

Principles of management are not just for managing business organizations; they are also applied to various other types of organizations such as educational, social, military and government.

2. Management is essential in all organized efforts, be it a business activity or any other activity.

By bringing together the four factors of production as men, money, material and machines, management enables a country to experience a substantial level of economic development. Peter Drucker rightly observes that without management, a country's resources of production remain unused and never become production.

1. Management is a critical element in the economic growth of a country.

1.1 Importance of management

2. It doesn't throw light on various functions of manager. SRI SHIVA XEROX

knowledge, but also acquisition of knowledge.

1. Management is not completely an art. Management is not merely application of

Two weaknesses of this definition are:

- ▷ According to Mary Parker Follett Management is "art of getting things done through people".
- ▷ According to Peter Drucker, "Management is a multi-purpose organization that manages businesses and managers managers and manages workers and work".
- ▷ Accomplish the objectives by the use of people and resources".
- ▷ Planning, organizing, actuating, and controlling performed to determine and accomplish the objectives by the use of people and resources".
- ▷ George R Terry defines Management can be defined as "The process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish the objectives by the use of people and resources".

Management in business and organizations is the function that coordinates the efforts of people to accomplish goals and objectives using available resources efficiently and effectively.

1.1 Meaning

Topics:

Introduction : 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.

Organization : nature and purpose, types of organization.

MODULE-1: INTRODUCTION

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MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY

- Office management
- Production management
- Personnel management
- Marketing management
- Financial management
- Distribution management
- Developing 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. Important areas of life are:

1. Management is **Intangible** (not measurable and cannot be seen) but its presence can be felt by efforts in the production of sales and revenues.
2. Management is **group activity** and it involves getting things done with and through specific goals.
3. Management is **goal oriented** and all actions of management are directed at achieving the others.
4. Management is **science as well as art** and emerging now as a **profession**.
5. Management is **multidisciplinary** and it has contributions from engineering, sociology, psychology, economics, anthropology etc.

1.3 Scope

1. Management is **continuous process**.
2. Management is **creative process**.
3. Management applies to any kind of organization.
4. Management applies to managers at all organizational levels.
5. All the managers carry out the managerial functions of **planning, organizing, staffing, leading and controlling**.
6. Management is concerned with productivity, which implies effectiveness and efficiency.
7. Management attain the skills and knowledge to achieve the objective set by an enterprise.

Characteristics of management:

1. Management is **dynamic, life-giving element** in every organization.
2. Management is an element that co-ordinates current organizational activities and plans future ones. It arbitrates disputes and provides leadership. It adapts the organization to its environment and often shapes the environment to make it more suitable to the plans of the organization.
3. Management is the **continguous process**.
4. Management applies to managers at all organizational levels.
5. All the managers carry out the managerial functions of **planning, organizing, staffing, leading and controlling**.
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Nature of management:

1.2 Nature and Characteristics

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- ▷ Involves building the right person for the right job.

Staffing: Is a function involved in building the human organization.

- ▷ Defined as a structure which results from **identifying and grouping work**, defining and delegating responsibility and authority and establishing the relationships.
- ▷ Once the plans have been developed and the objectives are established they must design and **develop a human organization to carry out plans successfully**.
- ▷ Which may be divided into two main sections namely the **human organization** and **materiel organization**.

Organizing: Organize a business is to provide it with everything useful to its functioning.

- ▷ 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.
- ▷ Done not only for the organization as a whole but **every division, department or sub-unit** of the organization.
- ▷ Determination of what, where and how it is to be done and how the results are to be evaluated.
- ▷ Process of determining the objectives and charting out the methods of attaining those objectives.

Planning: Is a function that determines in advance what should be done. It involves:

- Catch word "POSDCORB" stands for Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting.
- 1. Planning
- 2. Organizing
- 3. Staffing
- 4. Directing (Leading) and Controlling.
- 5. Controlling.

Different Authors classify the management activities as different types from 4 to 7 types. Mainly we have 5 essential and well accepted functions as shown in figure 1.1. They are:

1.4 Functional areas of management OR Management functions OR the Process of management

- Transporat management
- Purchase management
- Sales management
- Supply chain management
- Business management like Hospital management, Hotel management, Educational institution management etc)

2. Administration involves thinking which is a top level function which centres around the determination of plans, policies and objectives of a business enterprise.
1. Management involves doing which is a lower level function concerned with the execution and direction of policies and operations. No two separate personnel are required. Each manager performs both activities and spends part of his time in administering and part of management.

1.6 Management and administration

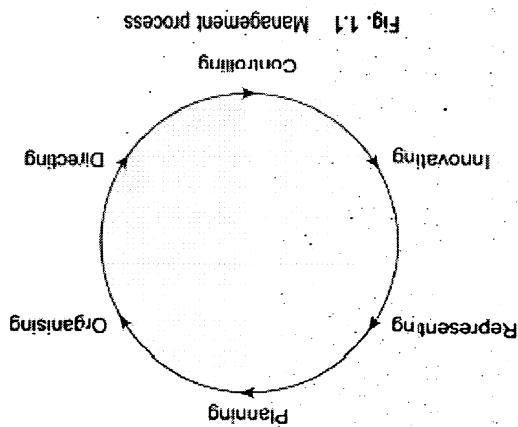


Fig. 1.1 Management process

- ▷ Establishing the standards of performance.
- ▷ Measuring current performance and comparing it against the established standards.
- ▷ Taking action to correct any performance that does not meet those standards.

Controlling: Measuring and correcting the activities of subordinates. It has 3 elements

- Financial: takes the form of salary, bonus, profit-sharing etc.
- Non-financial: takes the form of job security, opportunity of advancement, recognition, praise etc.
- ▷ Two types of motivation: financial and non-financial
- ▷ Motivation is the arousing the desire in the minds of the workers to give their best to their enterprise.
- ▷ Leadership is the process of guiding and influencing the work of his subordinates by the manager.
- ▷ Communication is the process of passing information from one person to another.
- ▷ Is the next step after planning, organizing and staffing. Involves three sub-functions namely communication, leadership and motivation.
- ▷ Directing: directing or leading the people towards the defined objective.

- ▷ 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.

- c) **Spokesman:** may require to spend 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, financial institutions.
- b) **Dissimulator:** manager passes the privileged information directly to the subordinates who otherwise would not have access to it.
- a) **Monitor:** must perpetually scan his environment for information interrobrates his liaison and subordinates to get any solicited information useful for the organization.

2. Informational roles:

- c) **Liaison:** in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.
- b) **Leader:** every manager must motivate and encourage their employees, try to reconcile their individual needs with the goals of the organization.
- a) **Figure head:** performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.

1. Interpersonal roles:

Henry Mintzberg after a careful study has identified 10 different roles of managers under three broad categories:

1.7 Roles of Management

Characteristics	Administration	Management	Main functions	Planning, Organizing and staffing	Leading, motivation and controlling	Acts as owner	Acts as an agency	Requires good administrative skills	Requires more technical skills	Top level	Lower level	Organization	Managing director, CEO etc	Managers, Supervisors, foremen etc	Implements the plans and policies.	Goals to be achieved.	Leader involves in the plans and achieves goals.	No direct involvement in production or services	Liaison
7. Involvement																			
6. Objectives																			
5. Position																			
4. Level in the organization																			
3. Skills																			
2. Status																			
1. Main functions																			

3. Management is a generic term which includes administration Manager is the term used in the business enterprises.
4. Administration is a term used in the governance of non-business institutions (such as government, army etc).

- ✓ To examine his own concepts and values which may enable him to develop action he may undertake.
- ✓ To judge the possible reactions to and the outcomes of various courses of
- ✓ To recognize the feelings and sentiments of others.

3. Human relations skill: is the ability to interact effectively with people at all levels and the manager should have sufficient ability to

- ✓ How are different skills interrelated?
- ✓ What is the role of each skill employed?
- ✓ Which skills should be employed in his particular enterprise?

2. 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. There are three things a manager must know about technical skills. These are:

of organization and its future, ability to think in abstract, his ability to analyze the forces working in a particular situation.

1. Conceptual skill: deals with the ability of manager to take a broad and far-sighted view

with things as shown in figure.

ideas, human relations skill which deals with people and technical skill which deals with things as shown in figure.

- ▷ The manager is required to possess **3 major skills:** Conceptual skill which deals with first-line management: is made up of foreman and white collaried 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.

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

1.8 Levels of Management:

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

- a) 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.
- b) Disturbance handler: must act like a fire-fighter to seek solutions to various anticipated problems.
- c) Resource allocator: must divide work and delegate authority among his subordinates.
- d) Negotiator: must spend considerable time in negotiations.

3. Decisional roles:

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.

- ▷ Taylors contributions under scientific management engineer of Midvale steel company for a period of 26 years.
- ▷ Simonds Rolling machine and Bethlehem Steel while serving as a chief conductor as a series of experiments in three companies Midvale steel, Management.
- ▷ Frederick Winslow Taylor (1856-1915) is considered as the Father of Scientific Management.

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1) Scientific management:

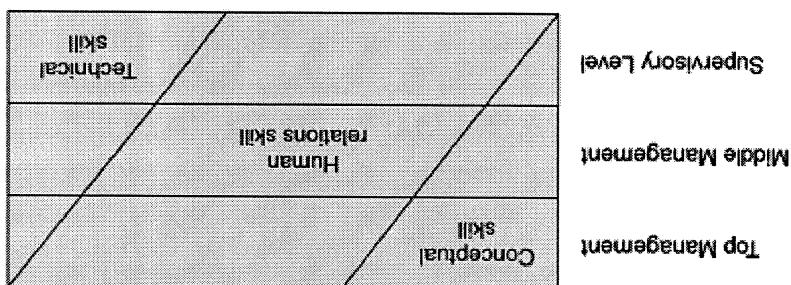
Early classical approaches

1. Quantitative approach
 2. Systems approach and
 3. Contingency approach
3. Modern approaches represented by
1. Human relations movement and
 2. Behavioural approach
 3. Contingency approach
2. Neoclassical approaches represented by

1. Scientific management
 2. Administrative management and
 3. Bureaucracy
1. Early classical approaches represented by

Evolution of the management can be studies as
1.9 Brief Overview Of Evolution Of Management

Fig. 1.3 Skill mix at different management levels



more useful attitudes about himself.

- 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.

- 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.

Limitations:

- 4) Taylors scientific management approach has evolved into what is now generally called job engineering. This is concerned with product, process and tool design, plant layout, standard operating procedures, work measurement and standards, work methods and human-machine interactions.

- 3) The importance that scientific management has given to work design has encouraged the managers to do one best way of doing the job.

- 2) Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.

- 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.

Contributions:

Contributions and limitations of scientific management:

- Taylor argued that both the management and the workers should save common interest in increasing productivity. Extent that labor and management would no longer have to compete for them and production rather than quarrel over profits which would increase the profits to such an extent that both the management and the workers both should try to increase movements involved in a task can be made more efficient and rationale.

- iv. **Scientific recruitment and training:** Taylor emphasized the need for scientific selection and development of the worker. He says that management should develop more interesting and more profitable classes of work than he has done in past.

- v. **Intimate and friendly cooperation between the management and the workers:** Taylor argued that both the management and the workers should be planned by the foreman and not by the worker and there should be as many foremen as there are special functions involved in doing a job and each of these should be planned by the foreman. Taylor suggested that the work of planning and doing and (ii) functional foremanship. Taylor suggested that the work of planning and doing should give orders to the worker on his specialty.

- iii. **Draastic reorganization and supervision:** introduced two new concepts (i) separation of planning and doing and (ii) functional foremanship. Under this plan a worker surpassed the standard which would motivate the workers to increase production. received low piece rate if he produced the standard number of pieces and high rate if he introduced in which he linked incentives with production. Under this plan a worker was introduced in which he linked incentives with production. Under this plan a worker was

8. Centralization: The degree of centralization or decentralization of authority must be decided on the basis of nature of circumstances, size of the undertaking, the type of management.

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.

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 to the general interest.

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.

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.

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 maintaining 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.**

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.

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. They must be entrusted to specialists in related fields.

Henri Fayol's 14 principles of management as general guides to the management process and management practice.

2) Administrative management:

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.

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.

9. **Scalar chain:** Scalar chain means the hierarchy of authority from the highest executive to the lowest ones 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 communication should pass through the proper channels of authority along the scalar chain.
- Activities and the nature of organizational structure.

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 management 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, their morale will be low and they cannot provide them freedom to think out and execute a plan which when provided to the hence managers are required to give sufficient scope to show their initiative.
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 there is scope for realizing the objectives of the concern and there should be harmony among employees and is possible only when all the employees pull together as a team and hence managers are required to give sufficient scope to show their initiative.
14. **Espirit de corps:** Means team spirit which should be created by the management and unity among the staff.

Contributions and limitations of administrative management:

1. Fayol's principles met with wide spread acceptance among writers on management and among managers and managers themselves.
2. Drawing inspiration from Fayol's a new school of thought known as the Management Process School came into existence.
3. Fayol's principle of specialization lead to the following dysfunctional consequences:
- ▷ Leads to the formation of small work groups with norms and goals without bothering about the overall purpose of the organization as a whole.
 - ▷ Results in the dissatisfaction among workers as it does not provide them the opportunity to use all their abilities.

Limitations:

1. Fayol's principle of specialization lead to the following dysfunctional consequences:
- ▷ Leads to the formation of small work groups with norms and goals without bothering about the overall purpose of the organization as a whole.
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5. **Administrative acts, Decisions and rules are recorded in writing:** this makes the application of rules: because these form the basis on which legitimacy is granted to his authority.

4. **It is necessary for the individual to have knowledge of and training in the application of rules:** each lower officer should be under supervision of higher officer.

3. **Principle of hierarchy is followed:** each lower officer should be under supervision of higher officer.

2. **There is a systematic division of work:** this increase production by improving efficiency and saving time in changing over from one job to another.

1. **There is an insistence on following standard rules:** authority in an organization should be governed by standard rules but not by personal preferences.

Important features of Bureaucratic Administration

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

b) **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

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

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 among them. Leader oriented tradition oriented and bureaucratic.

5. 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.

4. The principles of Fayol's 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.

3. 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.

2. 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.

concepts but only try to refine and improve them

These approaches are neo-classical because they don't rejected the classical

2. Neo-classical approach:

these needs.

information to plan his future. But this approach controls individual to work against independence, initiative, self control, opportunity to use all his skills and information to satisfy the needs of mature individuals: a mature individual wants

and staffed.

Not Completely rational: No bureaucratic organisation is so rationally organised

which usually carry out a big chunk of organizational work.

Neglect of informal groups: this approach ignore the existence of informal groups

have no real right to appeal.

No real right to appeal: clients of this approach are not satisfactory since they

interests are developed.

primary goals, that the later are no longer served effectively. 4) Departmental automation. 3) Secondary goals of an organisation so completely subordinate its originally framed to achieve or forgotten. 2) Employees develop professional employees so intensively internalise the rules that the goals which these rules were legitimate goal other goal for which it was not created due to some reasons. 1)

Displacement of goals: this takes place when an organization substitutes for its

situations in other areas.

area only. The individual finds himself incapable to respond appropriately to new

repeated many times over developing individual skills and abilities in a specialized

Trained incapacity: In bureaucratic organization the training and experience

decisions or postpone.

Buck-passing: in this approach employee's initiative is stifled, so they can shift

to rules: stick to rules to avoid penalties.

Limitations:

Organization, fellow workers, rules.

3. Bureaucracy has provided the worker a scapegoat, a place to lay the blame; Boss,

preferred by most of the managers who want to predict the future accurately.

2. Bureaucracy comes from viewing it with a closed systems strategy, has been

impossible for one person to fulfill all management functions.

1. Bureaucracy can be viewed as the logical extension of management when it becomes

Contributions

Promotions are made systematically.

6. **There is a rational personnel Administration:** people are selected based on their credentials and merit and also paid according to their position in the hierarchy.

accurate.

organization independent of people besides making people's understanding more

3. Interviewing programme:

- Was considered to be the second phase of study. 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 some thing else was responsible for this.

Feeling of importance among girls as result of participation in the research and the attention they got.

Warm informality, tension-free interpersonal and social relations amongst small groups and relative freedom from strict supervision and rules lead to these results .

2. Relay assembly test room:

illumination affected production only marginally.

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

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 called the test group worked under the changing levels of illumination and the results showed that the productivity was higher in the test group than in the control group.

I. Illumination Experiments: Was considered to be the first phase of study

- Ethon Mayo's experiments can be divided into following four parts:

 - 1). The human relations movement:
Was 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 to Hawthorne experiments conducted by Ethon 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.
 - 1.). Illumination experiments
Ehton Mayo's experiments can be divided into following four parts:
 - 2.). Relay assembly test room
 - 3.). Interviewing program
 - 4.). Bank wiring test room

Limitations:

- more effective than task centred leadership.
5. Employee centred, democratic and participative style of supervisory leadership is behaviour and limit the economic incentive plan.
4. Worker does not work for money only and also nonfinancial awards affect his motion study done by the industrial engineer and those deviating from the group A workers production norm is set and enforced by his group and not by the time and were penalized by the co-workers.
3. A workers production norm is set and enforced by his group and not by the time and produce goods.
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 correlate between working conditions and high production.
- The contributions can be summarized as follows:

Contributions:**Contributions and limitations of the human relations movement:**

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 deprived of thrown out of jobs. Class of workers-production rate Called foolish-was more than the group norm were isolated, harassed or punished by the group in the several ways and were called rate busters. Those who were too slow were nicknamed as chiselers. Those who complained to the supervisor against their co-workers were called squealers.

Results: Normal economic incentives on productivity.

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

4.Bank wiring observation room:

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

Results: the study revealed that the workers and the workers free to talk about their favourable topics related to their work environment.

Indirect questions were asked to the workers and the workers free to talk about their relating to the type of supervision, working conditions, living conditions and so on.

know the basic factors: More than 20000 workers were interviewed. Questions were asked to know about the basic factors responsible for human behaviour at work Method used to acquire knowledge in the second phase made researchers design the third phase. They wanted to The knowledge about the informal group processes which were accidentally

- These scientists prefer more flexible organization structures and jobs built around the subordinates to become passive and dependent on them.
- They believe that lot of domination takes place by the managers which causes staff relationships and narrow spans of control.
- 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.
- The findings of these people have enormously helped in understanding the organizational behavior.

2). Behavioral approach:

8. Approach is based on wrong assumption that satisfied workers are more productive workers because output by improving working conditions and increases the human relations skills of a manager generally in the dramatic productivity.
7. Makes unrealistic demand on the superior and wants him to give up his desire.
6. The leisurely process of decision making of this approach cannot work during emergency,
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.
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.
3. This approach emphasizes the importance of symbolic rewards and underplays the role of material rewards.
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.
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 and ignored other variables.

Concept of considering the system as a whole: Means that no part of the system can be analyzed and understood apart from the whole system and conversely, the whole system cannot be accurately perceived without understanding all its parts. Each part bears a relation of interdependence to every other part which rather than dealing separately with the various parts of the organization as a whole. The above concept facilitates more effective diagnosis of complex situations and increases the likelihood of appropriate managerial functions.

- 3. **Technology subsystem:** refers to the tools and equipment as well as techniques which are used by the organization to perform the task.
- 2. **People subsystem:** refers to the employees with their motives, attitudes and values and the informal organization.
- 1. **Structure subsystem:** refers to the formal division of authority and responsibility, communication channels and workflow.

A system is a set of independent parts: Which together works as a single unit and composed of 4 independent parts namely task, structure, people and technology. performs some function. Similarly an organization can also be considered to be

2) Systems approach:

- 3. By the changing the values of the variables in the model generally with a computer amongst them
- 2. The team constructs the a mathematical model to simulate the problem which in symbolic terms all relevant factors that bear the problem, and the interrelationship problem and to propose a course of action to the management.
- 1. A mixed team of specialists from relevant disciplines is called to analyze the

Solving problems in the industry using OR techniques

Interdisciplinary group of scientists were engaged for this purpose were known as operations research(OR) teams because their work consisted of analyzing operations and carrying out applied scientific research which were the same which were used for solving problems in the industry.

Gained momentum during the second world war when UK and USA were desperately trying to seek the solutions to a number of few, complex problems in warfare.

1) Quantitative approach:

3. Modern approaches

capabilities and aptitudes of average employees.

alternatives.

3. Decision making is an integral part of planning. It is the process of **choosing among**

(iv) Who has to do it

(iii) How it is to be done and

(ii) When it is to be done.

(i) What is to be done

2. Planning that managers the organization to decide:

.....
thinking in advance.

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

2.1.1 Nature of Planning

2.1 Nature, Importance and Purpose of planning

to select the situational sensitivity and practical selectivity.

contribute to the attainment of the management goals and managers have therefore

▷ The task of a manager is to try to identify which technique will in a particular best differ because the situations differ.

are highly effective in one situation may not work in other situations and results are

Methods and techniques

3) Contingency approach:

of social systems.

more precisely defined in the case of physical and biological systems than in case

▷ Every system has a boundary: boundaries can be clearly observed and therefore

which is called synergy.

✓ The output of a system is always more than the combined output of its parts

✓ Physiologicals (as in telecommunication)

✓ Storage (as in warehousing)

✓ Exchange (as in retailing)

✓ Location (as in transportation)

✓ Physical (as in manufacturing)

▷ The transformation process can be categorized as follows:

Inputs of a business organization: raw materials, power, finance, equipment, human effort, technology, information about market, new products, government policies and the transformation process is known as throughput. and the transformation process is known as throughput.

environment and closed system is one which is independent of the environment. System can be either open or closed: Open system is one which interacts with its

3. Focus attention on the organizations goals:

Planning does not guarantee success but studies have shown that, companies which plan not only outperform the non-planners but also their past results. Planning leads to success by doing beyond mere **adaptation to market fluctuations**. Planning helps to 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.

2. Leads to success:

Planning allows managers and organizations to minimize risk and uncertainty. Planning does not deal with future decisions, but with the **future of present decisions**. For instance, if the manager does not make any provision for the replacement of plant and machinery, the problems he will have to face after ten years can well be imagined.

1. Minimizes risk and uncertainty

2.1.2 Importance of Planning

the day.

(iii) First line supervisors, for example plan the work activities for their people for month.

(ii) Middle level managers are concerned with planning activities for the week or major difference concerns the time period covered.

(i) Top level managers are generally months to five years later, or even after that.

There are however some differences in involvement by managers at different levels. One extra cost. Sometimes it may be so expensive that it benefits may not be worth the cost.

6. Flexibility is possible only within the limits. it is almost invariably true that it involves organization structure.

(v) Flexibility in organization means the company's ability to change the one job to another.

(iv) Flexibility in organization means the company's ability to shift individuals from one job to another.

(iii) Flexibility in personnel means the company's ability to shift individuals from favourable terms whenever there is need for them.

(ii) Flexibility in market means the company's ability to obtain additional funds and vary its product-mix according to changing needs of its customers.

(i) Flexibility in technology means the mechanical ability of a company to change in at least major areas technology, market, finance, personal and organization.

5. A plan must be flexible. By flexibility of a plan is meaning its ability to change direction are required in his plans.

4. 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.

			Strategic Planning
1	It decides the major goals and policies of allocation of resources to achieve these goals.	It decides the detailed use of resources for achieving each goal.	It is done at higher levels of management.
2	It is done at lower levels of management.	Some times are not even aware that strategic planning is being	It is done at middle management levels of management.

- Thus 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**.

Planning can take many forms and styles in practice. Planning can be **comprehensive** or **limited** in scope. There are organizations that plan to the last detail. Others rest content, simply broad targets for the next financial period.

2.2 Forms of Plans

1. To select from many available alternatives so as to achieve the objectives of the enterprise, economically, effectively and efficiently.
2. To direct all other functions of management.
3. To set up the goals of an enterprise in perspective, within the environment.
4. To help planned goals of an enterprise to break-up into more easily handleable additive segments of goals.
5. To form the basis for the budget.
6. To forecast the future to avoid uncertainty and change.
7. To provide effective control.
8. To search for alternatives and adopt the best way of accomplish the work.
9. To focus the vision on the objectives and goals.

2.1.3 Purpose of Planning

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.

5. Trains executives:

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.

4. Facilitates control:

Planning helps the manager to focus attention on the organizations goals and activities. It is easier to apply and coordinate the resources of the organization more economically. 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.

III. Objectives

decides the organization's scope of business.

- Which is the unique aim of an organization that sets it apart from others of its type?
- It is an organization's specialization in some area-service, product or client, which

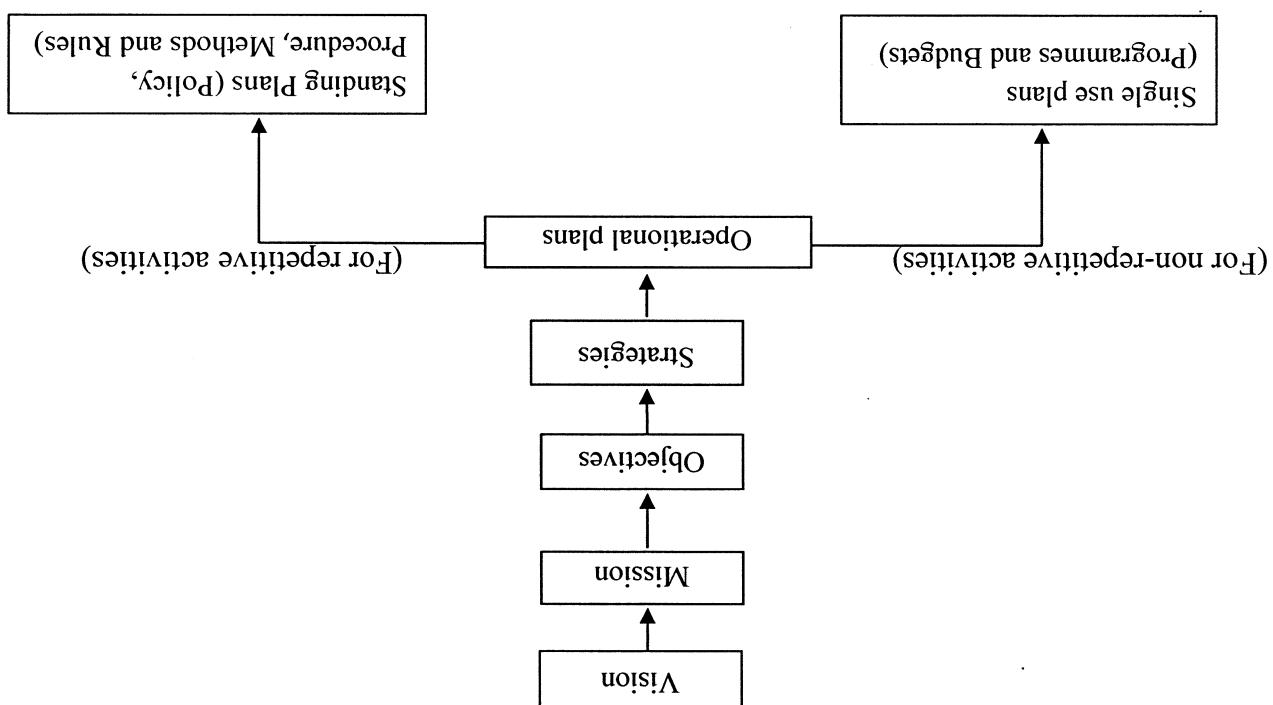
II. Mission

achieving the mission.

- A vision should be brief, focused, clear and inspirational to an organization's employees. It should be linked to customer needs and convey a general strategy for

pursue in future.

- This is a dream an entrepreneur creates about the direction that his business should

I. Vision**2.3 Types of Plans or Hierarchy of Organizational plans.**

1	It is considered.	
2	It is short-term.	
3	It is Long-term.	
4	It is generally based on long-term forecasts about technology, political environment, etc. and is more uncertain.	It is more detailed because it is not involved with the day-to-day operations of the organization.
5	It is less detailed because it is not concerned with the day-to-day operations of the organization.	It is more detailed because it is involved with the day-to-day operations of the organization.

Priority of goals says something about the relative importance of certain goals regardless of time. For example, the survival of the organization is the necessary condition for the realization of all other goals. The establishment of priorities is extremely important in that the resources of

3. Objectives have a priority

For some of the objectives (such as in the areas of market standing, and physical and financial resources) there are **quantifiable values available**. Other areas of objectives are not quantifiable they are called intangible, such as manager's performance, worker's morale, public responsibility, etc.

2. Objectives are either tangible or intangible

- Specified capacity utilization
- Specified costs and return on capital
- Specified quality of the product
- Specified marketing services
- Extended market development
- Serving remote and virgin areas
- Maximizing the desired network of retail outlets
- Extension of warehouse facilities and ex-warehouse sales to small retailers and farmers close to consumption points.

- Market standing
- Innovation
- Productivity
- Physical and financial resources
- Profitability
- Managerial performance and development
- Worker performance and attitude
- Public responsibility
- Objectives:

This implies that every business enterprise has a package of objectives set out in various key areas. As pointed out by Peter Drucker, there are eight key areas in which objectives of performance and results have to be set. These are:

1. Objectives are multiple in numbers

- Objectives should be distinguished from three other words, "vision", "mission", "purpose" and "vision". The "vision" is the dream that an entrepreneur creates in his waking hours of his preferred future. It is the root of all objectives. The "purpose" of an organization is its primary role defined by the society in which it operates.

Objectives are goals or aims 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.

managers in doubt as to how to proceed. If instead, managers select as their goal it. For example, the goal of "becoming more active in the community" leaves it) The more precise and measurable the goal, the easier it is to decide **how to achieve**

The various reasons for this are:

3. Objectives must be precise and measurable

part of the long-range plans.

done each successive year, and this can be guaranteed only if the short-range plans are a objectives. What is to be done the first year should provide a foundation for what is to be objectives. Further, there should be close-knit relationship between short-range and long-range marketing department.

product line department in a company may be operating at cross purposes with those of the Objectives could interfere with one another. For example, the goals of the

2. Objectives must support one another

he will not pursue the objective.

range of acceptable behaviour, and if the activities required by him are outside this range, As Barard pointed out, each participant in an organization determines for himself the objectives must also be acceptable to the people, that is, they should be compatible with their individual goals.

Unambiguous communication is helpful in ensuring clarity of understanding. The

1. Objectives must be both clear and acceptable

Requirements of sound objectives (manager should keep in mind)

Precisely manager's responsibility to make these kinds of judgments.

any particular unit of interest group is precisely the nature of manager's dilemma; yet is situation known as sub optimisation of goals. The exact form and relative weight to be given to each unit with the recognition that the goal of neither unit can be maximized. The result is a selling high quality products. The resolution of this balance is a careful balance of the goal of achieved through mass production of low quality products may conflict with the sales goal of potential goal conflict and sub optimisation, wherein achieving the goals of one unit may jeopardize achieving the goals of another. For example, the production goal of low unit cost The process of allocating objectives among various units of an enterprise creates the problem of

5. Objectives sometimes clash with each other

means. They are the ends of a unit and they are also the means of a higher unit.

individual or departmental objectives. Objectives at all levels (except at the top) serve both as an end and as divisional or departmental objectives. Next come objectives of each section and finally This means that we have corporate objectives of the total enterprise at the top, followed by

4. Objectives are generally arranged in a hierarchy

and research is next and other activities like sports, cultural activities are next important. Etc.....

any organization must be allocated by rational means. For university teaching is first reference

- i. In a competitive situation, it is not enough to build plans logically from goals unless the plans take into account the environmental opportunities and threats and the organizational strengths and weaknesses.

IV. Strategies

- viii. They provide legitimacy to organization's activities.
- vii. They lessen misunderstanding and conflict and facilitate communication among people by minimizing jurisdictional disputes.
- 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.
- v. They facilitate coordinated behaviour of various groups which otherwise may pull in different directions.
- iv. They function as a basis of managerial control by serving standards against which actual performance can be measured.
- iii. They eliminate haphazard action which may result in undesirable consequences.
- ii. They act as motivators for individuals and departments of an enterprise in being their activities with a sense of purpose.
- i. They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.

Advantages of objectives

The managers should constantly review, reassess and adjust the objectives according to changed conditions. With the passage of time stakeholders' preferences change and it becomes necessary for the manager to work out a new common minimum program.

4. Objectives should always remain valid

- (iv) It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.

(iii) Precise and measurable goals make it easier for lower level managers to develop their own plans for actually achieving these goals. For example, if a General Manager is aiming for a 15 percent growth rate over the next four years, the sales manager can determine how sales must increase in order to meet his goal.

(ii) Precise and measurable goals are better motivators of people than general goals.

"increasing profits by 10 percent", they have described their goals in much more meaningful terms.

This involves an analysis of the company's strengths and weaknesses. A company's strengths may lie in its outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, and personal relationship with customers; efficient transportation and logistics, effective sales promotion, high turnover of inventories, ability to influence legislation, ownership of low-cost or scarce raw materials and/or capital, and/or the ability to exploit these strengths to the maximum. The other areas are so on. The company must plan to exploit these strengths to the maximum. The other areas

2. Corporate Appraisal

- | | | |
|----|-----------------------------|---|
| a. | Political and legal factors | <p>i. Stability of the government and its political philosophy.</p> <p>ii. Taxation and industrial licensing laws.</p> <p>iii. Monetary and fiscal policies.</p> <p>iv. Restrictions on capital movement, repatriation of capital, state trading, etc.</p> |
| b. | Economic factors | <p>i. Level of economic development and distribution of personal income.</p> <p>ii. Trend in prices, exchange rates, balance of payments, etc.</p> <p>iii. Supply of labour, raw material, capital, etc.</p> |
| c. | Competitive factors | <p>i. Identification of principal competitors.</p> <p>ii. Analyses of their performance and programmes in major areas such as market penetration, product life-cycle, product mix, distribution channels and sales organization, service delivery, credit and delivery, advertising and promotion, pricing and branding, labour unions, training of personnel, technological development, profitability and rate of return on sales and investment.</p> |
| d. | Social and cultural factors | <p>i. Anti-monopoly laws and rules of competition.</p> <p>ii. Protection of patents, trademarks, brand names and other industrial property rights.</p> <p>iii. Religious levels of population.</p> <p>iv. Extent and rate of urbanization.</p> |
| e. | Rate of social change | |

An analysis of the relevant environmental results in the identification of threats and opportunities. Andrews defines the environment of a company as the pattern of all external influences that affect its life and development. Some key environment factors are:

I. Environmental Appraisal

- iii. A corporate strategy is a plan which takes these factors into account and provides an optimal match between the firm and the environment. Two important factors involved in strategy formulation are environmental appraisal and corporate appraisal.

- I. **Policies**
- These plans act as means of implementing the organisation's strategy. There are two types of Operational Plans they are Standard Plans and Single Use Plans.
- These plans are designed for situations that recur often enough to justify a standardized approach.
- Types of standing plans are
- I. Policies
 - II. Procedures,
 - III. Methods and
 - IV. Rules.
- In the words of George R Terry, "Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which organizations think".
- It channelizes the thinking of the organization members so that it is consistent with the decisions, including those that can be made and shutting out those that cannot.
- A policy is a general guideline for decision-making. It sets up boundaries around organizational objectives.
- iii. In the words of George R Terry, "Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which management action will take place".
- Policies provide framework within which decisions must be made by the management in different spheres. It should be noted that both policies and objectives guide thinking and action, but with difference.
- v. Objectives are endpoints of planning while policies channelize decisions to these ends; or, to put it another way, policies lead to objectives in a way a series of alternate highway routes lead to a city.
- i. Ensure uniformity in action in respect of various matters at various organizational points. This makes actions more predictable.
- ii. Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.
- iii. Policies make it easier for the superior to delegate more and more authority to his subordinates without being unduly concerned because he knows that whatever decision the superordinates make will be within the boundaries of the policies.
- iv. Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.

4. Different policies in the organization should not pull in different directions and should support one another. They must be internally consistent.
3. A policy must strike a reasonable balance between stability and flexibility.

2. Policies should reflect the objectives of the organization, define the appropriate methods of action, and delineate the limits of freedom of action permitted to those whose actions are to be guided by them.
1. Policies should, as far as possible, be stated in writing and should be clearly understood by those who are supposed to implement them.

Guidelines on effective policy-making

Policies range from major company policies through major departmental policies to minor or derivative policies applicable to the smaller segment of the organization.

3. Classification on the basis of Organizational level.

Ex: Production functions have policies like method of production, output, investment, research related to recruitment, training, working conditions, welfare activities etc.

Commission of middle man etc. Finance functions have policies related to capital structure, working capital, internal financing, dividend payment etc. Personnel function have policies etc. Scales function have policies related to market, price, packaging, distribution channel, etc. On this basis of business functions, policies may be classified into production, scales, finance,

personal policies etc... every one of these functions will have a no. of policies.

2. Classification on the basis of functions

iv. **Extremely imposed policies:** policies are sometimes imposed on the business by external agencies such as government, trade associations, and trade unions.

iii. **Impaled policies:** they are neither stated in writing nor verbally but their presence is ascertained only by watching the actual behavior of various superiors in specific situations. For example, if the office space is repeatedly assigned to individuals on the basis of seniority, this may become an implied policy of the organization.

ii. **Appealed policies:** they arise from the appeal made by the subordinate to the superior regarding the manner of handling a given situation. When decisions are made by the superior on appeals made by the subordinates, they become precedents for future action.

i. **Orieginated policies:** these are the policies which are usually established formally and deliberately by top managers for the purpose of guiding the actions of their subordinates and also their own. These policies are generally set down in a print and embodied in a manual.

1. Classification on the basis of sources

Types of policies

- i. They indicate a standard way of performing a task ensuring a high level of uniformity of performance in the enterprise.
- ii. They result in work simplification and elimination of unnecessary steps and overlapping.

Advantages of procedures

- i. Policies are often established without any study and analysis. Procedures are always established after thorough study and analysis of work.
- ii. Policies are specific and do not allow latitude. Policies are generally broad and allow some latitude in decision making. Procedures help in fulfilling the objectives of the enterprise. Procedures show us the way to implement policies.
- iii. Policies are general guides to action only usually for people at lower levels. Policies are general guidelines to both thinking and action of people at higher levels.
- iv. Policies help in fulfilling the objectives of the enterprise. Procedures show us the way to implement policies.

Differences between policy and procedure

- i. 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, and so on.
- For example, the procedure for purchasing raw material maybe:
- They provide a 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.
 - Policies are carry out by means of more detailed guidelines are called **procedures**.

II. Procedures

- 7. Policies must be comprehensive to cover as many contingencies as possible.
- 8. Policies should be periodically reviewed in order to see whether they are to be modified, changed or completely abandoned and new ones put in their place.
- 6. Participation from the top managers to the subordinates (who are supposed to implement the policies) is the best assurance of loyalty to a policy.
- 5. Policies should not be detrimental to the interest of society. They must conform to the canons of ethical behaviour which prevail in the society.

- I. Programmes**
- Types of Single-Use plans are
 - I. Programmes
 - II. Budgets

As their name suggests, are developed to achieve a specific end, when that end is achieved that plan is dissolved.

2. Single-use Plans

- It is not a procedure because it is not concerned with anyone particular step of a procedure.
- It is not a procedure because there is no time sequence to a particular action.
- It is not a policy because it does not give a guide to thinking and does not leave any discretion to the party involved.
- It is not a rule from a policy, procedure or method.

Rules are detailed and recorded instructions that a specific action must or must not be performed in a given situation.

IV. Rules

- i. A method is a prescribed way in which one step of a procedure is to be performed.
- ii. The specified technique to be used in screening the applications or conducting a written test is a method, whereas a sequence of steps involved in the recruitment of personnel constitutes a procedure.
- iii. Methods help in increasing the effectiveness and usefulness of the procedure. By improving the methods, reduced fatigue, better productivity and lower costs can be achieved. Methods can be improved in a number of ways.
- iv. Manual methods of performing a task can be replaced by mechanical means, or the existing machine process maybe improved, or work simplified and unproductive efforts removed by conducting "motion study".

III. Methods

- i. By prescribing one standard way of performing a task, they limit the scope for innovation or improvement of work performance.
- ii. By cutting across department lines and extending into various other departments, they sometimes result into duplication, overlapping and conflict.
- iii. They enable employees to improve their efficiency by providing them with knowledge about the entire range of work.

Limitations of procedures

- iv. They facilitate executive control over performance. By laying down the sequence and timing of each task, executive's dependence on the personal attributes of his subordinates is reduced, supervision becomes more routine and discipline is externalized.

Premises may exist within and outside the company. Important internal premises include sales forecasts, policies and programmes of the organization, capital investment

(a) Internal and external premises

- iii. Planning premises can be variously classified under:
 - a. Availability, government control and so on.
 - b. Production costs and prices, probable competitive behaviour, capital and material relating to the future such as population trends, the general economic conditions, ultimately formulated.
 - c. They are vital to the success of planning as they supply pertinent facts and information which the plan will be based on the basis of which the plan will be formulated.

2. Establishing planning premises

- i. The first step in planning is to determine the enterprise objectives, most often set by top managers, usually after a number of possible objectives have been carefully considered.
- ii. There are many types of objectives managers may select: a 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.
- iii. The type of goal selected will depend on a number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential abilities of the organization, the values held by top men are very important in the selection of goals.

1. Establishing verifiable goals or set of goals to be achieved

2.4 Steps in Planning

Budgets are very useful for an enterprise. Being expressed in numerical terms, they facilitate comparison of actual results with the planned ones and thus, serve as a control device and yardstick for measuring performance.

According to the Institute of Costs and Works Accountants, London, a budget is "a financial and/or quantitative statement prepared prior to a definite period of time, of the policy to be pursued during that period, for the purpose of obtaining a given objective".

- i. Programs are pre-arranged a given task.
- ii. They are drawn in conformity with the objectives and are made up of policies, procedures, budgets, etc. the essential ingredients of every programme are time phasing and budgeting.
- iii. Often a single step in a programme is setup as a project, the chief virtue of which lies in identifying a relatively separate and clear cut work package within a bewildering array of activities involved in a programme.
- iv. A schedule specifies the time when each of a series of actions should take place.

II. Budgets

- It is because of the presence of the uncontrollable factors that there is need for the organization to revise the plans periodically in accordance with current developments. Some of the examples of uncontrollable factors are strikes, wars, natural calamities, emergency, legislation, etc. Controllable factors normally cannot upset well thought-out calculations of the organization regarding the plan. Some of the examples of controllable factors are: the company's advertising policy, competence of management members, skill and behaviour of the owners of the organization, etc.

3. **Deciding the planning period** Businesses vary considerably in their planning periods. There is always some logic in selecting a particular time-range for planning. The factors that influence the choice of a period are:

 - i. **Lead time in development and commercialization of a new product :** For Ex: A heavy engineering company planning to start a new project should have planning period of five years with one or two years of conception, engineering and development and as many more years for production and sale.
 - ii. **Time required to recover capital investments or the pay-back period:** For Ex: If a machine costs Rs 10 lakhs and generates cash of Rs 2 lakhs a year, its pay-back period is five years.
 - iii. **Length of commitments already made.**

(c) controllable and non-controllable premises

Largible promises are those which can be quantitatively measured while intangible promises are those which being qualitative in nature cannot be so measured. Population growth, industry demand, capital and resources invested in the organization are all tangible promises whose quantitative measurement is possible. On the other hand, political stability, sociological factors, business and economic environment, attitudes, philosophies and behavior of the owners of the organization are all intangible promises whose quantitative measurement is not possible.

(b) Tangible and intangible premises

- Extreme premises may be classified into three groups:

 - Business environment
 - Factors which influence the demand for the products of the enterprise and factors which affect the resources available to the enterprise.
 - Factors which affect the general business and economic environment, technological factors and demand for industry's product etc.

Some extreme premises are general business and economic environment, technological changes, government policies and regulations, population growth, political stability, sociological factors and demand for industry's product etc.

3.1.2 Nature:

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.

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

3.1 Definition, Nature and purpose of organization

Managers need to check the progress of their plans so that they can take whatever remedial action if necessary for the plan to work, or change the original plan if it is unrealistic.

8. Measuring and controlling the process

The action plan identifies particular activities necessary for the purpose and specifies who, what, when, where and how of each item.

7. Establishing and deploying action plans

Once the plan has been formulated, its broad goals must be translated into day-to-day operations of the organization. Middle and lower level managers must draw up the appropriate plans, programmes and budgets for their subunits. These are described as derivative plans, in developing of which lower level managers take steps similar to those taken by upper level managers. Selecting realistic goals, assessing their subunits' particular strengths and weaknesses and analyzing those parts of the environment that may affect them.

6. Developing derivative Plans

Having sought alternative courses, evaluating them in the light of the premises and goals and operations research.

5. Evaluating and selecting a course of action

Techincal know-how maybe secured by enagging a foreign technician or by training staff abroad. Similarly, products maybe sold directly to the consumer by the company's salesmen or through exclusive agencies. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

4. Finding alternative courses of action

For Ex: If a company has agreed to supply goods to the buyers for five years or has agreed to work out mines for ten years it need also plan for the same period to fulfil its commitments.

Objectives: Objectives of the enterprise should first be clearly defined. Then every part of the organization should be geared to the achievement of these objectives.

The principles of organization are as follows:

3.2 Principles of Organization:

1. Establishes the pattern of relationship by giving duties and responsibilities to an individual or group.
2. Demarcates the authority, responsibility and duties of each individual or group.
3. It tells each manager where his accountability lies and, who are in sphere of command.
4. Provides adequate communication.
5. Coordinators or integrators and controls the activities of individuals or groups to achieve common objectives or objectives of the enterprise.

The basic purpose of having organization is to formulate a frame or structure of an enterprise with a view to fulfill the enterprise tasks. The purpose includes the following logical components:

6. Organizations are part of the larger environment and hence they are influenced by the external environment.
7. 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 labour.
9. It facilitates seamless communication.

4. 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.
5. It also aids in achieving financial, physical material and human resources.
6. Organizations are part of the larger environment and hence they are influenced by the external environment.
7. 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 labour.
9. It facilitates seamless communication.

2. 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.
3. 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.

1. An organization basically consists of group of people who form the dynamic human element of the organization.

- 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 more 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-subordinate must be avoided for it causes Unrest, disorder, indiscipline and undermining of authority.
- 7. Delegation:** Proper authority should be delegated at the lower levels of 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.
- 8. Responsibility:** The superior should be held responsible for the acts of his subordinates.
- 9. Authority:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.
- 10. Efficiency:** The organization structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.
- 11. Simplicity:** The Organization structure should be as simple as possible and the organization levels should as far as possible, be minimum. A large number of levels of organization creates difficulties of effective communication and coordination. Too many committees and excessive procedures also unduly complicate the structure.
- 12. Flexibility:** The organization should be adaptable to changing circumstances and permit correction of demonstrated deficiencies in the existing structure without dislocation and disruption of the basic design.
- 13. Balance:** There should be a reasonable balance in the size of various departments, the short chain of command, and among all types of factors such as human, technical and between centralization and decentralization, between the principle of span of control and financial.

- 2. Informal Organization**
- i. Organization is a Joint Personal Activity without conscious joint purpose, even though contributing to joint results.
- ii. Thus, the Informal Relationships established in the Group of people during morning Tea Break or Playing Cricket in the Evening etc., may aid in the achievement of Organization Goals.
- iii. Formal Organization should be flexible; there should be room for advantageous utilization of creative talents for recognition of individual likes & capacities in the most formal of Organizations. Yet, individual efforts in a Group situation should be directed towards Group & Organization Goals.
- iv. Formal Organizations should be flexible; there should be room for advantageous performance, both present & future contributes most effectively to Group Goals.
- iii. This doesn't mean there is anything inherently inflexible. If a Manager is to organize well, the structure must furnish an environment in which individual enterprise well.
- ii. Formal means the International Structure of Roles in a Formally Organized Enterprise.
- i. There are various Levels in any Organization, right from President or Chairman or Managing Director or Chief Executive Officer at the top to Foremen/Supervisors down the line.

1. Formal Organization

There are two types of organizations: Formal and Informal

The process is organization defining and grouping the activities of the enterprise and establishing the authority relationship among them. In the second step is to prepare an organization structure.

2. The second is used to denote the result of that process called organization structure.

1. First scene is used to denote the process of organizing and

The term organization is used in two different senses.

3.3 Types of Organization:

16. Acceptability: The structure of the organization should be acceptable to the people who gradually by the people, or it is used ineffectively.

constitute it. Two things generally happen if people oppose the structure: it is modified

15. Personal Ability: As people constitute an organization, there is need for proper selection, placement and training of staff. Further the organization structure must ensure optimum use of human resources and encourage management development programmes.

14. Unity of direction: There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.

- It is **simplest form** of organization structure. Authority flows from man at the top to lowest man vertically.

I. Line or vertical or tall: Line, Military or Scalar Organization

- Line or vertical or tall:** Line, Military or Scalar Organization
- Functional or horizontal or flat Organization**
- Line and Staff Organization**
- Matrix or Grid or combined base Organization**
- Product / Project Organization or Departmentation**
- Committee Organization**

Following are the patterns of arrangement which commonly describe the situation in most enterprises. They are:

The usual way of depicting the apparent structure of the formal organization is by means of Organization Chart.

Organization Structure is more or less permanent arrangement of the parts of a whole, permanent arrangement of its horizontal and vertical parts.

Organization Structure (by Organization Chart)

Basis for Comparison	Formal Organization	Informal Organization	Size
Meaning	An organization type in which the job of each member is clearly defined, formal organization formed within the whose authority, responsibility and accountability are fixed in formal organization.	An organization formed with the interact with each other, is known as informal communication.	Small
Creation	Deliberately by top management.	Spontaneously by members.	Large
Purpose	To fulfill, the ultimate objective of the organization.	To satisfy their social and psychological needs.	Medium
Nature	Stable, it continues for a long time.	Not stable	Large
Communication	Official communication	Grapewine	Medium
Control	Rules and Regulations	Norms, values and beliefs	Medium
Mechanism	Work performance	Interpersonal relationship	Medium
Focus on	Members are bound by hierarchical structure.	All members are equal.	Large
Authority	Members are bound by hierarchical structure.	All members are equal.	Large
Following are the patterns of arrangement which commonly describe the situation in most enterprises. They are:			

Differences between formal and informal organization

iii. It may be easier to ask for help in an Organization Problem from someone you know personally, even if he may be in a different section, than by passing thru the Organization Structure.

iii. It may be easier to ask for help in an Organization Problem from someone you know personally, even if he may be in a different section, than by passing thru the Organization Structure.

- The whole task of manufacturing an direction of subordinates it should be divided according to the type of work involved
- For example almost all businesses organisations have separate department to look after production, sales and the general office
- It helps to get a thorough knowledge of exact procedure or great effectiveness in a particular area or field

2. Functional or horizontal or Flat Organization

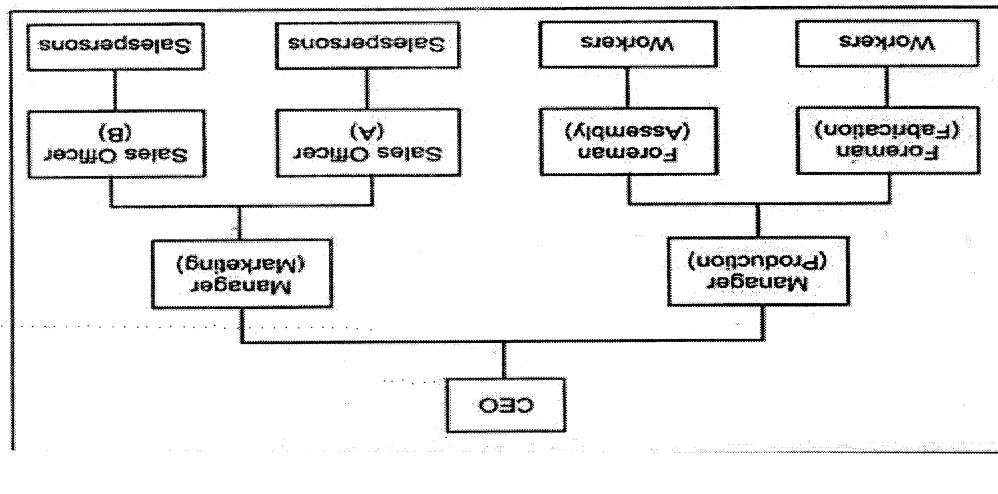
1. Neglects specialists.
2. Overloads a few key executives.
3. Requires high type of supervisory personnel to meet the challenges imposed in the absence of specialists as advisors.
4. Limited to very small concerns.
5. Encourages doctrinal way of working.
6. Provisions are seldom made to train, develop and replace top executives.

Disadvantages

1. Simple and easy to understand
2. Flexible, easy to expand and contract.
3. Makes clear division of authority
4. Clear channel of communication with no confusion.
5. Encourages speedy action
6. Strong in discipline as it fixes responsibility on an individual.
7. Capable of developing the all round executive at the higher levels of authority.

Advantages

Figure: Line Organization



- It is this authority which channels and directs the response of others and require them to conform to decisions, plans, policies and procedure and goals.

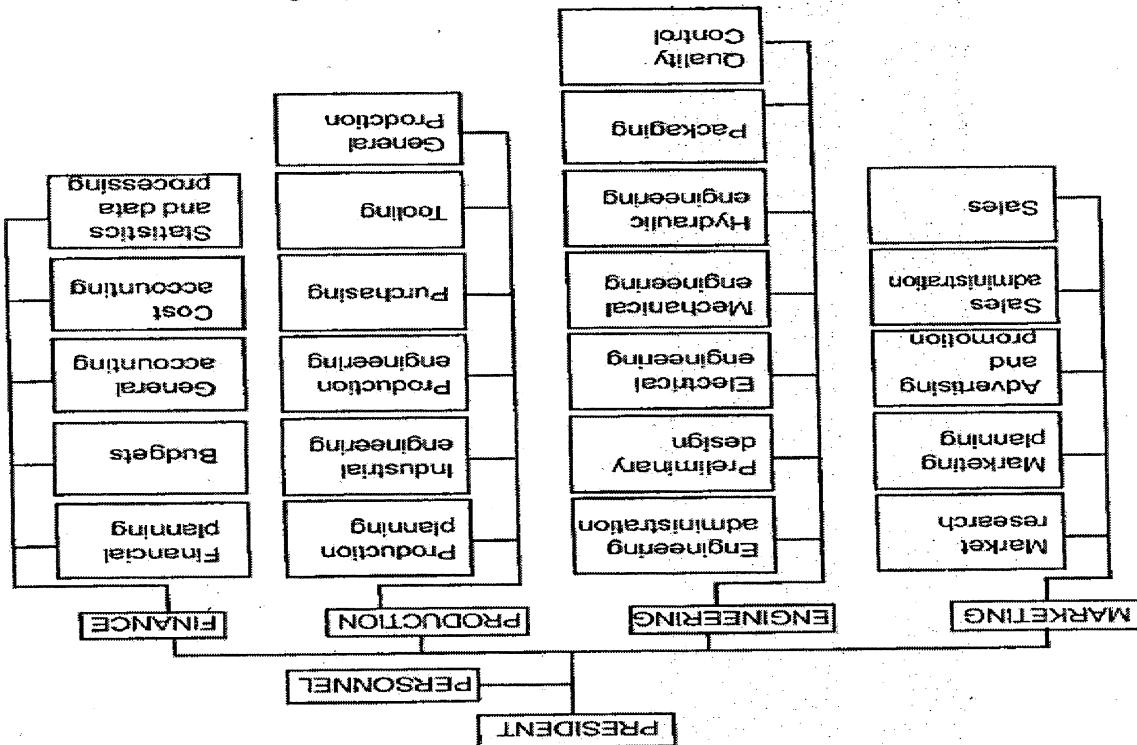
- The line executives could not perform properly all the functions, this necessitated the employing of special executives to assist line executives and they were known as staff and they were recruited to perform specialist function.
- Staff officers or assigned an 'authority of ideas' and line officer an 'authority of command'.
- The line organization gradually developed to shape as the line and staff organisation.

3. Line and Staff Organization

1. Co-ordination of the efforts of various functional foremen is difficult.
 2. It makes it difficult for the management to fix responsibility for unsatisfactory results.
 3. Responsibility for profit is at the top only.
 4. Makes economic growth of company difficult.
- Disadvantages**
1. It ensures a greater division of labour and enables the concern to take advantages of specialisation of functions.
 2. It makes for a higher degree of efficiency.
 3. It facilitates mass production.
 4. Quality of work is improved.

Advantages

Fig 3.3 A Functional Grouping for a Manufacturing Company



- Primary level. And "territory" as the base at the intermediate level, "function" at the last levels of manufacturing.
- E.g. Agricultural machinery organization may follow "product" based as the base at the levels of manufacturing.
- Some organizations follow different types of departmentalization methods at different levels.

Matrix or Grid or combined base Organization

initiative.

3. If line executives start depending too much on staff executives, they may lose their initiative.
2. Complex in nature.

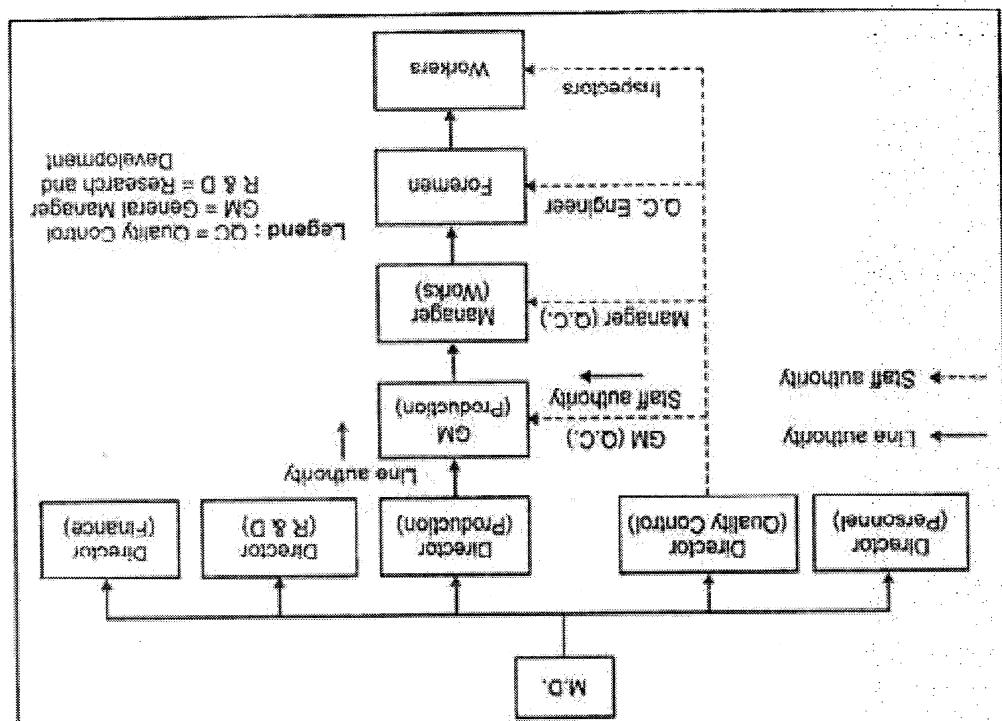
1. Product cost will increase because of high salaries of staff executives.

Disadvantages

3. It processes all the advantages of line and functional organization.
2. Expert advice from specialist staff executives can be made used.
1. Line Executives are relieved of their loads and can show attention toward production.

Advantages

Figure: staff and line organization

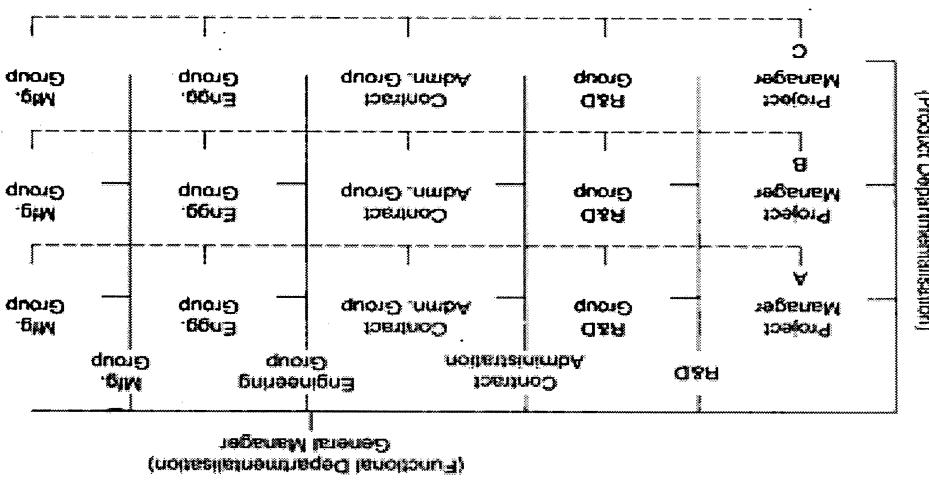


Disadvantages:

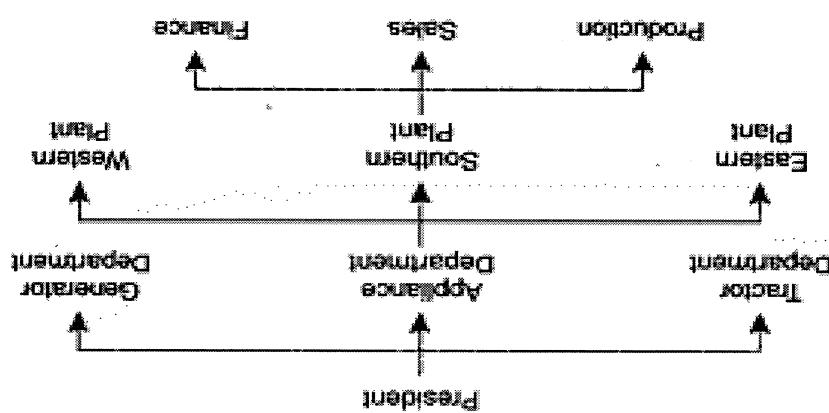
1. Reduces problems of communication and coordination.
2. It increases the ability to innovate around specific customers' needs.
3. Stress on optimization of the total projects eliminates chances of sub optimization of goals.
4. Assignment of specific jobs to employees make passing of buck difficult.
5. Change of project promotes intellectual growth and development of employees.

Advantages:

- Members of the project team are assembled from the functional departments and are placed under the direction of a project manager.
- Product departments are created as the need for them arises.
- Here functional departments retain authority for the overall operation of their respective units.
- On the completion of the project members, project manager revert back to their respective departments until the next assignment.



E.g-2. another form of combined base organization is matrix organization. here two types of departmentalization-functional and product-exist simultaneously as shown below.



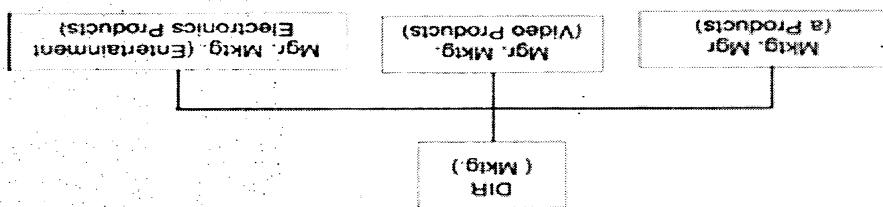
1. It leads to **duplication** of staff and facilities.
2. Extra expenditure is incurred in maintaining a sales force for each product line.
3. Employment of a large number of managerial personnel is required.
4. Equipment in each department may not be used fully.

Disadvantages:

1. It relieves top management of operating task responsibility. And hence can concentrate on finance and R & D.
2. This form enables top management to **compare the performances** of different products and invest more resources in profitable products.
3. Performance improves in profitable products.
4. Natural team develops, as each worker sees that his contribution is needed to make the whole product.

Advantages:

Figure: Departmentation based on products



companies.

- ▷ Within each department, all the needed manufacturing, engineering, marketing, power and other facilities are assembled. E.g.: Hindustan Lever, Johnson and Johnson
- ▷ This suits to large organisations manufacturing a variety of products.
- ▷ Here, for each major product, a separate semi-autonomous department is created and is put under the charge of manager who may also be made responsible for producing a profit of a given magnitude.
- ▷ This suits to large organisations manufacturing a variety of products.

1. Departmentation based on products:

- Departmentalization is one important step of building an organization.
- The horizontal differentiation of tasks or activities into discrete segments is called departmentalization.
- There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases.

3.4 Departmentation

1. Members show more loyalty to their main departments rather to the project organization in which they are working.
2. Members feel frustrated due to the lack of formal rules and procedures leading to ambiguity.

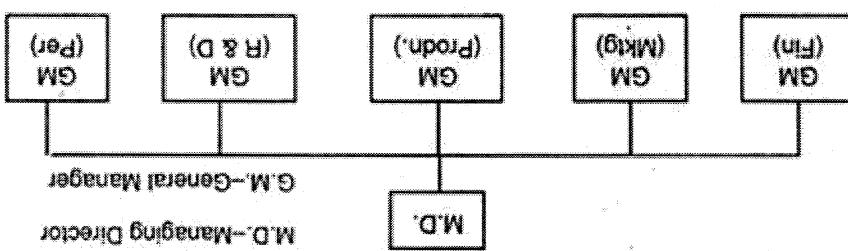
1. It fosters sub-goal loyalties. It is difficult for anyone to understand the task of the whole departmental goals and does not think in terms of the company as a whole. Example: the manufacturing department may concentrate on meeting cost standards and delivery dates, and neglect quality control Result: the sales or marketing department may be flooded with complaints lead to inter-departmental conflicts and disagreements, feuds, misunderstandings etc.
 2. Does not offer a good training ground for the overall development of manager who gains expertise in handling problems of his particular department only
 3. Unsuitable for organizations which are large in size, complexity or innovative scope.

Disadvantages:

1. It is a simple form of grouping activities for small organizations which manufacture only a limited number of products or render only a limited number of services. Everybody in this form of organization understands and feels highly secure both in his work and in relationships.
 2. It promotes excellence in performance because of development of expertise in only a narrow range of skills.
 3. It leads to improved planning and control of the key functions.
 4. It ensures economy, there is only one department related to one function for the entire function.
 5. Manpower and Other resources of the company are effectively utilized by time-sharing across products or projects.

Advantages:

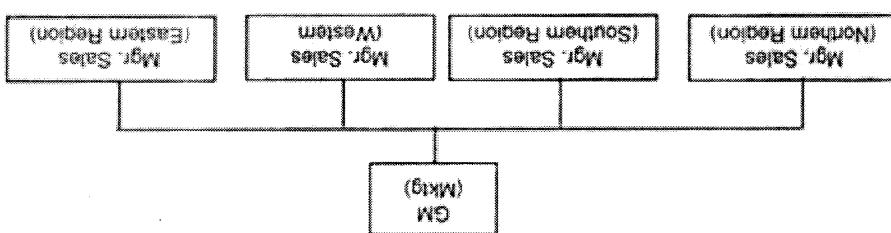
Figure: Department based on Functions



- ▷ The most widely used base for departmentalization is function. Each major function of the enterprise is grouped into a department.
 - ▷ Example: finance and marketing departments in a manufacturing company.

2. Departmentation based on Functions

Figure: Departmentation based on Regions of Territory:



at different places and head office in New Delhi.

Food Corporation of India has also geographical organization with several zonal offices

dispersed in various locations, it is logical to departmentalize those units on a E.g.: the Indian railways (northern, southern, eastern, central railways etc.)

When several production or marketing units of an organization are geographically

4 Departmentation based on Regions of Territory:

2. There may be duplication of facilities.

1. It may result in unutilization of resources or facilities in some departments.

Disadvantages:

governing their decisions to purchase.

1. It attends full attention to major customer groups which have a very separate set of criteria

Advantage:

Fig. 3.4 Customer Departmentation of a Commercial Bank

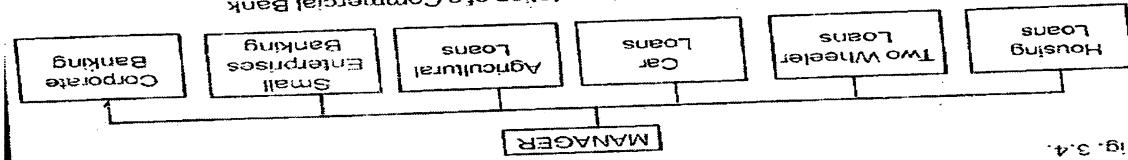


Fig. 3.4.

consumer customers.

E.g.: an electronics firm may have separate departments for military, industrial and

customers that it serves.

An enterprise may be divided in to a number of departments on the basis of the

3 Departmentation based on customers

cost.

6. It is difficult to judge whether the activities of a particular department are worth their

adaptation.

5. In this form the procedures are overly complicated, wasteful and time consuming weaknesses called organizational arbitraris develops where the structure is rigid and resists

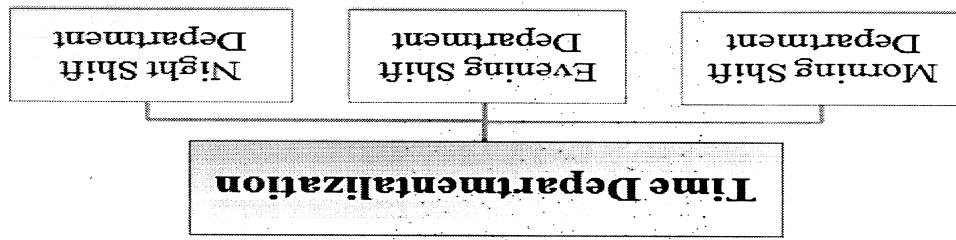
heads.

4. In this form the customer needs evoke conflicting interpretations from each department

- shift.
3. Lack of effective coordination and communication from people of one shift to next changes from day to night.
 2. Inconvenient for people to work in night shifts and more difficult during shift.
 1. Lacks good and efficient supervision during night shifts.

Disadvantages:

5. Higher and continuous production per day.
4. Provides part time jobs for people who are otherwise busy during time.
3. Expensive capital equipment can be better utilized.
2. Facilities use of processes that cannot be stopped or interrupted.
1. Services can be rendered, that goes beyond the normal 8 hours/day.

Advantages:**Figure: Departmentalization based on Time**

extra shifts or renting two more shops
E.g. as a small machine shop grows in size; its owner has the choice of either adding
here in this method, activities are grouped on the basis of timing of their performance.

5 Departmentalization based on Time:

1. Gives rise to duplication of various activities and many of the routine and service functions carried out by the regional offices can be carried out centrally by the head office very economically.
2. Many regional units may forget the overall interest of the total organisation

Disadvantages:

3. Enables the organisation to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones.
4. Enables the organisation to take advantage of location factors, such as availability of raw materials, labour, market etc.
3. Affords valuable top management training and experience to middle-level executives.
2. Provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.
1. Motivates each divisional head to show high performance.

Advantages:

- A division can be dropped or added with little disruption to the rest of the organization.
- Each division is smaller than organization; the problems created by functionalization are reduced to a more manageable size.
- When large, multi-product companies segment themselves in to several **independent profit centres on the basis of product, territory or customer**. These units are called divisions.

7 Departmentation based on Divisional structures:

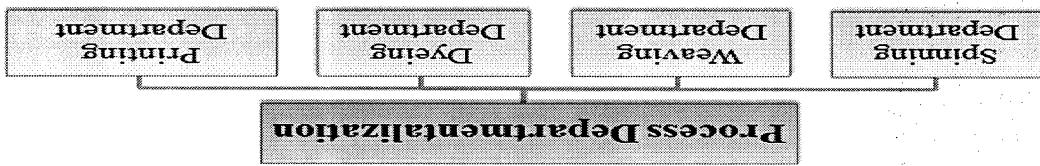
5. Top management needs to develop extra attention to maintain inter department co-operation.
4. Difficult to compare performance of departments except some national way like checking profits etc
3. When process is sequential, a breakdown in one department slows the work of all other departments.
2. It does not provide good training ground and opportunity for the overall development of managerial talent.
1. Here, workers feel less responsible for the whole product.

Disadvantages:

3. This method is suitable for companies involving many processes in the development of unique work.
2. It follows the principle of specialization, as each department will be doing special and unique work.
1. Is allows proper utilization of costly equipments.

Advantages:

Figure: Departmentation based on Process



- In this method departmentalization is done on the basis of several discrete stages in the process or technologies involved in the manufacture of a product. E.g: a cotton textile mill may have separate departments for ginning, spinning, weaving, dyeing and printing and packing and sales.

6 Departmentation based on Process:

- ▷ Committee meeting should begin and end on prefixed timings.
- ▷ Of the committee.
- ▷ Problems which can be taken care by an individual should not be included in the agenda a week before they meet for discussions.
- ▷ Agenda of the committee should be proposed or communicated to the committee at least a week before the committee.
- ▷ Responsibility, authority, objectives, duties of the committee should be clearly defined.
- ▷ The number in a committee should depend upon need (about 5 to 10 persons)

Principles:

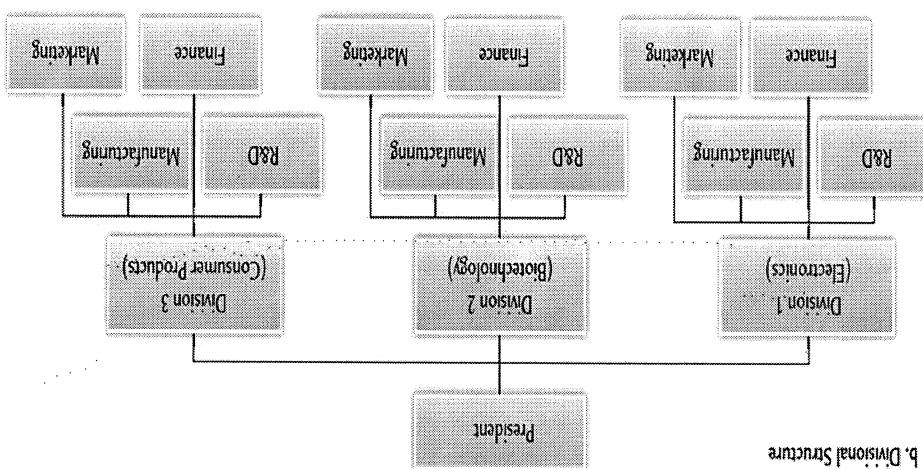
- Committees are broadly classified into problem for their decision and implementation.
- A committee is a group of people who have been formally assigned some task or some problem for their decision and implementation.
4. **Ad hoc or Temporary committee**
 3. **Standing or permanent committee**
 2. **Executive committee**
 1. **Advisory committee**

3.5 Committees

- Some factors which affect the base of departmentalization are
1. **Specialization:** the base should ensure maximum specialization of skill and effort.
 2. **Coordination:** the base should ensure proper coordination and control of activities of different departments.
 3. **Economy:** the expenditure involved in introducing departmentalization is another important point which should be considered.
 4. **Whole task:** depending on the nature of the task, "wholeness" can be achieved either by technological departmentalization or by combination of these. Thus, here the department heads have a realistic accountability and those who work within the departments, derive satisfaction from identification with in a recognizable goal.

Choice of suitable base

Figure: Departmentation based on Divisional structures



- downward.
4. They are excellent means of transmitting information and ideas, both upward and downward.
 3. It provides many people to involve in decision making different skills, ages, backgrounds.
 2. They provide a forum for pooling of knowledge and experience of many persons with different heads, people are more beneficial.
 1. When committees are formed with all department heads, people are more beneficial.

Advantages:

- They are short. They dissolve after the task gets over.

4. Ad hoc or Temporary committee:

- Example: Finance committees in a company or loan approval committee in a bank or the admission committee in a college.
- Individual qualifications or skills.
 - Members of these committees are chosen because of their position, instead of being appointed.
 - Are formed to deal with recent organizational problems.

3. Standing committees:

- Example: Board of directors is an example of an executive committee.
- These committees take decision as well as enforce decisions and thus perform a double role of taking a decision and ordering its execution.
 - Whenever committees are vested with line authority, they are called executive committees or plural executives.

2. Executive committees:

- Examples of advisory committees formed in business enterprises: works committees, sales committees, finance committees etc.
- These committees have only a recommendatory role and cannot enforce implementation of their advice.
 - Whenever committees are vested with staff authority they are advisory committees.

1. Advisory committees:

- ##### **Types of committees**
- The committee must be dissolved after its purpose is over.
 - The committee should be appraised, if this action is taken based upon its recommendation.
 - The committee made by committee should be published and circulated to interested and concerned persons.
 - Problems not related to the subject matter at hand should not be discussed because it will simply be waste of time.
 - The recommendation made by committee should be published and circulated to interested and concerned persons.
 - The committee should not be dissolved after its purpose is over.

1. Committees keep minutes and wastes hours.
2. In case of a wrong decision, no member of a committee is made responsible.
3. Time waste in meetings and giving allowances to members.
4. Members regard themselves as appointed to protect the interest of their departments rather than to find the more appropriate solution.
5. Committees have tendency to perpetuate themselves and it is generally difficult to dissolve them.
6. Decisions are arrived based on some compromise and hence they are not the best decisions.(log-rolling).
7. Maintaining secrecy in decisions is difficult as committees consist of many people.
8. As chairman gets changed, influence accumulated only in the hands of secretary or some other persons who may dominate on decisions.

Disadvantages:

5. Committees are impersonal in action and hence decision made is unbiased and are based on facts.

- External source refers to the selecting individuals from amongst the existing employee of the company.
 - Internal source refers to the present working force of a company.
 - The sources of recruitment can be broadly classified into 2 categories they are Internal and External.
- Source of Recruitment**

- According to Dalton E. McFarland, it is process of attracting potential employees to the company.
- Recruitment is the generating of applications or applicants for specific positions.

2.2.1 Recruitment

2.2 Process of Recruitment and Selection

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

Advantages (Importance) of proper and efficient staffing

The process of recruiting, retaining, developing and nurturing the workforce is called staffing.

2.1 Nature and importance of proper staffing

Staffing-Meaning of Staffing, Process of Recruitment and Selection, Directing and Controlling-meaning and nature of directing, leadership styles, and motivation theories. Meaning and importance, Coordination- Meaning and importance. Methods in controlling, methods of establishing control, Communication- meaning, steps in controlling, methods of establishing control, Meaning and importance.

Topics:

COORDINATION

MODULE-2: STAFFING, DIRECTING & CONTROLLING, COMMUNICATION &

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY RS-11

- More commonly used External source of recruitment are as below

1. Re-employing former employees: Former employees who have been laid-off or have left for personal reasons may be re-employed.
2. Friends and relatives of present employees: Some industries with good personal relations encourage their employees to recommend their friends and relatives for appointment of particular post or position in organisation.
3. Applications at the gates: Unemployed persons who call at the gates of the factories are interviewed by the factory representative and those who are found suitable for existing vacancies are selected.
4. College and technical institutes: Many big companies remain in touch with the colleges and technical institutions from where young and talented persons may be recruited.
5. Employment exchanges: An employment exchange is an office set up by the government for bringing together those men who are in search of employment and those employers who are looking for men.
6. Advertising the vacancy: Advertising the vacancy in leading newspapers may be used as a source in case the company requires the services of persons possessing certain skills or if there is an acute shortage of labour force.
7. Labour unions: In Companies with strong labour unions, persons are sometimes recommended for appointment by their labour unions.

Advantages and Disadvantages of Internal Recruitment

- Advantages:**
1. A sense of security develops among the employees.
 2. Employees remain loyal to the organization.
 3. People recruited from within the organization do not need induction training.
 4. Employee in the lower ranks is encouraged to look forward to rising to higher positions in the concern.
 5. Labour turnover is reduced
 6. People are motivated to become efficient and customers remain intact
 7. A better employee-employee relationship is established.
- Disadvantages:**
1. This method limits the choice of selection to the few candidates available within the enterprise.
 2. It may lead to imbредing resulting in promotion of people who have developed a respect for the traditional and who have no ideas of their own.
 3. If a concern is extending its activities into new lines, internal candidates may prove unsuitable for new positions.

discretionary elements. Other role incumbents, and his immediate superior 1) The manager lists his activities consisting of the prescribed and

the following steps:

Prot. Ishwar Dayal suggests the use of Role Analysis Technique which includes

responsibilities and line of authority.

Planning and so naturally are descriptions of integrable interrelationships, over all

so centre directly around tangible duties and day-by-day assignments.

• While higher level descriptions are more closely related to organization

executive himself or by his superior:

department but, managerial job descriptions are generally written by the incumbent's

• The lower-level job description are written wage and salary administration and

executive himself or by his superior:

department differ from each other in many ways

The results of job analysis are set down in job description. The two types of job

2. Job Description

concerning the job can be obtained from a number of sources such as observation, relation of the job to other jobs and the other conditions of employment. The information methods and procedures of doing a job, physical conditions in which the job is done, job analysis is the process by means of which a description is developed of the present

Steps in the Selection process

Under selection manager compares their qualifications with the requirements of a job and eliminates all those who do not stand up to this comparison.

2.2 Selection

1. Employee generally feels frustrated and their morale is adversely affected.

2. The present employees may lose their sense of security and become disloyal to the employer.

3. There is greater turnover of labour.

4. There is deterioration in the employee-employee relationship, resulting in industrial unrest, strikes and lock-outs.

Disadvantages:

1. New blood brings with it a fresh outlook, originally and new ideas.

2. Old habits are replaced by new ones and concern becomes more dynamic.

3. The field of choice becomes very wide. Hence there is the possibility of select people with rich and varied experience.

Advantages:

Advantages and Disadvantages of External Recruitment

- question him on the definition of his task and if any confusion ten clear the ambiguity.
- 2) The manager lists his expectations from each of those other roles in the group which he feels most directly affected his own work. Other in a group also state their expectations and after a most directly affect his own work, all of them are arrive at an agreement among themselves in their mutual expectations.
- 3) The manager then writes up his role which consists of all aspects of his work.

A job specification also called man specificat ion is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.

There is no standard procedure followed by all organizations.

1. Application blank
2. Initial interview of the candidates
3. Employment tests
4. Checking references
5. Physical or medical examination
6. Final interview
1. Application Bank:
2. Initial Interview
3. Job Specification

Filling of the application bank by the candidate is the first in the process of selection. The application blank are called for initial by the company. The interview must be properly planned and the interviewers, consisting of specialists in different fields, must make the applicants feel at ease, discount personal prejudices and notes their applicants experience, firms in which he has worked etc. Company will carefully go through about applicant gives relevant personal information as his qualification, specification, experience, etc. This test measures the applicant's capacity to learn the skill required for a job. It helps in finding out whether a candidate is suitable for a clerical or a mechanical job.

- i. Aptitude test: This test measures the applicant's capacity to learn the skill am interest. Interest tests are generally used for vocational counseling. Usually well-prepared questionnaires are used in interest tests.
- ii. Interest test: This is used to find out the type of work in which the candidate has iii. Intelligence test: This test is used to find out the candidate's intelligence. By using this test, the candidate's mental alertness, reasoning ability, power of reading understanding, etc are judged. Some examples of intelligence tests are: reading comprehension, etc are used in interest tests.

3. Employment tests:

Those who are selected for interview on the basis of particulars furnished in the application blank are called for interview and the company requirements interviewed.

There are several types of tests that are used in selection procedure.

iii. Interest test: This is used to find out the type of work in which the candidate has interest. Interest tests are used in interest tests.

iii. Intelligence test: This test is used to find out the candidate's intelligence. By using this test, the candidate's mental alertness, reasoning ability, power of reading comprehension, etc are used in interest tests.

iii. Aptitude test: This test measures the applicant's capacity to learn the skill required for a job. It helps in finding out whether a candidate is suitable for a clerical or a mechanical job.

iii. Intelligence test: This test is used to find out the candidate's intelligence. By using this test, the candidate's mental alertness, reasoning ability, power of reading comprehension, etc are used in interest tests.

According to Hamann: "Directive 97/23/EC consists of the process and techniques utilized in issuing instructions and making certain operations carried out as originally planned."

2.3.1 Definition:

To conclude **direction** is the process of utilizing the techniques in issuing instructions and making certain that operations are carried out as originally planned.

It is a vital management function. It is used to stimulate action by giving direction to this subordinate through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results.

Directing Consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.

Directing is defined as the process of issuing orders and leading and motivating subordinates as they go about executing orders.

2.3 Meaning and nature of directions:

This interview is conducted for those who are ultimately selected for employment. The selected candidates are given an idea about their future prospects within the organization.

6. Final Interview:

- 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, such as Workmen Compensation Act.
 - iii. To prevent communicable disease entering the business concern.

Physical or medical examination is another step in the selection procedure. Its objectives

5. Physical or medical examination:

If the candidates has been found satisfactory at the interview and his performance is good in employment or proficiency tests, the employer would like to get some important personal details about the candidates, such as his character, past history, background etc.

4. Checking References:

- iv. **Trade or performance or achievement test:** This test is used to measure the candidate's level of knowledge and skill in the particular trade or occupation which he will be appointed. For example, a candidate for a driver's post may be asked to drive the vehicle to assess his proficiency or a tycoon may be asked to type out some letters to find out his speed and accuracy.

v. **Personality test:** This test is used to measure those characteristics of a candidate which constitute his personality, e.g., self-confidence, temperament, initiative, judgment, dominance, integrity, originality, etc. Very important particularly in the case of appointments to the posts of supervisors and higher executives.

6) **Involvement of human relationships:** - Directing creates co-operation & harmony among the members of the group.

Planning, organizing, staffing in the organization with proper control.

4) **Result oriented:** - a) To get the work done. b) To see the management work more responsiblly. The manager's job is not only to see that the work is completed according to him and proper direction is provided but he has to ensure that the problems faced by men are solved without delay.

3) **Continuous process** - It is an unending process. It goes with work. As long as work is there direction is there.

2) Performed by all levels of management: - Direction function is performed by top level, middle level or low level. Every superior is expected to provide guidance and direction to those who lose to him for such direction.

1) **Important function of management:** - Any amount of planning, organizing & staffing can be done with proper direction. Responsibility for attaining the objectives must be guided and directed for truthful result.

Without directing management may come to stand still.

Direction is the heart & soul of management.

2.3.3 Importance of direction:

1. To ensures that subordinates do their work.
 2. The subordinates do it well not only according to plan but also as per the expectation of management in order to achieve the goals.
 3. To develop interpersonal relations in a group

2.3.2 Direction focused on:

According to Urwick and Brech: "Directing is the guidance, the inspection, the leadership of those men and women that constitute the real course of responsibility of management."

According to Koontz and O'Donnell: "Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objectives".

2.3.4 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 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 morale of the employees, increases their loyalty and provides them with feedback on how well they are doing.

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.

4. Efficient Communication:

Communication is an instrument of direction through which the supervisor gives orders, allocates jobs. Explains duties and ensures performance. Is a two way process which enables superiors 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:

It 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 are there then give direction if required.

1. Physical and mental vigour:

A leader should be ready to work hard. His physical stamina and mental vigour to sustain long and irregular hour of work is the most required to be successful. Leadership

Qualities of a leader

Leadership is an important aspect of management. It is defines as, "The art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals."

Leadership

2. Ability to understand others: A leader should possess emotional feelings such as confidence, respect, love and faith. He should be able to analyze the problems rationally and logically. The leader must share with his followers and at the same time must influence them.

3. Quick grasping: A leader should understand human psychology. His grasping of situation should be quick and decision should also be communicated at the earliest. This needs maturity understanding of human behavior, emotions, sentiments, needs, motives etc. This needs maturity of mind and scientific way of approach.

4. Initiative: The leader must possess certain creative abilities, quality of imagination, invention and courage to face realities of life boldly.

5. Ability to inspire: The leader must have the knowledge of men working under him. He must be skillful in handling human relations that helps to inspire subordinates.

7. Acceptance of responsibility: A reliable leader is one who is prepared to shoulder the responsibilities for the consequences of any steps he takes. He has to be aware of the duties and obligations associated with the position he holds.

8. Intelligence and technical competence: A leader should possess a thorough knowledge of the theory and practice of his job. With this quality, he can perform the functions of planning, organizing, directing and controlling.

9. Motivation: In order to motivate others, one must be well motivated. The desire to lead should come from within. If a person is forced to do his job under the fear, he would behave like a follower than a leader.

10. Flexibility: A leader should be ready to absorb and adopt new ideas and views of others as per demanded by the situation. He should not be critical of others. He should be ready to accept others' views and alter his decisions. Open-mindedness of a leader makes the leader more identified with the group.

11. Impressive personality: A leader should have an impressive and pleasing personality. He must possess cheerful and an optimistic outlook. He must have physical and mental health in order to influence others and induce them to work with energy, vigor, energy and creativity.

iii. Democratic Leadership:-

Example: Hitler, kings.

outcome.

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.

Generally, autocratic leaders are disliked by employees.

An autocratic leader may sometimes be paternalistic or benevolent also. The formula used by this type of leader is "Do, what I say because I am good to you".

demands strict obedience and relies on power.

The leader makes decisions without consulting their team. The leader determines policies and makes plans. He tells others what to do and how to do it. Leader

1. Autocratic Leadership:-

that there are three types of leaders:

2. Behavioral approach – What does a good leader do? Behavioral theorists focus on how leaders behave. Do they dictate what needs to be done and expect cooperation? Or do they involve the team in decisions to encourage acceptance and support. In the 1930s, Kurt Lewin developed a leadership framework based on a leader's decision-making behavior. Lewin argued

L traits approaches – Trait theorists argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits. Early trait theorists 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 don't have. Extreme behaviors that emerge from things going on within the leader's mind – and it's these can do as individuals to develop leadership qualities within ourselves and others. traits are extreme beliefs and processes that are important for effective leadership.

I. 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.

- ### 3. Contingency approach

- ## 2. Behavioral approach

- ## 1. This approach

Three leadership styles widely used:

2.4 Leadership Styles:

theories try to address.

3. **Contingency approach**—situation influencing good leadership The realization that there isn't oriented or task oriented? These are all examples of questions that contingency leadership the full support of the team, is there a better way to lead? Should a leader be more people circumstances. When a decision is needed fast, which style is preferred? When the leader needs depends on, the situation. These theories try to predict which leadership style is best in which one correct type of leader led to theories that the best leadership style is contingent on, or

Factor	Leaderhip style	Free-Relm/Laissez-faire	Participative/Democratic	Leader only	Leader in consultation	Subordinates only	Obeys the leader	Rare	Individuals	By team	Both ways	One way and downward	Free flow	Individuals	Self-motivated	Mixed	Physiological And safety	Hierarchy of needs	People oriented	Focus
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Comparison of Leadership Styles

Laissez-faire/Free-Relm 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 disinterested, and, here, this approach can fail.

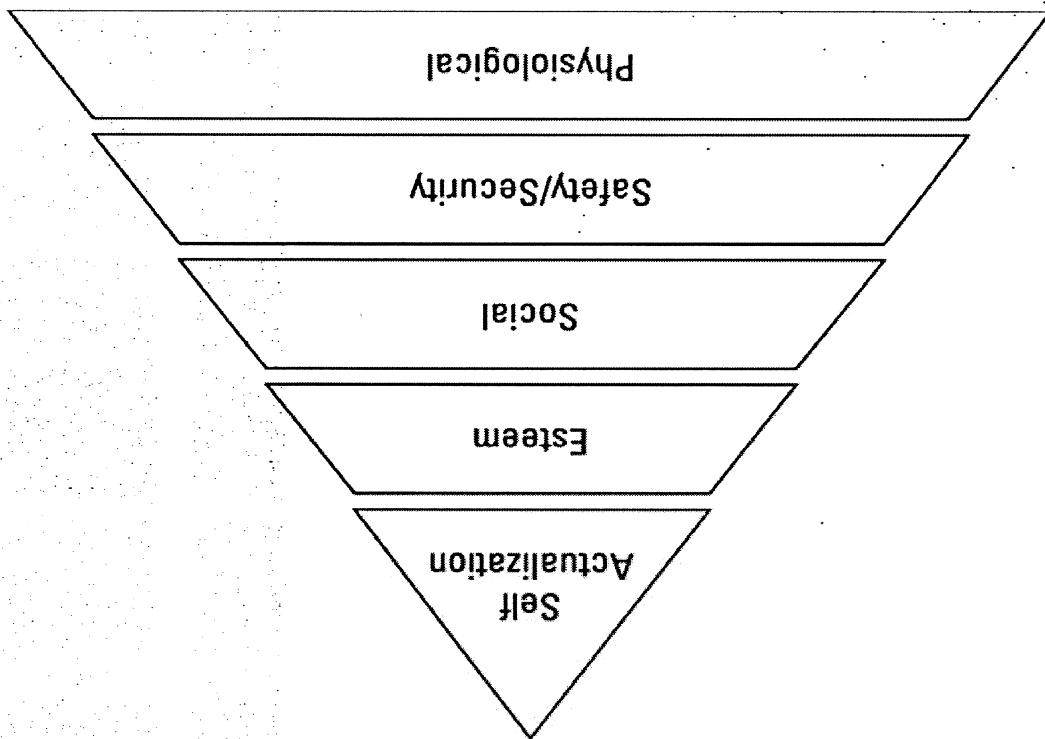
iii. Laissez-faire/Free-Relm leadership

Example: Political party leader

Important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas.

- i.** **Physiological needs:**
Order of priority of human needs Begins with the person's unsatisfied need at the lowest level. 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.
- ii. Security 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.
- iii. Egoistic 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.

Figure : Maslow's need hierarchy theory



1) Maslow's need hierarchy theory:

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

There are six of them namely:

2.5 Motivation theories:

i.	Fair company policies and administration	A supervisor who knows the work	A good relationship with one's peers.	A good relationship with ones subordinates.	A fair salary	Job security	Personal life	Good working conditions	Status
ii.
iii.
iv.
v.
vi.
vii.
viii.
ix.
x.

1. Maintenance factors (Factor I)

- Maintenance factors and satisfiers
- Motivators or satisfiers.

about their jobs. Out of these interviews two factors emerged they are:

Original study based on the research by Frederick and Herzberg who interviewed 200 engineers and accountants and were asked about the good times and bad times they think

2). Herzberg's Two-factor theory:

- The hierarchy of basic needs is not always fixed.
- It is difficult to know about the needs and motives of an individual form analysis of behaviour.

Demerits of the Theory

- The theory helps to explain why one man behaves differently from another in a similar situation.
- The theory extends to all areas of man's life instead of being limited to the work situation only.

Merits of theory

- Self-fulfillments are the needs to realize ones potential that is realizing one's own 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.
- A musician must make music etc. According to Maslow, people attempt satisfy their capabilities to the fullest for accomplishing what one is capable of to the fullest. Example

Self-fulfillment needs:

- worthy need for worthiness of oneself and the esteem is the necessity to think others that he is for example can be classified as self-esteem and esteem from others. Self esteem is the need for dominance

IV.

To build motivation different set of factors are necessary which are called motivators or satisfiers.

Motivators or satisfiers (Factor 2)

- i. Opportunity to accomplish something significant
- ii. Recognition for significant achievement
- iii. Change for advancement
- iv. Opportunity to grow and develop on the job
- v. Change for increased responsibility
- vi. The job itself.

Some facts about the two factors:

1. Motivators are job centered.
2. One important way to increase intrinsic job satisfaction is through job enrichment.
3. The focus is directly work-related.
4. The theory is based on a sample of 200 accountants and engineers.
5. Motivational and maintenance factors are not wholly unidirectional in their influence.

Demerits of the Theory

- i. The need for affiliation (n Aff) : Reflects desire to interact socially with people concerned about the quality of an important personal relationship.
- ii. The need for power (n Pow) : 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.

According to McClelland there are three important needs

3). McClelland's need for achievement theory:

- 4). Victor Vroom's Expectancy theory:
- This most preferred goal. The basic concepts of this theory are:
- he is most capable of rendering and which he believes has the highest probability of leading to Works under conditions of free choice where an individual is motivated towards activity which

The theory developed by researchers 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 rewarding all subordinates to attend early morning meetings if the performance falls below a certain desired level of the organization.

6. Skinner's behavior modification theory:

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) and to the job rewards (such as pay or promotion). It is believed that the individuals motivation, performance and satisfaction will depend on his or her subjective evaluation of his or her effort/reward ratio and the effort/reward ratio of others in similar situations.

3. **Expectancy:** 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 (VI) And the believed expectancy (E) that given effort will be followed by a particular first level outcome, That is $M = f(VI * E)$

2. **Instrumentalism:** 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 0 to 1 which are called instrumentalities. - I 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

The outcome can be positive, negative or zero. A more positive situation would to attain promotion. Valence negative: does not want to attain promotion Valence zero: outcome towards which he is indifferent. Second level outcomes can be achieved in different ways they are: promotion by leaving the organization, by absen-tism 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.

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.

3. Taking corrective action

The second step in control process is to measure the performance and compare it with the set of standards. Measurement of the performance can be done by personal observation or by a study of various summaries of figures, reports, charts and statements. When actual performance matches with standards, no corrective action is required. However, if the standards are not achieved, then the manager should initiate necessary corrective action.

2. Measuring and comparing actual results against standards

The first step in any control process is to establish standards against which can be measured. Standards may be qualitative or quantitative. Standards like costs should be reduced, communication is to be faster, and goodwill etc is qualitative. Number of units produced, profit percentage, total cost incurred overheads etc can be quantitatively. Standards are to be flexible in order to adapt to changing conditions.

1. Establishing standards

3. Taking corrective action.

2. Measuring and comparing actual results against standards.

1. Establishing standards.

There are three steps in controlling process

5.8.1 Steps in Controlling

According to Henri Fayol - "Controlling consists of verifying everything occurs in conformity with the plans adopted, the instructions issued and principles established".

According to E.F.L. Brech - "Controlling is checking current performance against predetermined standards contained in the plans with a view to ensure adequate progress and satisfactory performance".

2.6 Controlling

- 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 employee's behavior life.
- iii. Individual Skinner's behavior modification theory is criticized for two reasons:

Negatives of the above theory proposed: Avoids concern for the inner motivation of the individual. Skinner's behavior modification theory is criticized for two reasons:

- The essentials of a sound control system
- ### 2.6.1 Essentials of a sound control system
- After comparing the actual performance with the set standards and noticing the deviations, the next important step is to take corrective action by managers. The causes of deviations may be due to ineffective communication, defective system of wages, wrong tools and machines, lack of training, ineffective supervisor etc. The management has to take necessary corrective action based on the nature of causes of deviations.
- i. **Feedback:** Feedback is the process, adjusting future actions based upon the information regarding past performance.
- ii. **Objective:** Control system should be objective and understandable. Objective controls specify the expected results in clear and defines terms and leaves little scope for arguments by the employees.
- iii. **Suitability:** The control system should be appropriate to the nature and needs of the activity. The controls used in production are different than the one used in finance and personnel.
- iv. **Prompt reporting:** The control system should provide for prompt and timely reporting without any delay. Delayed reporting may lead to ineffective control actions.
- v. **Forward looking:** Effective control system must focus on how the future actions will conform to plans.
- vi. **Flexible:** The standards will be altered from time to time.
- vii. **Economic:** The benefits derived from the control system should be more than the cost involved in implementing it.
- viii. **Simple:** The control system should be simple to understand and implement.
- ix. **Effective and operational:** A control system should not only detect deviations but should also provide solutions to the problems that cause deviations.
- x. **Motivation:** A good control system should motivate people to achieve higher performance. The control is to be so designed that it induces positive reactions from employees.

- x. **External audit:** External Audit is an independent appraisal of the organization's financial accounts and statements. The external audits are conducted by qualified auditors.
- ix. **Internal audit:** Internal audit is conducted by an internal auditor who is an employee of an organization. He identifies the defects and deviations and reports to management.
- viii. **Management audit:** Management audit is an independent process that aims at pointing out the inefficiency in the performance of functions of management such as planning, organizing, staffing, directing, controlling and suggesting possible improvements.
- vii. **Responsibility accounting:** It is defined as the system of accounting under which each department head is made responsible for the performance of his department.
- Using this percentage of profit is identified.

$$\text{ROI} = \frac{\text{Profit}}{\text{Total Investment}}$$

- vi. **Return on investment (ROI):** Ratio of net profit to the total investment or capital employed in the business is termed as return on investment, generally expressed as percentage.
- v. **Standard costing:** Standard costing is used to control the cost. The objective of standard costing is the same as budgetary control. The system compares the actual with standards and variance is noted.
- iv. **Break-Even Analysis:** the point at which sales is equal to the total cost is known as Break-Even Point (BEP). At this point there will be no loss and no profit. The total cost is equal to the revenue. The excess of revenue over total cost is profit.
- iii. **Cost accounting and cost control:** Profit of any business depends upon the cost incurred to run the business. Profits are increased by reducing costs. Hence much important must be given to cost accounting and cost control.

- ii. **Budgeting:** A budget is a statement of anticipated results during a designated time period expressed in financial and non-financial terms. The budgeting process typically involves the use of cost standards.
- i. **Personal Observation:** This is the oldest and simple method of control. The manager personally observes the operations in the work places. Any deviations observed are corrected immediately then and there itself.

2.7 Methods of Establishing Control

xii. **Statistical Control reports:** This type of reports are prepared and used by large organizations. These reports are very useful in sales, production, etc.

xiii. **Gantt Milestone Chart:** This is basically a time based production control technique. This is widely used to monitor the progress of projects. It is basically a schedule of activities against time.

xiv. **Programme Evaluation and Review Techniques (PERT):** This was developed during 1957-58 for US Navy. It was created primarily to handle R & D projects. xv. **Critical Path Method (CPM):** This technique also follows the principles of PERT. This concentrates mainly on cost rather than duration like PERT. The use of both PERT and CPM has grown rapidly today in controlling time bound projects.

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 others. Is the process of passing information, correct understanding and with right interpretation from one person to another.

2.8.1 **Importance of communication:**
The importance of communication can be listed as below:-
1. Communication must be for each and every business. A good business can be done with effective communication only.
2. For maintaining proper co-ordination in various department of business, up to date communication system has to be established.
3. Effective communication reduces the gap between management and employees.
4. Communication plays an important role in negotiation.
5. Acquiring excellent communication skill is an important qualification.
6. It is a tool of collecting information.
7. Communication helps in exchanging ideas and information.

- 2.9 Coordination:** Coordination is the orderly synchronization or fitting together of the interdependent efforts of individuals to attain a common goal. For example in hospital the proper synchronization of the activities of the nurses, doctors, ward 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 controlling. If the manager performs these functions effectively, they lack the knowledge of job of others and importance of others very effectively, they have different habits, behavior and approaches in a particular situation. Many times they don't work in harmony. Coordination is necessary to bring harmony among them
- i) **Unity in diversity:** There are large number of employees each with different ideas views or opinions and interests.
- ii) **Specialisation:** Though specialists are well aware of their tasks and perform their tasks very effectively, they lack the knowledge of job of others and importance of others
- iii) **Team work:** Coordination help converting the diversified efforts of various groups to achieve the objectives.
- iv) **Large number of employees:** Large Organisations employ large number of employees.
- v) **Empire Building:** Empire Building refers to top level of Line Organisation. The Line department expects cooperation from staff officers. So coordination is necessary to avoid conflicts between their cooperation to staff officers. So coordination is necessary to bring harmony among officers
- vi) **Functional differences:** The functions of Organisation are divided into section wise. Each section performs different jobs. Each Department tries to perform its function in isolation from others. So coordination is necessary to integrate the functions of the related departments.
- vii) **Recognition of goals:** Coordination plays important role to reconcile both the employees' goals and departmental goals with Organizational goals.
- viii) **Communication:** Coordination ensures the smooth flow of information from one direction to other direction.

The coordination is important because of the following factors.

2.10 Importance of Coordination

Coordination is the orderly synchronization or fitting together of the interdependent efforts of individuals to attain a common goal. For example in hospital the proper synchronization of the activities of the nurses, doctors, ward 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 controlling. If the manager performs these functions effectively and expecially coordination is automatically generated and there remains no need for special coordination.

2.9 Coordination:

- 2.11 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
 - In controlling: Coordination is required to evaluate operations and checks whether performance is in conformity with the desired results.
 - In coordinating: Coordination is required manager evaluates operations and checks whether performance is in conformity with the desired results.
 - The following are the important techniques of coordination
- 2.12 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 requirement 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 effective because makes individuals dependent upon, passive towards and subordinates to the leader.
 4. **Direct contact:** It 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 problem 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 implementation 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

1. Define staffing. Explain the selection process of personnel.
2. Discuss various principles of directing.
3. Compare autocratic, participative and free-rein leadership styles.
4. List all theories of motivation and discuss about Maslow's need hierarchy theory.
5. Define direction and brief about the main five requirements of effective direction.
6. Explain the qualities of a good leader.
7. Write in brief, various methods of establishing control.
8. Explain the steps involved in controlling.
9. Define communication and give its importance.
10. Define co-ordination and give its importance.

MODULE 2 - STAFFING

ASSIGNMENT - I

1. 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.
2. Incentives: providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.
3. Coordination 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.
4. Liaison departments: evolved to handle transactions and typically occurs between the sales and production departments.
5. Workforce: 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.
6. Regularizations dominate norms and behavior, values and beliefs and integrates his personal goals with organizational goals.
7. Indoctrination: Device commonly used in religious and military organizations is another means by converting the neutral body into a committed body.
8. Incentives: providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.
9. Workforce: 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.
10. Workforce: 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.

To summarize, “An entrepreneur is the person who bears risks, units various factors of production, to explore the perceived opportunities in order to evoke demand, create wealth and employment”.

- Peter F. Drucker defines Entrepreneur as one who always searches for Change, Responds to it & Exploits it as an opportunity. Innovation is the Specific Tool of Entrepreneurs, the Means by which, they Exploit Change as an Opportunity for Different Businesses or Service.
 - Encyclopaedia Britannica defines an "Entrepreneurs as people who have the ability to see and evaluate the business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success".
 - International Labour Organization (ILO): This defines "Entrepreneurs as people who have the Ability to see and evaluate the business opportunities, together with the necessary resources to take advantage of them and to take advantage of them and to initiate appropriate action to ensure success".
 - Intra-national have the Ability to see and evaluate the business opportunities, together with the necessary resources to have the Ability to see and evaluate the business opportunities, together with the necessary resources to take advantage of them and to take advantage of them and to initiate appropriate action to ensure success".
 - Definitions of an "Entrepreneur" are divided into 3 Streams :
 - i. The Ones describing Roles of an Entrepreneur.
 - ii. The Other describing Characteristics & Ones Focusing on Success Factors.
 - iii. The Ones Focusing on Success Factors.

3.1 Meaning/ Definition of Entrepreneur

- Entrepreneur is a person who undertakes an enterprise.
 - The process of creation and management of enterprise is called entrepreneurship.
 - An entrepreneur can be considered as a person who bears the risk of operating business in the face of uncertainty about the future conditions, who innovates and introduces something new in economy, who shifts resources out of an area of lower yield and into an areas of productivity and greater yield, who plays a critical role in economic development and integral part of economic transformation.

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.

Topics

MODULE-3: ENTREPRENEUR

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY RS-15

Risk Bearing: Any Business Proposition has an element of Risk, the Reason being very obvious that, an Enterprise may Earn Profits or incur Losses because of Various Factors beyond the Control of the Entrepreneur like Increasing Competition, Labour Unrest. He needs to be Courageous to face the Risk & iii.

Innovation: This refers to coming out with a New Product or Process or doing something differently. This is a Basic Characteristic of Every Entrepreneur. There are a Few Innovations & New Products developed

7. The Two Basic Elements involved in Entrepreneurship are "Innovation" & "Risk Bearing".

Entrepreneur in establishing an Enterprise.

6. In all above definitions, Entrepreneurship refers to the activities performed by an individual in different functions.

5. Entrepreneurship can exist in different kinds of business, on all levels of Company size & out innovative functions

4. Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company direction & managers who actually carry out innovative functions

3. Entrepreneurship is the ability to create & build a vision from practically nothing. It is a dynamic process of creating incremental wealth.

2. It is an attempt to create value through recognition of business opportunity, the management skills to mobilize human, financial and material resources necessary to bring a project to fruition.

1. It is a purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or increase profit by production or distribution of economic goods and services.

According to Peter F Drucker, "Entrepreneurship is neither a Science nor an Art, it is a Practice".

3.3 Concept of Entrepreneurship & its Evolution:

• In 1848, the famous John Stuart Mill described Entrepreneurship as the funding of a private enterprise. This encompassed risk takers, the decision makers and the individuals who desire wealth by managing limited resources to create new business ventures.

• In the 18th Century, Richard Cenillion described Entrepreneur as "One who bears risk by buying at certain prices and selling at uncertain prices".

• In the 17th Century, it was extended to cover Civil Engineering Services.

• In the early 16th Century, it was applied to those who were engaged in Military Expeditions.

• Entrepreneur evolved from the French Word "Entreprendre" in the 12th Century.

3.2 Evolution of Concept

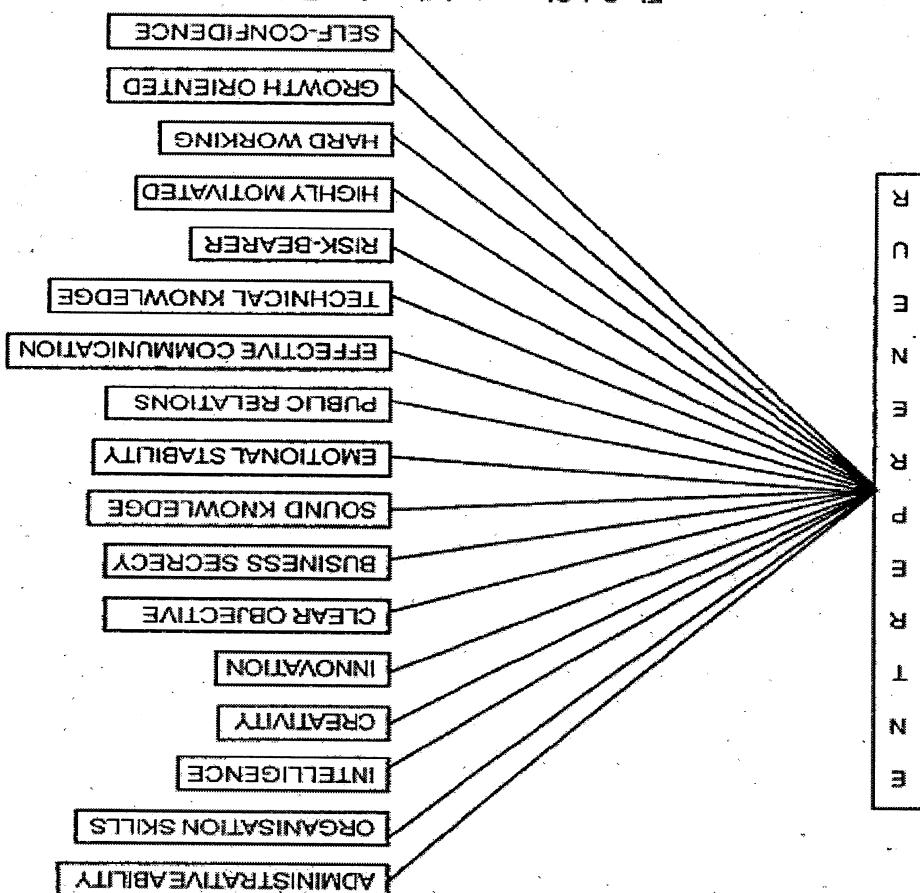
3. Business Secrecy: An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur.

2. Clear Objectives: An entrepreneur should have a clear objective as to extract the nature of the goods to be produced and subsidiary activities to be undertaken.

1. Mental Ability: Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them.

A successful entrepreneur must be a person with technical competence, initiative, good judgment, intelligence, leadership qualities and emotional stability.

Fig 5.1 Characteristics of an Entrepreneur.



3.1 Characteristics of an Entrepreneur

3.4 Characteristics and qualities of an entrepreneur

Challenges involved in running the Enterprise. His ability to Sustain Risk ultimately helps him to be a Successful Entrepreneur, against All Odds.

- 13. Goal setter:** An entrepreneur must be able to set challenging but realistic goals.
- 12. Initiative:** An entrepreneur must have initiative accepting personal responsibility for actions, and above all make good use of resources.
- 11. Persistent problem-solver:** An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.
- 10. High Energy Level:** Success of an entrepreneur demands the ability to work long hours for sustained periods of time.
- 9. Long-term involvement:** An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.
- 8. Self-Confidence:** Entrepreneurs must have belief in themselves and the ability to achieve their goals.
- 7. Motivator:** An entrepreneur must build a team keep it motivated and provide an environment for individual growth and career development.
- 6. Technical knowledge:** An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the one's ability that most people are able to acquire if they try hard enough.
- 5. Communication ability:** communication ability is the ability to communicate effectively. Good communication also means that both the sender and the receiver understand each other and are being understood.
- 4. Human relations ability:** The most important personality traits contributing to the success of an entrepreneur are emotional stability, personal relations, consideration and tactfulness. An entrepreneur who maintains good human relations with customers, employees, suppliers and community is much more likely to succeed in his business than the individual who does not practice good human relations.

3. Functions important for developing countries:

The other functions of an entrepreneur are diversification of production, expansion of the enterprise, maintaining cordial employer and employee relations, taking labour problems, co-operation with outside agencies.

2. Secondary/other functions:

The primary functions of an entrepreneur can be as planning, organizing, decision making, management, innovation, risk bearing, leading and controlling.

1. Primary functions:

The various functions of entrepreneur is classified as

9. Completion of promotional formalities.
8. Product analysis and market risk.
7. Undertaking business operations.
6. Raising necessary funds.
5. Determination of form of ownership.
4. Idea generation and scanning of best idea.
3. Providing machines and materials.
2. Recruitment of personnel.
1. Determination of business objectives

The various functions of an entrepreneur are listed below:-

3.5 Functions of an Entrepreneur

goals.

10. Motivator: He initiates and influences people, motivates the people to accomplish the goals.
9. Self confidence: He directs his abilities towards the accomplishment of goals.
8. Flexible: He is open minded person, flexible to adapt to demanding situations changes.
7. Independent: He is an independent person and likes to be his own master. He is job given and not job seeker.
6. Facing uncertainties: They should face the uncertainties and unexpected outcomes and accept them.
5. Stress taker: He should accept and bear any amount of stresses that may evolve in the business.
4. Planner: He is good planner and doer. He plans and follows it sincerely to achieve goals.
3. Opportunity explorer: He always identifies opportunities and explores them.
2. Risk bearer: He accepts risk, understand and manage risk.
1. Success and achievement: The Entrepreneur is self directed to achieve goals.

3.4.2 Qualities of an Entrepreneur

failures.

14. Moderate risk-taker: An entrepreneur must be a moderate risk taker and learn from any

only with the alternative distribution and marketing strategies to promote their business.

ii. **Non-technical:** Not concerned with technical aspects of the product and are concerned with the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.

i. **Technical:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and marketing of crops, fertilizers and other inputs of agriculture.

2. Entrepreneurs in technology classified as

v. **Agricultural entrepreneur:** Are that who undertake agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture. Raise agriculture through mechanization, irrigation and application of technologies of dry land agriculture products and covers a broad spectrum of agricultural sector.

iv. **Corporate entrepreneur:** Corporate entrepreneur is an individual who demonstrates his innovative skill in organizing and managing a corporate undertaking. Is an individual who plans develops and manages a corporate body which is form of business organization registered under the trust act.

iii. **Industrial entrepreneur:** Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of the customers and tailors a product according to the needs of the customers. Starts an industrial unit to make new product. Has the ability to convert economic resources and technology into a profitable venture. ex (electronics industry, textile units etc)

ii. **Trading partner:** Trading entrepreneur undertakes trading activities not concerned with manufacturing work. Identifies potential markets, stimulates demand for his product line and creates interest and desire among buyers to go for his product.

i. **Business entrepreneurs:** are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. Called small business entrepreneurs when found in small business (printing press, textile processing house, ad agency, ready made garments, confectioneries etc)

1. Entrepreneurs according to the type of business:

The entrepreneurs have been broadly classified according to the type of business, use of professional skill, motivation, growth and stages of development, area, gender, age, scale of operation and other types.

3.6 Types of Entrepreneur (Entrepreneurship)

The other functions of an entrepreneur are management of scarce resources, dealing with public, engineering, new product development, parallel opportunities, marketing, management, customer relation.

- i. **Innovative:** Are those who exhibit their cleverness in putting attractive possibilities into practice. Are often involved in changing the utility, value, economic characteristics of old established products into something new, attractive and utility and Are commonly found in developed countries.

- ii. **Classical:** Is one who is concerned with the customers and marketing needs through the development of a self-supporting venture and is a stereotype entrepreneur whose aim is to maximize the his returns at a consistent level with the survival of the firm.

- iii. **Moderate:** Undertaking those ventures which suit to the changing and current demands in the market.

- i. **First generation:** One who starts an industrial unit by his innovative skill who essentially an innovator who combines different technologies to produce a marketable product or service.

2. Entrepreneurs and stages of development:

- ii. **Super growth entrepreneurs:** Are those who have shown enormous growth of performance in their venture and defined by liquidity of funds, profitability and gearing.

- i. **Growth:** Are those entrepreneurs who take a high growth industry which has substantial growth prospects.

4. Growth and entrepreneurs:

- iv. **Spontaneous entrepreneurs:** Start their business by their natural talents are the persons who take initiative, are bold confidence and have strong conviction in their informed ability.

- iii. **Motivated entrepreneurs:** Are motivated by the desire of self fulfillment. They come into being because of the making and marketing of the new product for the use of customers who is further motivated by the reward in terms of profit.

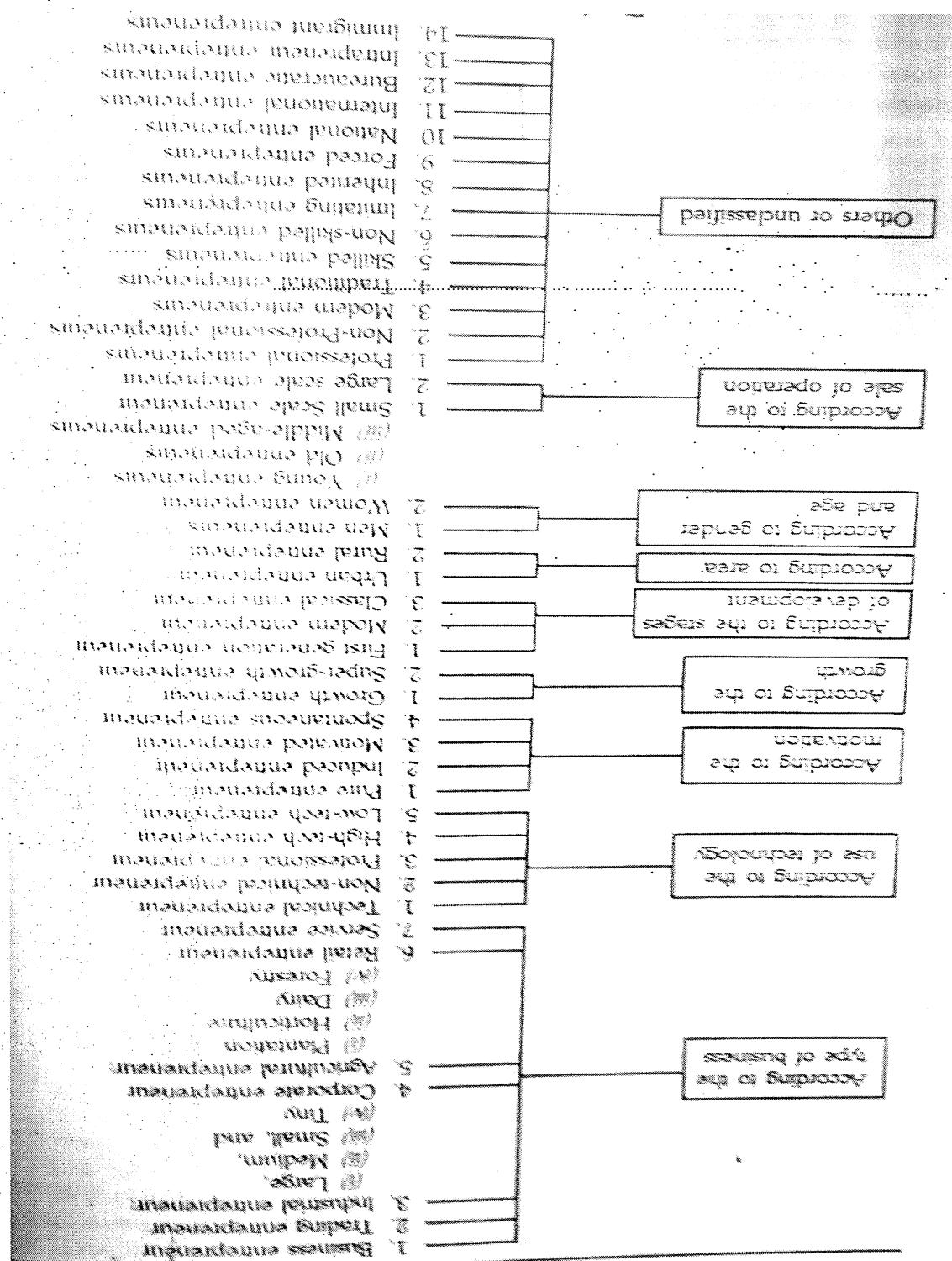
- ii. **Induced:** Is one who is induced to take up entrepreneurship task due to the policy measures of the government which provides assistance, incentives, concessions and necessary overhauled facilities to start new venture.

- i. **Pure:** Is an individual who is motivated by the psychological satisfaction, ego and status. undertakes an entrepreneurial activity out of personal satisfaction, ego and status.

3. Entrepreneurs and motivation:

- iii. **Professional entrepreneur:** Is a person whose interest is to establish a business product. They are mainly concerned with development of alternative marketing and distribution strategies to promote their business.

Figure: Types of entrepreneurs



iii. **Limitative:** Are those characterized by the readiness to adopt successful innovations by entrepreneurs who imitate techniques and technology innovated by others, and are more adoptive and flexible. Are also revolutionary and important who exploit possibilities and are often involved in subjective innovation which means the ability to do the things which have not been done by a particular industrialist before.

entrepreneurs who imitate techniques and technology innovated by others, and are more adoptive and flexible. Are also revolutionary and important who exploit possibilities and are often involved in subjective innovation which means the ability to do the things which

1. Identification of an opportunity
2. Evaluation of the opportunity
3. Preparation of the business plan
4. Determination and organizing the resources
5. Management of the enterprise.

This process has five important stages:

3.8 Stages in Entrepreneurial Process

Differences	Entrepreneur	Intrapreneur	Intrapreneur	Entrepreneur	Entrepreneur
Dependency	An entrepreneur is independent in his operations	An intrapreneur is dependent on the framework of the organization. Very popular in developed countries like America.	Funds are not raised by the entrepreneur. Funds raised himself	Entrepreneur bears the risk involved in the business.	An entrepreneur does not fully bear the risk involved in the enterprise.
Raising of Funds	An entrepreneur himself raises funds required for the entrepreneur.	Funds are not raised by the entrepreneur.	Entrepreneur bears the risk involved in the business.	An entrepreneur sets up his business with a newly set up enterprise.	An intrapreneur begins his organization.
Risk	An entrepreneur operates from outside.	On the contrary, an intrapreneur operates from within the organization itself.	An intrapreneur begins his business with some new organization.	An entrepreneur sets up his business after working some experience.	As an entrepreneur establishes new business, so he does not possess any experience over the business.
Operation	An entrepreneur operates from outside.	On the contrary, an intrapreneur operates from within the organization itself.	An intrapreneur sets up his business with a newly set up enterprise.	An intrapreneur begins his business after working some experience.	As an entrepreneur establishes new business, so he does not possess any experience over the business.
Orientations	An entrepreneur begins his business with some new organization.	An intrapreneur sets up his business after working some experience.	An intrapreneur begins his business with a newly set up enterprise.	An entrepreneur sets up his business with a newly set up enterprise.	An intrapreneur establishes new business, so he does not possess any experience over the business.
Experience	An intrapreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes new business, so he does not possess any experience over the business.

Differences between Entrepreneur & Intrapreneur:

1. Is an emerging class found in large industrial organizations who emerge from within the confines of the large industrial organizations.
2. In big organizations top executives are encouraged to catch hold of new ideas and convert them into products through research and development activities within the framework of the organization. Very popular in developed countries like America.
3. Many intrapreneurs are found leaving their jobs in big organizations and starting their own enterprises and have become exceedingly successful in their ventures. Are causing threat to the organizations they leave who inaugurate new products.

3.7 Intrapreneur:

- Care must be taken not to under estimate the amount and nature of resources required.
 - Process starts with the assessment of present resources.
- 4. Determination and organizing the resources**

- Summary of plan.
 - Marketing and distribution plan.
 - Production and operation plan.
 - Organisation plan.
 - Financial plan.
 - Technology plan.
 - Description of business and industry.
 - Title of the project, table of contents and executive summary.
- The business plan should contain following in order.
- 3. Preparation of the business plan**

- vi. Rewards and profit expected.
 - v. Amount and source of capital needed
 - iv. Resources needed
 - iii. Assessment of the entrepreneur and his team
 - ii. Agreement of opportunity
 - i. Description of product or service
 - Opportunity assessment plan is prepared. It includes:
 - Its uniqueness or differential advantage in its competitive environment.
 - Opportunity should fits with personal skill and goal of the entrepreneur
 - Techology and the amount of capital involved.
 - Its real and perceived value, its risks and returns reflect the market, competition.
 - opportunities and threats are external factors.
 - weakness, opportunities and threats). Strength and weaknesses are internal factors,
 - Length of opportunity and the market size mainly depends on SWOT(strengths,
 - Evaluation process involves looking at the
- 2. Evaluation of the opportunity**

- Some government organizations and R & D centres also provide new ideas.
 - Independent technical organisations: Some individuals are technical oriented and are not interested in entrepreneurship. Get ideas from them
 - Business associates: also give ideas of product or service
 - Members of distribution system: Has close contact with end users, discussion with retailer, wholesaler or trade representative.
 - Identifications of opportunity may be from his own idea or from Extreme sources like:
- 1. Identification of an opportunity**

It stimulates equitable redistribution of wealth and income in the interest of the country.

the interests of the country.

v. Stimulates equitable redistribution of wealth, income and even political power in the interests of the country.

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

iv. Helps reduce the concentration of the economic power.

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, etc. Setting up of more industries leads to more development of infrastructure, etc. Backward regions and thereby promotes balanced regional development.

iii.

iii. Promotes balanced regional development.

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

ii. Provides immediate large scale employment thereby reducing the unemployment problem in the country.

ii.

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

i.

The important role that an entrepreneur plays in the economic development of a country can be summarized as follows:

3.9 Role of entrepreneurship in economic development:

Implement the business plan. This calls for a management with all functions like planning, organizing, staffing, directing and controlling.

5. Management of the enterprise.

- The risk involved with insufficient or incorrect resources should be calculated.
- Organizing the resources at the appropriate time.
- Alternative sources of supply, process of manufacture are to be planned properly.

- Past:** The following points are noteworthy with respect to the entrepreneurship in the past.
- The family based industries and trade were badly affected during British rule. Indian entrepreneurship was mainly in the area of textile, iron and steel and hydrotechnics project etc.
 - All the members of the family were involved in the business from planning to manufacturing stage and finally selling them.
 - i. Manufacture and supply of a product was based on demand.
 - ii. The skills of any enterprise were inherited from ancestors.
 - iii. The family based industries and trade were mainly in the area of textile, iron and steel and hydrotechnics project etc.
- Present:** Three important resolutions in the Industrial Resolutions:
1. To maintain a proper distribution of economic power between private and public sector.
 2. To encourage Rapid Industrialization by moving the concept of Entrepreneurship from existing centres to other cities, towns & rural areas.
 3. To disseminate the Entrepreneurship among communities to a large number of Industrially Potential People of varied Social Background.

- 3.10 Entrepreneurship in India:**
- For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time.
 - The important ones include the decline of Indian Handicrafts industry towards the end of the 18th Century, entry of the East India Company of the Britishers in India's Business Activities.
 - Entrepreneurs like to work in an environment of change and try to maximize profits by has passed through several Ups & Downs.
 - Entrepreneurship is closely associated with the Economic History of India. It has passed through several Ups & Downs.
 - For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time.

- v. Increasing Gross National Product and Per Capita Income**
- Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities, encourage effective resource mobilization of capital and skill, bring in new products and services and establish markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.
- vi. Also induces backward and forward linkages which stimulate the process of economic development.**
- Entrepreneurs like to work in an environment of change and try to maximize profits by inducing backward and forward linkages which stimulate the process of economic development.
- vii. Promotes export trade which is an important ingredient for economic development.**
- When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of innovation. Entrepreneurs like to work in an environment of change and try to maximize profits by has passed through several Ups & Downs.

- to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.**

- i. **Unfulfilled Demands:** An unfulfilled demand wills open doors to new products.
- ii. **Own Idea:** Once own creative idea can result in business opportunity.
- iii. **Social and Economic trends:** Social and economic trends necessitate demand for new product.

Source of Business ideas:

The two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.

A business opportunity can be defined as an attractive and excellent project 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.

- Study the 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
- Social Feasibility study

Business opportunities can be obtained from various magazines, trade journals, financial institutions, government, commercial organization, friends, relatives, competitors etc. An entrepreneur has to identify and select the most rewarding opportunity from the available ones. Thus, he has to evaluate the following areas and understand the gap between demand and supply.

Business opportunities can be obtained from various magazines, trade journals, financial

3.12 Identification of Business Opportunities

- Lack of capital.
- Lack of technical knowledge.
- Economic business cycles.
- Non availability of raw materials and resources.
- Government regulations.
- Obsceneness of technology or idea.
- Unstable and unpredictable markets.
- Globalization and entry of foreign goods.
- Risk.

3.11 Barriers of Entrepreneurship

There is tremendous growth of industries and services over last 50-60 years in all areas like banking, automobiles, software development, petrochemicals, cement, steel, communications etc. are some of the modern entrepreneurship where lot of innovation had taken place.

2. Technical Feasibility study:

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

similar products.

v. Market Share: Estimated market share is to be made. Comparison is made with share of

decide the facility.

iv. Demand: Present demand and demand forecast are prepared and studied. This will

like cosmetics, once should be careful in fixing the price.

iii. Selling price and profit: Selling price plays vital role in profits. In price sensitive goods

production decides the selling price.

ii. Cost of production: it is essential to study and control cost of production. Cost of

competition is to be studied.

i. Nature of the Market: the nature of the market in terms of monopolistic or project following aspects.

Feasibility study id detailed work of collection of data analysis and concludes the feasibility of that operation. Market study involves the study and analysis of the

2. study:

1. Market Feasibility

Feasibility Analysis: The process to make changes in the current system in order to achieve technical feasibility of the system proposal. Following are the types of feasibility analysis:

vii. Banks and Government Agencies: Commercial banks and government agencies encourages entrepreneurs by providing business opportunities, ideas subsidies, loan etc.

business opportunities.

vi. Trade Fairs/ Exhibitions: Trade fairs and technical exhibitions also offer wide scope for

another source of opportunities.

v. Government Policies: Government also technology and scientific know how is

up an organization.

iv. Magazines/Journals/Research Publications: These from a major role of ideas to start

- i. **Location of the Project:** the data regarding the location of the project is very important. It may be located in rural, urban, or semi-urban areas.
- ii. **Availability of the raw-materials:** the study of availability of raw materials, source of supply, alternative source, its quality and specifications cost etc are to be studied.
- iii. **Selection of Machinery:** it includes machinery required for production and intended product to carry out. The specifications are capacity, cost, source and supply.
- iv. **Utilities:** the details about availability of utilities like water, gas, electricity, petrol, diesel etc are to be studied.
- v. **Production capacity:** Establishment of production capacity and utilization of production capacity are analysed.
- vi. **Study requirements:** study and analysis of requirement of workers, technical staff and officers etc is to be made.
- vii. **Technological viability:** Technological viability of the opportunity is to be studied.
- viii. **Financial feasibility study:** Financial feasibility is the most important aspect of a business opportunity. Some of the aspects involved in financial feasibility study are:
- i. **Total Capital cost of project:** it is very essential to study the local cost of project. This includes fixed capital, working capital and interest factors.
- ii. **Sources of Capital:** the study of main source of capital is to be made. If capital is borrowed, interest burden is to be studied in details.
- iii. **Subsidy sources for additional financial:** After the study of main source of capital , subsidiary sources of capital are to be identified and studied.
- iv. **Financing for future development of business:** Finance requirement for future development of business are to be studied. Working capital requirements for least three months running of enterprise are to be mentioned.
- v. **Break Even Analysis (BEA):** BEA is to be carried out to see at what level production / sales will make organization no-profit or no-loss situation.

- vi. Estimation of cash and fund flow: It is very essential to make a study of estimation of cash and fund flow in the business.
- vii. Return On Investment (ROI): ROI is to be calculated to see the amount of return on investment for the investor/share holder and they get.
- viii. Proposed Balance Sheet: It is made to show liabilities and assets, interest burden, profit etc.
- ix. 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 R&D institutions or by the way foreign collaboration.
- iii. Location: Location should be in such a place that it should not have objection from the neighbours.
- iii. Pollution: there should not be any objectionable pollution to the society. Suitable measure should be taken to control the pollution.
- iii. Social problem: Enterprise should not create any nuisance to the public

4. Social Feasibility study:

- Definitions of projects:**
1. In simple words, a project is an idea or a plan that is intended to be carried out.
 2. Project is the smallest unit of investment activity to be considered in the case of
 3. The World Bank has defines project as approval for a capital investment to develop programming.
 4. A project is an appraisal for investment with the definite aim of producing a flow output facilities to provide goods and services.
 5. A project is defined as the whole complex activities involved in using resources to gain over a specified period of time.
 - „A project can be defined as a scientifically evolved work plan devised to achieved specific objectives within a specified period of time”.

Project Classification:

 1. Quantifiable and Non-Quantifiable Projects.
 2. Sectoral Projects.
 3. Techno-Economic Projects.

They are classified on the following basis: (Major Classifications):

 - i. Projects for which a plausible Quantitative Assessment of benefits can be made are called as „Quantifiable Projects”.
 - ii. On the other hand, „Non Quantifiable Projects” are those in which a plausible generation, Mineral Development etc.
 - iii. Quantifiable assessment of benefits cannot be made.

PRE PARATION OF PROJECT

4.2 Project Identification:

Medium Scale and Small Scale projects.
Depending on the total projects investments projects may be classified as Large Scale,
Here, the classification of the projects is based on size of capital involved in projects.

iii. Magnitude – Oriented Classification:

the projects raw material based.
Demand based and the availability of the certain raw material, skills or other inputs makes
projects. The very existence of demand for certain goods or services makes the project
In this category, projects may be classified as Demand based or Raw material based

ii. Causation – Oriented Classification:

and machinery or human resources or High power input is involved.
Labour Intensive or Power Intensive depending upon large scale investment in plant
On the basis of this classification, Projects may be classified as Capital Intense or

i. Factor Intensity – Oriented Classification:

main groups of classification in this category are given below.
Projects are also classified on the basis of their Techno – Economic characteristics, the three
3. Techno – Economic Projects:

This system of classification has been found useful in resource allocation, especially at Macro level.
i. Agriculture and Allied Sector.
ii. Irrigation and Power Sector.
iii. Industry and Mining Sector.
iv. Transport and Communication Sector.
v. Social Services Sector.
vi. Miscellaneous Sector.

According to this classification, projects may be classified as
The planning commission of India has accepted sectoral base as the criterion for classification of
2. Sectoral Projects:

Example of Non Quantifiable projects are projects involved Health, Education and
difference.

overcome them.

2. Weakness/Constraints: List of ideas to find out some expected problems and how to

1. Strength: Skills, manpower, capital, technology etc.

Weakness, Opportunities, Threats or Strength, Constraints, Opportunities, Threats)

One of the well known tools to analysis of project is to SWOT or SCOT i.e. (Strength, has to analysed based on economic conditions, government policies, market values, profit etc.

Project selection starts from where project identification ends. After identifying project

4.3 Project Selection:

8. More projects initiates faster and more efficient
7. Provide a valid basis for staff training.
6. Anticipate future human resource quantities and skills.
5. Avoid over-allocation limited skilled resources.
4. Allow a more effective matching of skilled resources to the right project.
3. Establish a more objective ranking of candidate projects.
2. Provide the base information for more informed financial commitments to projects.
1. Validate the business reason for each candidate project.

Due to the changing financial conditions within the total organization, it is necessary to establish a stable process for approving projects for initiation. This process will...

4.2.1 Purpose of Projects:

7. Meeting technical or industrial consultant.
6. Visiting national and international trade fairs and exhibitions displaying new products
5. Success stories of known entrepreneurs or friend or relatives.
4. Going through various professional magazines and journals catering to specific interest like computers, electronics and telecommunication, chemical, metallurgical etc.
3. Scope for producing substitute product, which is economic in future.
2. Watching and emerging trends in demand for certain products/services and their market size and potential.
1. Knowledge of potential customer needs.

The project ideas can be discovered from various internal and external sources, they are:

Candidate projects within an organization.

Project Identification is a repeatable process for documenting, validating, ranking and approving

- Such determinants.
- Business and thus makes the Entrepreneur realize the need to pay special attention to 5. It brings into sharp focus the key performance determinants in the chosen line of proposal.
4. It educates the entrepreneur regarding the degree of risk underlying the enterprise Structure of Enterprise – Industry, Market, Raw Materials Supply and Technology etc.
3. It generates a knowledge base for the Entrepreneur concerning such diverse facets as Selection of Plant & Machinery, Determining Man Power and Utility needs etc. Required Project aids the process of fitting up Technical Arrangement, Choosing a location, Project implementation.
1. Project helps the entrepreneur judge the viability and profitability of a given enterprise

4.4.1 Need & its Significance

report.

ROI or return of investment which is done practically through a feasibility study or project overview or insight for any business undertaking must be fully scrutinized particularly on the and these likewise involve hard-earned money, valuable time and priceless effort. Thus, an large, medium or small-scale entrepreneur. In every investment, all angles must be considered A project report is analogous to a feasibility study. It is of no moment whether you are a

4.4 Project Report:

- V. **Marketing:** Product should be marketable, one should estimate the correct or reliable materials are available.
- iv. **Location:** The entrepreneur should locate the project where resources and raw shortage of funds at the middle or inappropriate investment.
- iii. **Investment Size:** Based on some factors leads to wrong investment and leads to equipment available for the project.
- ii. **Equipment:** Availability of equipment should be studied and also select best within the existing nature. It may be difficult and costly to get from foreign Some other points are also considered as
4. **Threats:** Competitions, import of similar product into market, technologies etc. are analysed.

15. **Cost of Production** and profitability of first five years, break even analysis, schedule of

implementation etc.

the cost of setting up of the projects.

contingencies and margin money for working capital, financial arrangements for meeting plant and machinery, misc. fixed assets, preliminary and pre - operative express,

14. **Requirement of funds:** Break up of total project cost in terms of cost of land, building,

need for collateral security, nature and extent of credit facilities offered and available.

13. **Requirement of working capitals:** working capitals reqd, sources of working capital,

trade practices, sales promotion devices etc.

12. **Market:** end - users of products, distribution of market as local, national, international, alternatives product substitutes, if any.

11. **Products:** Products mix, product standard, estimated production and sales figures, of man power availability, requirements of training and its cost.

10. **Man Power:** the requirements such as skilled, semi skilled and unskilled (helpers), places materials, if any.

9. **Raw Material:** List of Raw material reqd by Quality, sources of production, cost of raw materials, tie up arrangements, if any for production of raw material, alternatives raw

8. **Transport and communication:** mode, its associated costs.

estimate, sources of utilities.

7. **Utilities:** Water, power, steam, compressed air requirements, fuel, coal/oil etc, cost knowhow technology alternatives available, production programme etc.

6. **Production Process:** Description of production process, process chart, and technical alternatives available, cost of other miscellaneous assets.

5. **Plant and Machinery:** Details of machinery reqd, capacity, suppliers, cost, various detailed plan and cost estimate along with plant layout.

4. **Land and Building:** Land areas, built up area, type of construction, cost of construction, location: Exact proposed location of the project, lease or freehold, location advantages.

2. **Promoter(s):** His/her/their education qualification, work experience, project related experience, special achievement.

1. **General Information:** Information on project profile and product details.

contents of a good project report are given below.

A project report needs to be done / prepared with great care and consideration. The important

4.4.2 Contents of project reports

- 4.4.3 Project Formulation**
- Project formulation divides the process of project development into eight distinct and sequential stages which are as described below.
- The general information in the project report include the following
- General Information:**
 - Bio-data of the Promoter:** Name and address, qualification and experience, and other capabilities of the entrepreneur and the characteristics of the partners if any
 - Industry Profile:** A reference of analysis of industry to which the project belongs.
 - Constitution and Organization:** the constitution and organizational structure of the enterprise in case of partnership firm, its registration with the registrar of the firm, application for getting registration certificate from directorate of industries/district objective from, Municipal authority or residential.
 - Site Information:** location of the site whether owned or leasehold land, industrial area, no brief description of the project covering the following aspects is given in the project report.
 - Physical Infrastructure:** availability of the following items of infrastructure should be mentioned in the project report
 - Raw material:** requirement of raw material, whether inland or imported sources of raw material mentioned in the project report
 - Skilled labor:** availability of skilled labor in the area, arrangements for training laborers in various skills.
 - Utilities:** these include
- i. **Power:** requirement for power, load sanctioned, availability of power.
 - ii. **Fuel:** requirement of fuel items such as coal, coke, oil, gas, state of their availability.
 - iii. **Water:** the sources and quality of water should be clearly stated in the project report.
 - iv. **Pollution control:** the aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in the project report.
 - v. **Communication system:** availability of communication facilities telephone, fax, should be stated in the project report.
 - vi. **Transport facilities:** requirement, mode, potential means of transport, distances to be covered, in the project report.
 - vii. **hotline numbers should be stated.**

In order to adjudge the profitability of the project to be set up, a projected profit and loss account indicating likely sales revenue, cost of production, allied cost and profit should be prepared.

7. Other financial aspects:

be carefully and clearly mentioned in the project report.

Supply should be carefully and clearly mentioned in the project report. The sources of supply should

6. **Assessment of working capital requirements:** the requirement for working capital and its sources of

raised from financial institutions and banks.

capital in the project report. The resources should indicate the owners funds together with funds

and buildings, plant and machinery, installation costs, preliminarily expenses, Margin for working

5. **Capital costs and the sources of finance:** an estimate of the various components of capital like land

entrepreneurs own transport should be mentioned in the project report.

V. **Transportation:** requirement for transportation means indicating whether public transport or

service should be normally stated in the project report.

iv. **After sales service:** depending upon the nature of the product, provisions made for after sales

project report.

iii. **Marketing strategy:** arrangements made for selling the product should be clearly stated in the

project report.

ii. **Expected price:** an expected price of the product to be realized should be mentioned in the

proposed unit.

i. **Demand and supply position:** state the total expected demand for the product and present

potential of the product should be stated in the report

4. **Market potential:** while preparing the project report the following aspects relating to the market

search and development activities.

xii. **Research and development:** a mention should be made in the project regarding the proposed

mentioned in the business plan.

xii. **Technology selected:** the selection of technology arrangements made for acquiring it should be

also be mentioned in the project report.

x. **Capacity of the plant:** the installed licensed capacity of the plant along with the shifts should

their size, type, costs and sources of their supply should be enclosed with the project report.

ix. **Machinery and equipments:** a complete list of machinery and equipments required indicating

of conversion from raw material to finished goods.

viii. **Production process:** a mention should be made for the process involved in production and period

be stated

vii. **Other common facilities:** like machine shops, welding shops and electrical repair shop should

- i. **General Information:** The feasibility report must include the analysis of the industry reports.
- ii. **Preliminary analyses 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 at attained, list of present projects and list of proposed project.
- iii. **Marketing plan:** The demand in the market, target price of product and distribution methods are to be presented.
- iv. **Capital requirements and costs:** The information regard to financial requirement

The planning commission of India issued some guidelines for preparing realistic project

4.4.4 Guidelines by Planning Commission for Project report

Timey implementation is important because there is a delay; it causes, among other things, a project cost overrun. Delay in the project implementation jeopardizes the financial viability of the project, on the one hand and props up the entrepreneur to drop the idea to set up an exercise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it.

9. Project implementation:

- i. Employment generation
- ii. Import substitution
- iii. Ancillaryisation
- iv. Exports.
- v. Local resource utilisation
- vi. Development of the area.

Besides the socio-economic benefits expected to accrue from the project should also be stated in the report itself. Following are the examples of the socio economic benefits.

In view of the social responsibility of business, the abatement costs, i.e. the costs for controlling the environmental damage should be stated in the report.

8. Economic and Social Variables:

projected balance sheet and cash flow statement should also be prepared to indicate the financial position and requirements at various stages of the project.

1. Define the term 'Entrepreneur'.
2. Explain in detail various types and functions of an Entrepreneur.
3. Briefly explain the characteristics of an Entrepreneur.
4. List out the qualities of an Entrepreneur.
5. Bring out a broad classification of Entrepreneur.
6. Discuss the evolution and growth of industrial entrepreneurship in India.
7. Distinguish between Entrepreneur and Intrapreneur.
8. Discuss the role of Entrepreneurs in economic development.
9. Explain the steps involved in the entrepreneurial process.
10. What is Entrepreneurship? Explain its model and types of Entrepreneurs
11. What is Project? Define the needs and significance of a Project report.
12. Explain the guidelines given by planning commission to formulate a Project report.
13. Briefly explain the importance of Project identification.
14. What is a Project report and what are the necessities, needs and significance of it?
15. Explain the sources of Project Identification.
16. Briefly explain the contents of a Project report.

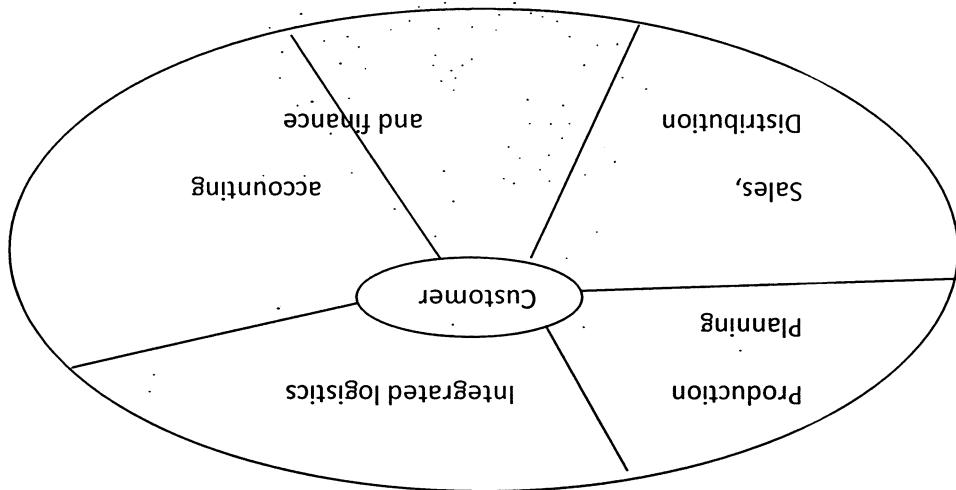
Assignment-2 Questions

- viii. **Miscellaneous aspects:** Based on nature and size of a particular project its any other relevant information may be included.
- vii. **Economic analysis:** Impact of operation on the foreign trade and there benefits are to be included in the report.
- vi. **Financial Analysis:** It is essential to measure financial viability of the project. It includes details about the balance sheets, clearance for foreign exchange, income tax and incentives for backward areas to be provided.
- v. **Operating requirements and costs:** The costs incurred after the commencement of commercial production is called operating cost. The cost of raw material, fuel, repair and maintenance, rent and marketing expenses etc. should be provided and there estimation should be realistic based on logical information.

3. ERP can be general purpose or custom-built for an organization, general purpose ERP softwares can be useful in restaurants, lodges, banks, post-offices, travel agencies, warehouses, educational institutions, each other.
2. ERP assures one database, one application and one user interface for the entire enterprise, in order to help decision making not only faster but also done in consultation and interaction with goals of the organization.
1. It provides a set of tools for planning and monitoring various business processes to achieve the

The importance of ERP can also be understood through the following points:

Figure: ERP



- “ERP represents an effort to operate simultaneously, different departments of an organization, in order to manage a system more effectively”. In other words,
- ERP software provides a system to capture and make data available in real time to decision makers and others throughout an organization.
- “An enterprise resource planning system is fully integrated business management system covering functional areas of an enterprise like logistics, production, finance, accounting and human resources” as shown in figure.

Technology has helped simplify and integrate all functions on the same computer platform, and is called Enterprise Resource Planning (ERP).

Today's businesses organizations are complex systems in which various functions such as purchasing, production, distribution, sales, HR, finance, and accounting must work together to achieve the goals of the organization. In such a scenario, sharing of information, resources, backlogs, due dates, complaints, priorities, etc across functions becomes burdensome.

4.1 Planning, Meaning and Importance

MODULE-4: ENTERPRISE RESOURCE PLANNING (continued)

Advantages of ERP

4. ERP generation and implementation can be costly and time-consuming, and may require extensive employee training throughout the organization.
- which are non-generic in nature.
- institutions, etc. while it may have to be made to order for most other types of organizations

1. ERP helps integrate financial data

- As the manager tries to understand its overall performance, it may find many different versions of the truth. Finance Manager may come up with his own set of revenue numbers, the Sales Manager may give his side of the version, and other Unit Heads may all give different accounts of how much they contributed to the revenues. With an ERP system, a single version of truth manifests, and therefore cannot be questioned because everyone is using the same

- Large manufacturing companies often find multiple business units across the company using the same items for different units and work stations. Standardizing those Preparation of Project and ERP processes and using a single, integrated computer system can save time, increase productivity and reduce human resources. Imagine TATA, as a conglomerate, may use stationary in every one of their businesses vertically, and if integrated, may reduce a fortune in terms of overall costs.

3. ERP helps standardize HR information
- ERP can address the issue of tracking employee time and communication with them about benefits and services, leading towards a unified and a simple HR system.
4. ERP helps reduce inventory
- ERP helps the flow of manufacturing process more smoothly, and this can improve the order fulfillment process inside the company. This can lead to reduction in the work-in-process inventory which helps better delivery to customers.

5. ERP is multi-faceted
- ERP eliminates problems like material shortages, enhances productivity, improves customer service, facilitates smooth cash flow, overcomes inventory problems, solves quality issues, reduces delivery schedules, plans logistics, etc.

1. Training
- Training of workers is a must for effective implementation of ERP. Training expenses are high since workers have to not only learn a new set of processes, but also a new software interface. It can be mentioned here that people, especially Indians, have a huge resistance to change, and therefore becomes all the more difficult to bring in a new system.
2. Integration & Testing
- To migrate to a new ERP system from the current one can be time-consuming and messy. Added to this would be the confusion and errors that it may result in.

3. Data conversion
- Corporate information, such as customer and supplier records needs to be moved from old format to the new format, which may take time and costs money.
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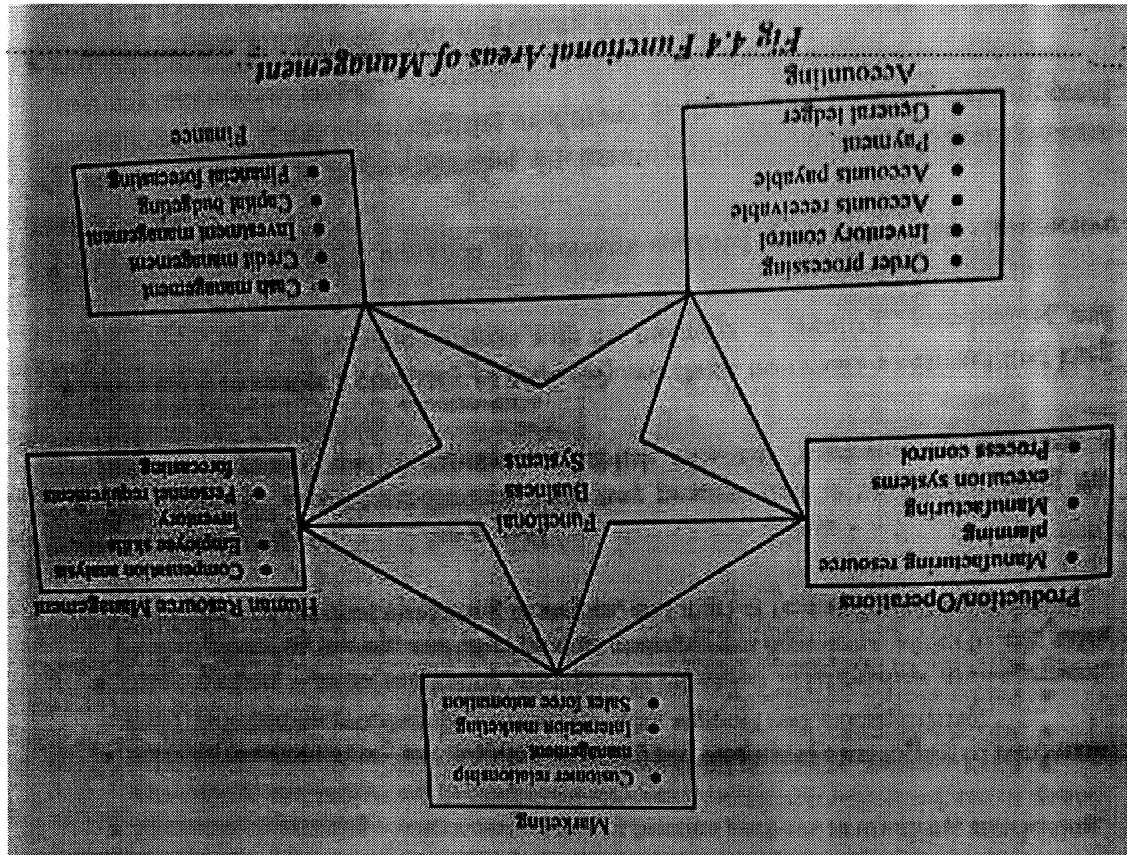
4. Waiting for Return on Investment (ROI)

The effectiveness of ERP implementation may take a long time to be realized. In other words, the improvement in the ROI is something that the management must have to wait before they realize it.

ERP systems often break havoc in the companies which are trying to install them. The most common reason for the performance problems is that everybody looks and works differently from what was before. When people are not able to do their jobs in the familiar way they were accustomed to, and can't figure out the new system, they may panic and this may send the business into chaos.

The functional areas of management with respect to ERP are accounting, finance, marketing, operations management, procurement, manufacturing, production/planning, process control, distribution, sales, and human resource management. (Explanation of each functions are followed in next section)

4.2 FUNCTIONAL AREAS OF MANAGEMENT



4.3 MARKETING/SALES

- is made to understand the consumer thoroughly in the following ways:
- Gathering and analyzing market information is an important function of marketing. Under it, an effort
1. **Gathering and Analyzing Market Information**
 2. Deciding on the marketing plan
 3. Product Designing and Development
 4. Standardization and Grading
 5. Packaging and Labeling
 6. Branding
 7. Customer Support Service
 8. Pricing of Products
 9. Promotion
 10. Physical Distribution
 11. Transportation
 12. Storage or Warehousing

The most important Marketing Functions are:

4.3.1 Functions in Marketing

Sl.No	Selling	Marketing
1	Product enjoys importance	Customer enjoys importance
2	Emphasis on what company needs	Emphasis is on what customer's need
3	Company-oriented selling efforts	Market - oriented selling efforts.
4	Goods are already produced and then sold at a profit. Tendency is to clear the stocks.	Goods are produced as per customer preference and feedback, and the supply is adjusted to demand
5	Selling is a short-term	Marketing is a long-term objective
6	Top priority is given to volume of sales	Top priority is given to profitable volume of sales, market share and reputation of the company.

Basically marketing can be defined as the performance of the business activities that direct the flow of goods and services from the producer to the consumer. It is the process of getting the right product to the right place in the right quantity at the right price and at the right time. It is the economic process by which goods and services are exchanged between the producer and the consumer and their values determined in Monetary terms. Marketing as a concept is somewhat different than the term Sales. Marketing creates the need or desire in man to purchase a product while Sales tries to push the product by overcoming a man's penchant to say no. In other words, according to Seth Godin Again, "Marketing tells a story that spreads. Sales overcomes the natural resistance to say yes". The following table gives the fundamental differences between the sales and the marketing concepts.

Every producer/seller wants that his product should have special identity in the market. In order to realize his wish he has to give a name to his product which has to be distinctive from other competitors. Giving a distinctive name to one's product is called branding. Thus, the objective of

6. Branding:

This can either be in the form of a cover or a seal. Product itself or on the package providing all the information regarding the product and its producer. Bottles, canister, plastic bags, tin or wooden boxes, jute bags etc. Label is a slip which is found on the demand goods in different quantities. It necessitates special packaging. Packaging material includes storage. Packaging facilitates handling, lifting, conveying of goods. Many a time, customers

Packaging aims at avoiding breakage, damage, destruction, etc., of the goods during transit and

5. Packaging and Labelling:

Grading, therefore, makes sale-purchase easy. Customer will have no doubt in his mind that a low grade product has been passed off to him. Customers who want best quality will be shown 'A', grade product. This way, the respetively, namely 'A', 'B' and 'C', representing three levels of quality; best, medium and ordinary grades. This placing is called grading. For example, a company produces commodity - X, having three grade. Products having the same characteristics (or standard) are placed within the same category or

the given product will have some distinguishing features as opposed to competitor's products. Standardization refers to determining of standard regarding size, quality, design, weight, color, raw material to be used, etc., with respect to a particular product. By doing so, it is ascertained that

4. Standardization and Grading:

weak and unattractive. Product designing plays an important role in product selling. The company whose design happens to be better and attractively designed sells more than the product of a company whose design happens to be

3. Product Designing and Development:

To do this is known as market plan. Now if the company wants to raise it to 75%, it has to prepare a plan in respect of the level of production and promotion efforts. It will also be decided as to who will do what, when and how. In order to achieve the objectives of an organization with regard to its marketing, the marketer chalks out his marketing plan. For example, a company has a 50% market share of a particular product. If the company wants to raise it to 75%, it has to prepare a plan in respect of the level

2. Decide on the Marketing Plan

All the relevant information about the consumer is collected and analyzed. On the basis of this analysis an effort is made to find out as to which product has the best opportunities in the market.

- a) What do the consumers want?
- b) In what quantity?
- c) At what price?
- d) When do they want it?
- e) What kind of ads do they like?
- f) Where do they want it?
- g) What kind of distribution system do they like?

branding is to show that the products of a given company are different from that of the competitors, so that it has its own identity.

Customer Support Service:

Customer is the king of market. Therefore, it is one of the chief functions of the company to offer every possible help to the customers. A company offers primarily the following services to the customers:

- (i) After-sales-services
- (ii) Handling customers' complaints
- (iii) Technical services
- (iv) Credit facilities
- (v) Maintenance services

Helping the customer in this way offers him satisfaction which in today's age happens to be the top-most priority. This encourages a customer's attachment to a particular product and he starts buying that product time and again.

8. Pricing of Products

It is the most important function of a marketing manager to fix price of a product. The price of a product is affected by its cost, rate of profit, price of competing product, policy of the government, etc. The price of a product should be fixed in a manner that it should not appear to be too high and at the same time it should earn enough profit for the organization.

Promotion means informing the consumers about the products of the company and encouraging them to buy these products. There are four methods of promotion: (i) Advertising, (ii) Personal selling, (iii) Sales promotion and (iv) Publicity. Every decision taken by the marketeer in this respect affects the sales. These decisions are taken keeping in view the budget of the company.

Under this function of marketing the decision about carrying things from the place of production to the place of consumption is taken into account. To accomplish this task, decision about four factors are taken. They are: (i) Transportation, (ii) Inventory, (iii) Warehousing and (iv) Order Processing.

Physical distribution is taking things, to the right place and at the right time creates time and place utility.

11. Transportation:

Product, sale and consumption-all the three activities need not be at one place. Obviously, had it been so, transportation of goods for physical distribution would have become irrelevant. But generally it is not possible. Production is carried out at one place, sale at another place and consumption at yet another place. Transport facility is needed for the produced goods to reach the hands of consumers. Especially in a large country like India, to get a product to the nooks and corners of a country is a huge challenge. To entice people to buy your product is one thing, but to facilitate him to buy it at a place and time of his convenience is another thing.

12. Storage or Warehousing:

There is a time-lag between the purchase or production of goods and their sale. It is very essential to store the goods at a safe place during this time-interval. Warehouses are used for this purpose. Keeping of goods in warehouses till the same are sold is called storage. According to Emerson

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The objective is to significantly reduce costs, increase efficiency and improve their supply chain software. The objective is to significantly reduce costs, increase efficiency and improve their supply chain companies today are reengineering their supply chain processes, aided by internet technologies and SCM

Figure illustrates the basic business processes in supply chain life cycle. It also emphasizes how many products.

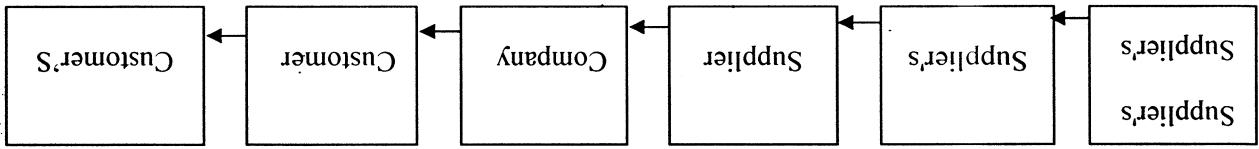
The goal of SCM is to create a fast, efficient and low-cost network of business relationships or supply chain to get a company's products from concept to market. A supply chain is also called as a value chain since each supply chain process should add value to the products or services a company

and others and receiving feedback on the status of every link in the supply chain.

The goal of SCM is to efficiently manage this process by forecasting demand, controlling inventory, enhancing the network of business relationships of a company has with customers, suppliers, distributors

SCM helps a company get the right products to the right place at the right time, in the proper quantity and at an acceptable cost.

SCM is a cross-functional inter-enterprise system that uses information technology to help support and manage the links between some of a company's key business processes and those of its suppliers, customers and business partners as shown in figure



chain may be viewed as:

the company to its customer and further forward to its customer's customer and so on. Therefore a supply backward to its supplier's supplier and goes again backwords. Similarly the chain extends forward from company along with its suppliers and customers. It extends from the company to its supplier and further ending with finished products delivered to the ultimate consumer. But supply chain is just not about a refers to the way that materials flow through different organizations, starting with basic raw materials and transports, warehouses, retailers, and even customers themselves. In its broadest sense, a supply chain customer request. The supply chain includes not only the manufacturer and supplier, but also

A Supply Chain basically consists of all parties involved, directly or indirectly, in fulfilling a

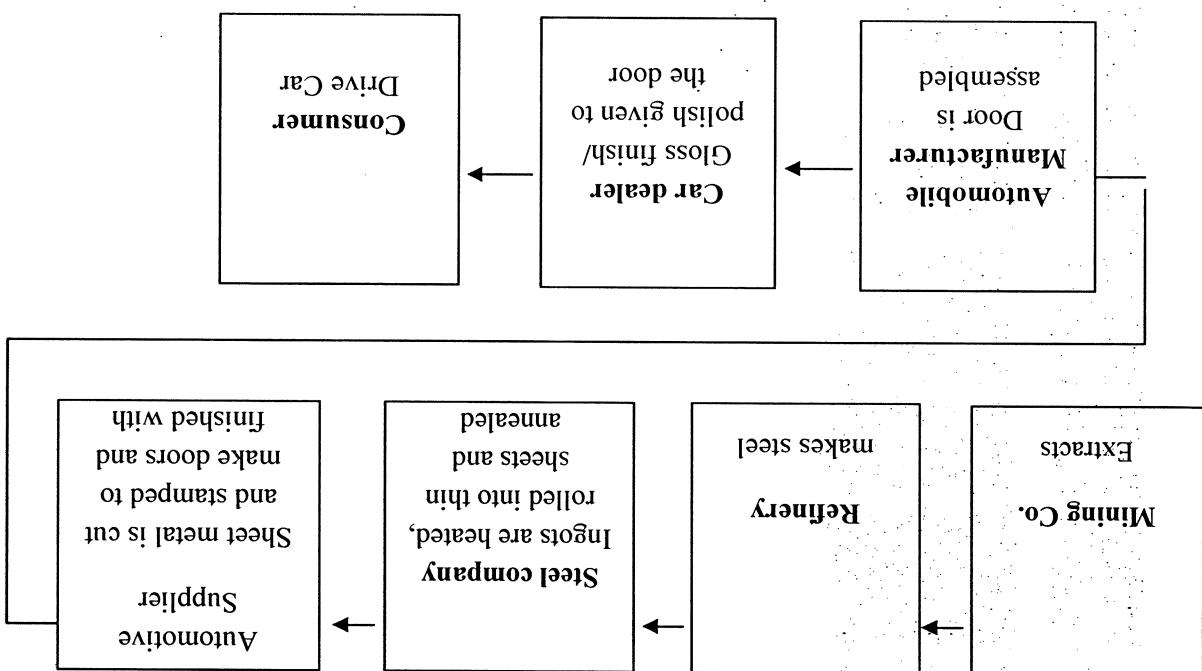
One of the growing field of management in the world today is the Supply Chain Management. This is because of the globalized manner in which business is run today. When a company has its suppliers and customers all over the world it becomes important for the company to have the entire network of suppliers and customers in view to keep the business going. It is increasingly becoming a popular perspective today to view the flow of materials from suppliers all the way to consumers as a system to be managed. Thus was born the concept 'Supply Chain Management'

4.4 SUPPLY CHAIN MANAGEMENT

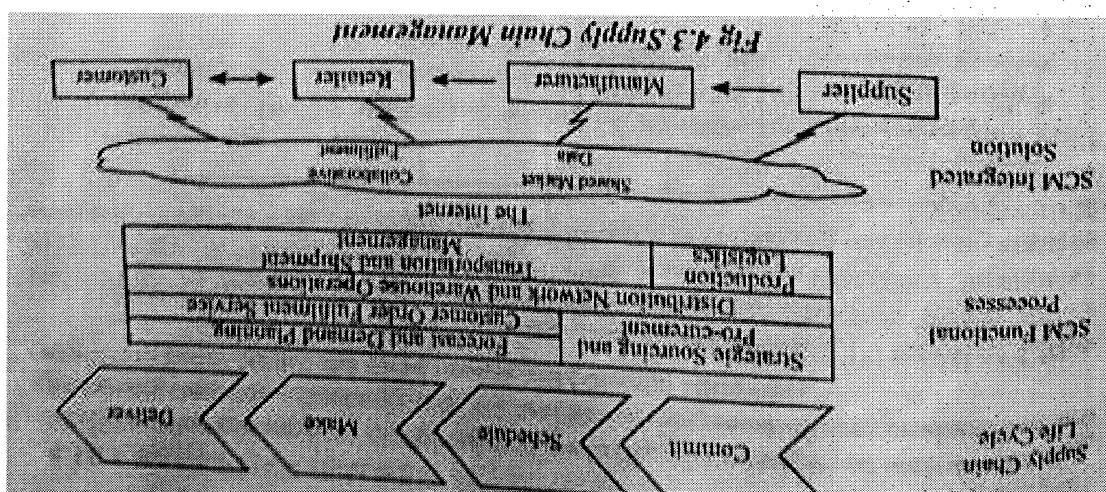
Report, India, the world's second largest producer of fruits and vegetables, throws away fresh produce worth INR 133 billion every year because of the country's lack of adequate cold storage facilities and refrigerated transport. What a waste!

Supply chain like the one shown exists for each and every product or component. Although supply chains show only the movement of materials, it should also be visualized in terms of movement of information, funds, products along both directions of this chain. The supply chain example as shown in Fig. 4.2 may show the presence of only one player at each stage, but in reality, a manufacturer may receive material from several suppliers and then supply to several distributors. Thus most supply chains are networks and therefore they can also be called as Supply Networks or Supply webs.

Figure 4.2: Supply chain for an automobile steel door



For example the supply chain for an automobile steel door would look like



Supply chain management is also alternatively called as Logistics Management. Its primary objective is to manage the supply chain so as to satisfy all customer needs, and in the process, generate profit for itself. Generally speaking, supply chain management consists of four important activities which form the framework for studying its nature and scope :

- (i) Purchasing : Process of buying all what is needed for the company. It is discussed in detail in the following pages.
 - (ii) Logistics : It is concerned with the logic and economics of movement of all materials following processes.
 - (iii) Warehousing : It deals with the type, number, size and technology concerned with the storing of raw materials and finished goods.
 - (iv) Expediting : It deals with speeding up an order through the entire or part of the materials system. Stocking of raw materials and finished goods.
 - (v) Supply chain Management also uses extensively Operation Research tools such as transportation models, linear programming, travelling salesman algorithm, Break-even analysis, inventory control techniques, and so on.
- Supply chain management can also be understood as having three distinctive entities :
- (i) In Bound supply chain : This chain consists of all the supplies of raw materials and components until its arrival to the organization.
 - (ii) In-house Supply chain : This refers to the chain of movements of all raw materials, sub-assemblies and also finished products within the factory until they are ready to be shipped out.
 - (iii) Out - bound supply chain : This chain pertains to the distribution of goods and services to the end customers.
- Purchasing or procurement refers to buying of raw materials, purchased parts, machinery, supplies, stationary and all other goods and services which would be required in any organization either manufacturing service-oriented . Every organization which is engaged in procuring goods and services faces certain important questions such as :
- (i) Are purchases being done at best prices?
 - (ii) Are the supplies reliable?
 - (iii) Will the suppliers always deliver agreed quality and at the right time?
 - (iv) Should the organization develop new sources?
 - (v) How efficient is the whole procurement process?
 - (vi) How can the organization improve its benefit from its suppliers?
- The search for right answers to these questions require a systematic approach to the activity of purchasing.

4.4.2 Importance of Purchasing and Supply Management

Since purchase is all about managing supplies to the organization, it is also known as Supply Management. The importance of purchasing or supply management, over the years, has becomes extremely important owing to trends such as :

- A step-by-step procurement process would be :**
1. Identification of the need to purchase
 2. Selection of Supplier or Vendor
 - The very first step would be to establish the need to buy a particular component. When this is done, the particular deptt which needs to purchase something places a purchase request with the purchase deptt. The order size and the EOQ is then established while the specifications are finalized.
 - The first step would be to make a list of all possible vendors through professional contacts, trade directors and B2B portals, although the starting point would be with known suppliers.
 - The vendors selected are then contacted. They are subjected to what are known as request for proposal (RFP) and request for Quotation (RFQ) processes.
 - Vendors are finalized based on several criteria and negotiations are held with them.
 - Contracts are generated fixing all terms such as price, payment, delivery terms and other engineering specifications.
 3. Placement of Purchase Orders

Irrespective of the type of organization and the nature of items procured, the Procurement process consists of a standard set of activities that are required to be performed in a chronological order.

4.4.4 Purchasing or the Procurement Process

1. Maintain a database of available suppliers : This database should include all information regarding the type, quality, capacity, delivery promises, cost etc of various products supplied by each of them.
2. Selection of suppliers : This has to be done taking various criteria into consideration.
3. Negotiate supply contracts with suppliers : Purchase contracts have to be prepared with details such as price, freight charges, delivery schedule, quality standards, performance standards etc all clearly specified.
4. Act as the interface between the company and its suppliers : All the departments in a manufacturing organization such as productions, design, quality control, accounting etc must to go through the purchase deptt in order to communicate with any one in the company.

The various activities that are expected from the purchase deptt or purchase officer are:

4.4.3 Functions of Purchase Department or Purchase Office

- (i) Tremendous impact of material cost on profits.
- (ii) The increasing prominence of automated manufacturing.
- (iii) The growth of business - to - business Internet transactions.
- (iv) The ever increasing global competition.
- (v) The consequences of using poor quality input materials.
- (vi) Demanding customers and quick response time needed.
- (vii) Need for quick and smooth change over to new products and services.

4. Vendor follow up

- Purchase orders are generated only after the competent authority has approved the purchase.

5. Inspection and acceptance/rejection of received material

- Once the order is placed with the selected vendor, regular follow-up is done to ensure that all terms are met in the process of being met.
- When the vendor finishes his work and supplies the material, it is received and checked w.r.t order sizes.

- Once the materials arrive, a thorough inspection is carried out and checked for contracted specifications.
- Based on checking, the lot could be either accepted or rejected. If rejected, sufficient proof has to be generated.
- If the lot is accepted, the relevant inventory records are updated and then the material is made available to the user.
- The purchase process is not completed until the payment is authorized and delivered to the vendor.
- Also, the performance of all vendors are rated and updated in the records.

4.5 FINANCE AND ACCOUNTING

- Financial management basically deals with procurement of funds needed for business and its efficient utilization. In other words, management of finance is the anticipation of financial needs, acquiring financial resources and allocating funds to different departments.**
- The attainment of these objectives largely depend upon the efficient management of finance. Financial management plays a key role in any business and in fact, will be a difference between success and failure. The important objectives of any organization are profitability, growth and survival.
- Financial management is one of the greatest challenges to budding MBA's trying, to make a name in the world because it offers some of the most sought-after streams in management studies disciplines in the world of finance. Financial Management is also very popular because it is an interesting subject and students from non-engineering background can also pursue it. The best financial management talent in the world comes from places like Stock Exchanges, Finance Companies, Mutual Fund Companies, Insurance Companies, International Banking etc., Financial Companies, Mutual Fund Companies, Insurance Companies, International Banking etc., Financial Management is for those who want to be in the forefront of the business world!
- 4.5.1 Objectives of Financial Management (Also Role of a Finance Manager)**

- To maximize profits and minimize losses.
- To determine the financial needs of the company.
- To raise funds for both fixed and working capital needs.

1. Raising money through partnership
2. Loans from banks, financial institutions, pawn brokers etc.
3. Shares - preference, equity and deferred shares.
4. Debentures - convertible and non-convertible
5. Public Deposits
6. Hire Purchase
7. Trade Credit

I. External Sources

Following are the different methods of raising capital:

Working capital is that which is required to meet the expenditure for day-to-day working of the business. It includes the cost of maintenance and service activities, cost of sales activities etc.

All Business enterprises have to raise funds from various sources in order to invest in their business and earn profits out of them. Funds raised are used for purchasing fixed assets and for working capital. Fixed assets are those like land, building, machinery, office equipment, furniture etc., which have to be bought even before beginning the operations of the company.

The broad objective of any firm would be to raise the finance it needs and employ it in production and marketing activities in order to generate returns on the invested capital. Therefore, there exists an inseparable relationship between finance on one hand and production and marketing on the other hand. A regular supply of finance ensures efficient production and marketing activities, which in turn helps returns, which again improves the flow of finance. A company in a tight financial position may compromise on production and marketing activities which in turn leads to poor returns and poorer flow of funds. Hence, the entire business of managing the finance depends heavily on the sources of finance.

- (i) Production
- (ii) Marketing
- (iii) Finance

They raise funds to acquire production and other various facilities. Thus, the three most important activities of a business firm are :

What is finance? What are the financial activities of a firm? How are they related to the firms other activities? Firms establish manufacturing facilities for production of goods while some provide services to customers. They sell their goods or services to earn profit.

- #### 4.5.2 Scope of Finance
4. To pay salaries and wages to the employees
 5. To control all financial activities of the company through standard costing, Budgetary control, Financial Analysis, Break:-Even Analysis etc.
 6. To prepare financial statement like profit and loss accounts and balance sheet
 7. To forecast the economic trends of the market well in advance.

This is the third major financial decision. The Finance Manager must decide, in consultation with the top management, whether to distribute all profits, or retain them, or distribute a portion and retain the balance. The dividend policy should be determined knowing the impact on the shareholders value. An optimum dividend policy is one that maximizes the market value of the firm.

(iii) Dividend Decision

This is the second most important function to be performed by the Finance Manager. A Finance Manager should broadly determine when, where, why, and how much of funds to acquire in order to meet the firms investment needs. The most important issue in front of a Finance Manager is to determine the proportion of equity and debt. The mix of debt and equity is known as the firm's Capital Structure. A manager must strive to obtain the best financing mix or the optimum Capital Structure according to the policies of the company. A company's Capital Structure is considered to be optimum when the market value of its shares is maximized.

(iii) Financial Decision

Because it is very difficult to measure future benefits of investments and cannot be predicted with certainty. Because of uncertain future, investment decisions involve risk. Usually, greater the risk, higher will be the expected return, in any kind of business. Therefore, investors should know the maximum risk that one can take in order to maximize returns.

(b) The measurement

Investment decisions on capital budgeting involves the decision of allocation of funds to long-term assets that would yield benefits in future. Two important aspects of the investment decision are : (a) the evaluation of prospective profitability of new investments, and

(i) Investment Decision

- (i) Investment or long-term asset-mix decision.

(ii) Financing or capital-mix decision.

(iii) Dividend or profit allocation decision.

(iv) Liquidity or short-term asset-mix decision.

The most important work of a Finance Manager in a company is to raise money from various sources, allocate them wisely and distribute the returns to all the shareholders appropriately. These are known as Finance functions. While performing these functions, a Finance Manager attempts to balance cash inflows and outflows. This is called liquidity decision and can be added to the list of important Finance function. Therefore, the Finance Function or decisions include:

4.5.4 FINANCE FUNCTIONS/FUNCTIONS OF FINANCIAL MANAGEMENT

- 1. Personal savings and assets inherited.
 - 2. Ploughing back of earnings
 - 3. Depreciation Money
 - 4. Deferred taxation.

II. Internal Sources

Firm's shares. A Finance Manager should also decide on issues such as cash dividends, dividend stability, bonus shares, pay-out ratio etc.

(iv) Liquidity Decision

This is the fourth important financial decision. Liquidity generally refers to the ability of a firm to meet its financial obligations in the short run, usually one year. Liquidity literally means flow of cash.

A business which deals only in cash i.e. sells in cash and buys in cash, is said to be having high liquidity. But it might lose profitability because idle current assets (or cash) would not earn anything against being invested. On the other hand, businesses which buys and sells more on credit will be low on liquidity, which means there is always a shortage of cash. It is a situation of conflict exists between profitability and liquidity while managing current assets, and a proper trade-off must be achieved.

In order to ensure that neither insufficient nor unnecessary funds are invested in current assets, a Finance Manager should develop sound techniques of managing current assets. He should anticipate and estimate correctly a firm's need for current assets and make sure that funds would be made available when needed.

In any organization information regarding finance has to be systematically presented to properly understand, interpret and act upon it. Following is a list of all sources of financial information in any organized business.

4.5 Sources of Financial Information

Books of Account
1. Accounting Process
2. Financial Accounting
3. Cost Accounting
4. Management Accounting
Journal
1. Single Entry
2. Double Entry
Ledger
1. Trial Balance
2. Profit & Loss Account
3. Balance Sheet

IV. Financial Statements
1. Journal
2. Ledger
3. Trial Balance
4. Profit & Loss Account
5. Balance Sheet

4.6 ACCOUNTING PROCESS

Any business usually involves a large number of transactions. Buying, selling, paying and receiving are very frequent. It is humanly impossible to remember all transactions. Hence it becomes necessary for us to record all the transactions in a note-book.

Accounting is the art of recording, classifying, summarizing and reporting all business transactions. Accounting is the language of business and its main purpose is to produce business reports.

data. Accounting is also the science of recording business transactions in a methodical manner so as to show:

b) Loss or profit occurred during a specific accounting period.

a) the true state of affairs of a business at any instant of time.

4.6.1 Objectives of Accounting

The objectives of accounting can be stated as follows:

a) To maintain systematic records: Accounting is used to maintain systematic records of all financial transactions like purchase and sale of goods, cash receipts and cash payments etc. It is

b) To ascertain net profit or net loss of the business: A business man would be interested in period.

c) To ascertain the financial position of the business: The businessman is also interested in whether it has increased or decreased or remained constant. A systematic record of assets and liabilities facilitates preparation of a position statement called Balance Sheet which provides the necessary information.

d) To provide accounting information to interested parties: Apart from owners, there are various other parties who are interested in the accounting information. These are: bankers, creditors, shareholders, tax authorities, prospective investors etc. They need such information to assess the profitability and the financial soundness of the business. The accounting information is communicated to them in the form of an annual report.

4.6.2 Limitations of Accounting

1. Accounting does not reflect non-financial factors: Accounting does not record transactions and events which are non-financial in character. Hence they do not reveal a complete picture because facts like quality of human resources, location advantage, business contacts, licenses, patients and trade marks possessed etc., do not find any place in the books of account.

2. Data is historical in nature: The accountants adopt historical cost as the basis for giving values and reporting all assets and liabilities. They do not reflect current values. It is quite possible that items like land and buildings may have much more value than what is stated in the balance sheet.

3. Estimation and personal judgments are utilized: Factors recorded in financial statements are greatly influenced by accounting conventions and personal judgments. Hence, they do not reveal the true picture. In many cases, estimations are used to determine the value of various items like inventories, fixed assets, good will etc.

4. Insufficient data: Data provided in the financial statements is insufficient for proper analysis and decision making. It only provides information about the overall profitability of the business. No information is given about the cost and profitability of different activities.

The purpose of management accounting is to assist the management in taking rational policy decisions and to evaluate the impact of its decisions and actions. Examples of such decisions are : Pricing decisions, make or buy decisions, capital expenditure decisions etc. This branch of accounting is primarily concerned with providing the necessary accounting information like Income Tax department, Commercial Tax department, Sales Tax department, Excise department etc., so as to keep them at bay!

4. Management Accounting

Tax Accounting deals with the reporting and filing of tax returns to Government agencies like Income Tax department, Commercial Tax department, Sales Tax department, Excise department etc.

3. Tax Accounting

While Financial Accounting is mainly concerned with external transactions or an organization, Cost Accounting is concerned with internal matters like expenditure incurred on production, profitability of work centres and so on.

Cost Accounting deals with classifying and recording of all expenditures incurred in the manufacture of a product. In other words, cost accounting can be simply defined as the process of determining the actual cost of an article so as to be the basis for fixing its selling price and make a profit out of it.

2. Cost Accounting

- (v) To prepare financial statements such as Balance sheet, Profit and Loss account etc.
- (iv) To prepare the dividend policy
- (iii) To safeguard the share holders.
- (ii) To meet tax and other legal requirements
- (i) To take care of Stock Exchange requirements.

Objectives of Financial Accounting

Financial accounting is a legal necessity and is vital to show the indebtedness and creditworthiness of the company.

i.	Cash Accounts	-	Cash receipts and payments	-	Personal Accounts	-	Credit given and taken	-	Real Accounts	-	Property bought and sold	-	Nominal Accounts	-	Expenses incurred
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Financial Accounting covers:

Financial Accounting deals with the recording, summarizing and reporting of the financial transactions in the important areas of sales, service, purchase etc. The transactions taking place could either be through cash or credit. Financial Accounting reflects the general financial position of the company and hence is also known as 'General Accounting'.

1. Financial Accounting

4. Management Accounting

3. Tax Accounting

2. Cost-Accounting

1. Financial Accounting

Accounting can be broadly classified into:

4.6.3 Classification of Accounting

1. **Assets:** Assets are the properties that are owned and that which have monetary value. Assets are in fact, the resources of the business enterprise.
- e.g. .. Cash, machinery, vehicles, land, building, inventory etc.
- Assets are classified as :
- (i) **Current Assets:** Current assets are those which can be converted into cash in a short period of time. e.g. .. Cash in hand, cash in bank, inventories, accounts receivable etc.
- (ii) **Fixed Assets:** Fixed assets are those which have relatively long existence which cannot be readily converted into cash. e.g. .. Land, building, furniture, machinery etc.
- (iii) **Intangible Assets:** There are long-term assets that have no physical existence but nevertheless have certain rights and values. e.g. .. Patents, trademarks, goodwill, copyright etc.
2. **Liabilities:** Liabilities are the claims that can be made by the share holders, banks and other financial lenders against a business enterprise in case it goes to losses. Different liabilities are:
- e.g. .. Long term loans, debentures, bonds, mortgage payable, owners investment etc. year.
- (i) **Fixed or long-term Liabilities:** They are the long term obligations of the company and which cannot be liquidated suddenly from the current assets. Generally payable in more than one year.
- (ii) **Current Liabilities:** The debts of the company which have to be repaid within a short period of time are known as current liabilities. Generally payable in an year or less.
- e.g. .. Wages, short-term loans, income-tax, rent, trade-credit, bank over-drafts etc.
- (iii) **Contingency Liabilities:** A contingency liability arises when a firm becomes a party to a bill of exchange. It becomes a real liability if the debtor of the bill fails to pay.
3. **Transaction:** Transaction is the monetary dealing between two parties or two persons.
4. **Creditor:** Creditor is a person who supplies finance to others i.e. he has to get back his money.
5. **Debtor:** Debtor is the person who owes money to others i.e. he has to pay money.
6. **Bad Debt:** A debt which becomes irrecoverable for some reasons becomes a bad debt. If the debtor becomes a pauper (claims insolvency) or dies without leaving any money behind, it becomes a bad debt.

4.7 BASIC CONCEPTS IN ACCOUNTING OR ACCOUNTING TERMINOLOGY

[EXTRA INFORMATION is only 4.7]

about funds, costs, profits etc. to the management which may help them in such decisions and also in planning and controlling business operations.

7. Turnover: Turnover is the total sales income of a business either through credit or cash during a given period.
8. Cash and Credit Trade : When goods are purchased or sold on cash only, it is known as cash trade. When the goods are purchased or sold on credit it is called credit trade.
9. Commission: The percentage remuneration given by a firm to a person for the services rendered by him is called commission.
10. Over draft : It is the money drawn from the bank by the company over and above the permissible credit limit of the bank balance.
11. Drawings: It is the withdrawal of money from the business by the owner or one of the partners for his personal use.
12. Sales Returns : When a customer who has purchased certain goods, returns some of them (due to some reason) to the firm, it is called sales return.
13. Purchase Returns : If the firm returns to the supplier the goods purchased from him (due to some reason), it is known as purchase returns.
14. Bill: Bill is a written statement received by the buyer from the seller after having purchased goods from him (due to some reason), it is known as bill.
15. Receipt: Receipt is another statement received by the buyer from the seller after having paid for the goods.
16. Invoice: A statement issued by the seller to the buyer giving details of the goods sold.
17. Voucher: Any written evidence in support of a business transactions is called a voucher. Bill and receipt are also types of vouchers. It is on the basis of the vouchers that entries are made in the books of accounts.

All business accounts are broadly classified into three classes :

Classification of Accounts

1. Personal Accounts: Accounts which show transactions with persons are called 'Personal Accounts'. A separate account is kept in the name of each person for recording the benefits given to or received from the person in the course of dealings with him. In other words, personal accounts are those that record dealings with persons or even firms who may be debtors or creditors. E.g. - Vireet's Account, Thejaswi's Account, Boses' Account, Tabrez & Sons Account, etc.
2. Real Accounts : Those relating to properties or assets are known as 'Real Accounts'. Every business needs assets such as machinery, furniture etc. for running its activities. A separate account is maintained for each asset owned by the business. All transactions relating to a particular asset are recorded in the concerned asset account.
3. Nominal Accounts: Those relating to property (assets).
- Real and Nominal accounts together are called as 'Nominal accounts'.
1. Personal Accounts: Those relating to persons and particular firms.
2. Real Accounts : Those relating to properties (assets).
3. Nominal Accounts: Those relating to incomes and expenses.
1. Personal Accounts: Accounts which show transactions with persons are called 'Personal Accounts'.
2. Real Accounts : Accounts related to properties (assets).
3. Nominal Accounts: These are either personal or real.

2. Real Accounts : Accounts related to properties or assets are known as 'Real Accounts'. Every business needs assets such as machinery, furniture etc. for running its activities. A separate account is maintained for each asset owned by the business. All transactions relating to a particular asset are recorded in the concerned asset account.
- E.g. .. Cash account, Furniture account, Machinery account, Building account etc. They are known as real accounts because they represent real things of value owned by the business.

the aspects.

(i) It provides complete and reliable record of all business transactions because it records both

The advantages of Double Entry system are :

giving aspect (Cash Account) is credited. Thus for every debit there will be an equivalent credit. involves the receiving aspect (Purchase Account) is debited and the account which involves system uses rules of Debit and Credit for making entries. According to this, the Double Entry system which recognizes and records both the aspects of every transaction. The Double Entry system which recognizes and records both the aspects of every transaction is called Double Entry other in Cash Account. This method of recording business transaction is called Double Entry cash decreases should be recorded which involves two entries, one in Goods Account and the goes out. Thus a transaction affects two aspects at the same time i.e. stock of goods increases and For example when a company purchases goods from a supplier, goods comes in and cash Every business transaction has 2 aspects (i) the aspect of receiving and (ii) the aspect of giving.

1. Double Entry system

1. Double Entry system
2. Single Entry system

Systems of Book-keeping

- viii. Cash available in the company.
- vi. Profit and loss accounts.
- v. Information about assets and liabilities of the firm.
- iv. Quantitative value of the goods available with the firm.
- iii. Transactions with creditors and debtors.
- ii. All purchases, sales and returns in the financial year.
- i. Book keeping helps in showing :

To run a business well, it is necessary to know the amount of money received, amount of money spent and how the money is spent. A book-keeping system can provide this information. In other words, book-keeping is the art of recording business transactions in a systematic manner.

1. Book-Keeping

- 1. For Personal Accounts - Debit the receiver and credit the 'giver'.
- 2. For Real Accounts - Debit what comes in and credit what goes out.
- 3. For Nominal Accounts - Debit all expenses and losses and credit all in comes and gains.

Rules of Debit and Credit for different Accounts for Book-keeping

- 3. Nominal Accounts: Accounts relating to expenses, losses, income and gains are known as Nominal Accounts. A separate account is maintained for each item of expense, loss, income or gain.
- E.g. Wages Account, Salaries Account, Commission Received Account and Interest received account etc.

- The final accounts consist of an income statement called 'Profit and Loss Account' and a position statement called 'Balance Sheet'. The profit and loss statement gives us information about the amount to ascertain the financial position of the business.
- (a) To know the net result of business activities
 (b) to ascertain the final position of the business

(iii) Summarizing the transactions: The next step is to prepare a year-end summary known as 'Final Accounts'. But before preparing the final accounts, a statement called 'Trial Balance' is prepared to check the arithmetical accuracy of the journal and ledger. Thus, with the help of trial balance and some other relevant information, the final accounts are prepared. The objectives of preparing the final accounts are to ascertain the effect of all transactions of a given period with respect to each account. For this purpose, all accounts are balanced periodically.

(iv) Classifying the transactions: The second stage consists of grouping the transactions of similar nature and posting them to the concerned accounts in another book called 'Ledger'. For example, all transactions related to cash are posted to Cash Account, transactions related to different persons are entered separately in the account of each person etc. The objective of classifying the transactions in this manner is to ascertain the combined effect of all transactions of a given period.

(v) Recording the transactions: The accounting process begins with the recording of all transactions in the book of original entry. This book is called 'Journal'. All transactions are recorded in the journal in a chronological order (date-wise) with the help of various vouchers recorded in the book of original entry.

- (i) Recording the transactions
 (ii) Classifying the transactions
 (iii) Summarizing the transactions
 (iv) Interpreting the results.

The accounting process consists of the following four stages :

II. Accounting Process

Individuals recording their personal expenditure, etc. to ascertain the correct amount of profit or loss. This system is followed by small business firms. hence not reliable. The main defect in this system is that the arithmetical accuracy of the books of account cannot be checked, because a trial balance cannot be prepared. It also becomes difficult and no entry. The accounts maintained under this system are incomplete and non-systematic and are not at all recorded. The Single Entry system is thus a mixture of double entry, single entry while in others only one aspect is recorded. In some cases, transactions are simply ignored, and account books maintained. In certain cases the two aspects of a transaction are duly recorded refers to incomplete records. Under this system neither all the transactions are recorded nor all the Single Entry system does not mean that only one aspect of a transaction is recorded. It simply

2. Single Entry system

- (i) It supplies full information about the incomes, expenses, assets & liabilities of the business.
 (ii) This helps the management in taking appropriate decisions.
 (iii) The arithmetical accuracy of the books of account can be easily verified by preparing a trial balance.
 (iv) The financial result of a business organization i.e., profit or loss can be correctly ascertained.
 (v) The financial position of the business can also be ascertained at any point of time.

(iv) **Interpreting the results:** The last stage consists of analyzing and interpreting the results shown by the final accounts. This involves computation of various accounts ratios to assess the liquidity, solvency, and profitability of the business. Such analysis is meant for interested parties like management, investors, bankers, creditors etc. The balances on various accounts appearing in day-to-day transactions in the order in which they occur. It is also called the book of prime entry or the day book.

Journal is a daily record of business transactions. It is also called a Day Book, and is used for recording all day-to-day transactions in the order in which they occur. It is also called the book of prime entry or the day book. In other words, a journal contains the chronological listing of all transactions and constitutes the original record of all transactions. The process of recording a transaction in the journal is called journalizing, and the entries made in this book are called 'Journal Entries'.

The book of original entry because all transactions are recorded first in this book. In other words, a journal book processes or recording a transaction in the journal is called journalizing, and the entries made in this book are called 'Journal Entries'.

Journal

Examples of a journal and journal entries (see figure)

Date	Amount	Particulars	Dr	Rs.	Dr Amount Rs.	
June 01	Cash Account Dr.	To Capital Account	2	100000	100000	
June 02	Furniture Account Dr.	To Bank Account	16	2000	2000	
June 03	Cash Account Dr.	To Sales Account	2	3000	3000	
June 04	Drawings Account Dr	(Being Goods sold for cash)	10	500	500	
		(Being furniture purchased and paid by cheque)	4			
		(Being furniture purchased and paid by cheque)	2			
		(Being cash withdrawn for cash account)	2			
		(Being cash withdrawn for cash account)	2			

10

DR

LEDGER Page No. 2

Example of a Ledger:

asset, incomes and expenses.

We know that the journal is a chronological record of all business transactions. But it does not provide all the information regarding a particular person or item at one place. This makes it difficult to know the net effect of various transactions with a particular person. Suppose you want to know the amount due to a particular supplier or the amount due from a particular customer, you will have to go through the whole journal. To overcome this difficulty, another book called 'Ledger' is maintained. In this book, separate accounts, are opened for each person and each item in separate pages. Then all transactions related to that particular person or item as recorded in the journal are posted in the concerned account. Similarly, all cash payments and cash receipts can be posted to Cash Account, and so on.

3. Ledger

Column 4 and 5:

Column 3

Sundowning (Sundowning) (Sundowning) (Sundowning)

is written first and the abbreviation 'Dr.' is written against it. In the next line, the name of the amount to be credited is written and is always preceded by the word 'To'. It is not necessary to write 'Cr.' against the name of the account to be credited. In the next line, a brief description of the transaction called 'Narration' is given in the bracket.

This is the Particulars column. The name of the account to be debited

Column 1 : : Used for writing the date of the transaction

its entries are given below:

As is seen above a journal is divided into 3 columns. The explanation of each column of the journal and

* Imaginary Ledger Folio Numbers

(personal use)

SI.No	Name of the Account	Dr.	Cr.
-------	---------------------	-----	-----

Trial Balance As On December 31, 2000 (Example)

Method.

This method is more convenient and commonly used because it eliminates all those accounts which have nil balance. Figure shows an example of Trial Balance prepared by Balances

(ii) **Balances Method :** In this, only the balances of each account is shown in the Trial Balance. This method is more convenient and commonly used because it eliminates all those accounts

credit side total of the account is the credit column.

The debit side total of an account is shown in the debit column of the Trial Balance. & the debit side total of the account is the debit column.

(iii) **Totals Method :** In this, the totals of each side of an account is shown in the Trial Balance.

Methods of Preparing Trial Balance

some errors have been committed while posting the transactions into the ledger. Some errors have been correctly recorded in the ledger. However, if the two totals do not tally it implies that the total of its credit balances column, it would mean that both the aspects of each transaction accounts. Now if the Trial Balance tallies i.e., the total of its debit balances column, is equal to the debit balances in different accounts must be equal to the total of credit balances in different accounts. Similarly, the total accounts must be equal to the total of the credits given to different accounts. Similarly, the total correspondence credit, under the Double Entry system. So, the, total of debits given to different credit balances in the other in the trial balance. We know that for every debit there is an equal and the double entry system i.e., credit and debit. The debit balances are shown in one column and the credit balances which appear in the ledger. We know that every transaction has two aspects under accounts before preparing the final accounts. A Trial Balance basically shows the balances of all the prepared to check the arithmetical accuracy of the books of account. It is usually prepared just for the preparation of final accounts namely the profit and loss statement and the Balance sheet are prepared

1. **Trial Balance:** After posting all journal entries into the ledger, a statement called trial balance is prepared of final accounts namely the profit and loss statement and the Balance sheet are prepared after the Trial Balance of the Books of account.

The preparation of final accounts namely the profit and loss statement and the Balance sheet are prepared

V. Financial Statements

page.

From the format of the ledger above, we can notice that both sides of the Account have date, particulars, folio and amount columns. The example shown above is one of the pages in the ledger where Cash Account is kept. The entries that are posted in this ledger page are from the journal shown in the previous page.

Date	Particulars	F	Amount	Date	Particulars	F	Amount
2001	To capital a/c	1	10000	2001			
June 1	To sales a/c	4	3000				
June 3	To sales a/c	4	3000	June 4	By Drawings a/c	10	500.00

Sales		Expediture		Revenues	
Product X	15000	Raw materials	-	20000	Product costs
Product Y	10000	-	-	15000	Production costs
Product Z	5000	-	-	20000	Administration Expenses
Scrapes	2000	-	-	5000	Depreciation costs

For the Financial year 2015-2016 (1st April 2015 - 31st March 2016)

PROFIT & LOSS ACCOUNT

XYZ COMPANY

It is a statement which shows the details of income and expenditure of the organization for a particular period, generally one year. The profit and loss statement gives the detailed list of revenues on one side and the detailed list of expenditures on the other side. Finally, it shows the net income for the period indicated, which could be profit or loss. It is for this reason that a profit and loss statement is sometimes referred to as Income Statement or Revenue Statement. A typical profit and loss statement is shown in the following figure.

2. Profit and Loss Statement

1.	Cash Account	12500	2	Balance	Balance
2.	Capital Account	1	1		
3.	Furniture Account	2000	16		
4.	Bank Account	2000	3		
5.	Sales Account	3000	4		
6.	Drawings Account	500	10		
7.	Salaries Account	5000	5		
8.	Bad Debts Account	1000	20		
					21,000

Assets	Liabilities
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(As on 31st March 2015-2016)

BALANCE SHEET

ABC COMPANY

Balance sheets are normally prepared once in a year, but may be prepared more often whenever it is asked for. The need to ask for a Balance sheet arises on specific occasions like when the company wants to take decisions regarding diversification, large investments, dividend, distribution etc. In general, a Balance Sheet is helpful for investors on the business, creditors and the organization etc. A typical Balance sheet is shown in the following figure.

A Balance sheet is a statement which shows the financial status of the company at any given point of time. It is a statement of assets, liabilities and capital (or net worth) on a specified date. In other words, a Balance Sheet shows the summary of all the resources of the business and how they are locked up in various assets and liabilities. Since the Balance Sheet reflects the financial position of the company, it is also sometimes referred to as the Position Statement.

3. Balance Sheet

Figure : Profit & Loss Account

Generally the Profit and Loss Account is prepared to calculate net profit. Net profit can also be calculated by comparing the Balance Sheet at the beginning and end of the financial period. This fact demonstrates the role of the profit and loss account as a link between consecutive statements of financial position. Net profit (or net loss) for a financial period is equal to the change in the equity held by the owners, during that period. In other words, the difference in the beginning and ending of the owners equity is the net profit (or net loss).

Generally the Profit and Loss Account is an outflow of assets (or inflow of liabilities). Impact of profit & loss account is we remember that revenue is an inflow of assets (or outflow of liabilities) and expenditure is an outflow of assets (or inflow of liabilities).

The Balance Sheet and the Profit & Loss Statement are not two separate and independent statements, but they are related to each other. The Profit & Loss Statement is a link between the Balance Sheet at the beginning of the period and the Balance Sheet at the end of the period. We can easily understand the impact of profit & loss account if we remember that revenue is an inflow of assets (or outflow of liabilities) and expenditure is an outflow of assets (or inflow of liabilities).

Relation between Balance sheet and Profit & loss Account

Fixed Liabilities		Fixed Assets		Current Liabilities		Current Assets	
Shares	50000	Land	50000	Building	50000	Equipment	50000
Debentures	-	-	-	Bonds	-	Bonds	-
Deposits	100000	50000	50000	Total	150000	Total	200000
Bank Loans	10000	Cash	50000	Current Liabilities	-	Current Assets	-
Bill Payable	20000	Receivables	50000	Creditors	50000	Creditors	50000
Over drafts	-	Inventories	-	Trade Creditors	-	Trade Creditors	-
Total	50000	Total	200000	Total	-	Total	-
Investments		Bonds	500000	Securities	50000	Total	1000000
Total Liabilities		Total Assets	-	Total Assets	-	Total Liabilities	3,50,000

- There are two broad categories of Reporting Methods,
1. **Written Reports**
 - (a) Abstract and briefings
 - (b) Annual Reports
 - (c) Fact Sheet
 - (d) Empirical Publication
 - (e) Newsletter
 2. **Oral/visual Reports**
 - (a) Power point presentations
 - (b) Exhibitions
 - (c) News Release
 - (d) Posters
 - (e) Written Reports

Reporting is an important part of an organization's work. In other words, reporting goes on at all levels - reporting on the status of work, reporting on the performance of the junior, reporting to the boss, reporting to the Government, reporting to an audience, reporting to the Board of Directors, reporting to the magazine, reporting to colleagues, and so on. There are many ways to present data, or report, so that it can be easily understood by the particular targeted audience.

TYPES OF REPORTS AND METHODS OF REPORT GENERATION

- Planning to meet the personnel needs of the business.
 - Development of employees to their full potential
 - Control of all personnel policies and programs
 - Recruitment, selection and hiring
 - Job placement
 - Performance appraisals
 - Employee benefits analysis
 - Training and development
 - Health, safety and security.
- HRM also supports**
- The goal of HRM is the effective and efficient use of the human resources of a company.
 - Thus, human resource information systems are designed to support:

The human resources management involves the recruitment, placement, evaluation, compensation and development of the employees of an organization.

Management and entrepreneurship for it industry

4.8 HUMAN RESOURCES

d. Empirical Publication	For Whom?	For specific practitioners or academics who are interested in research or evaluation findings.
Meaning	For Whom?	For audiences who want to easily pick out relevant facts about the data at a glance.
Content	For Whom?	Simple, one-page documents listing facts about the data in a simple-to-read format
Meaning	For Whom?	A detailed, year-long overview of a program and evaluation findings.
Content	For Whom?	Summary, background information, a description of the project, evaluation results, etc.
Meaning	For Whom?	For audiences interested in a highly formal report on all aspects of a program and the evaluation.
Tips	For Whom?	Annual reports can be interesting and engaging if you follow a proven format.
Meaning	c. Fact Sheet	For audiences who want to easily pick out relevant facts about the data at a glance.
Content	c. Fact Sheet	Simple, one-page documents listing facts about the data in a simple-to-read format
Meaning	c. Fact Sheet	Should easily convey data at a glance.
Tips	c. Fact Sheet	For specific practitioners or academics who are interested in research or evaluation findings.

b. Annual Reports	For Whom?	For audiences interested in a highly formal report on all aspects of a program and the evaluation.
Meaning	For Whom?	A detailed, year-long overview of a program and evaluation findings.
Content	For Whom?	Summary, background information, a description of the project, evaluation results, etc.
Meaning	For Whom?	For audiences interested in a highly formal report on all aspects of a program and the evaluation.
Tips	For Whom?	Annual reports can be interesting and engaging if you follow a proven format.

a. Abstract and Briefing	For Whom?	For audiences who are short on time or focus.
Meaning	For Whom?	An abstract is a short, written overview. A briefing is a short, oral overview. Both are usually part of a larger report.
Content	For Whom?	- The reasons for conducting the evaluation. - The major conclusions and recommendations
Meaning	For Whom?	If your audience is short on time they should be able to quickly and easily learn major evaluation conclusions
Tips	For Whom?	Are usually part of a larger report.

1. Written Reports

For Whom?	For large events like fairs or conferences. A good way to network, put information into people's hands, and creates awareness among large audiences.
Meantime	Display boards or an arrangement of materials and publications about your program usually set out on a table or in a booth
Content	Should include a title, several bulletted statements that convey your message, photographs, and/or illustrations
Tips	Exhibits that have a gimmick are most successful at attracting an audience. "Make and take" activities, free gifts, and candy are attractions that draw people to the

b. Exhibitions

For Whom?	To display key presentation points in order to enhance understanding, illustrate ideas, and break down complex concepts into simpler ones.
Meantime	PowerPoint is presentation software that allows you to create slides, handouts, notes and outlines that enhance your oral presentation. It is the most common type of public presentation.
Content	A presentation includes a title, purpose, objectives, background, findings, and recommendations
Tips	Text should be minimized on each visual by using six to eight words per line and six to eight lines per visual. Be sure your equipment works, the lighting is appropriate, and the colors and text are readable.

2. Oral / Visual Reports

For Whom?	For an audience who is interested in a program or organization, often serving as a primary link—sometimes the only link—between an audience and the program
Meantime	An informative publication that is written and distributed on a regular basis (monthly, quarterly) and contains updated information about the program or cause
Content	Can vary in length and contain graphics showing data results, pictures, and other items of visual interest.
Tips	Keep the distribution schedule regular so those receiving it begin to expect and look forward to receiving it.

e. News Letters

causal results from your experimental design

c) **Scope and objectives of the study :** the logical arguments then conclude in the form of definite statements related to the purpose of the study

b) **Study introduction and background:** study background essentially begins by presenting the decision makers problem and then moves on to description of the theoretical and contemporary market data that laid the foundation that guided the research

a) **Problem statement:** this section begins with formal definition of the research problem

BACKGROUND SECTION

e) **Table of contents:** all reports should have a section that clearly indicates the division of the report based on the formal areas of the study as indicated in the structure.

d) **Acknowledgements :** a small note acknowledging the contribution of the respondents, the corporate and the experts who provided inputs for accomplishment of the research is included here

c) **Executive summary:** the summary of the entire report, starting from the scope and objectives of the study to the methodology employed and the results obtained has to be presented in a brief and concise manner.

b) **Letter of authorization:** The author of this letter is the business manager who formally gives the permission for executing the project. The tone of this letter, unlike the above document is very precise and formal.

a) **Title page:** the title should be crisp and indicative of the nature of the project

following individual elements:

This section mainly consists of identification information for the study conducted. It has the

I. PRELIMINARY SECTION

The figure illustrates steps involved in report writing are

STEPS INVOLVED IN REPORT WRITING

For Whom?	To raise public interest in a study or evaluation you have conducted.
Meaning	Interesting, news worthy summary that is sent to newspapers, radio, and television stations, highlighting only the most important details of your evaluation or study.
Content	Begin with the most important information, using an eye-catching message. Use quotes by program principals or participants that draw attention to important information. Include the name, phone number, and address of a contact person so reporters can follow up and verify information.
Tips	The news release should end with "###". This symbol will alert the reporter that the news release is finished

exhibit

METHODOLOGY OF RESEARCH

The section would essentially have five to six sections specifying the details of how the research was conducted. These would essentially be

- a) **Research framework or design:** The variables and concepts being investigated are clearly defined, with a clear reference to the relationship being studied. The justification for using a design also must be presented here.
- b) **Sampling design:** The entire sampling plan in terms of the population being studied along with the reasons for collecting the study-related information from the give group is given here.

- c) **Data Collection methods:** In this section, the researcher should clearly list the secondary data sources considered and the primary instrument designed for the specific study are discussed here.

- d) **Data analysis:** The assumptions and constraints of the analysis need to be explained here in simple, non-technical terms.

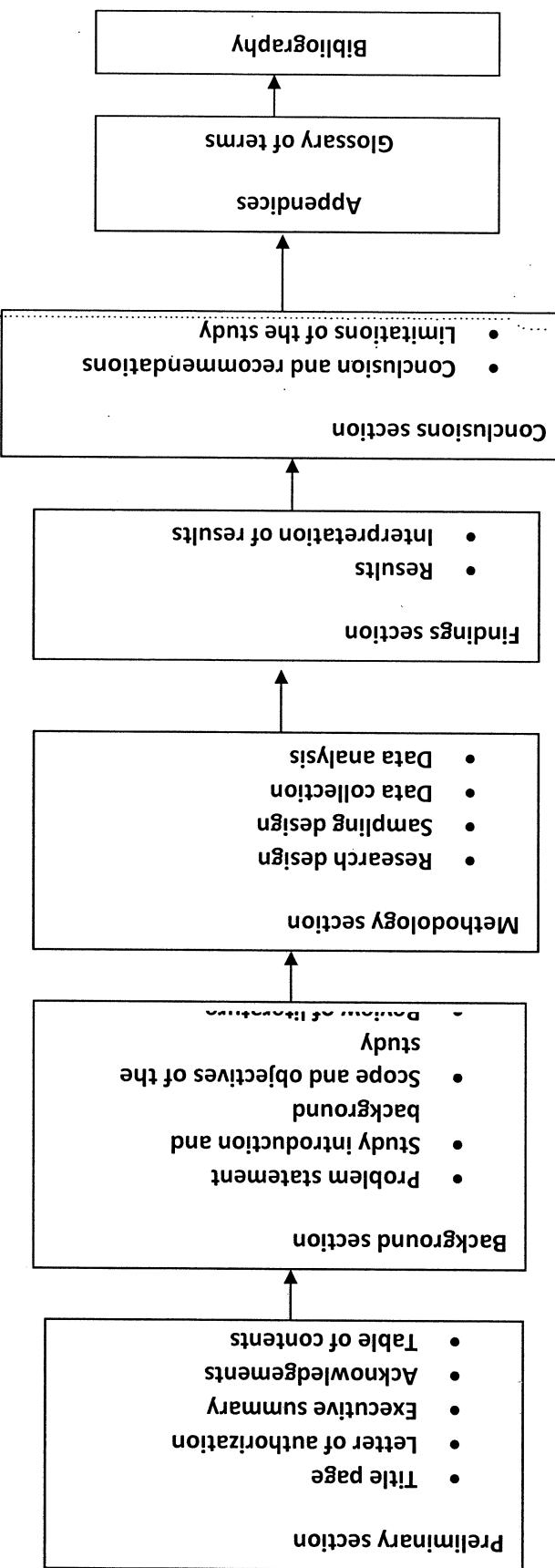
- (a) **Study results and findings:** This is the most critical chapter of the report and requires special care. It is probably also one of the longest chapters in the document.
- (b) **Interpretations of Results and Suggested Recommendations:** This section comes after the main report and contains interpretations of results and suggested recommendations. It presents the information in a summarized and numerical form.

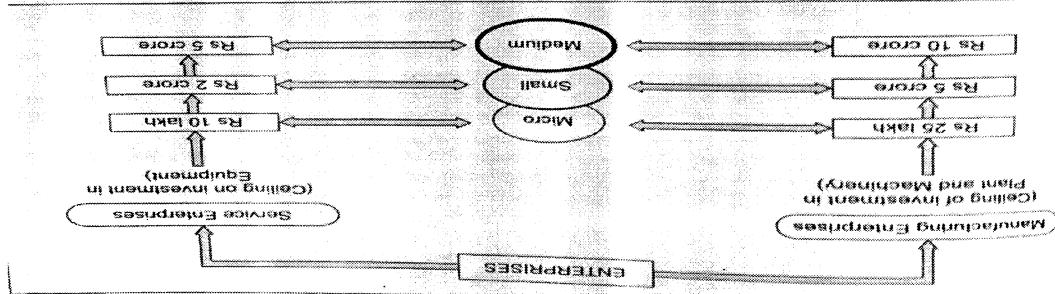
The Appendix section follows the main body of the report and essentially consists of two kinds of information:

1. **Secondary information** like long articles or in case the study uses/is based on/references to some technical information that needs to be understood by the reader; Long tables or articles or legal or policy documents.
2. **Primary data** that can be compressed and presented in the main body of the report. This includes original Questionnaire, discussion guides, formula used for the study, sample details, original data, long tables and graphs which can be described in statement form in the text.

BIBLIOGRAPHY

This is an important part of the final section as it provides the complete details of the information sources and papers cited in a standardized format.





- Micro Enterprises – investment up to Rs. 10 lakh
 - Small Enterprises – investment above Rs. 10 lakh and up to Rs. 2 crore
 - Medium Enterprises – investment above Rs. 2 crore and up to Rs. 5 crore
 - Large Enterprises – investment above Rs. 5 crore
- Service enterprises have been defined in the terms of investment in equipment (excluding land and buildings) and further classified into:
- Micro Enterprises – investment up to Rs. 2.5 lakh
 - Small Enterprises – investment above Rs. 2.5 lakh and up to Rs. 5 crore
 - Medium Enterprises – investment above Rs. 5 crore and up to Rs. 10 crore
 - Large Enterprises – investment above Rs. 10 lakh and up to Rs. 25 lakh

Figure shows the new nomenclature and classification of MSMED act, 2006. Manufacturing enterprises have been defined in the terms of investment in plant and machinery and further enterprises have been defined in the terms of investment in service enterprises.

- Enterprises engaged in providing/rendering of services.
- Enterprises engaged in the manufacture/production of goods pertaining to any industry

Enterprises have been broadly classified into

earlier rather limited concept of "Industries" has been widened to that of "Enterprises",

Under the Micro, Small and Medium Enterprises Development (MSMED) act 2006, the

5.1 MICRO AND SMALL ENTERPRISES

Definition of micro and small enterprises, characteristics and advantages of micro and small enterprises, steps in establishing micro and small enterprises, Government of India industrial policy 2007 on micro and small enterprises, case study (Microsoft), Case study (Captain G R Gopinath), case study (N R Narayana Murthy & Infosys). Institutional support: SME-DI, NSIC, SIDBI, KIADB, KSSIDC, TECSON, KSFCC, DIC and District level single window agency. Introduction to IPR.

Topics:-

MODULE-5: MICRO AND SMALL ENTERPRISES

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY

- The various characteristics of SSI are**
- Production output in small quantities:** by virtue of small planned capacity of SSI enterprises, the production output is small.
 - Small number of workers and employees:** the small scale of operations in SSI requires small number of workers and employees.
 - Lowest possible capital investment in plant and machinery:** the investment in fixed assets in plant and machinery whether held on ownership terms, on lease, or on hire-purchase does not exceed rupees 5 crore.
 - Have lower gestation period and are easy to set up in rural and backward areas:** gestation period is the time taken to conceptualize and develop the enterprise before it starts generating business. In case of SSI, the gestation period is relatively lower than medium and large enterprises, which take much longer time in conceptualization and development. For this reason, SSI are easy to set up in rural and backward areas where the resources are limited and the local market is small. Thus, in such areas, SSI can be quickly set up for generating employment and for utilizing local resources, while addressing the needs of the local market with an innovative product/service.
 - The unit is not owned, controlled or subsidiary of any other industrial undertaking:** where 2 or more industrial undertakings are set up by the same person as a proprietor, each of such undertakings shall be considered to be under the other industrial undertakings. In that scenario, all such industrial undertakings would not be considered as SSI. It is necessary that in order to qualify as an SSI, the unit should not be owned, controlled or subsidiary of any other industrial undertakings.
 - Generally utilize local resources and produce good/services to meet local demand:** the small scale of operations in SSI generally requires utilization of local resources. Similarly, the local markets are most easily accessible to the SSI's for selling their products and services at competitive prices.
 - Usually present in the form of family business:** SSI's are usually present in the form of family business not only in India, but also elsewhere in the world.
 - Informal management style:** informal management style is prevalent in SSI's whereby members of family business, relatives, and friends and outside employees assume multiple roles as warranted by the small business from time to time. The work atmosphere is characterized by unity, harmony, love and affection.

5.2 CHARACTERISTICS OF SMALL SCALE INDUSTRIES

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 of ownership terms or on lease or by hire purchase, does not exceed Rs.100 lakhs as on March 31,2001 is treated as a small-scale industry.

- population in our country where unemployment is widespread.
- Most SSI's utilize labor-intensive process and thus provide employment to local
- 1. Increase employment opportunities:**

The various objectives of developing small scale industries are

5.4 OBJECTIVES OF SMALL SCALE ENTERPRISES:

- distribution of national income, better utilisation of local skills and resources.
- the nation. Small-scale industries need smaller investments, offer a means of equal support to start. Small-scale industries in backward areas with an aim to improve spread over the entire nation leading to uniform development of country, government is unlike the large scale industries spread one or two places, Small-Scale industries can
- 5. Spreads over wide areas:**

- strengthening of a family and other social systems and thus strengthening of nation.
- Small-scale industries are generally locally owned and well controlled. This leads to
- 4. Strength of Nation:**

- Small scale industries utilizes local labour, small on operation and leads to satisfaction of the entrepreneur.
- 3. Small in Operation:**

- It gives a lot of self-satisfaction to workers for having done a good job with limited facilities.
- 2. Self-Satisfaction:**

- Small units are generally highly innovative. In small scale industries, there will be enough facilities, machines or resources. To get the jobs done with the limited available facilities, innovation arises.
- 1. Innovative:**

5. Spreads over wide areas
4. Strength of Nation
3. Small in Operation
2. Self-Satisfaction
1. Innovative

The rationale of small scale industry established which is based on the industrial policy resolution(PIR) 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

5.3 NEED AND RATIONALE OF SMALL SCALE INDUSTRIES

Many regions in our country were deprived of industrial activity due to lack of interest of large business houses to set up their facilities there. SSI's strive to fill this gap due to the encouragement of the government through its various policies of dispersal of industries.

7. Provide equitable dispersal of industries

There is a cumulative effect of improvement in the standard of living for the local population when SSI's generate employment, create new products and mobilize resources locally.

There is a cumulative effect of improvement in the standard of living for the local laboratories, SME technology development centers etc.

6. Improve the standard of living

Local infrastructure in this regard by the way of setting up of tool rooms, testing laboratories, SME technology development centers etc.

SSIs are expected to create new products for local markets without huge investments in research and development. The government has provided necessary

5. Introduce new products

2008

to the vagaries of global economic crisis like the one experienced by the world in through lesser dependence on large scale industry makes India more or less immune various policies in five years. This diversification of economic activities conscious effort on part of the government to support and nurture SSIs through cannot be made robust only by large-scale enterprises. It was therefore a

It was realized by the government of India much earlier that Indian economy

4. Faster diversification of economic activities:

Thus, this scheme of the government is primarily to stimulate local entrepreneurship while eliminating unemployment.

Subsidy is released as a grant by the government through the RBI to the participating banks for crediting to the account of beneficiary and adjusted against the repayment of last installment of loan by beneficiary.

Prime minister's rojgar yojana for employment generation calls for educated (VIII pass) unemployed youth with family income up to rupees 40000 per annum by granting them loans of upto to rupees 1 lakh for self employment business/service projects.

To them, SSIs are a viable option in this regard.

The potential of becoming successful entrepreneurs if financial support is extended to them.

3. Stimulate growth of local entrepreneurship:

Local labor.

There is a demand of low-priced products in local markets like small towns and villages which cannot be largely fulfilled by the products manufactured by large scale enterprises due to their relatively higher prices. Therefore, SSI's play a major role in creating products for the local populace which are much more economical due to avoidance of transportation costs, traditional production systems and cheap

2. Address the needs of local markets

- 3. Provide local employment opportunities.** Many of the SSIs are located in rural and medium and large scale enterprises which have relatively much longer gestation period.
- 2. Have lower gestation period.** Lesser initial capital in SSIs is recovered faster by revenues generated by them, resulting in lower gestation period. This is in contrast to overall capital requirement is much lesser due to small scale of purchasing land, buildings, etc. The backward areas with much lower capital investment for purchasing land, buildings, etc.
- 1. Require lesser capital resources.** By virtue of their small scale of operations, SSIs require lesser capital resources. Central and State governments have created financial institutions to support SSIs and they provide funding to the SSI entrepreneurs at lucrative terms, conditions and interest rates.
- The above are several advantages of SSI

5.7 Advantages of Small Scale Industry :

- 1. Economic development of SSI:**
- i. Increase in the number of small enterprise.
 - ii. Increase in the value of production in Rupee terms.
 - iii. Increase in the number of employees.
 - iv. Increase in the export earnings in Rupee terms.
- 2. The Role of Small Scale Industries in Economic development of our country depends on the following parameters**
1. Economic development of a country can be defined in terms of **Increase in Real Per Capita income** of persons resulting in improvement in standard of living. The development of small enterprise contributes to the **Increase in Per Capita income and leads to overall economic development.**
 2. The Role of Small Scale Industries in Economic development of our country depends on the following parameters

- 3. Services:**
1. Manufacturing activities.
 2. Servicing/repairing activities.
 3. Retailing activities.
 4. Infrastructural activities like transportation, communication and other utilities.
 5. Public utilities.
 6. Financial activities.
 7. Whole-sale activities.
 8. Construction activities.

- 5. Scope:** The scope for small scale industries is quite vast covering a wide range of activities requiring less sophisticated technology the important ones among them are

- 8. Promote a decentralized pattern of ownership:**
- SSIs are helpful in decentralizing the pattern of ownership of industrial activity. In most instances of large scale enterprises owned and controlled by a few elite businesses houses in the country only.

Promoting industrial activity in rural and backward areas.

Reservation of items for exclusive manufacture in the small scale sector: In order to strengthen the SSIs and make them economically viable, a policy of reservation of products for exclusive manufacture in the SSI sector was initiated in 1967 with 47 items having been initially reserved to promote and protect the small scale sector vis-à-vis the large scale sector. The list of reserved items

impliment other policies relating to SSIs.

Support), we shall discuss about the support infrastructure created by the government in its pursuit to 6.5, these policies provide concessions and support to the SSIs in a big way. In Chapter 7 (Institutional rather than through institutions created by it to support the SSIs in various ways. As shown in Figure has directly provided concessions to SSIs in the form of excise duties, sales tax, reservations, etc. ventures and to support them. In this section, we would cover those policies in which the government The government has created a myriad of policies to attract entrepreneurs to start their small-scale

Different Policies of SSI

10. **Demonstrate entrepreneurial acumen and ability.** Entrepreneurship helps in restoring the confidence and pride of people having entrepreneurial acumen and talent, particularly the unemployed youth in the country. SSIs provide an excellent platform for entrepreneurs in this direction.

9. **Enjoy preferential purchase of products.** As we shall study under the section on government policy for SSIs, the government has granted preference to purchase of goods manufactured in SSIs compared to their large-scale counterparts.

8. **Help in shifting the concentration of industrial activity.** By virtue of having better infrastructure and other facilities, big cities have been successful in attracting huge industrial investments. Smaller towns, villages and backward areas, on the contrary, have been deprived of industrial activity. In recent times, North-Eastern states of the country have received special privileges from the government in this regard.

7. **Mobilize local resources.** SSIs utilize the skills and talent of local population and also use local natural resources and raw materials in most instances. In the lack of SSIs, these resources may remain unutilized or under-utilized.

6. **Enjoy privileges for exclusive manufacturing.** As studied earlier under the section on scope of SSIs, small enterprises are protected by the government by imposing restrictions upon large-scale enterprises in manufacturing items identified for exclusive manufacture by SSIs.

5. **Earn valuable foreign exchange.** Indian handicrafts and khadi garments are very popular in developed nations due to their exclusivity and low prices. Similarly, there are other unique products manufactured by SSIs, which make them earn valuable foreign exchange for the country.

4. **Attract subsidies from the government.** As we shall study in the section on government policies for SSI, the government takes a very supportive view of SSIs by providing subsidies, incentives, tax exemptions, etc. This makes them have a competitive advantage against their large-scale rivals.

3. **Attract employment intensity of registered units indicates that an investment of Rs 0.72 lakh is required for creating one employment in MSME sector as against Rs. 5.56 lakh in the large organized sector (Eleventh Five Year Plan, 2008,p. 197).**

has been reviewed from time to time aiming at:

- (i) De-reservation of items, which no longer require reservation.
- (ii) Reservation of additional items
- (iii) Change in the nomenclature of listed items

Reservation of items for exclusive purchase from SSI's. Under the government Stores Purchase Programme, the Director General of Supplies and Disposal (DGSD) of the Ministry of Supplies arranges for the purchase and delivery of all stored intended by different Ministries of the government of India and their attached offices. The purchase policy of the government has two ways of providing marketing support to SSI's as against large scale units/other suppliers. Firstly, purchases are made exclusively from SSI units for specific items known as reserved items. Secondly, purchases are made in the market not reserved, a purchase price preference of 15% as against the quotations from large-scale units/other suppliers, is given to the SSI units. Thus, SSI's get protected from market competition which are later supplied to other companies (third parties) for selling them with their brand. This policy thus helps in employment generation in rural areas.

Excise duty exemption on third party branded goods manufactured by SSI units in rural areas: This policy promotes entrepreneurship in rural areas whereby entrepreneurs manufacture goods there, making excise duty payment every time a supply of goods leaves the facility for being dispatched to the customer.

All industrial units in the North East region are exempted from excise duty for 10 years starting from 17 August 1999 or from respective date of commencement of production: The North East region of the country was deprived of industrial activity for a long time and this policy of the government seeks to eliminate this regional imbalance.

A grant of Rs 75,000 to each SSI unit which opts for ISO-9000 certification: Quality of products produced by the SSI sector has been a concern and therefore, the government floated this policy to encourage SSI's for establishing quality management systems so that their products may compete well in market place against the products of their large-scale rivals.

One-time capital grant of 50% for Small Scale Associations which wish to develop and operate Testing Laboratories, provided they are of international standard: As we shall study in the next chapter, the government has created several testing laboratories itself. Nevertheless, this policy aims to strengthen the efforts of SSI Associations to establish their own testing laboratories. This will help in encouraging private participation in SSI infrastructure development.

No liability for SSI's under State Sales Tax Law for import of the goods into or export of goods out of the territory of India: The State government have, through this policy, provided a great relief to SSI's which are into export-import activities.

Export sales for SSI's exempted from levy of sales tax under Central Sales Tax Act, 1956: The Central Government has provided this exemption to encourage SSI's to export their products abroad and earn which are into export-import activities.

Venture Capitalists are the persons who invest in the start-up venture with the expectation of profitability and growth. They are the equity partners in the venture, who sit on the Board of Directors, act as advisers to the management and expect about 45 to 60 percent annual return on investment over the coming three to five years.

Angel investor is generally a wealthy individual, who becomes personally involved with a start-up company-having expertise, experience and money.

Lenders are usually the banks and financial institutions which provide debt to the entrepreneurs on the basis of some collateral. They assess the capability of the new venture to repay the interest and principal loan amount.

Friends and relatives: **Lenders, angels and venture capitalists**. The entrepreneur can arrange finances from primary sources (apart from personal funds,

Arrange Finances

If the production process involves the usage of natural resources (like wood) of the region, proper planning for restoration(e.g tree plantations) should be done in advance and associated costs should be taken into consideration.

Social feasibility study is important to assess the receptivity of the local population in the region. This is especially true in certain tribal areas where the government is trying to promote industrial activity.

Thus in project appraisal, a team of experts review these five types of feasibility studies included by the entrepreneur in the project report.

- **Product/service (Technical feasibility)**
- **Industry/market feasibility**
- **Organizational feasibility**
- **Financial feasibility**
- **Social feasibility**.

The Project identification happens in steps 1 and 2 while the project selection is done in steps 3. Project appraisal is done in step 4 and step 5. However it must be noted that the steps in project appraisal are as same as in project selection.

5.8 Steps to start Small Scale Industries :

valuable foreign exchange for the country.

The Method of granting consent under water and air pollution to SSI units has been

Environment and Pollution related clearances

Inspector of Factories.

7. Employee Strength exceeding 10 with power connection or 20 without power-chief

6. Power Connection-Designated Officer of State Electricity Board

5. Calibration of weights and measures

4. Registration of partnership deed-inspector General of Area concerned.

3. Payment of income Tax-IIT of the area concerned.

2. Registration under Central Excise Act-Collector of Central Excise or his nominee for area

1. Registration under sales Tax Act-Commercial Tax Officer of area concerned.

Regulatory of taxation clearances

of his unit and products manufactured.

An entrepreneur has to obtain several clearances or permissions depending upon the nature

Tax Necessary clearances

- Budgetary Quotations of plant and machinery.

- Project Report

- Partnership deed/memorandum and articles of associations of accompany

- Architect's estimate for construction cost

- Proof of Possession of land/building

- by promoters.

- Balance sheet and profit loss statement for last three consecutive years of firms owned by promoters.

- Documentation for loan application

indicated below.

For loans from financial institutions and commercial banks, a formal application needs to be made. The details of documentation that need to be provided with the loan application are

1.crore.

Long term and short term loans are provided by SFCS, SIDBI and SIDCs. Banks also finance term loans. This type of financing is needed to fund purchase of land, construction of factory building/shed and for purchase of machinery and equipment. The commercial banks also sanction composite loan, comprising of working capital and term loan up to a loan limit of Rs.

Start Operations

and can be submitted there by entrepreneurs.

The entrepreneur's memorandum form is available with the district Industries centre (DIC's)

File entrepreneur's memorandum

equipment starts taking place.

Procurement of raw materials should be done by the time installation of machinery and

Procure Raw materials

during the technical feasibility study.

The machines and equipment to be used in the production process are extensively analyzed

Procure and install Machines

maner.

The project report created in the earlier step contains details about the manpower and personnel requirements. The Recruitment and selection of staff should be done in a planned

Recruit Employees

Water connection is also obtained likewise by applying in advance in formal forms.

Generally of either LT (low-tension) or HT (high-tension).

Among the utilities of prime importance are power and water. Power connections are

Get the Utility connections

should have an appropriate plant layout.

Once an industrial plot for a unit is secured, then the next job is that of finding a suitable architect. Design of factory building has to be in consonance with the type of industry and

Construct building

4. Drugs and Pharmaceuticals-Drug license form State drug controller.

3. Pesticides-central /state Agricultural Department ministry of Agriculture

2. License for cold storage construction-Designated Official in state.

1. Establishing a printing press district Magistrate.

Product Specific Clearances

simplified.

Thus the as per this resolution the small sector was thus to be protected, developed and promoted.
introduced in 78

- Reservation of 504 items for exclusive production in small-scale sector
- Proposal to set up district industry centre agency in each district which was

Measures suggested for promotion of small scale and cottage industries:

- Rs.10 lakhs and up to 15 lakhs for ancillary industries.
- Small scale industries: comprising of industrial units with an investment of to 1 lakh.

- Tiny sector: promoting investment in industrial units in plant and machinery up to 1 lakh.
- Cottage and household industries: to provide self-employment on large scale.

Thus IPR 1977 accoridngly classified small sector into three categories

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

IPR 1977

- Thus the IPR 1956 aimed at "Protection plus Development" which initiated a modern SSI in India
- Projects" were started during this period to strengthen the small sectors

- During this period projects like "Rural Industries Projects" and "Industries Estate development plan for SSIs during the third five year plan in 1961-66
- Small scale industries board constituted a working group in 1959 to formulate a

- with the large scale industry
- Measures were taken to provide sufficient vitality to decentralized sectors and to work

- economic policy which came in form in 1956
- Parliament accepted to develop "the socialist pattern of society" as the basic aim of

- industries in the country
- Industries development and regulation act was passed in 1951 to regulate and control the

IPR 1956

- to protect SSIs
- should solve the problems of SSI like raw materials, capital, skilled labour, marketing etc

- Passed a resolution that the central government in cooperation with state governments resources and for creation of employment opportunities

- Realized that small scale industries are particularly suited for utilization of local economic development of the country.

- Accepted for the first time the importance of small scale industries in the overall

IPR 1948

- India
- Review of industrial policies for the development and promotion of small scale enterprises in

5.9 Government Policy for small scale enterprises:

Last but not the least; the unit should start its operations.

Salient features of the new small enterprise policy of 1991

The government of India for the first time tabled the new small enterprise policy in 1991 titled **New small enterprise policy 1991**. The policy measures for promoting and strengthening and supplementing the small, tiny and village enterprises.

7. Implementation of delicensing 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 took place with a ceiling of RS.75 lakhs.
8. To ensure adequate and timely flow of credit facilities for the small scale industries a apex bank known as **Small Industries Development Bank of India(SIDBI)**, was established in 1991.
9. Greater emphasis on training of women and youth under **Entrepreneurship Development Program (EDP)** was started.

Development Organization(SIDO) was implemented under the apex technology development centre in small Industries to improve competitiveness amongst SSSIs pro-grams of technology up-gradation was established under the apex technology development centre in small Industries apex bank known as **Small Industries Development Bank of India(SIDBI)**, was established in 1991.

10. Subsidy introduced for SSSIs by the central government for SSIS in rural and backward areas capable of generating employment.
11. 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.
12. 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:

Was announced during June 1990
IPR 1990

Thus IPR 1980 emphasized the spirit of IPR 1956.
well compatible with the environment.

13. Promotion of village and rural industries to generate economic viability in the villages backward district and to promote maximum small scale industries there.
14. Introduction of the concept of nucleus plants in case of DICs in each industry lakhs for SSSIs and from Rs.1.5 lakhs to 25 lakhs in case of ancillaries.

The main objective of this policies were
IPR 1980

The Government of India adopted a new industrial policy resolution(IPR) on July 23 1980

- New policy initiatives in 1999-2000 for the Small Scale Sector**
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 new entrepreneurs to the capital invested?
 4. Introduction of a scheme of Integrated Infrastructure 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 through co-operative/public sector institutions, other specialized professional/marketing agencies and the sector promotional organizations.
 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.
- Organization (SIDO)**
1. Announcement of new credit insurance scheme in the budget (1999-2000) for providing adequate security to banks and improving the flow of investment credit to SSI units.
 2. The working capital limit for SSI units is determined by the bank on the basis of 20 percent of their annual turnover the limit being raised from 4 crore to 5 crores.
 3. Bank lending schemes for tiny sectors lending by banks to non banking financial companies (NBFCs) have been introduced.
 4. Exemption from excise duty was extended for goods bearing a brand name of another manufacturer in rural areas.
 5. A National program to set up 100 rural clusters every year for rural industrialization has been announced.
 6. A cell has been set up in the office of DC (SSI) to disseminate information about the latest developments in the WTO.
 7. General exemption scheme for the cotton yarn has been introduced.
 8. Small job workers engaged in printing the glazed tiles also have been exempted from excise duty.
 9. The investment limit for small scale ancillary undertakings has been reduced from existing 3 crores to 1 crore.

2. Main thrust was to remove poverty and inequality stalkling the land.
- 592 crores
1. The fifth plan outlay was 611 crores and the actual expenditure incurred was about
- Fifth five year plan (1974-78)**

3. Annual income was estimated at 99.25 crores.
- On the eve of the fourth five year plan as many as 346 industrial estates had been completed to provide employment to about 82,700 persons.
1. Witnessed significant diversification and expansion during this period.
- Fourth five year plan (1969-73)**

2. Out of the 264 crores exclusively meant for the development of small-scale cottage industries 240.76 crores were actually incurred in the third plan.
1. Stressed on the extension the coverage of small scale industries
- Third five year plan(1951-1956)**

5. The total plan expenditure for the second year reached 187 crores.
4. Certain items were reserved for the exclusive production of small scale industries transport at one place
3. 60 industrial areas were established for providing basic facilities like power, water,
2. Focused on dispersal of industries
1. Followed the karee committee recommendations
- Second five year plan(1956-1961)**

- namely
2. By the end of the first plan there were a total of six boards were formulated
- year plan
1. The plan expenditure for small scale sectors have been continuously increasing of which 48 crores were invested for the SSI alone which constituted 47.8% of the total plan expenditure industry was spent in small sector alone during the first five year plan
- iii. All India handicrafts board
- ii. All India handloom board
- i. All India handloom board
- vi. Central silk board.
- v. Coal board
- iv. Small-scale industries board
1. Followed the karee committee recommendations

5.10 Government support for SSI during the five year plans:

Steps for the development of the small scale and cottage industry were taken up immediately after independence. Government policies for each of the five year plans:

- Sixth five year plan (1980-85)**
- On account of MASSIVE development programmes initiated the actual plan expenditure surpassed the outlay of 1780 crores as against the expenditure of 1945 crores.
1. The number of reserved items increased to 836
2. 409 items were reserved for the exclusive purchase from small-scale industries
3. Technical, managerial and marketing consultancy services were started through SIDO
4. Establishment of Council for Advancement of Rural Technology (CART) in October 1982 were started to provide technical input to rural areas.
5. The production from small and cottage industries increased to 65,730 crores and export touched to 4557 crores
6. Employment reached to 315 lakh persons by the end of the sixth plan which accounted for 80 percent of the total industrial employment which comes after accounting for 80 percent of the total industrial employment which comes after
1. Main thrust of this plan was up gradation of technology to increase competitiveness
2. Plan outlay being 2752.74 crores as expenditure were 3249 crores
3. Due to various development programmes the small sector witnessed significant developments in all fronts.
- Seventh five year plan (1985-1990)**
- Eighth five year plan (1992-97)
1. Number of small scale industries increased from 13,56 lakhs to 18.27 lakhs.
2. Value of production increased from 57100 to 91681 crores.
3. Employment increased from 96 lakhs persons to 119.6 lakhs.
4. The main avocation has been the employment generation for the economic growth.
- The important plan proposals made during this period are:
- i. Focused on providing timely and adequate credit and providing composite loans through the establishment of SIDBI
- ii. Concussion loans to state corporations for infrastructure development and factoring services have been introduced
- iii. The eighth plan proposes to provide appropriate tool rooms and training institutes to upgrade technology
- iv. The growth centre approach was accepted and as many as 70 growth centres was completed
- v. The functional industrial estate with substantial vegetables and horticultural products was also proposed.
- vi. In the eight plans integrated infrastructure development centres for tiny units were proposed to be set up.

National Small Industries Corporation Limited (NSIC) is a PSU established by the Government of India in 1955. It falls under Ministry of Micro, Small & Medium Enterprises of India. It was established in 1955 to promote and develop micro and smalls scale industries and enterprises in the country.

b. National Small Industries Corporation (NSIC):

1. To advise the Central and State governments on policy matters relating to small industry development.
2. To assist in testing of raw materials and products of SSIs, their inspection and quality control.
3. To provide market information to the SISI's.
4. To recommend SSI's for financial assistance from financial institutions.
5. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

Functions of SME-DI

The micro small and medium enterprises are the field offices of Small Industries Development Organization (SIDO), Ministry of Small Scale Industries, Govt. of India, as co-ordinates various activities at the state level for promotion and development of small scale industries. This institute provides support / services to the State Government as well early firms. Set up for the promotion and development of Small Scale Industries in the State in the early stages. This institute provides support / services to the State Government as well as co-ordinates various activities at the state level for promotion and development of small scale industries.

a. SME-DI :

- i. Micro small and medium enterprises development institutes (SME-DI)
- ii. National Small Industries Corporation (NSIC).
- iii. Small Industries Development Bank of India (SIDBI)

Central Level Institutions / Agencies:

1. Central Level Institutions / Agencies
 2. State Level Institutions / Agencies
- The Governmental Institutions are broadly classified into two categories as below:

Small enterprises are playing vital role in economic development of the country by contributing to increased production, increased employment, contributing to nearly 40% of countries export thereby helping earn importance and foreign exchange for the country and finally giving substantial revenue to both central and state government for its rapid growth from both central and state government.

i. KIADB

State Level Institutions / Agencies:

d. **Khadi and Village Industries Commission (KVIC)**: It is a statutory body created by an act of the parliament in 1956. It is concerned with planning, promotion, organization and implementation of the programme for the Khadi and other village industries in the rural area in coordination with other industries engaged in rural development whenever necessary.

- viii. It provides financial support to National Small Industries Corporation for providing leasing, hire-purchase and marketing help to the small-scale units.
- ix. It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
- x. It provides services like factoring, leasing, etc. to small units.
- xi. It grants direct ASSIstance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
- xii. It extends seed capital/soft loan ASSIstance under National Equity Fund, Mahila Udyam Nidhni and Mahila Vikas Nidhni and seed capital schemes.
- xiii. It discounuts and rediscounuts bills arising from sale of machinery to and manufactured by small-scale industrial units.
- xiv. It refinances loans and advances provided by the existing lending institutions to the small-scale units.

The major functions of SIDBI are given below:

SIDBI provides ASSIstance to the small-scale industries sector in the country through the existing banking and other financial institutions, such as, State Financial Corporations, State Industrial Development Corporations, commercial banks, cooperative banks and RRBs, etc.

Functions :

- i. Initiating steps for technological up gradation and modernization of existing units, to urban areas.
- ii. Expanding the channels for marketing the products of the small scale sector; and promotion of employment-oriented industries, especially in semi-urban areas to create more employment opportunities and thereby checking migration of population to urban areas.
- iii. Promoting the small-scale industries sector in the country through the creation of subsidiary of Industrial Development Bank of India.

Objectives :

Small Industries Development Bank of India is a non-independent financial institution aimed to aid the growth and development of micro, small and medium-scale enterprises. It set up on April 2, 1990 through an act of parliament. It was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India.

c. Small Industries Development Bank of India (SIDBI):

- i. Technical and market appraisal of products.
- ii. Industrial potential surveys.
- iii. Fact-finding and opinion reports.
- iv. Corporate planning.
- v. Impact assessment.
- vi. Evaluation of schemes and programs.
- vii. Asset evaluation.
- viii. Infrastructure development project proposal.
- ix. Event management and publicity campaigns.
- x. Organizing seminars and workshops.

TECKSOK also provides:

- Packages offered by the government.
- It can also provide expertise in rehabilitation of sick industries by availing re habilitation
- It also identifies an incipient sickness in industry and facilitates its turn around.
- Provides an impartial consultant to provide insight on its work.

For existing industries:

- Financial restructuring and growth plan to improve the profitability of an industry.
- Facilities global exposures, updated technologies, different market strategies, providing timely ASSISTANCE.
- Surveys sourcing of finance and selection of machinery technologies, costing and also provides sources through feasibility studies, project reports, market

For starters :

- It provides appropriate investment advice, procedural guidance, management, consultancy, mergers and acquisitions, process reengineering studies.
- It is leading investor friendly proFESSional consultancy organization in Karnataka.
- Promoted by the Government of Karnataka and other state level institutions in 1976.
- TECKSOK is a proFESSional, technical, and management consultancy organization

Introduction:

1. Technical Consultancy Services Organization of Karnataka (TECKSOK)

Intellectual property rights (IPR) can be defined as the rights given to people over creations of their minds and which can be commercialized. They usually give the creator an exclusive right to use his/her creations for a certain period of time.

5.10 Intellectual Property Rights

- It also includes fund based activities like subscription to nonconvertible debentures is also considered.
- It also includes fund based activities like subscription to nonconvertible debentures is similar tasks.
- It takes up the management of public issues, underwriting of shares, project preparation, deferred payment guarantee, syndication of loans, bill discounting and India (SEBI).
- It has a merchant banking department approved by the Security Exchange Board of Maharashtra equity equipment/transport vehicles.
- Extends financial ASSLstance and hire-purchase ASSLstance for acquisition of having more than one branch.
- It has decentralized system of working. Each district has a branch office, some districts having industrial units in the state.
- Extending the financial ASSLstance to set up tiny small-scale and medium scale enterprises in the March 1959 under the State Financial Corporation Act 1951 for establishing industrial areas in almost all talukas of the state.

Karnataka State Finance Corporation(KSFC) :

- Land had been developed in all the districts of the state up to the end of March 31, 1996.
- Land to an extent of about 39,297 acres has already been acquired and 21,987.30 acres of it has so far developed 68 industrial areas in almost all talukas of the state.
- Basic facilities it includes roads, drainage, water supply and power supply and amenities which include banks, post-offices, telephone exchanges, fire-stations, police stations, cantines, ESI hospitals, bus-depots, petrol-bunks etc.
- Different industries with requisite infrastructure facilities.
- Industrial Areas Development act with primary objective of promoting and ASSLting in the rapid growth and development of industries in the industrial areas by means of acquiring land and providing well developed well laid out plots of suitable sizes to suit climate which contribute to the thriving agricultural sector.
- KIADB is a statutory body which came into existence in 1996 under the Karnataka Reserves, wealth of mineral resources, rivers, waterfalls, harbors, forests and moderate KIADB came into existence in the year 1996 due to the availability of rich natural

2 Karnataka Industrial Areas Development Board (KIADB)

The invention should not be obvious to a person skilled in the art in the light of the prior publication/knowledge/document.

(b) Inventive step

The matter disclosed in the specification is not published in India or elsewhere before the date of filing of the patent application in India.

(a) Novelty

According to Patents Act, a patentable invention is a new product or process and should have the following characteristics.

Patentable Invention

A patent is an exclusive right granted by law to applicants to make use of and exploit their inventions for a limited period of time (Generally 20 years from filing). The patent holder has the legal right to exclude others from commercially exploiting his invention for the duration of this period. In return for exclusive right the applicant is obliged to disclose his invention to the public who may replicate it after the patent period ends.

1. Patents

7. Undisclosed information.

6. Plant varieties and farmer rights

5. Geographical indications of goods

4. Industrial designs

3. Trademarks

2. Copyrights

1. Patents

Some important rights protected under the latest Govt of India National IPR Policy 2016 are

Literary and artistic works, symbols, images, names and so on.

Intellectual property (IP) refers to creative output of human beings such as inventions,

- (xii) Topography of integrated circuits
- (xi) A mere scheme or rule or method of performing mental act or method of playing game, merely a presentation of information
- (x) Inventions relating to atomic energy and the inventions prejudicial to the interest of security of India.
- (ix) A substance obtained by mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance
- (viii) Discovery of a scientific principle or the formulation of an abstract theory (or discovery of any living thing or non-living substances occurring in nature)
- (vii) Inventions which are Traditional Knowledge or an aggregation or duplication of known properties of traditionally known components
- (vi) Mathematical method or business method or algorithms or computer programme per se human beings
- (v) Any Process for medicinal, surgical, curative, diagnostic, therapeutic or other treatment of environment
- (iv) Method of Agriculture or Horticulture
- (iii) Inventions which causes serious prejudice to health or human, animal, plant life or to the
- (ii) Inventions which are contrary to public order or morality
- (i) Frivolous inventions which are contrary to well established natural laws

The patents act also lists inventions which cannot be patented.

Non Patentable inventions

Invention should possess utility so that it can be made or used in an industry.

② Industrially applicable

Copyright is an exclusive right granted to the author or creator of an original work, including the right to copy, distribute and adapt the work. Copyright lasts for a certain time period (generally for 60 years) after which the work is said to enter the public domain. Copyright gives protection for the expression of an idea and not for the idea itself. For example, many authors write textbooks on such topics which are also covered in books by other authors, but each author will have a copyright on the book written by him, provided the book is not a copy of some other book published earlier.

Indian Copyright Act affords separate and exclusive copyright protection to the following 7 classes of works:

- (i) Original Literary Work
- (ii) Original Dramatic Work
- (iii) Original Musical Work
- (iv) Original Artistic Work
- (v) Cinematography
- (vi) Sound recording
- (vii) Computer Programme

Trademarks are distinctive symbols, signs, logos that help consumers to distinguish between competing goods or services. In other, a trademark is a visual symbol which may be a word, signature, name, device, label, numerals, and combination of colors used by one organization or another to distinguish it from other similar goods or services.

i) Trademark: All the logos of the companies. Abbreviated as TM.

ii) Service mark-Similar to trademark but used only on services.

There are four types of trademarks

3. Trade Marks

- ii) Computer Programme
- vi) Sound recording
- v) Cinematography
- iv) Original Artistic Work
- iii) Original Musical Work
- ii) Original Dramatic Work
- i) Original Literary Work

The Protection of Plant Varieties' right Act 2001 has been enacted to facilitate an effective system for protection of plant varieties, the rights of farmers and plant breeders and to

6. Plant Varieties and Farmers Rights

Darjeeling tea, Alphonso Mango, turpahli Laddu, Mathura Pedaa and so on.

Other Examples of products having GI protection in India include-Kolhapur Chappals,

of 10 years. It can be renewed from time to time for further period of 10 years each under the name Mysore Silk. The registration of a Geographical Indication is valid for a period of 10 years made by any other company in Mysore or anywhere in India, the saree cannot be sold to sarees made by Karnataka Silk Industries Corporation (KVIC). No matter how good a silk can be sold under that geographical indication. For Example Mysore Silk Has a GI tag attached to sarees granted to a product then no similar or identical product made or produced elsewhere has been granted to a specific geographical location for the uniqueness of the product. Once a GI is identifiable with a specific geographical location for the uniqueness of the product. Once a GI

Geographical Indication (GI) is a name granted by the State to a product, natural or man-made,

5. Geographical indications

- Not Be contrary to public order or morality.
- Be applied to an article and should be appealing to the eye.
- Be significantly distinguishable from known designs
- Not to be disclosed to public anywhere prior to the filing date.
- Be new or original

According to the designs act 2000, a design should

An industrial design refers to the features of shape, configuration, pattern or colors applied to any article whether in two or three dimensional forms. This may be applied by any industrial process which in the finished article appeals to and judged solely by the eye. Designs are applied to wide variety of products of different industries like handicrafts, medical instruments, watches, electrical appliances, cars and architectural structures.

4. Industrial Designs

IV) Certificate Mark-A mark to certify its make or quality.Eg: ISI, Woolmark

iii) Collective mark: Marks used by cooperative Associations, etc

2. The first legislation in India relating to patents was the Act VI of 1856. Alfred DePenneing is supposed to have made the first application for a patent in India in the year 1856 for his invention, "An Efficient Punkah Pulling Machine".

According to Capitalistic Point of View, John Locks says that every man has a property in his own person and therefore the fruits of a man's physical and mental labor belongs to him. According to Kant and Hegel, putting across the Socialistic view, say that man is part of a large system and has seldom the capability of arriving at a new idea without being inspired or influenced by this system, and hence his idea belongs to the whole system.

1. Intellectual Properties can be argued from both perspective-Capitalism and Socialism.

Some general information on all forms of intellectual property rights in India

Protection for industries, R&D institutions and other agencies dealing with IPRs. Protection of IPR and also least talked about, although it is perhaps the most important form of players of IPR and also secret. Protection of undisclosed information is least known to same can be held as a trade secret. Protection of undisclosed information is least known to Although the ingredient of any food product needs to be mentioned the process of making the Example, Coca-Cola held the process of making their drink a secret for a very long time. For formulae, patterns, compilations, programmes, devices, methods, techniques or processes. For generally known as trade secrets or confidential information. Undisclosed information include

7. Undisclosed Information

3. To facilitate the growth of seed industry in the country that will ensure the availability of high quality seeds and planting material to the farmers.

2. To protect the plant breeders rights to stimulate investment for research and development both in public and private sector for development of new plant varieties.

1. To recognize and protect the rights of the farmers in respect of their contribution made at any time in conserving preserving, improving and making available plant genetic resources for the development of new plant varieties.

The Objectives of the Act are:

encourage the development of new varieties of plants. A plant variety represents a more precisely defined group of plants, selected from within a species, with a common set of characteristics.

- Advantages of the invention
- How does it work
- Description of the invention what it does
- Area of invention

Collect all the information about your invention such as :

Step 1: Write down the invention (idea or concept) with as much details as possible

Procedure for Patent Registration in India

8. Despite the Government's Make in India Programme, India continues to perform poorly with international patent applications filed from the country in the year 2015 was 1,423, as compared to USA's 57,385, Japan's 44,235, China's 29,846 and South Korea's 14,626 in the same period.

and remains the most comprehensive international agreement on intellectual property to introduce intellectual property law into the international trading system for the first time regulation as applied to nationals of other WTO Members. The TRIPS agreement (WTO) that sets down minimum standards for many forms of intellectual property is an international agreement (1994) administered by the World Trade Organization

7. The Agreement on Trade Related Aspects of Intellectual Property Right (TRIPS)

6. The World Intellectual Property Organization (WIPO) is one of the 17 specialized agencies of the United Nations, located in Geneva, Switzerland. The mission of WIPO is to promote innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system.

5. Intellectual property may be commercialized by sale or assignment, or by entering into various types of contractual business relationships such as Licensing. At the same time if any IPR holder fails to put the property to public good, he shall lose his property.

4. There is nothing called a Worldwide or an International patent. However patent application is simultaneously processed by all member countries and considered for inventions in each of its contracting countries, numbering over 150. Such a patent application law treaty, provides a unified procedure for filing patent applications to protect applications processed through The Patent Cooperation Treaty (PCT), an international grant.

3. The first IPR related law in Independent India was the Act XXXII of 1950 while the most recent one was The Patents (Amendment) Act 2005

After filling provisional application, you secure the filing date which is very crucial in patent world. You get 12 months of time to come up with the complete specification, up on expiry of 12 months your patent application will be abandoned.

- Secures filing date
- 12 months of time to file complete specification
- Low cost

In case you are at very early stage in the research and development for your invention, then you can go for provisional application as per page <http://patentimdia.com/provisional-patent-application-advantages/>. It gives following benefits:

Step 5: Draft (write) Patent application

The patentability report and opinion helps you decide whether to go ahead with the patent or not. The patentability report and opinion helps you decide whether to go ahead with the patent or not, chances are what you thought as novel might already been patented or know to public in some form of information. Hence this report saves lots of time, efforts and cost of the inventor by helping him decide whether to go ahead with the patent filing process or not.

Step 4b: Decide whether to go ahead with patent

The detailed explanation for patentability criteria is given here <http://patentimdia.com/patent-idea-india/>. The patentability opinion is provided by the patent professionals up on conducting extensive search and forming patentability report.

- Novelty
- Non-obviousness
- Industrial application
- Enabling

The next step would be filing out whether your invention meets all patentability criteria as per Indian patent act such as :

Step 4a: Patentability search

All inventions may be patentable, as per Indian act are certain inventions that are not patentable explained in detail in <http://patentimdia/patent-idea-india/>

Step 3: Check whether the invention is patentable or not

The drawings and diagrams should be designed so as to explain the working of the invention in better way with visual illustrations. They play an important role in patent application.

Step 2: Include drawings, diagrams or sketches explaining working of invention

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The application would be placed in order for grant once it is found to be meeting all patentability requirements. The grant of patent is notified in the patent journal which is published time to time.

Step 10: Grant of patent

This communication between controller and patent applicant is to ensure that all objections raised in the patent application are resolved. (if not the patent will not be granted) and the inventor has his fair chance to prove his point and establish novelty and inventive step over existing previous patents.

Step 9: Clearing all objections

The best thing to do is analyze the examination report with patent professional (patent agent) and creating a response to the objections raised in the examination report.

Step 8: Respond to objections

The patent application is examined only after receiving for examination that if RFE . Up on receiving this request the controller gives your patent application to a patent examiner who examines the patent application with various patentability criteria, and comes up with majority of patent applicants will receive some type of objections based on examination report.

Step 7: Request for examination

Upon filing after the complete specification along with application for patent, the application is published after 18 months of first filing. An early publication request can be made along with prescribed fees if you do not wish to wait till the expiry of 18 months from the date of filing for publishing your patent application. Generally the patent application is published within a month from request form early publication.

Step 6: Publication of the application

Filing the provisional specification is the option step, if you are at the stage where you have complete information about your invention then you can directly go for complete specification.

When you complete the required documents and your research work is at level where you can have prototype and experimental results to prove your inventive step you can file complete specification with patent application.