescence, imperfect knowledge of market conditions, lack of infrastructural facilities, and deficient managerial and technical skills
- 4) Opening of the markets has also led to stiff competition besides world trade organizations regulating multilateral trade requiring its member countries to remove import quotas, restrictions and reduce import tariffs.
- 5) India was also asked to remove quantitative restrictions on imports by 2001 and all export subsidies by 2003 as a result every individual small or large, exporting or serving a domestic market had to face competition.
- 6) The SSI also had to face competition due to the placing of 586 of the 812 reserved items on the Open General License (OGL) import list which resulted in the import of high quality goods from developed countries
- 7) The SSIs also had to face stiff competition due to the arrival of MNCs and removal of the restrictions on foreign direct investments which witnessed the arrival of many automobiles and electronics companies in 1991.

Steps taken by the central government in order to protect, support and promote small enterprises.

- The following were the steps taken by the central government in order to protect, support and promote small enterprises.
- Providing
 - 1) Industrial extension services
 - 2) Credit facilities in respect of institutional support
 - 3) Developed sites for construction of sheds
 - 4) Training facilities
 - 5) Supply of machinery on hire-purchase terms
 - 6) Assistance for domestic marketing as well as experts
 - 7) Special incentives for setting up enterprises in backward areas
 - 8) Technical consultancy and financial assistance for technological up gradation

Impact of WTOS on SSIs

- 1) Emerging challenges to SSIs are due to the impact of the agreements under the WTO to which India is a signatory along with 134 member countries
- 2) Setting up of WTO has altered the framework of the international trade towards non-distortive market oriented policies.
- 3) This is due to the policy shift that occurred world wide since the early 1980s in favor of free market forces and tilt from the state intervention/regulation in the economic activity
- 4) The main outcome of such policy would be reduction in export subsidies greater market access, Removal of non-tariff barriers and reduction in tariffs.
- 5) This would also bring about tighter patent laws through the regulation of intellectual property rights under the Trade Related aspects of Intellectual Property Rights (TRIPS) Agreement which lay down what is to be patented and for what duration.
- 6) The increased market access to imports will mean opening up the domestic market to large flow of imports.

Ancillary Unit:

- is a subclass of SSIs which is an industrial undertaking which is engaged or is proposed to be engaged in
 - (i) the manufacture of parts, components, sub-assemblies, tooling or intermediates
 - (ii) rendering of services, or supplying of or rendering not less than 50 percent of its production or its total services as the case may be to other units for production of other articles and whose investment in fixed assets in plant and machinery does not exceed Rs.1 crore as on March 31, 2001 and shall be treated as an ancillary enterprise

Tiny Unit:

- is that unit whose investment in plant and machinery does not exceed Rs.25 lakhs irrespective of the location of the unit.

Module 5: INSTITUTIONAL SUPPORT

7.1 NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

The National Small Industries Corporation (NSIC), an enterprise under the union ministry of industries was set up in 1955 in New Delhi to promote aid and facilitate the growth of small scale industries in the country. NSIC offers a package of assistance for the benefit of small-scale enterprises.

1. **Single point registration:** Registration under this scheme for participating in government and public sector undertaking tenders.
2. **Information service:** NSIC continuously gets updated with the latest specific information on business leads, technology and policy issues.
3. **Raw material assistance:** NSIC fulfils raw material requirements of small-scale industries and provides raw material on convenient and flexible terms.
4. **Meeting credit needs of SSI:** NSIC facilitate sanctions of term loan and working capital credit limit of small enterprise from banks.
5. **Performance and credit rating:** NSIC gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.
6. **Marketing assistance programme :** NSIC participates in government tenders on behalf of small enterprises to procure orders for them.

7.2 SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)

SIDO is created for development of various small scale units in different areas. SIDO is a subordinate office of department of SSI and ARI. It is a nodal agency for identifying the needs of SSI units coordinating and monitoring the policies and programmes for promotion of the small industries. It undertakes various programmes of training, consultancy, evaluation for needs of SSI and development of industrial estates. All these functions are taken care with 27 offices, 31 SISI (Small Industries Service Institute) 31 extension centers of SISI and 7 centers related to production and process development.

The activities of SIDO are divided into three categories as follows:

- (a) **Coordination activities of SI DO:**

- (1) To coordinate various programmes and policies of various state governments pertaining to small industries.
- (2) To maintain relation with central industry ministry, planning commission, state level industries ministry and financial institutions.
- (3) Implement and coordinate in the development of industrial estates.

(b) *Industrial development activities of SIDO:*

- (1) Develop import substitutions for components and products based on the data available for various volumes-wise and value-wise imports.
- (2) To give essential support and guidance for the development of ancillary units.
- (3) To provide guidance to SSI units in terms of costing market competition and to encourage them to participate in the government stores and purchase tenders.
- (4) To recommend the central government for reserving certain items to produce at SSI level only.

(c) *Management activities of SIDO:*

- (1) To provide training, development and consultancy services to SSI to develop their competitive strength.
- (2) To provide marketing assistance to various SSI units.
- (3) To assist SSI units in selection of plant and machinery, location, layout design and appropriate process.
- (4) To help them get updated in various information related to the small-scale industries activities.

7.3 SMALL INDUSTRIES SERVICE INSTITUTES (SISI)

The small industries service institutes have been set up in state capitals and other places all over the country to provide consultancy and training to small entrepreneurs both existing and prospective.

The main functions of SISI include:

- (1) To serve as interface between central and state government.
- (2) To render technical support services.

- (3) To conduct entrepreneurship development programmes.
- (4) To initiate promotional programmes.

The SISIs also render assistance in the following areas:

- (1) Economic consultancy/information/EDP consultancy.
- (2) Trade and market information.
- (3) Project profiles.
- (4) State industrial potential surveys.
- (5) District industrial potential surveys.
- (6) Modernization and in plant studies.
- (7) Workshop facilities.
- (8) Training in various trade/activities.

7.4 SMALL SCALE INDUSTRIES BOARD (SSIB)

The government of India constituted a board, namely, Small Scale Industries Board (SSIB) in 1954 to advise on development of small scale industries in the country. The SSIB is also known as central small industries board. The range of development work in small scale industries involves several departments /ministries and several organs of the central/state governments. Hence, to facilitate co-ordination and inter-institutional linkages, the small scale industries board has been constituted. It is an apex advisory body constituted to render advice to the government on all issues pertaining to the development of small-scale industries. The industries minister of the government of India is the chairman of the SSIB.

The SSIB comprises of 50 members including state industry minister, some members of parliament, and secretaries of various departments of government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field.

7.5 STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS(SSIDC)

(Karnataka State Small Industries Development Authority KSSIDC in Karnataka State)

The State Small Industries Development Corporations (SSIDC) were set up in various states under the companies' act 1956, as state government undertakings to cater to the primary developmental needs of the small tiny and village industries in the state/union territories under their jurisdiction. Incorporation under the companies act has provided SSIDCs with greater operational flexibility and

wider scope for undertaking a variety of activities for the benefit of the small sector. The important functions performed by the SSIDCs include:

- To procure and distribute scarce raw materials.
- To supply machinery on hire purchase system.
- To provide assistance for marketing of the products of small-scale industries.
- To construct industrial estates/sheds, providing allied infrastructure facilities and their maintenance.
- To extend seed capital assistance on behalf of the state government concerned provide management assistance to production units.

7.6 DISTRICT INDUSTRIES CENTERS (DIC)

The District Industries Centers (DIC's) programme was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. The organizational structure of DICS consists of General Manager, Functional Managers and Project Managers to provide technical services in the areas relevant to the needs of the district concerned. Management of DIC is done by the state government. The main functions of DIC are:

- (1) To prepare and keep model project profiles for reference of the entrepreneurs.
- (2) To prepare action plan to implement the schemes effectively already identified.
- (3) To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e. , industrial sector, service sector and business sector.
- (4) To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for importing machineries.
- (5) To provide guidance for appropriate loan amount and documentation.
- (6) To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixtures.
- (7) To appraise the worthiness of the project-proposals received from entrepreneurs.
- (8) To help the entrepreneurs in obtaining required licenses/permits/clearance.
- (9) To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
- (10) To conduct product development work appropriate to small industry.

(11) To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.

(12) To conduct artisan training programme.

(13) To act as the nodal agency for the district for implementing PMRY (Prime Minister Rojgar Yojana).

(14) To function as the technical consultant of DRDA in administering IRDP and TRYSEM programme.

(15) To help the specialized training organizations to conduct Entrepreneur development programmes.

In fine DIC's function as the torch-bearer to the beneficiaries/entrepreneurs in setting up and running the business enterprise right from the concept to commissioning. So the role of DIC's in enterprise building and developing small scale sector is of much significance.

7.7 TECHNICAL CONSULTANCY SERVICES ORGANIZATION OF KARNATAKA (TECSOK).

TECSOK is a professional industrial technical and management consultancy organization promoted by the government of Karnataka and other state level development institutions way back in 1976. It is a leading investor-friendly professional consultancy organization in Karnataka. Its various activities are investment advice, procedural guidance, management consulting, mergers and acquisition, process reengineering studies, valuation of assets for takeovers, impact assessment of socio-economic schemes, critical infrastructure balancing; IT related studies, detailed feasibility studies and reports. TECSOK with its pool of expertise in varied areas can work with new entrepreneur to identify a product or project. In addition to this TECSOK sharpens the project ideas through feasibility studies, project reports, market surveys, and sources of finance, selection of machinery, technology, costing and also providing turnkey assistance. To help entrepreneurs to face the global competition TECSOK facilitates global exposures, updated technology, market strategies, financial restructuring and growth to improve profitability of an industry. TECSOK can identify sickness in existing industry and facilitate its turn around. TECSOK has expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government and financial institutions. In addition it offers expert professional services to various institutions and departments of the state and central government. TECSOK undertake the assignment in the field of

- Technical and market appraisal of projects.
- Industrial potential surveys.
- Fact-finding and opinion reports.
- Corporate planning.

- Collection and collation of information.
- Impact assessment.
- Evaluation of schemes and programmes.
- Asset evaluation.
- Infrastructure development project proposal.
- Event management and publicity campaigns, and
- Organizing seminar and workshops.

TECSOK has over 25 well-experienced engineers in different disciplines, MBAs economists and finance professionals. It has business partnerships with reputed national and multinational consultants and out sources expertise for professional synergy. TECSOK has an exclusive women's cell which conducts training and education programmes, exhibitions for promotion of products and services provided by women entrepreneurs and offers escort services to women entrepreneur. TECSOK has many publications. "Kaigarika Varthe" a monthly is published by TECSOK. In addition it publishes "Guide to Entrepreneurs" "Directory of Industries" on a regular basis.

Focused Consultancy Areas of TECSOK

Promotion of agro based industries: TECSOK is recognized nodal agency by the Ministry of Food Processing Industries, Government of India, for project proposal to avail grant and loan assistance under the special schemes.

Energy management and audit: Thrust is given to use non-conventional energy sources for which both state and central governments are offering incentives. TECSOK has been recognized as a body to undertake energy audit and suggest energy conservation measures. TECSOK

undertakes studies and project proposal for availing assistance from the Indian Renewable Energy Development Authority (IREDA).

Environment and ecology : TECSOK undertakes assignments relating to environment education, environment impact assessment, environment management plan and pollution control measures. TECSOK has joined hands with Karnataka cleaner production center (KCPC) to provide total consultancy support in the area of environment.

Human Resource Development: TECSOK designs and organizes business development programmes, management development workshops, skill development programmes and in-house training packages. It undertakes programmes of empowerment of women entrepreneurs, organization of self-help groups. In order to encourage local entrepreneurs TECKSOK organizes awareness campaigns and motivation programmes in taluks and districts throughout Karnataka.

Other TECSOK activities:

- Guidance in product selection and project identification.
- Market survey and market development advice.
- Consultancy for agro-based industries of a nodal agency of the government of India.
- Diagnostic studies and rehabilitation of sick industries.
- Environment impact assessment studies environment management plans and propagation of cleaner production techniques.
- Energy management and audit.
- Valuation of assets for mergers and takeovers.
- Infrastructure development project reports.
- Port tariff study and related areas.
- System study and software development.
- Management studies, company formation, corporate plan, enterprise restructuring etc.
- De signing and organizing training programme.

7.8 SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector. The important functions of IDBI are as follows:

- (1) To initiate steps for technological upgradation and modernization of existing units.
- (2) To expand the channels for marketing the products of SSI sector in domestic and international markets.
- (3) To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas. The SIDBI's financial assistance to SSIs is channeled through existing credit delivery system comprising state financial corporations, state industrial development corporations, commercial banks and regional rural banks. In 1992-93 it has introduced two new schemes. The first is equipment finance scheme for providing direct finance to existing well-run small-scale units taking up technology upgradation/modernization and refinance for resettlement of voluntarily retired workers of NTC. The other new scheme was venture capital fund exclusively for small-scale units, with an initial corpus of Rs 10 crore. SIDBI also provides financial support to national small industries corporation (NSIC)

for providing leasing, hire-purchase and marketing support to the industrial units in the small scale sector.

7.9 KARNATAKA INDUSTRIAL AREAS DEVELOPMENT BOARD (KIADB)

The Karnataka industrial areas development board is statutory board constituted under the Karnataka industrial area development act of 1996. Since then it is in the business of apportioning land for industries and gearing up facilities to carryout operations. The KIADB now acquires and provides developed land suited for industrialization, by drawing up well laid-out plots of varying sizes to suit different industries with requisite infrastructure facilities. The facilities include roads, drainage, water supply etc. The

amenities such as banks, post offices, fire stations, police outposts, ESI dispensaries etc are also provided. It also plans to initiate the provision of common effluent treatment plants wherever necessary. KIADB has acquired a land of 39,297 acres out of which 21,987 acres had been developed till March 1996. Developed industrial plots had been allotted to 7882 units. Application forms for the allotment of land may be obtained from the executive member, KIADB Bangalore or general manager DIC of concerned district or from the Zonal office of KIADB located at Mysore, Mangalore, Dharwad, Gulbarga, Bidar, Hassan and Belgaum. Applications duly filled must be accompanied by:

- (a) A brief project report.
- (b) Details of constitution of the company
- (c) Provisional registration certificate
- (d) EMD of Rs 500/- per acre, subject to a maximum of Rs 10,000/- along with 20% , 15% and 5% of the land cost for various districts. On receipt of applications for all districts other than Bangalore, a discussion with the promoters regarding the project will be held in the concerned district headquarters. The district level allotment committee will take a decision on allotment of land to the SSI units. In case of Bangalore, the screening committee comprising of executive member KIADB, director of SISI, chief advisor TECSOK with discuss the project and make necessary recommendation to a sub-committee. The sub-committee will in turn allot the land. Once land is allotted the remaining payment should be made within six months of the date of issue of allotment letter. The industry should be started after obtaining the necessary license/clearance/approval from the concerned authorities. Plans for the proposed factory/ building or other structure to be erected on the allotted sites are executed only after prior approval

of the board. On being satisfied that the land is not being put to the prescribed use, the board reserves the right to re-enter and take possession of the whole or any part of the land. If necessary the leasehold rights on the allotted land may be offered as security in order to obtain financial assistance from the government or corporate bodies. However, prior permission of the board has to be obtained for creating second and

subsequent charges of the land.

7.10 KARNATAKA STATE FINANCIAL CORPORATION (KSFC)

The KSFC was established by the government of Karnataka in 1956 under the state financial corporation act 1951 for extending financial assistance to set up tiny, small and medium scale industrial units in Karnataka. Since 1956 it is working as a regional industrial development bank of Karnataka. KSFC has a branch office in each district; some districts have more than one branch. KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipment/transport vehicles. KSFC has merchant banking department which takes

up the management of public issues underwriting at shores, project report preparation, deferred payment guarantee, and syndication of loans, bill discounting and

similar tasks.

KSFC give preference to the projects which are

- (i) Promoted by technician entrepreneur.
- (ii) In the small-scale sector.
- (iii) Located in growth centers and developing areas of the state;
- (iv) Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- (v) Characterized by high employment potential.
- (vi) Capable of utilizing local resources; and
- (vii) In tune with the declared national priorities.

The eligible industrial concerns for financial assistance from KSFC are those engaged/to be engaged in manufacture, preservation, processing of goods, mining, power generation transport, industrial estate, hotels, R & D of any product or process of industrial concern, weigh bridge facilities, power laundries, photocopying, hiring of heavy material handling equipment, cranes and other earth moving equipments,

hospitals, nursing homes, medical stores, computers, tourism related activities, construction of roads, tissue and horticulture software development, software parks, block board vehicles, office construction, godown and warehouse construction, mobile canteens, commercial complexes, training institutes, office automation and so on.

Loan Schemes of KSFC

KSFCE has evolved loan schemes for extending financial assistance to industrial concerns promoted by rural artisans, weaker sections of society, disabled entrepreneurs, exservicemen, women entrepreneurs and others.

Hire purchase: This scheme provides for a fast, easy alternative to ready cash. Industrial concerns in commercial production for two years and earning profits and regular in repayment to financial institutions/banks can avail assistance of Rs. 1 lakh. Professionals and commercial operators can also avail hire purchase assistance.