

Principles of management are not just for managing business organization; 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.

Importance of management:

1. Management is not merely application of knowledge, but also acquisition of knowledge.

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

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 business and manages managers and manages workers and work".

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".

People to accomplish goals and objectives using available resources efficiently and effectively.

Management in business and organizations is the function that coordinates the efforts of

Meaning

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.

MODULE-1: INTRODUCTION

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY

Module 1: Introduction
Management and Entrepreneurship for IT Industry

- Developing management
- Distribution management
- Financial management
- Marketing management
- Personnel management
- Production management
- Transport management
- Purchase 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:

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

- 1. Management is continuous process.
- 2. Management is a 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,
- 6. Management is concerned with productivity, which implies effectiveness and efficiency.
- 7. Management is attain the skills and knowledge to achieve the objective set by an enterprise.

Nature of management:

- Nature and Characteristics**
- 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 organization.
- 3. Management is the dynamic, life-giving element in every organization.
 - 4. 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 organization.
 - 5. All the managers carry out the managerial functions of planning, organizing, staffing,
 - 6. Management is concerned with productivity, which implies effectiveness and efficiency.
 - 7. Management is attain the skills and knowledge to achieve the objective set by an enterprise.

- Functional areas of management OR Management Functions OR the Process of management**
- Planning: Is a function that determines in advance what should be done. It involves:
 - o Catch word „POSDCORB“ stands for Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting.
 - o Determination of what, where and how it is to be done and how the results are to be evaluated.
 - o Process of determining the objectives and charting out the methods of attaining those objectives.
 - o Planning: Is a function that determines in advance what should be done. It involves:
 - Done not only for the organization as a whole but every division, department or sub-unit of the organization.
 - 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.
 - Involves building the right person for the right job.
 - Organizing: Organize a business is to provide it with everything useful to its functioning.
 - Staffing: Is a function involved in building the human organization.
 - Directing: Delegating responsibility and authority and establishing the relationships defined as a structure which results from identifying and grouping work, defining and developing a human organization to carry out plans successfully.
 - Coordinating: Once the plans have been developed and the objectives are established they must design material organization.
 - Controlling: Involves building the right person for the right job.

- Planning:** Is a function that determines in advance what should be done. It involves:
- Determination of what, where and how it is to be done and how the results are to be evaluated.
 - Objectives.
 - Process of determining the objectives and charting out the methods of attaining those objectives.
 - Organization 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.
 - 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.
 - Involves building the right person for the right job.

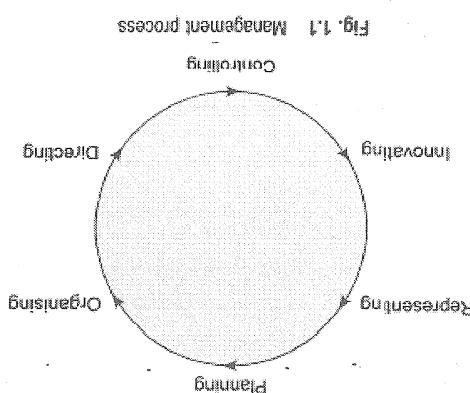
- Organizing:** Delegating responsibility and authority and establishing the relationships defined as a structure which results from identifying and grouping work, defining and developing a human organization to carry out plans successfully.
- Staffing: Is a function involved in building the human organization.
 - Directing: Delegating responsibility and authority and establishing the relationships defined as a structure which results from identifying and grouping work, defining and developing a human organization to carry out plans successfully.
 - Controlling: Involves building the right person for the right job.
 - Reporting and Budgeting: Is a function that determines in advance what should be done. It involves:
 - o Done not only for the organization as a whole but every division, department or sub-unit of the organization.
 - o 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.
 - o Involves building the right person for the right job.

- 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. They are:**

- Functional areas of management OR Management Functions OR the Process of management**
- Sales management
 - Supply chain management
 - Business management like Hospital management, Hotel management, Education institution management etc)

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 his time managing.
2. Administration involves thinking which is a top level function which centres around the determination of plans, policies and objectives of a business enterprise.

Management and administration



- ▷ 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

- ▷ 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.
- ▷ Planning is the next step after planning, organizing and staffing. Involves three sub-functions namely financial, non-financial and motivational.
- ▷ Two types of motivation: financial and non-financial.
- ▷ Financial: takes the form of salary, bonus, profit-sharing etc.
- ▷ Non-financial: takes the form of job security, opportunity for advancement, recognition, praise etc.
- ▷ 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.

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.

- officials, labour unions, financial institutions, before various outside groups having some stake in the organization such as government
- c) **Spokesman:** may require to spend a part of the time in representing the organization who otherwise would not have access to it.
- b) **Disseminator:** manager passes the privileged information directly to the superordinates and subordinates to get any solicited information useful for the organization.
- a) **Monitor:** must perpetually scan his environment for information interlocutes his liaison command to collect information useful for the organization.

2. Informational roles:

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

1. Interpersonal roles:

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

Roles of Management

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

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

- Levels of Management:**
- ↳ In any organization, there are three levels of management: the first-line, middle and top level management.
 - ↳ Top management: consists of board-chairman, the company presidents, and the executive vice-presidents.
 - ↳ Middle management: consists of vast and diversified group consisting plant managers, personnel managers and department heads.
 - ↳ First-line management: is made up of foreman and white-collared supervisors.
 - ↳ The manager is required to possess 3 major skills: Conceptual skill which deals with ideas, human relations skill which deals with people and technical skill which deals with things as shown in figure.
- 1. Conceptual skill:** deals with the ability of manager to take a broad and far-sighted view of organization and its future, ability to think in abstract, his ability to analyze the forces working in a particular situation.
- 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:**
- ✓ What is the role of each skill employed?
 - ✓ Which skills should be employed in his particular enterprise?
 - ✓ How are different skills interrelated?
 - ✓ The manager should have sufficient ability to interact effectively with people at all levels and to recognize the feelings and sentiments of others.
 - ✓ To judge the possible reactions to and the outcomes of various courses of action
 - ✓ To examine his own concepts and values which may enable him to develop more useful attitudes about himself.
- 3. Human relations skill:** is the ability to interact effectively with people at all levels and the manager should have sufficient ability to

- 3. Decisional roles:**
- ↳ 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.
 - ↳ Disrupter: must act like a fire-fighter to seek solutions to various unanticipated problems.
 - ↳ Resource allocator: must divide work and delegate authority among his subordinates.
 - ↳ Negotiator: must spend considerable time in negotiations.
 - ↳ Example: the foreman negotiating with the workers for the grievance problems.

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

1) Scientific management:

Early classical approaches

3. Contingency approach
2. Systems approach and
1. Quantitative approach

3. Modern approaches represented by

2. Behavioral approach
1. Human relations movement and

2. Neoclassical approaches represented by

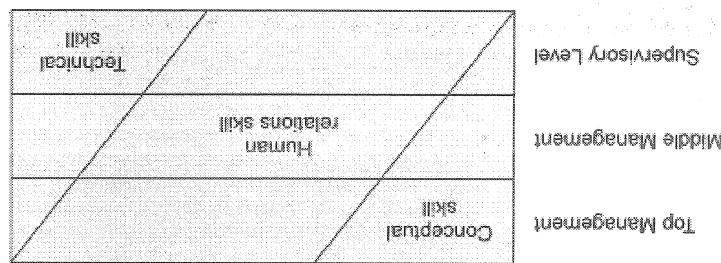
3. Bureaucracy
2. Administrative management and

1. Early classical approaches represented by

Evolution of the management can be studies as

Brief Overview Of Evolution Of Management

Fig. 1.3 Skill mix at different management levels



GANTU ROX RNSIT

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

iii. **Drastic reorganization and supervision:** introduced two new concepts (i) separation of planning and doing and (ii) functional foremanship. Taylor suggested that the work 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 foremen should give orders to the worker on his specialty.

iv. **Scientific recruitment and training:** Taylor emphasized the need for scientific selection and development of the worker. He says that management should develop and train every worker to bring out his best facilities and enable him to do a higher, more interesting and more profitable class of work than he has done in past.

v. **Intermediate and friendly cooperation between the management and the workers:** Taylor argued that both the management and the workers both should try to increase production rather than quarrel over profits which would increase the profits to such an extent that labor-and management would no longer have to compete for them and should saw common interest in increasing productivity.

Contributions and limitations of scientific management:

- 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 rational.
- 2) Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.
- 3) The importance that scientific management has given to work design has encouraged the managers to do one best way of doing the job.
- 4) Taylor's 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.

Limitations:

- 1) Taylor's belief that economic incentives are strong enough to motivate workers for increased production proved wrong as there are other needs such as security, social needs, or egoistic needs rather than financial needs.
- 2) Taylor's 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.

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 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 maximizing 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 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 smooth running of the business and discipline means the obedience of authority, observance of rules of service and norms of performance, respect for agreements, sincere efforts of completing the given job, respect for superiors, best means of maintaining discipline are 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: Advances in methods and better tools and machines eliminated some workers who found it difficult to get other jobs and caused resentment among them.

4) Advances in methods and better tools and machines eliminated some workers who tends to reduce the need for skill and greater monotony of work.

3) Separation of planning and doing the greater specialization inherent in the system

- ↳ Leads to the formalization of small work groups with norms and goals without bothering about each individual carrying out his own assigned part.
- ↳ Leads to the following dysfunctional consequences:
1. Fayol's principle of specialization lead to the following dysfunctional consequences:

Limitations:

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

Contributions:

Contributions and Limitations of administrative management:

1. Spirit de corps: Means team spirit which should be created by the management among the employees and is possible only when all the concern and there should be harmony and there is scope for realizing the objectives of the concern and hence managers are required to give sufficient scope to show their initiative.
2. Initiative: Means freedom to think out and execute a plan which when provided to the employees leads to innovation which is the landmark of technological progress. Initiative is one of the keenest satisfactions for an intelligent man to experience and hence managers are required to give sufficient scope to show their initiative.
3. Unity among the staff: Means team spirit which should be created by the management among the employees and is possible only when all the concern and there should be harmony and there is scope for realizing the objectives of the concern and hence managers are required to give sufficient scope to show their initiative.

4. 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 give more and better work if they have fear of insecurity of job, their morale will be low and they cannot give more and better work.

5. 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.

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

7. 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 of the communication should pass through the proper channels of authority along the scalar chain.

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

4. It is necessary for the individual to have knowledge of and training in the application of rules: because these form the basis on which legitimacy is granted to his authority.

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 increases 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.

- b) Tradition oriented: all managerial positions are handed down from 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.

- 3).Bureaucracy German scientist Max Weber is considered to be the father of Bureaucracy. Made a study on various business and government organizations and distinguished three types of administration amongst them. Leader oriented tradition oriented and bureaucratic.

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 of 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.

1. Results in the dissatisfaction among workers as it does not provide them the opportunity to use all their abilities.

- Management and Entrepreneurship for IT Industry
Module 1: Introduction

These approaches are neo-classical because they don't rejected the classical concepts but only try to refine and improve them.

2. Neo-classical approach:

8. **Liamability to satisfy the needs of mature individuals:** a mature individual wants to plan his future. But this approach controls individual to work against these needs.
7. **Not Completely rational:** No bureaucratic organization is so rationally organized independence, initiative, self control, opportunity to use all his skills and information and staffed.
6. **Neglect of informal groups:** this approach ignore the existence of informal groups which usually carry out a big chunk of organizational work.
5. **No real right to appeal:** clients of this approach are not satisfactory since they have no real right to appeal.
4. **Displacement of goals:** this takes place when an organization substitutes for its legitimate goal other goal which it was not created due to some reasons. It's employees so intensively internalise the rules that the goals which these rules were originally framed to achieve or forgotten. Employees develop professional no real right to appeal.
3. **Trained incapacity:** In bureaucratic organization the training and experience repeated many times over developing individual skills and abilities in a specialized area only. The individual finds himself incapable to respond appropriately to new situations or postpone decisions.
2. **Buck-passing:** in this approach employee's initiative is stifled, so they can shift blame; Boss, Organization, fellow workers, rules.
1. **Over conformity to rules:** stick to rules to avoid penalties.

Limitations:

3. **Bureaucracy has provided the worker a scapegoat, place to lay the blame:** Boss, Organization, rules.
2. **Bureaucracy comes from viewing it with a closed systems strategy, has been preferred by most of the managers who want to predict the future accurately.**
1. **Bureaucracy can be viewed as the logical extension of management functions:** impossible for one person to fulfill all management functions.

Contributions

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.
5. **Administrative acts, Decisions and rules are recorded in writing:** this makes the organization independent of people besides making people's understanding more accurate.
4. **Promotions are made systematically.**
3. **Decisions and rules are recorded in writing:** this makes the organization independent of people besides making people's understanding more accurate.
2. **Administrative acts, Decisions and rules are recorded in writing:** this makes the organization independent of people besides making people's understanding more accurate.

3. Interviewing programme:

- » High group cohesion among girls.
 - » Groups and relative freedom from strict supervision and rules lead to these results.
 - » Warm informality, tension-free interpersonal and social relations amongst small attention they got.
 - » Feeling of importance among girls as result of participation in the research and the something else was responsible for this.
- Results:** the researchers found that the production group had no relation with the working study, to find the most ideal combination for production.
- A group of six workers, who were friendly with each other, were selected 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 experiment, were told about the experiment, were made to work in a informal for the experiment.
- 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.

2. Relay assembly test room:

- Illumination affected production only marginally.
- Results:** When post-productivity of two groups were compared, it was found that and the other group called the control group worked changing levels of illumination this time one group called the control group worked under the constant level of illumination first time and two groups were formed and set up in different buildings for the second time group of workers and the productivity was measured at various levels of illumination for the group. Productivity was correlated with illumination, tested, experiments were done on a

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

1. Illumination experiments
 2. Relay assembly test room
 3. Interviewing program
 4. Bank wiring test room
- Ethon Mayo's experiments can be divided into following four parts:
- Which employed 29,000 workers to manufacture telephone parts and equipment which employees at the western electric company's plant in Cicero, Illinois from 1927 to 1932 came into existence due hardships experiments conducted by Ethon Mayo and his colleagues at the Ethon Mayo's company. Came in helping managers to deal more effectively with the people side of their organizations. 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. in helping managers to deal more effectively with the people side of their organizations. Came in helping managers to deal more effectively with the people side of their organizations. Emerged to achieve complete production efficiency and workplace harmony. Was developed

1). The human relations movement:

Limits:

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

The contributions can be summarized as follows:

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

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 lower than the those set by the management and the workers would produce that much and so more-thereby-defeating the incentive system. This artificial restriction of production saved workers from a possible cut in their piece rates and protected weaker and slower workers from being reprimanded or thrown out of jobs. Class of workers-production rate Called foolish-was more than the group norm were isolated, harasses or punished by the group in the several ways and were called rate busters. Those who were too slow were nicknamed as chisellers. Those who complained to the supervisor against their co-workers were called squealers.

Results: the study revealed that the workers' social relations inside the organization had an unmistakable 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.

The knowledge about the informal group processes which were accidentally acquired in the second phase made researchers design the third phase. They wanted to know about the basic factors responsible for human behaviour at work Method used to know the basic factors: More than 20000 workers were interviewed. Questions were asked relating to the type of supervision, working conditions, living conditions and so on.

In direct questions were asked to the workers and the workers were free to talk about their favourite topics related to their work environment.

- These do not believe in the highly classical organization structures which were built around the traditional concepts of hierarchy, unity of command, line and staff relationships and narrow spans of control.
- They believe that lot of domination takes place by the managers which causes subordinates to become passive and dependent on them.
- These scientists were rigorously trained and used more sophisticated research methods.
- These people came to be regarded as the behavioral scientists rather than the members of the human relations school.
- The findings of these people have enormously helped in understanding the organizational behavior.
- This version is an improved and a more mature version of the human relation approach development of the behavioral approach to management.

2. Behavioral approach:

8. Approach is based on wrong assumption that satisfied workers are more productive workers because attempts to increase output by improving working conditions and the human relations skills of a manager generally in the dramatic productivity increases that are expected.

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 committee, 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 swaying 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.

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 responsibilities, communication channels and workflow.

1. **Structure subsystem:** refers to the formal division of authority and composed of 4 independent parts namely task, structure, people and technology.

▷ **A system is a set of independent parts:** Which together works as a single unit and performs some function. Similarly an organization can also be considered to be

2) Systems approach:

3. By changing the values of the variables in the model generally with a computer and they team can determine the effect of each change. Thus we can conclude that the focus is on quantitative approach is based on decision making with quantitative tools and techniques for making objective rational decisions.

2. The team constructs the a mathematical model to simulate the problem which is symbolic terms all relevant factors that bear the problem, and the interrelationships amongst them and to propose a course of action to the management.

1. A mixed team of specialists from relevant disciplines is called to analyze the problem and to propose a course of action to the management.

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.

to seek the solutions to a number of few, complex problems in warfare.

Gained momentum during the second world war when UK and USA were desperately trying

1) Quantitative approach:

3. Modern approaches

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

(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

Nature of Planning

Nature, Importance and Purpose of Planning

- » The task of a manager is to try to identify which technique will in a particular best contribute to the attainment of the management goals and managers have therefore to select the situational sensitivity and practical selectivity.
 - » There is no best way of doing things under all conditions. Methods and techniques differ because the situations differ.
 - » Are highly effective in one situation may not work in other situations and results differ because the situations differ.
 - » 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.
 - » Physiological(as in telecommunication)
 - » Storage(as in warehousing)
 - » Exchange(as in retailing)
 - » Location(as in transportation)
 - » Physical(as in manufacturing)
- 3) Contingency approach:

social systems.

- » Every system is precisely defined in the case of physical and biological systems than in case of more precisely defined in the case of physical and biological systems than in case of
- » Every system has a boundary: boundaries can be clearly observed and therefore which is called synergy.

» The transformation process can be categorized as follows:

- » System can be either open or closed: Open system is one which interacts with its environment and closed system is one which is independent of the environment.
- » Inputs of a business organization: raw materials, power, finance, equipment, human effort, technology, information about market, new products, government policies and the changes these inputs into output of goods, services and satisfaction and the transformation process is known as throughput.

concept facilitates more effective diagnosis of complex situations and increases the likelihood of appropriate managerial functions.

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. With the help of a sound plan, management can act proactively and not simply react. It involves to attempt to shape the

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

Importance of Planning

day.

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

(ii) Middle level managers are concerned with planning activities for the week or

(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 major difference concerns the time period covered. Planning is important to all managers regardless of their level in the organization. Extra cost. Sometimes it may be so expensive that its 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 personnel means the company's ability to shift individuals from one job to another.

(iii) Flexibility in market means the company's ability to obtain additional funds on favourable terms whenever there is need for them.

(ii) Flexibility in 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, personnel and organization.

5. A plan must be flexible. By flexibility of a plan is meaning its ability to change to adapt to changing situations without undue cost. It needs to possess a built-in flexibility

required in his plans.

the conditions, both within and outside the organization to determine if changes are going in the vast ocean, a manager must constantly watch his plans must constantly monitor going to change direction

4. Planning is a continuous process like a navigator constantly checks where his ship in alternatives.

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

| Strategic Planning | Tactical Planning |
|--------------------|-------------------|
|--------------------|-------------------|

- 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.
- 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.

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 accomplishing the work.
9. To focus the vision on the objectives and goals.

Purpose of Planning

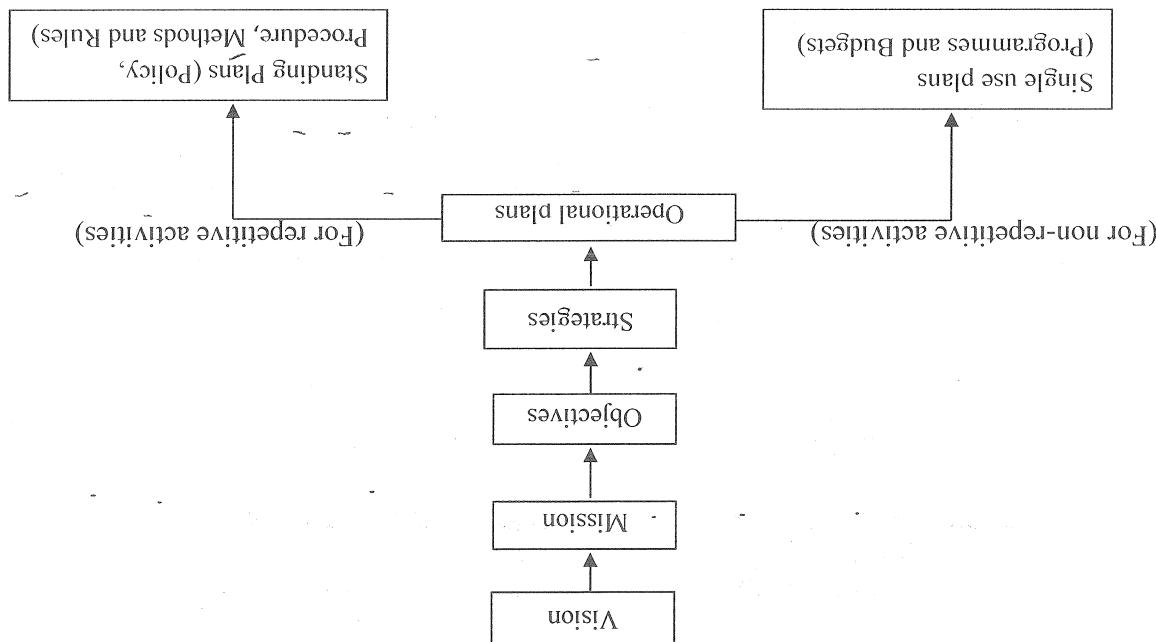
- Planning is also an excellent means for training executives. They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.
1. To facilitate control.
 2. To enable the manager to chalk out in advance an orderly sequence of steps for the realization of organizational goals and to avoid needless overlapping of activities.
 3. Focuses attention on the organizations goals:
 4. Facilitates control:
 5. Trains executives:
- The function of control is to ensure that activities conform to the plans. Thus control can be exercised only if there are plans.
- Goals and plans then become standards against which performance can be measured.

- 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 highlight the resources of the organization more economically. It facilitates control.
3. Focuses attention on the organizations goals:
 4. Facilitates control:
 5. Trains executives:

environment on the belief that business is not just the creation of environment but its creator as well.

- This is a dream an entrepreneur creates about the direction that his business should pursue in future.

I. Vision



Types of Plans or Hierarchy of Organizational plans.

| | | | | | | | | | | | | |
|---|--|---|--|-------------------|---|--|--|------------|---|--|---|---|
| 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. Middle managers sometimes are not even aware that strategic planning is being considered. | It is short-term. | It is generally based on long-term forecasts about technology, political environment, etc. and is more uncertain. | It is less detailed because it is not involved with day-to-day operations of the organization. | It is more detailed because it is not involved with the day-to-day operations of the organization. | Strategies | Operational plans (For repetitive activities) | Non-repetitive plans (For non-repetitive activities) | Single use plans (Programmes and Budgets) | Standing Plans (Procedure, Methods and Rules) |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |

- II. 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 achieving the mission.
 - 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, producer client, which decides the organization's scope of business.
 - 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.
 - Objectives should be distinguished from three other words "vision", "purpose" and "mission". 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.
 - 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
- Characteristics of objectives
- Market standing
 - Innovation
 - Productivity
 - Physical and financial resources
 - Profitability
 - Managerial performance and development
 - Worker performance and attitude
 - Public responsibility
 - Objectives:
- Thus, for example, a fertilizer manufacturing and marketing company may have the following objectives:
- Specified capacity utilization
 - Specified costs and return on capital
 - Specified quality of the product
 - Specified distribution services
 - Extension and market development
 - Serving remote and virgin areas
 - Maintaining the desired network of retail outlets
 - Extension of warehouse facilities and ex-warehouse sales to small retailers and farmers close to consumption points.
- 2. Objectives are either tangible or intangible**

- Requirements of sound objectives (manager should keep in mind)**
1. Objectives must be both clear and acceptable
 - i. **Objectives could interlock or interfere with one another.** For example, the goals of the production department in a company may be operating at cross purposes with those of the marketing department.
 - ii. **Objectives must support one another.** As Barnard pointed out, each participant in an organization determines for himself the range of acceptable behaviour, and if the activities required by him are outside this range, he will not pursue the objective.
 - iii. **Ambiguous communication is helpful in ensuring clarity of understanding.** The objectives must also be acceptable to the people, that is, they should be compatible with their individual goals.
 2. Objectives must support one another
 - i. **Objectives must be both clear and acceptable**
 - ii. **Objectives sometimes clash with each other**
 - iii. **Objectives are generally arranged in a hierarchy**
 - iv. **Objectives have a priority**
 - v. **Objectives are sometimes clashed with each other**
 - vi. **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 achieved through mass production of low quality products may conflict with the sales goal of selling high quality products. The resolution of this balance is a careful balance of the goal for each unit with the recognition that the goal of neither unit can be maximized. The result is a situation known as sub optimisation of goals. The exact form and relative weight to be given to any particular unit of interest is precisely the nature of management's dilemma; yet it is precisely management's responsibility to make these kinds of judgments.**

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

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 any organization must be allocated by rational means. For university teaching is first reference and research is next and other activities like sports, cultural activities are next important. Etc....

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

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.

- iii. Further, there should be close-knit relationship between short-range and long-range objectives. What is to be done the first year should provide a foundation for what is to be done each successive year, and this can be guaranteed only if the short-range plans are a part of the long-range plans.
- (i) The more precise and measurable the goal, the easier it is to decide how to achieve it. For example, the goal of "becoming more active in the community" leaves managers in doubt as to how to proceed. If instead, managers select as their goal "increasing profits by 10 percent", they have described their goals in much more meaningful terms.
- (ii) Precise and measurable goals are better motivators of people than general goals. For example, the goal of "becoming more active in the community" leaves managers are in doubt as to how to proceed. If instead, managers select as their goal "increasing profits by 10 percent", they have described their goals in much more meaningful terms.
- (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.
- (iv) It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.
4. Objectives should always remain valid
- 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.
- They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.
- ii. They act as motivators for individuals and departments of an enterprise being their activities with a sense of purpose.
- iii. They eliminate haphazard action which may result in undesirable consequences.
- iv. They function as a basis of managerial control by serving standards against which actual performance can be measured.
- v. They facilitate coordinated behaviour of various groups which otherwise may pull in different directions.
- vi. They facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.
- vii. They lessen misunderstanding and conflict and facilitate communication among people by minimizing jurisdictional disputes.

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

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

(ii) 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.

(iii) Precise and measurable goals are better motivators of people than general goals. For example, the goal of "becoming more active in the community" leaves managers are in doubt as to how to proceed. If instead, managers select as their goal "increasing profits by 10 percent", they have described their goals in much more meaningful terms.

(iv) The various reasons for this are:

3. Objectives must be precise and measurable

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

- 1. Environmental Appraisal**
- 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 organization's strengths and weaknesses.
 - ii. 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 influences that affect its life and development. Some key environmental factors are: opportunities. Andrews defines the environment of a company as the pattern of all external influences that affect its life and development. Some key environmental factors are:
- a. Political and legal factors**
- i. Stability of the government and its political philosophy.
 - ii. Taxation and industrial licensing laws.
 - iii. Monetary and fiscal policies.
 - iv. Restrictions on capital movement, repatriation of capital, state trading, etc.
- b. Economic Factors**
- i. Level of economic development and distribution of personal income.
 - ii. Trend in prices, exchange rates, balance of payments, etc.
 - iii. Supply of labour, raw material, capital, etc.
- c. Competitive Factors**
- i. Identification of principal competitors.
 - ii. Analysis of their performance and programmes in major areas such as market penetration, product life-cycle, product mix, distribution channels and sales organization, servicing, credit and delivery, advertising and promotion, pricing and branding, labour unions, training of personnel, technological development, pricing and profitability and efficiency in manufacturing, financial strength, profitability and rate of return on sales and investment.
 - iii. Anti-monopoly laws and rules of competition.
 - iv. Protection of patents, trademarks, brand names and other industrial property rights.
- d. Social and cultural factors**
- i. Literacy levels of population
 - ii. Religious and social characteristics
 - iii. Extent and rate of urbanization
 - iv. Rate of social change

- 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 skills, efficient distribution, efficient customer service, and personal relationship with customers. These strengths may also be reactive and timid.
- These plans act as means of implementing the organization'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 standard plans are
- i. Policies
 - ii. Procedures,
 - iii. Methods and
 - iv. Rules.
- A policy is a general guideline for decision-making. It sets up boundaries around decisions, including those that can be made and shutting out those that cannot. It channels the thinking of the organization members so that it is consistent with the organizational objectives.
- In the words of George Terry, "policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which management 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.
- 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.
- This makes actions more predictable.
- ii. Ensure uniformity in action in respect of various matters at various organizational points.

Advantages of policies

- iii. Policies provide clear guidelines for action. Policies are guidelines for action. They define what is to be done, how it is to be done, who is responsible for doing it, and when it is to be done. Policies are guidelines for action. They define what is to be done, how it is to be done, who is responsible for doing it, and when it is to be done.
- iv. Policies provide clarity in action. Policies are guidelines for action. They define what is to be done, how it is to be done, who is responsible for doing it, and when it is to be done.
- v. Policies provide clarity in action. Policies are guidelines for action. They define what is to be done, how it is to be done, who is responsible for doing it, and when it is to be done.

- It channels the thinking of the organization members so that it is consistent with the organizational objectives.
- In the words of George Terry, "policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which management 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.
- 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.
- This makes actions more predictable.
- ii. Ensure uniformity in action in respect of various matters at various organizational points.

2. Corporate Appraisal

- i. 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 Organization level

Ex: Production functions have policies like method of production, output, investment, research etc. Scales function have policies related to market, price, packaging, distribution channel, etc. Comission of middle man etc. Finance functions have policies related to capital structure, working capital, internal financing, dividend payment etc. Personnel function have policies related to recruitment, training, working conditions, welfare activities 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

- i. **Originalized policies:** these are the policies which are usually established formally and also by top managers for the purpose of guiding the actions of their subordinates and also to their own. These policies are generally set down in a print and embodied in a manual.
- ii. **Appealed policies:** they arise from the appeal made by the subordinate to the superior on appeals made by the subordinates, they become precedents for future regarding the manner of handling a given situation. When decisions are made by the ascertainment only by watching the actual behaviour 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.
- iii. **Impaled policies:** they are neither stated in writing nor verbally but their presence is external agencies such as government, trade associations, and trade unions.
- iv. **Externally imposed policies:** policies are sometimes imposed on the business by persons of seniority, this may become an implied policy of the organization.

1. Classification on the basis of source

- v. **Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.**
- vi. **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 subordinates make will be within the boundaries of the policies.**
- iii. **Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.**
- iv. **Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.**

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

II. Procedures

- 1. 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. For example, the procedure for purchasing raw material maybe:
- 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.
- 3. A policy must strike a reasonable balance between stability and flexibility.
- 4. Different policies in the organization should not pull in different directions and should support one another. They must be internally consistent.
- 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.
- 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.
- 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.

2. Single-use Plans

- It is not a method 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 policy because it does not give a guide to thinking and does not leave any discretion to the party involved.
- ii. A rule is different from a policy, procedure or method.
 - performed in a given situation.
 - Rules are detailed and recorded instructions that a specific action must or must not be

IV. Rules

- iii. Manual methods of performing a task can be replaced by mechanical means, or the existing methods can be improved in a number of ways.
 - 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.
 - iii. Manual methods may be improved, or work simplified and unproductive efforts removed by conducting "motion study".

III. Methods

- i. A method is a prescribed way in which one step of a procedure is to be performed. 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 method.
- ii. 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.
- iii. By cutting across departments, lines and extending into various other departments, they sometimes result into duplication, overlapping and conflict.
- iv. They enable employees to improve their efficiency by providing them with knowledge about the entire range of work.

Limitations of procedures

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

Advantages of procedures

- relating to the future such as population trends, the general economic conditions, they are vital to the success of planning as they supply pertinent facts and information ultimately formulated.
- i. It includes certain assumptions about the future on the basis of which the plan will be established.
- ii. The values and beliefs held by top men are very important in the selection of goals.
- 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 becoming more active in the community.
- iv. 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 managers, usually after a number of possible objectives have been carefully considered.
- v. The first step in planning is to determine the enterprise objectives, most often set by top

2. Establishing planning premises

- vi. The values and beliefs held by top men are very important in the selection of goals.
- vii. 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 becoming more active in the community.
- viii. 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 managers, usually after a number of possible objectives have been carefully considered.
- ix. The first step in planning is to determine the enterprise objectives, most often set by top

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

2.4 Steps in Planning

- x. 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.
- xi. 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".
- xii. A budget specifies the time when each of a series of actions should take place.
- xiii. 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.
- xiv. A schedule specifies the time when each of a series of actions should take place.

II. Budgets

- xv. 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.
- xvi. Open 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.
- xvii. A budget specifies the time when each of a series of actions should take place.
- xviii. 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".
- xix. 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

- xx. Programs are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.
- xxi. Programs are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.

II. Programs

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

Types of Single-Use Plans are

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

- behaviour of the owners of the organization, etc.

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

(c) controllable and non-controllable premises

measurable

behaviour of the owners of the organization are all tangible premises whose quantitative sociological factors, business and economic environment, attitudes, philosophies and promises whose quantitative measurement is possible. On the other hand, political stability, 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 are those which can be quantitatively measured while intangible

(d) Tangible and intangible premises

sociological factors and demand for industry's products etc.

Some external premises are general business and economic environment, technological changes, government policies, and regulations, population growth, political stability, factors which affect the resources available to the enterprise.

c. Factors which influence the demand for the products of the enterprise and

a. Business environment,

External premises may be classified into three groups:

behaviour and values of the owners and employees of the organization.

abilities of the organization in the form of machines, money and methods, and beliefs, sales forecasts, programmes of the organization, capital investment in plant and equipment, competence of management, skill of the labour force, other resources and factors which influence the demand for the products of the enterprise.

Premises may exist within and outside the company. Important internal premises include

(a) Internal and external premises

iii. Planning premises can be variously classified under:

availability, government control and so on.

production costs and prices, probable competitive behaviour, capital and material

PIN: 9030099357, 1676670501.
Bihar Layout, Dangalara - 850 060.
Bihar Lucknow, Bihar India and abroad.

Definition:

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 progress

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 and budgeters. 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

Technical know-how, maybe secured by engaging 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 needs also plan for the same period to fulfill its commitments.

iii. Length of commitments already made.

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.

Time required to recover capital investments or the pay-back period:

Planning period of five years with one or two years of conception, engineering and development and as many more years for production and sale.

For Ex: A heavy engineering company planning to start a new project should have

common objectives or objectives of the enterprise.

5. **Coordinates or integrates** and controls the activities of individuals or groups to achieve

4. Provides adequate communication.

3. It tells each manager where his accountability lies and, who are in sphere of command.

2. Demarcates the authority, responsibility and duties of each individual or group.

1. Establishes the pattern of relationship by giving duties and responsibilities to an individual or group.

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:

Purpose of Organization:

9. It facilitates seamless communication

8. It helps in nurturing and growing special skills and talents by the virtue of division of labour.

7. Organization helps in the realization of the plans made by the managers.

6. Organizations are part of the larger environment and hence they are influenced by the external environment.

5. It also aids in achieving financial, physical material and human resources.

4. It delegates authority to the managers with, commensurate responsibility and levels in an 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 at different hierarchical levels.

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.

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

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

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

- Principles of Organization:**
1. **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.
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.
5. **Scalar Principle:** This Principle is sometimes known as the "chain of command". The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.
6. **Unity of command:** Each subordinate should have only one superior whose command he has to obey. Multiple-subordination must be avoided for it causes Unrest, disorder, indiscipline and undiscipline of authority.
7. **Delegation:** Proper authority should be delegated at the lower levels of management.
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 be as far as possible, be minimum. A large number of levels of organization mean difficulty 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.

- There are two types of organizations: Formal and Informal
1. **Formal Organization**
 - i. There are various Levels in any Organization, right from Chairman or Managing Director or Chief Executive Officer at the top to Foremen/Supervisors down the line.
 - ii. Formal means the International Structure of Roles in a Formally Organized Enterprise.
 - 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 performance, both present & future contributes most effectively to Group Goals.
 - iv. Formal Organizations 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.
 2. **Informal Organization**
 - i. Organization is a joint Personal Activity without conscious joint purpose, even though contributing to joint results.

- 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.
- Acceptability: The structure of the organization should be acceptable to the people who constitute it. Two things generally happen if people oppose the structure: it is modified gradually by the people, or it is used ineffectively.
- The term organization is used in two different senses.
- First scene is used to denote the process of organizing and the second is used to denote the result of that process called organization structure.
- 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:
1. The second is used to denote the result of that process called organization structure.
 2. The first scene is used to denote the process of organizing and
- There are various Levels in any Organization, right from Chairman or Managing Director or Chief Executive Officer at the top to Foremen/Supervisors down the line.
- Formal means the International Structure of Roles in a Formally Organized Enterprise.
- 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 performance, both present & future contributes most effectively to Group Goals.
- Formal Organizations 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 towards Group & Organization Goals.
- Organization is a joint Personal Activity without conscious joint purpose, even though contributing to joint results.

1. Line or vertical or tall: Line, Military or Scalar Organization
2. Functional or horizontal or Flat Organization
3. Line and Staff Organization
4. Matrix or Grid or combined base Organization
5. Product / Project Organization or Departmentation
6. 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.

Organizational 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 | Creation | Purpose | Nature | Communication | Control mechanism | Focus on | Authority | Size |
|---|---|----------------------------------|--|---|---------------------------------------|------------------------|---------------------------|----------------------------|--|-------|
| An organization type in which the job of each member is clearly defined, whose authority, responsibility and accountability are fixed in formal organization. | An organization formed within the informal organization as a network of people interacting with each other, is known as informal communication. | Spontaneously by top management. | To satisfy their social and psychological needs. | To fulfill, the ultimate objective of the organization. | Stable, it continues for a long time. | Official communication | Rules and Regulations | Work performance | Members are bound by hierarchical structure. | Large |
| Informal organization | Informal organization | Deliberately by top management. | To satisfy their social and psychological needs. | To fulfill, the ultimate objective of the organization. | Not stable | Grapesme | Norms, values and beliefs | Interpersonal relationship | All members are equal. | Small |
| Meaning | Formal organization | Informal organization | Creation | Purpose | Nature | Communication | Control mechanism | Focus on | Authority | Size |

Differences between formal and informal organization

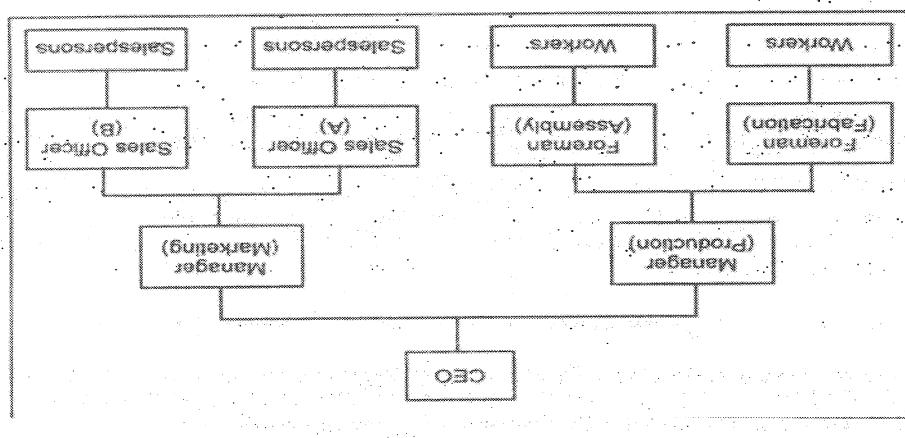
It may be easier to ask for help in an Organization Problem from someone you know personally, even if he may be in a different section, than by passing thru the organization structure.

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.

B
G
O
C
D
E
I
G
H
U
R
N
S
K
X
R
Q
H
L
A
N
G

- Advantages**
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.
- Disadvantages**
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. Positions are seldom made to train, develop and replace top executives.
 7. Functional or horizontal or flat Organization

Figure: Line Organization



1. **Line or vertical or tall:** Line, Military or Scalar Organization
- It is simplest form of organisation structure. Authority flows from man at the top to lowest man vertically.
 - 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.

2. **Functional or horizontal or flat:** Functional Organization

- It is based on division of labour. It is concerned with the performance of specific functions throughout the organization.

- The line organization gradually developed to shape as the line and staff organization.

3. Line and Staff Organization

- Co-ordination of the efforts of various functional foremen is difficult.
- It makes it difficult for the management to fix responsibility for unsatisfactory results.
- Responsibility for profit is at the top only.
- Makes economic growth of company difficult.

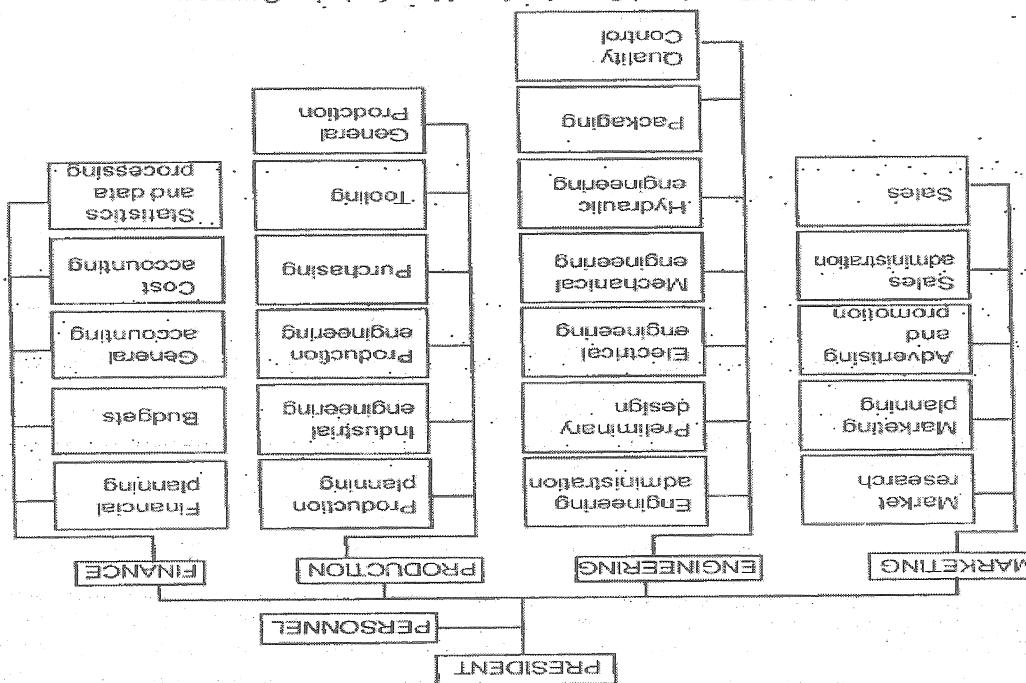
Disadvantages

- Specialisation of functions.
- It makes for a higher degree of efficiency.
- It facilitates mass production.
- Quality of work is improved.

- It ensures a greater division of labour and enables the concern to take advantages of

Advantages

Fig 3.3 A Functional Grouping for a Manufacturing Company



- 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

- Some organizations follow different types of departmentalization methods at different levels of manufacturing.

Matrix or Grid or combined base Organization

initiative.

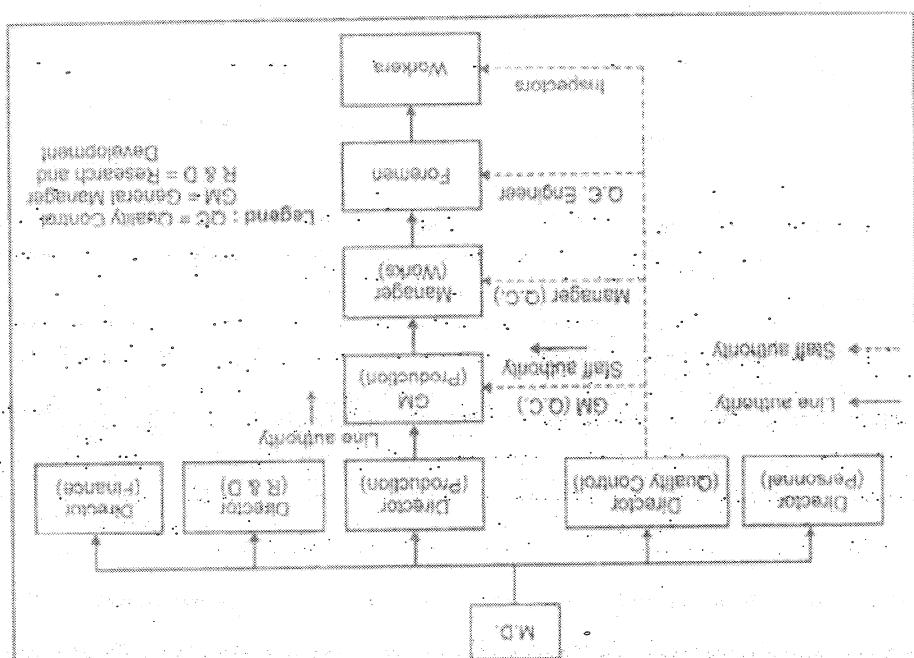
- Product-cost will increases because of high salaries of staff executives.
- Complex in nature.
- If executives start depending too much on staff executives, they may lose their initiative.

Disadvantages

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

Advantages

Figure: staff and line organisation



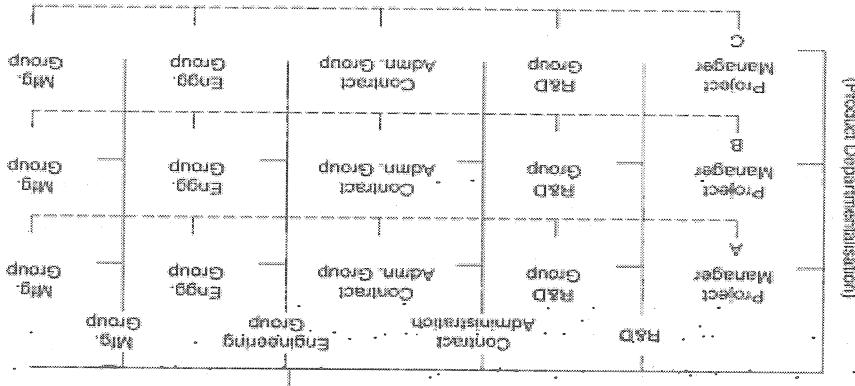
command.

- 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.

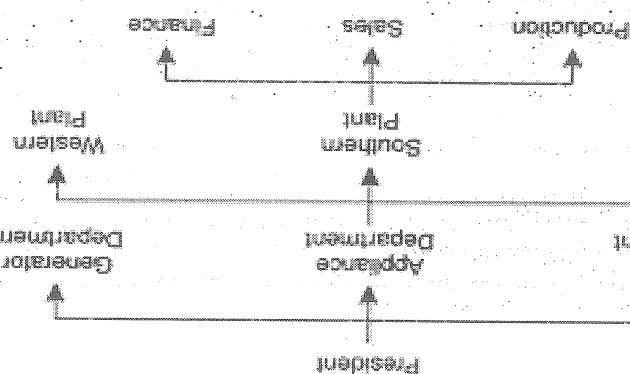
1. Reduces problems of communication and coordination.
2. Increases the ability to innovate around specific customers' needs.
3. Stress on optimization of the total projects eliminates chances of sub optimization of goals.

Advantages:

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



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



- E.g. Agricultural machinery organization may follow "product" based as the base at the primary level. And "territory" as the base at the intermediate level, "function" at the last level.

2. Executive committees:

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

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 and concerned persons.
 - ▷ The recommendation made by committee should be published and circulated to interested simply be waste of time.
 - ▷ Problems not related to the subject matter at hand should not be discussed because it will simply be waste of time.
 - ▷ Committee meeting should begin and end on prefixed timings.
 - ▷ Problems which can be taken care by an individual should not be included in the agenda of the committees.
 - ▷ Agenda of the committee should be proposed or communicated to the committee at least a week before they meet for discussions.
 - ▷ 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:

1. **Advisory committee**
Committees are broadly classified into
for their decision and implementation.
A committee is a group of people who have been formally assigned some task or some problem which they are working.
2. **Members feel frustrated due to the lack of formal rules and procedures leading to ambiguity.**
3. **Standing or permanent committee**
4. **Ad hoc or temporary committee**

Committees

- Disadvantages:**
1. Members show more loyalty to their main departments rather to the project organization in which they are working.
 2. Change of project promotes intellectual growth and development of employees.
 3. Assignment of specific jobs to employees make passing of buck difficult.

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

Disadvantages:

- on facts.
5. Committees are impersonal in action and hence decision made is unbiased and are based 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 skills, ages, backgrounds.
 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: the admission committee in a college.

- Example: Finance committee in a company or loan approval committee in a bank or the admission committee in a college.

- Members of these committees are chosen because of their position, instead of individual qualifications or skills.

- 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.

- When ever committees are vested with line authority, they are called executive committees or plural executives.

- When ever committees are vested with line authority, they are called executive committees or plural executives.

- 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.
 - The sources of recruitment can be broadly classified into 2 categories they are intermedials and Externals.
 - Intermedials source refers to the present working force of a company.
 - Externals source refers to the selecting individuals from amongst the existing employee of the company.
 - 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.

- Process of Recruitment and Selection**
- Helps to avoid a sudden disruption of personnel through over manning and the resultant high labor cost and low profit margins.
 - 4. Provides information to management for the internal succession of managerial personnel in the event of turnover.
 - 5. Provides information to management for the internal succession of managerial personnel in the event of turnover.

- Advantages (Importance) of Proper and Efficient Staffing**
- 1. It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
 - 2. Ensures greater production by putting the right man in the right job.
 - 3. It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personnel if any in advance.
 - 4. Helps to prevent underutilization of personnel through over manning and the resultant high labor cost and low profit margins.

- Nature and Importance of Proper Staffing**
- The process of recruiting, retaining, developing and nurturing the workforce is called staffing-Meaning of Staffing, Process of Recruitment and Selection,
- Topics:

STAFFING

2. Old habits are replaced by new ones and concern becomes more dynamic.
1. New blood brings with it a fresh outlook, originally and new ideas.

Advantages:

Advantages and Disadvantages of External Recruitment

1. This method limits the choice of selection to the few candidates available within the enterprise.
2. It may lead toimbreding 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.

Disadvantages:

1. A better employee-employee relationship is established.
2. People are motivated to become efficient and customers remain intact for the concern.
3. Employee 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

Advantages:

Advantages and Disadvantages of Internal Recruitment

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. Employment exchange is an office set up by the government and technical institutions from where young and talented persons may be recruited.
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 special skills or if there is an acute shortage of labour force.
7. Labour unions: Companies with strong labour unions, persons are sometimes recommended for appointment by their labour unions.

1. College and technical institutes: Many big companies remain in touch with the colleges and universities are selected.
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 gate: 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. Appointments from particular post or position in organisation.

- expectations.
- all of them are arrive at an agreement among themselves in their mutual also state their expectations and after a most directly affect his own work, group which he feels most directly affected his own work, other in a group 2) The manager lists his expectations from each of those other roles in the ambiguity.
- question him on the definition of his task and if any confusion ten clear the discretionary elements. Other role in combination, and his immediate superior 1) The manager lists his activities consisting of the prescribed and following steps:
- Prof. Ishwar Dayal suggests the use of Role Analysis Technique which includes the responsibilities and line of authority.
- and so naturally are descriptions of manageable interrelationships, over all
 - While higher level descriptions are more closely related to organization planning centre directly around duties and day-by-day assignments
 - The lower-level job description are written wage and salary administration and so executive himself or by his superior.
 - The lower-level job descriptions are generally written by the personnel department but manager job descriptions are written by the incumbents
 - The results of job analysis are set down in job description. The two types of job description differ from each other in many ways

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.

4. There is deterioration in the employee-employee relationship, resulting in industrial unrest, strikes and lock-outs.
3. There is greater turnover of labour.
2. The present employees may lose their sense of security and become disloyal to the employer.
1. Employees generally feels frustrated and their morale is adversely affected.

Disadvantages:

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

- 3) Job Specification**
- A job specification also called man specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.
- There is no standard procedure followed by all organizations.
- 3. Job Specification**
- 3) The manager then writes up his role which consists of all aspects of his work.
- 2. Application blank**
- A job specification also called man specification 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**
- Filling of the application bank by the candidate is the first in the process of selection. The applicant gives relevant personal information, as his qualification, specification, experience, firms in which he has worked etc. Company will carefully go through about the application and selects those who are selected for interview on the basis of particulars furnished in the application.
- 2. Initial Interview**
- Applicant gives relevant personal information, as his qualification, specification, experience, firms in which he has worked etc. Company will carefully go through about the application and selects those who are selected for interview on the basis of particulars furnished in the application.
- 3. Employment tests**
4. Checking references
5. Physical or medical examination
6. Final interview
- 1. Application Bank**
- Fillings of the application bank by the candidate is the first in the process of selection. The candidate gives relevant personal information, as his qualification, specification, experience, firms in which he has worked etc. Company will carefully go through about the application and selects those who are selected for interview on the basis of particulars furnished in the application.
- 2. Initial interview of the candidates**
3. Employment tests
4. Checking references
5. Physical or medical examination
6. Final interview
- 1. Application Bank**
- Fillings of the application bank by the candidate is the first in the process of selection. The candidate gives relevant personal information, as his qualification, specification, experience, firms in which he has worked etc. Company will carefully go through about the application and selects those who are selected for interview on the basis of particulars furnished in the application.
- 2. Initial interview of the candidates**
3. Employment tests
4. Checking references
5. Physical or medical examination
6. Final interview
- 2. Initial Interview**
- Those who are selected for interview on the basis of particulars furnished in the application 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 interviewed.
- 3. Employment tests:**
- These who are selected for interview on the basis of particulars furnished in the application for a job. It helps in finding out whether a candidate is suitable for a clerical or a mechanical job.
- 4. Interest test:**
- Interest tests are used to find out the type of work in which the candidate has an interest. Interest tests are generally used for vocational counseling. Usually well-prepared questionnaires are used in interest tests.
- 5. Intelligence test:**
- Intelligence tests are used to find out the candidate's intelligence. By using this test, the candidate's mental alertness, reasoning ability, power of understanding, etc are judged. Some examples of intelligence tests are: reading and writing, arithmetic, a paragraph in the allotted time, writing 10 to 15 words that begin with the same letter in one minute and so on.
- 6. 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 include dominance, integrity, originality, etc. Very important particularly in the case of appointments to the posts of supervisors and higher executives.

MANAGEMENT & BUSINESS
INNOVATION

4. Checking References:

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.

5. Physical or medical examination:

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

6. Final Interview:

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.

Direction and Controlling

MODULE - 2

Meaning and nature of direction: Direction is defined as the process of issuing of orders and leading and motivating subordinates as they go about executing orders.

Direction is concerned with the process of issuing of orders and techniques utilized in issuing instructions and making certain that operations are carried out on as originally planned.

It is a vital in managerial function. Its used to stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results.

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

According to Hamann: "Direction consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned."

According to Koonz and O'Donnell: "Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of those men and women that constitute the real source of responsibility of management."

According to Urwick and Brech: "Direction is the guidance, the inspection, the leadership of management in order to achieve the goals.

Direction focused on:

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 to develop interpersonal relations in a group.
3. To develop directing is the heart & soul of management.

Importance of direction:

Without directing management may come to stand still.

DIRECTIVES OF MANAGEMENT

MODULE 2**Management and Entrepreneurship for IT Industry**

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 fruitful result.

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

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

4) **Result oriented:** - a) To get the work done. b) To see the management work more responsibly. 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.

5) **Provides link between different management functions:** - It provides effective link in planning, organizing, staffing in the organization with proper control.

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

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 responsibility of which may lead to conflicting orders, divided loyalties and decreased personal responsibility of which may lead to conflicting orders, divided loyalties and decreased personal responsibility.

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:

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

- Qualities of a Leader**
- 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.
 - 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.
 - Quick grasping: A leader should understand human psychology. His grasping of situation should be quick and decision should also be communicated at the earliest. He should possess understanding of human behavior, emotions, sentiments, needs, motives etc. This needs maturity of mind and scientific way of approach.
 - Initiative: The leader must possess certain creative abilities, quality of imagination, invention and courage to face realities of life boldly.
 - 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.
 - Ability to communicate: A leader should be good at communication ideas, feelings, decisions, orders etc. He should be a good and effective speaker, writer so that he will be able to inform, stimulate and direct his subordinates.

7. Acceptance of responsibility: A reliable leader is one who is prepared to shoulder the responsibilities 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 identifiable 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, vigour, energy and creativity.

Leadership Styles:
Three leadership styles widely used:

1. Traits approach
2. Behavioral approach
3. Contingency approach

1. 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,

2. 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 theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have. Now we have moved on from this approach, and we're learning more about what we can do as individuals to develop leadership qualities within ourselves and others. traits are external behaviors that emerge from things going on within the leader's mind — and it's these internal beliefs and processes that are important for effective leadership.

| Factor | Leadership style | | | |
|----------------|------------------|---|-------------------|----------------------|
| | Free- | Participative/Democratic | Autocratic | Rein/Laissez - faire |
| Decision Maker | Leader only | Leader in consultation with subordinates | Subordinates only | |
| | | | | |

Comparison of Leadership Styles

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

Example: political party leader

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

Democratic leadership:-

Example: Hitler, kites

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". Generally, autocratic leaders are disliked by employees. 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.

Autocratic leadership:-

The leader makes decisions without consulting their teams. The leader alone determines policies and makes plans. He tells others what to do and how to do it. Leader demands strict obedience and relies on power.
 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 that there are three types of leaders:

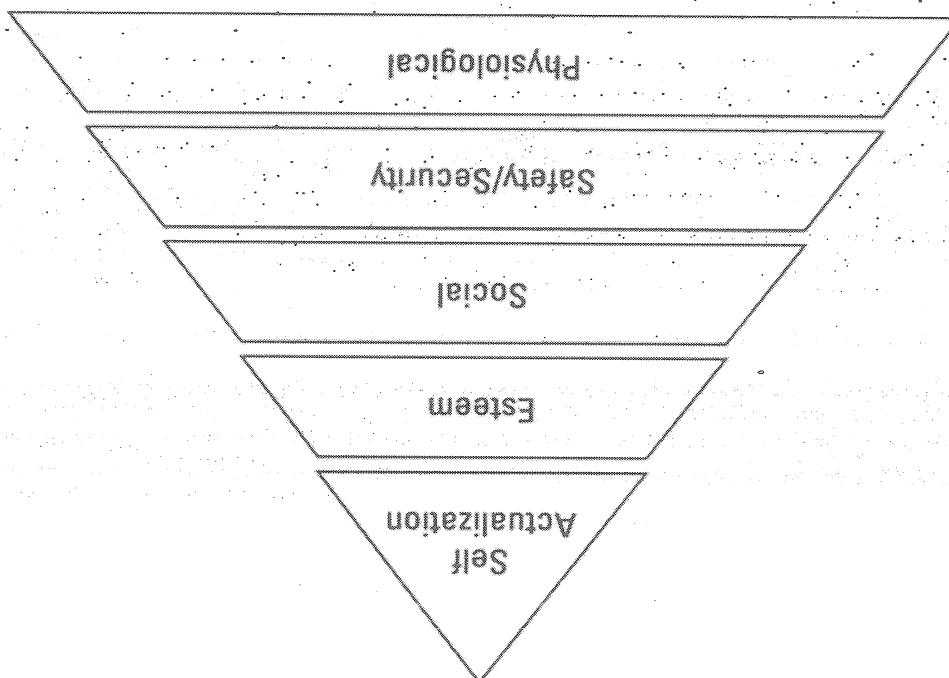
- These are all examples of questions that contingency leadership theories try to address.
3. Contingency approach—situation influencing good leadership. The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation. These theories try to predict which leadership style is best in which circumstance. When a decision is needed fast, which style is preferred? When the leader needs the full support of the team, is there a better way to lead? Should a leader be more people oriented or task oriented?
- There are six of them namely:
- Motivation theories:**
- 1) Maslow's need hierarchy theory
 - 2) Herzberg's two factor theory
 - 3) McClelland's achievement theory
 - 4) Victor Vroom's Expectancy theory
 - 5) Adams equity theory
 - 6) Skinner's behavior modification theory

| Discipline | Obeys the leader | Cooperative | Self-imposed | Leader | Leader and subordinates | Individuals | Only by team | Both ways | Free flow | Individuals | Rewards | Self-motivated | People oriented | Mixed | And safety | Self attenuation | Physical | Needs | Hierarchy of | Focus |
|-------------------------|------------------|-------------|--------------|-------------|-------------------------|-------------|------------------|-----------|-----------|-------------|---------|----------------|-----------------|-------|------------|------------------|----------|-------|--------------|-------|
| Delegation of authority | Rare | Good | Complete | | | | | | | | | | | | | | | | | |
| Responsibility | | | | Leader | | | | | | | | | | | | | | | | |
| Initiative | | | | By leader | By team | | | | | | | | | | | | | | | |
| Communication | | | | One way and | Both ways | | | | | | | | | | | | | | | |
| Motivation | | | | Punishments | Rewards | | | | | | | | | | | | | | | |
| Hierarchy of needs | | | | Physical | Mixed | And safety | Self attenuation | Physical | Both ways | Free flow | Rewards | Self-motivated | People oriented | Mixed | And safety | Self attenuation | Physical | Needs | Hierarchy of | Focus |

- become reasonably satisfied and progress to the next level and so on.
- Physical needs first, as long as the needs are unsatisfied they dominate and after they physical needs first. According to Maslow, people attempt satisfy their musical must make music etc. A example to the fullest. Example capabilities to the fullest-for accomplishing what one is capable of to the fullest. Self-Fulfillments are the needs to realize ones potential that is realizing one's own Self-Fulfillment needs:
- Egoistic are the needs which relate to respect and prestige the need for dominance for example can be classified as self-esteem and esteem from others. Self-esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy.
- 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.
- 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.

- i. Physiological needs:
- Order of priority of human needs Begins with the person's unsatisfied need need at the lowest level- identification of the need develops in the form of a goal which leads to the fulfillment of the need to achieve the goal. These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.

Figure : Maslow's need hierarchy theory



Demerits of the Theory

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

1. The hierarchy of basic needs is not always fixed.
 2. It is difficult to know about the needs and motives of an individual form analysis of behaviour.
- 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 about their jobs. Out of these interviews two factors emerged they are:
1. Maintenance factors and motivators.
 2. Motivators or satisfiers.

1. Maintenance factors(Factor 1)

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

2. Motivators or satisfiers (Factor 2)

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

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

Some facts about the two factors:

- i. Motivators are job centered.
- ii. Maintenance factors are related working conditions and environmental conditions.

- iii. These two groups of factors are also known as intrinsic and extrinsic rewards.
- iv. These two sets of factors are unidirectional.

Merits of the Theory

1. The focus is directly work-related.

2. One important way to increase intrinsic job satisfaction is through job enrichment.

Demerits of the Theory

1. The theory is based on a sample of 200 accountants and engineers.

2. Motivational and maintenance factors are not wholly unidirectional in their influence.

3) McClelland's need for achievement theory:

According to McClelland there are three important needs

- i. The need for affiliation (n Aff): Reflects desire to interact socially with people

- ii. The need for power (n Pow): Person having high need for power tries to exercise the

- power and authority. Concentrated with influencing others and winning arguments.

- iii. The need for achievement (n Ach): has three distinct characteristics

- a. Preference in setting moderately difficult but achievable goals.

- b. Doing most things himself rather than getting them done by others and willing

- to take personal responsibility for his success or failure and does not want to hold responsible for it.

- c. Seeking situations where concrete feedback is possible.

4) Victor Vroom's Expectancy theory:

Works under conditions of free choice where an individual is motivated towards activity which he

is most capable of rendering and which he believes has the highest probability of leading to his

most preferred goal. The basic concepts of this theory are:

- i. First and second level outcomes: job related goals before an individual such as

- promotion, increase in salary, recognition, and praise and so on are called second level

- outcomes. Each second level outcome can be associated with a value called valence for

- each individual.

The valence can be positive, negative or zero. Valence positive: individual wants to

2. Instrumentality: All first level outcomes have equal probability of leading the individual to the second level outcome. The individual has subjective estimates of these probabilities bribing somebody and so on.

to develop intimacy with the boss, by bribing somebody, by improving performance or by showing dissatisfaction, by joining a pressure group, by attending a training programme, or different ways they are: promotion by leaving the organization, by absenting himself to attain outcome towards which he is indifferent. Second level outcomes can be achieved in zero: attainment promotion. Valence negative: does not want to attain promotion. Valence attain promotion. Valence negative: individual wants to bribe somebody and so on.

range from -1 to +1 which are called instrumentabilities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome

These instrumentabilities are helpful in determining the valence of each first-level outcome.

3. Expectancy: is the probability estimate which joins the individual's efforts to first level by multiplying its instrumentabilities with the valences of the second level outcomes.

4. Motivation: Motivation is the multiplicative function of the valence of each first-level outcome (V_1) And the believed expectancy (E) that given effort will be followed by a particular first level outcome, That is $M = (V_1 * E)$

5). Adams equity theory: In this theory, Equity is defined as the ratio between the individual's job inputs (such as effort, skill, experience, education and seniority) 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.

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. Consequences that increase the frequency of a behavior are positive reinforcement (praise or monetary rewards) or negative enforcement (A manager requiring all subordinates to attend early morning meetings if the performance falls below a certain desired level of the organization).

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

- i. Overemphasis of extrinsic rewards ignores the fact that people are better motivated by intrinsic rewards.
- ii. The theory is unethical no manager has a right to manipulate and control his employee's behavior life.

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.

Communication:

- The coordination is important because of the following factors.
- Unity in diversity:** There are large number of employees each with different ideas views or opinions and interests.
 - 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 activities.
 - Team work:** Coordination help converging the diversified efforts of various groups to achieve the objectives.

2.10 Importance of Coordination

Coordination 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 efficiently and expertly coordination is automatically generated and there remains no need for special coordination.

Coordination:

- Communication must be for each and every business. A good business can be done with effective communication only.
- For maintaining proper co-ordination in various department of business, up to date communication system has to be established.
- Effective communication reduces the gap between management and employees.
- Communication plays an important role in negotiation.
- Aquiring excellent communication skill is an important qualification.
- It is a tool of collecting information.
- Communication helps in exchanging ideas and information.

The importance of communication can be listed as below:-

The importance of communication exists from the birth to continuation. Every organization requires proper communication to the goals of the organization, at different levels and proper communication is involving the interactions of the people working in organization. But by Hawthorne's experiments it was realized that every technological structure is a social system involving the interactions of the people working in organization raised from the fact that earlier business was considered only a formal structure. Management and Entrepreneurship for IT Industry

2.8.1 Importance of Communication:

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 E.F.L. Brech - "Controlling consists of verifying everything occurs in conformity with the plans adopted, the instructions issued and principles established". According to Henri Fayol - "Controlling consists of verifying everything occurs in conformity with the plans contained in the plans with a view to ensure adequate progress and satisfactory performance".

Controlling

- vii) **Communication:** Coordination ensures the smooth flow of information from one direction to other direction.
- viii) **Goals and departmental goals with Organizational goals:** Recognition of goals: Coordination plays important role to reconcile both the employees and departments. So coordination is necessary to integrate the functions of the related from others. Each Department tries to perform its function in isolation section performs different jobs. Each section is divided into section wise. Each section and staff officers.
- ix) **Functional differences:** The functions of Organization are divided into section wise. Each line and staff officers.
- x) **Empire Building:** Empire Building refers to top level of Line Organization. The Line officers expect cooperation from staff officers but the line officers are not ready to extend their cooperation to staff officers. So coordination is necessary to avoid conflicts between them don't work in harmony. Coordination is necessary to bring harmony among them.
- xi) **Large number of employees:** Large Organizations employ large number of employees. They have different habits, behaviour and approaches in a particular situation. Many times they don't work in harmony. Coordination is necessary to bring harmony among them.

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 per centage, total cost incurred overheads etc can be quantitatively. Standards are to be flexible in order to adapt to changing conditions.

2. Measuring and comparing actual results against standards
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 report, charts and statements. When actual performance matches with standards, no corrective action is required. However, if the standards are not achieved, then the management should initiate necessary corrective action.

3. Taking corrective action
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.

2.6.1 Essentials of a sound control system

- 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. **Economical:** 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. It also provide solutions to the problems that cause deviations.

ix. **Effective and operational:** A control system should not only detect deviations but should motivate: A good control system should motivate people to achieve higher performance.

x. **Motivation:** The control is so designed that it induces positive reactions from employees.

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.

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.

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.

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 the sum of fixed cost + variable cost. Fixed cost is fixed irrespective of production but variable cost changes according to the volume of production. This analysis helps which is equal to the revenue. The excess of revenue over total cost is profit.

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.

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.

vii. **Using this percentage of profit is identified.**

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

- 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.
- 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.
- 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.
- 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.
- xi. **Statistical control reports:** This type of reports are prepared and used by large organizations. These reports are very useful in sales, production, etc.
- xii. **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 of an organization. It involves forecasting and planning of production, inventory control, scheduling, selection of process etc.
- xiii. **Production Control:** This technique is necessary for smooth functioning of an organization. It involves forecasting and planning of production, inventory control, scheduling, selection of process etc.
- 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.

PI: 9628003357, 7076670591.
Reflex Layout, Bangalore - 560 004.
Below LCR Bank, Thiruvalluvur Head,
4th, PES Tower, Opp. Dr. G. Chidambaram
SRI SAKTHI MARGA

3.2 Evolution of Concept

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

- Definitions of an “Entrepreneur” are divided into 3 Streams :
 - i. The Ones describing Roles of an Entrepreneur.
 - ii. The Other describing Characteristics & Management Education & Research (IMER), Belgaum says, “The World Entrepreneur is derived from a Sanskrit Word called “Amarapreerna”
 - iii. Ones Focusing on Success Factors.

3.1 Meaning/ Definition of Entrepreneur

- 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 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.
- The process of creation and management of enterprise is called entrepreneurship.
- Entrepreneur is a person who undertakes an enterprise.

Topics:-

MODULE-3: ENTREPRENEUR

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY

- Meaning of entrepreneur, types of entrepreneurship, stages of entrepreneurial process, role of entrepreneurs in economic development, entrepreneurship in India, barriers to entrepreneurship, market feasibility study, technical feasibility study, financial feasibility study and social feasibility study.

iii. **Risk Bearing:** Any Business Proposition has an element of Risk, the Reason being Factors beyond the Control of the Entrepreneur like Increasing Competition, Labour Unrest. He needs to be Courageous to face the Risk & Challenges involved in running the Enterprise. His ability to Sustain Risk ultimately helps him to be a success.

i. **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 Few Innovations & New Products developed.

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

6. In all above definitions, Entrepreneurship refers to the activities performed by an Entrepreneur in establishing an Enterprise.

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

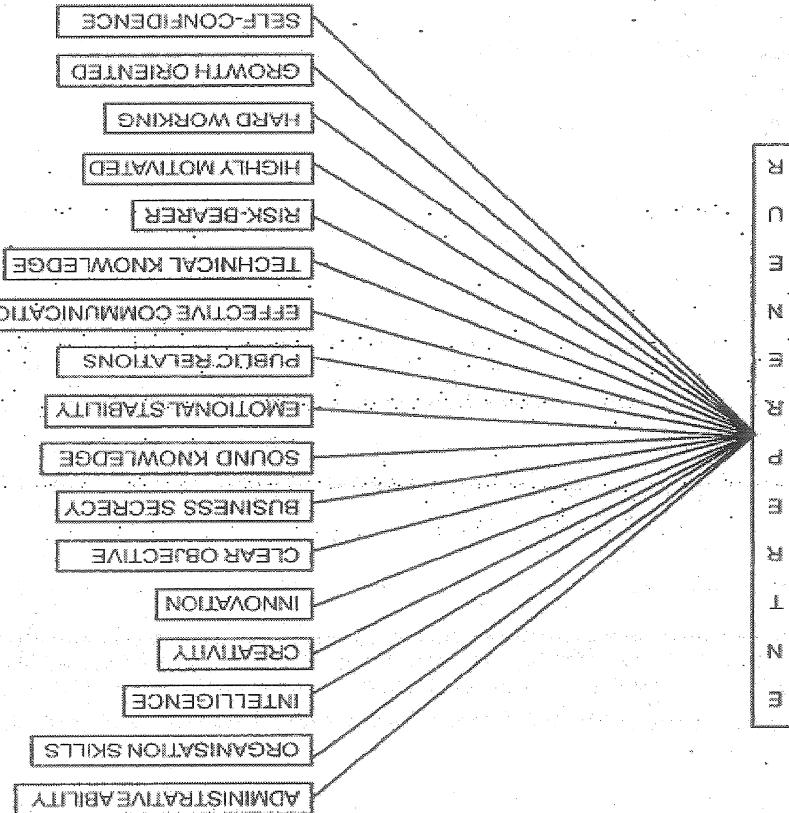
3.3 Concept of Entrepreneurship & its Evolution:

- In 1848, the famous John Stuart Mill described Entrepreneurship as the founding 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 Cantillon 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 "Entrepreneur" in the 12th Century.

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

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



3.4.1 Characteristics of an Entrepreneur

3.4 Characteristics and qualities of an entrepreneur

- 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.
- 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.
- 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.
- 7. Motivator:** An entrepreneur must build a team kept it motivated and provide an environment for individual growth and career development.
- 8. Self-Confidence:** Entrepreneurs must have belief in themselves and the ability to achieve their goals.
- 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.
- 10. High Energy Level:** Success of an entrepreneur demands the ability to work long hours for sustained periods of time.
- 11. Persistent problem-solver:** An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.
- 12. Initiative:** An entrepreneur must have initiative accepting personal responsibility for actions, and above all make good use of resources.
- 13. Goal setter:** An entrepreneur must be able to set challenging but realistic goals.

- 3.5 Functions of an Entrepreneur**
- The various functions of an entrepreneur are listed below:-
1. Determination of business objectives.
 2. Recruitment of personnel.
 3. Providing machines and materials.
 4. Idea generation and scanning of best idea.
 5. Determination of form of ownership.
 6. Raising necessary funds.
 7. Undertaking business operations.
 8. Product analysis and market risk.
 9. Completion of promotional formalities.
 10. Various functions of entrepreneur is classified as
- 1. Primary functions:**
- The primary functions of an entrepreneur can be as planning, organizing, decision making, management, innovation, risk bearing, leading and controlling.
- 2. Secondary/other functions:**
- The other functions of an entrepreneur are diversification of production, expansion of the enterprise, maintaining cordial employer and employee relations, tackling labour problems, co-ordination with outside agencies.
- 3. Functions important for developing countries:**

- 3.4.2 Qualities of an Entrepreneur**
- The various qualities of an entrepreneur are listed below:-
1. Success and achievement: The Entrepreneur is self directed to achieve goals.
 2. Risk bearer: He accepts risk, understand and manage risk.
 3. Opportunity explorer: He always identifies opportunities and explores them.
 4. Planner: He is good planner and doer. He plans and follows it sincerely to achieve goals.
 5. Stress taker: He should accept and bear any amount of stresses that may evolve in the business.
 6. Facing uncertainties: They should face the uncertainties and unexpected outcomes and not job secker.
 7. Independent: He is an independent person and likes to be his own master. He is job giver and accept them.
 8. Flexible: He is open minded person, flexible to adapt to demanding situations changes.
 9. Self confident: He directs his abilities towards the accomplishment of goals.
 10. Motivator: He initiates and influences people, motivates the people to accomplish the goals.
- 3.4.3 Functions of an Entrepreneur**
- The various functions of an entrepreneur are listed below:-
1. Planning: The entrepreneur is responsible for planning of the business.
 2. Organizing: He arranges the resources available for the business.
 3. Directing: He motivates and guides the employees to work.
 4. Controlling: He monitors the performance of the business.

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

- 3.6 Types of Entrepreneur(entrepreneurship)**
- 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 businesses entrepreneurs when found in small business (printing press, textile processing house, ad agency, ready made garments, confettis etc).
 - 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.
 - 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 into a profitable venture. ex(electronics industry, textile units etc)
 - 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.
 - Agricultural entrepreneur:** Are those who undertake agricultural activities as raising and mechanization, irrigation and application of technologies of dry land agriculture through marketing of crops, fertilizers and other inputs of agriculture. Raise agricultural products and covers a broad spectrum of agricultural sector.
 - Technical:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
 - Non-technical:** Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

2. Entrepreneurs in technology classified as

- Agro-entrepreneur:** Are that who undertake agricultural activities as raising and mechanization, irrigation and application of technologies of dry land agriculture through marketing of crops, fertilizers and other inputs of agriculture. Raise agricultural products and covers a broad spectrum of agricultural sector.
- Technological:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
- Non-technical:** Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

- Entrepreneur in technology classified as**
- Business entrepreneur:** 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 businesses entrepreneurs when found in small business (printing press, textile processing house, ad agency, ready made garments, confettis etc).
- 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 into a profitable venture. ex(electronics industry, textile units etc)
- Corporate entrepreneur:** Corporate entrepreneur is an individual who demonstrates his innovative skill in organizing and managing a corporate body which is form of business organization registered under the trust act.
- Agricultural entrepreneur:** Are those who undertake agricultural activities as raising and mechanization, irrigation and application of technologies of dry land agriculture through marketing of crops, fertilizers and other inputs of agriculture. Raise agricultural products and covers a broad spectrum of agricultural sector.
- Technical:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
- Non-technical:** Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

1. Entrepreneurs according to the type of business:

- 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 businesses entrepreneurs when found in small business (printing press, textile processing house, ad agency, ready made garments, confettis etc).
- 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.
- 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 into a profitable venture. ex(electronics industry, textile units etc)
- Corporate entrepreneur:** Corporate entrepreneur is an individual who demonstrates his innovative skill in organizing and managing a corporate body which is form of business organization registered under the trust act.
- Agricultural entrepreneur:** Are those who undertake agricultural activities as raising and mechanization, irrigation and application of technologies of dry land agriculture through marketing of crops, fertilizers and other inputs of agriculture. Raise agricultural products and covers a broad spectrum of agricultural sector.
- Technical:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
- Non-technical:** Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

MODULE 3: ENTREPRENEUR Management and entrepreneurship for it industry

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 products into something new, attractive and utility and Are commonly found in developed countries.

- ii. **Modem:** Undertaking those ventures which suit to the changing and current demands in the market.
- iii. **Classical:** Is one who is concerned with the customers an marketing needs through 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.
- iv. **Moderate:** Understating those ventures which suit to the changing and current demands in the service.
- v. **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 in their venture and identified by liquidity of funds, profitability and gearing.

5. Entrepreneurs and stages of development:

- i. **Growth entrepreneurs:** Are those entrepreneurs who take a high growth industry which has substantial growth prospects.
- ii. **Super growth entrepreneurs:** Are those who have shown enormous growth of performance in their venture and identified by liquidity of funds, profitability and gearing.
- iii. **Growth:** Are those entrepreneurs who take a high growth industry which has substantial take initiative, are bold confidence and have strong conviction in their born ability.

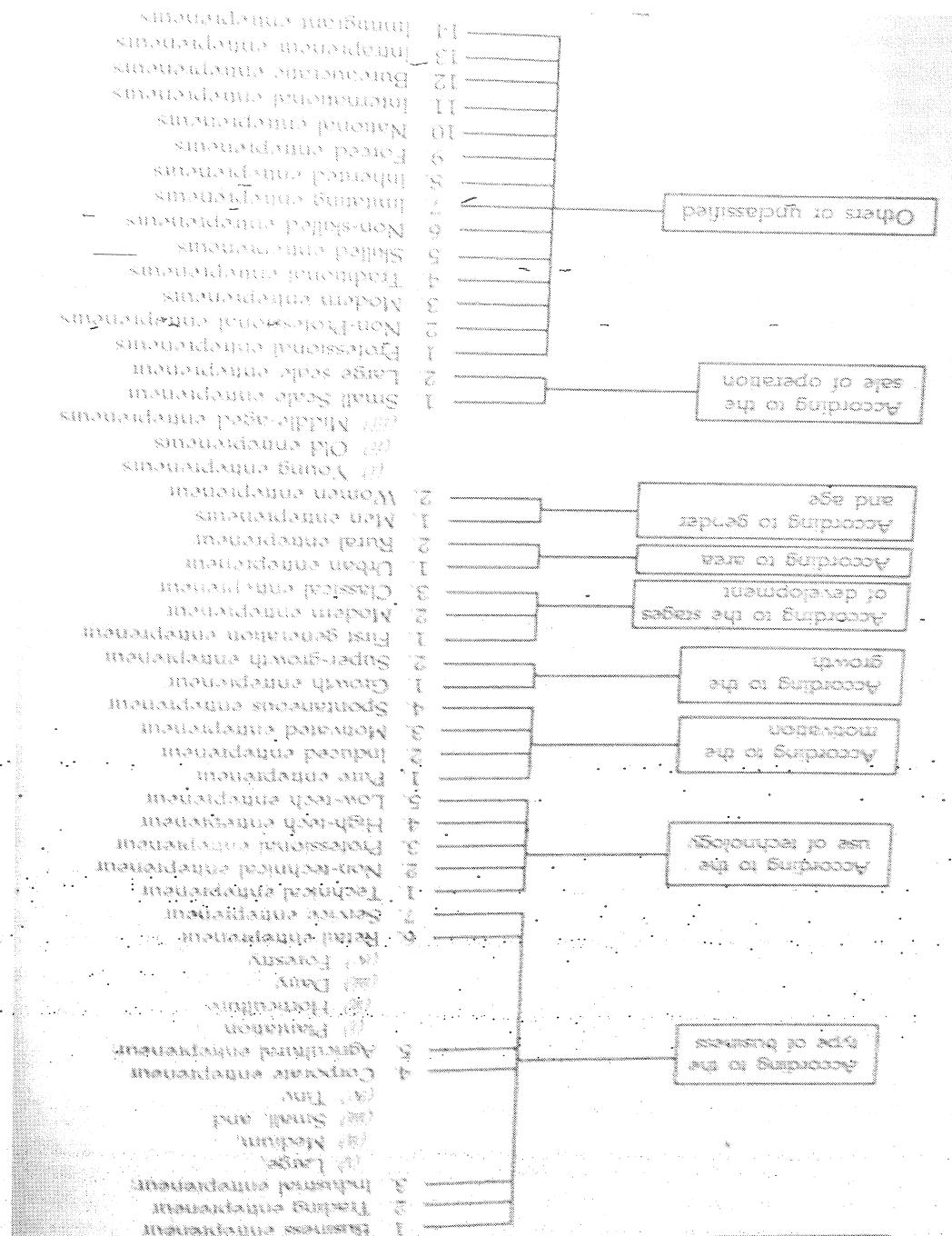
- iv. **Spontaneous entrepreneurs:** Start their business by their natural talents are the persons who is further motivated by the reward in terms of profit.
- v. **Motivated entrepreneurs:** Are motivated by the desire of self fulfillment. They come into being because of the making and marketing of the new product for the use of customers who overheard facilities to start new venture.

- vi. **Induced:** Is one who is induced to take up entrepreneurship task due to the policy measures undertaken an entrepreneurial activity out of personal satisfaction, ego and status.
- vii. **Pure:** Is an individual who is motivated by the psychological and economic rewards. And

3. Entrepreneurs and motivation:

- i. **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



ii. **Imitative:** Are those characterized by the readiness to adopt successful innovations by entrepreneurs who imitate techniques and technology innovated by others, and are more often involved in substantive innovation which means the ability to do the things which have not been done by a particular industrialist before.

When entrepreneurs who imitate techniques and technology innovated by others, and are more often involved in substantive innovation which means the ability to do the things which have adopted and flexible. Are also revolutionary and important who exploit possibilities and are innovative and flexible. Management and entrepreneurship for it industry

5. Management of the enterprise.

4. Determination and organizing the resources

3. Preparation of the business plan

2. Evaluation of the opportunity

1. Identification of an opportunity

This process has five important stages:

3.8 Stages in Entrepreneurial process

| | |
|------------------|---|
| Experience | An intrapreneur establishes new business after gathering experiences through his business, so he does not possess any experience over the business. |
| Orientations | An entrepreneur begins his business with a newly set up enterprise. |
| Operation | An entrepreneur operates from outside within the organization itself. |
| Risk | An entrepreneur bears the risk involved in the business. |
| Raising of Funds | An entrepreneur himself raises funds required for the enterprise. |
| Dependency | An entrepreneur is independent on the framework of the organization. Very popular in developed countries like America. |
| Differences | Intrapreneur |
| Entrepreneur | Entrepreneur is |
| Intrapreneur | independent in his operations. |

Differences between Entrepreneur & Intrapreneur:

- Is an emerging class found in large industrial organizations who emerge from within the confines of the large industrial organizations.
- 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.
- 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:

MODULE 3: ENTREPRENEUR
Management and entrepreneurship for it industry

1. Identification of an opportunity
Identification of opportunity may be from his own idea or from External sources like:
- Consumers: Best source, who spell out the need of product or service
 - Businesses 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.
 - Independent technical organisations: Some individuals are technical oriented and are not interested in entrepreneurship. Get ideas from them
 - Some government organizations and R & D centres also provide new ideas.
 - 2. Evaluation of the opportunity
Evaluation process involves looking at the
 - Length of opportunity and the market size mainly depends on SWOT(strengths, weakness, opportunities and threats and threats). Strengths and weaknesses are internal factors, opportunities and threats are external factors.
 - Its real and perceived value, its risks and returns reflect the market, competition, technology and the amount of capital involved.
 - Opportunity should fits with personal skill and goal of the entrepreneur
 - Its uniqueness or differential advantage in its competitive environment.
 - Opportunity assessment plan is prepared. It includes:
 - Description of product or service
 - Agreement of opportunity
 - Assessment of entrepreneur and his team
 - Resources needed
 - Amount and source of capital needed
 - Rewards and profit expected.

3. Preparation of the business plan
The business plan should contain following in order:

 - Title of the project, table of contents and executive summary.
 - Description of business and industry.
 - Financial plan.
 - Technology plan.
 - Organisational plan.
 - Production and operation plan.
 - Marketing and distribution plan.
 - Summary of plan.

4. Determination and organizing the resources

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

- 3.9 Role of entrepreneurship in economic development:**
- i. Promotes capital formation by mobilizing the idle savings of the public.
 - ii. Provides immediate large-scale employment thereby reducing the unemployment problem in the country.
 - iii. Promotes balanced regional development.
 - iv. Helps reduce the concentration of the economic power.
 - v. Stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
- The important role that an entrepreneur plays in the economic development of a country can be summarized as follows:
1. Provides capital formation by mobilizing the idle savings of the public.
 2. Entrepreneur's 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.
 3. Entrepreneur's provide immediate large-scale employment thereby reducing the unemployment problem in the country.
 4. Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and 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.
 5. 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 backward regions and thereby promotes balanced regional development.
 6. 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 address this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

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

vi. 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 develops 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.

vii. Economic backward and forward linkages which stimulate the process of economic development in the country.
Entrepreneurs like to work in an environment of change and try to maximize profits by innovation. When an entrepreneur is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

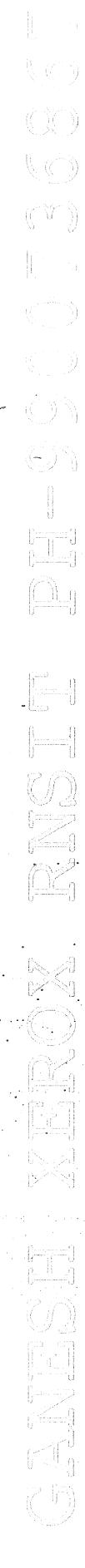
Past: The following points are noteworthy with respect to the entrepreneurship in the past.

- i. Manufacture and supply of a product was based on demand.
- ii. All the members of the family were involved in the business from planning to manufacturing stage and finally selling them.
- iii. The skills of any enterprise were inherited from ancestors.
- 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 hydro electronics project etc.
- Present: Three important resolutions in the Industrial Resolutions:

Dept of ISE, RNSIT **V, A & B** **2020-2021**

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.

3. To disseminate the Entrepreneurship among concentrated in a few dominant existing centers to other cities, towns & rural areas.
2. To encourage Rapid Industrialization by moving the concept of Entrepreneurship from Sector.
1. To maintain a proper distribution of economic power between private and public Backgrund.



3.11 Barriers of Entrepreneurship

MODULE 3: ENTREPRENEURSHIP Management and entrepreneurship for it industry

Dept of ISE, RNSTT 2020-2021 V/A & B

- 1. Lack of capital.
 - 2. Lack of technical knowledge.
 - 3. Economic business cycles.
 - 4. Non availability of raw materials and resources.
 - 5. Government regulations.
 - 6. Obscurecence of technology or idea.
 - 7. Unstable and unpredictable markets.
 - 8. Globalization and entry of foreign goods.
 - 9. Risk.
- 3.12 Identification of Business Opportunities**
- a) Study the government rules and regulations regarding the different business opportunities.
 - b) Extensive and in depth study of promising investment opportunity.
 - c) SWOT analysis of the business opportunities.
 - d) Market Feasibility study
 - e) Technical Feasibility study
 - f) Financial Feasibility study
 - g) Social Feasibility study
- A business opportunity can be defined as an attractive and excellent project idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision. A good business opportunity must be capable of being converted into feasible project. The two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.
- Source of Business ideas:
- 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.
 - iv. Magazines/Journals/Research Publications: These form a major role of ideas to start up an organization.

Thus, he has to evaluate the following areas and understand the gap between demand and supply.

An entrepreneur has to identify and select the most rewarding opportunity from the available ones.

Business opportunities can be obtained from various magazines, trade journals, financial institutions, government, commercial organization, friends, relatives, competitors, etc.

- a) Study the government rules and regulations regarding the different business opportunities.
 - b) Extensive and in depth study of promising investment opportunity.
 - c) SWOT analysis of the business opportunities.
 - d) Market Feasibility study
 - e) Technical Feasibility study
 - f) Financial Feasibility study
 - g) Social Feasibility study
- A business opportunity can be defined as an attractive and excellent project idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision. A good business opportunity must be capable of being converted into feasible project. The two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.
- Source of Business ideas:
- 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.
 - iv. Magazines/Journals/Research Publications: These form a major role of ideas to start up an organization.

- MODULE 3: ENTREPRENEUR**
- Management and entrepreneurship for IT industry**
- V. Government Policies: Government also technology and scientific know how: Commercial exploitation of indigenous and imported technologies and know how is another source of opportunities.
- VI. Trade Fairs/ Exhibitions: Trade fairs and technical exhibitions also offer wide scope for business opportunities.
- VII. Banks and Government Agencies: Commercial banks and government agencies encourage entrepreneurs by providing business opportunities, ideas subsidies, loan etc.
- VIII. Feasibility Analysis: The process to make changes in the current system in order to achieve new effective system. The feasibility study of collection of data analysis and concludes the feasibility of that operation. Market study involves the study and analysis of all related systems.
- IX. Nature of the Market: the nature of the market in terms of monopolistic or project competition is to be studied.
- X. Cost of production: it is essential to study and control cost of production. Cost of production decides the selling price.
- XI. Selling Price and Profit: Selling price plays vital role in profits. In price sensitive goods like cosmetics, once should be careful in fixing the price.
- XII. Demand: Present demand and demand forecast are prepared and studied. This will decide the facility.
- XIII. Market Share: Estimated market share is to be made. Comparison is made with share of similar products.
- XIV. Target market: Study is made with regard to the target market and market segmentation.
- XV. 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.
- 2. Technical Feasibility study:**

- 3. Financial feasibility study:**
- i. Total Capital cost of project: it is very essential to study the local cost of project. This aspects involved in financial feasibility study are:
 - 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 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.
- 4. Technical viability:**
- i. Selection of Machinery: it includes machinery required for production and intended product to carry out. The specifications are capacity, cost, source and supply.
 - ii. Availability of 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. Utilities: the details about availability of utilities like water, gas, electricity, petrol, diesel-etc are to be studied.
 - iv. Production capacity: Establishment of production capacity and utilization of production capacity are analysed.
 - v. Study requirements: study and analysis of requirements of workers, technical staff and officers etc is to be made.
 - vi. Technical viability: Technical viability of the opportunity is to be studied.
- 5. Financial viability:**
- i. Total Capital cost of project: it is very essential to study the local cost of project. This aspects involved in financial feasibility study are:
 - ii. Sources of Capital: the study of main source of capital and interest factors.
 - 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 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.

MODULE 3: ENTREPRENEUR Management and entrepreneurship for IT industry

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 expected 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.

i. Location: Location should be in such a place that it should not have objection from the neighbours.

ii. 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.

iv. Environment: The enterprise should not pollute the environment.

v. Government: The enterprise should not violate any laws of the government.

vi. Employees: The enterprise should not violate any rights of the employees.

vii. Customers: The enterprise should not violate any rights of the customers.

viii. Shareholders: The enterprise should not violate any rights of the shareholders.

PRE PARATION OF PROJECT

MODULE 4: PREPARATION OF PROJECT: Meaning of Project; Project Identification; Project Selection; Project Report; Need and Significance of Report; Contents; formulation; Guidelines by Management Commission for Project report.

4.1 Meaning of Project: A project in business and science is a collaborative enterprise, frequently involving research or programming.

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 a company, it is a division or a department.

3. The World Bank has defines project as approval for a capital investment to develop facilities to provide goods and services over a specified period of time.

4. A project is an appraisal for investment with the definite aim of producing a flow output objectives within a specified period of time".

5. A project can be defined as a scientifically evolved work plan devised to achieved specific benefits.

“A project is a planned sequence of activities involved in using resources to gain objectives within a specified period of time”.

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

1. Quantifiable and Non-Quantifiable Projects.

2. Sectoral Projects.

3. Techno-Economic Projects.

4. Quantifiable and Non-Quantifiable Projects.

5. A project is defined as the whole complex activities involved in using resources to gain

“A project can be defined as a scientifically evolved work plan devised to achieve specific benefits.

“A project is an appraisal for investment with the definite aim of producing a flow output objectives within a specified period of time”.

“A project is a planned sequence of activities involved in using resources to gain

“A project is a planned sequence of activities involved in using resources to gain

“A project is a planned sequence of activities involved in using resources to gain

MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry

Dep't of ISE, RNSIT 2020-2021 **V/A & B**

2. Sectoral Projects:

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

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

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.

Projects are also classified on the basis of their Techno – Economic characteristics. the three

On the basis of this classification, Projects may be classified as Capital Intensity or

Labour Intensive or Power Intensive depending upon large scale investment in plant and machinery or human resources or High power input is involved.

ii. Causation – Oriented Classification:

In this category, projects may be classified as Demand based or 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 here, the classification of the projects is based on size of capital involved in projects. Depending on the total projects investments projects may be classified as Large Scale, Medium Scale and Small Scale projects.

iii. Magnitude – Oriented Classification:

the projects raw material based.

Dependig on the total projects investments projects may be classified as Large Scale,

Medium Scale and Small Scale projects.

4.2 Project Identification:

MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry

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

Project Identification is a repeatable process for documenting, validating, ranking and approving candidate projects within an organization.

1. Knowledge of potential customer needs.

2. Matching and emerging trends in demand for certain products/services and their market size and potential.

3. Scope for producing substitute product, which is economic in future.

4. Going through various professional magazines and journals catering to specific interest like computers, electronics, telecommunication, chemical, metallurgical etc.

5. Success stories of known entrepreneurs or friend or relatives.

6. Visiting national and international trade fairs and exhibitions displaying new products and services.

7. Meeting technical or industrial consultant.

a stable process for approving projects for initiation. This process will...

Due to the changing financial conditions within the total organization, it is necessary to establish

1. Validate the business reason for each candidate project.

2. Provide the base information for more informed financial commitments to projects.

3. Establish a more objective ranking of candidate projects.

4. Allow a more effective matching of skilled resources to the right project.

5. Avoid over-allocation limiting skilled resources.

6. Anticipate future human resource quantities and skills.

7. Provide a valid basis for staff training.

8. More projects initiates faster and more efficient

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

One of the well known tools to analysis of project is to SWOT or SCOT i.e. (Strengths, Weakness, Opportunities, Threats or Strengths, Constraints, Opportunities, Threats)

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

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

3. Opportunities: Newly emerging products like market share, profit, life of product, export

Dept of ISE, RNST 2020-2021
V/A 8/B

- such determinants.
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 project implementation.
 2. Project aids the process of firming up Technical Arrangement, Choosing a location, Selecting Plant & Machinery, Determining Main Power and Utility needs etc. Required for proposal.
 1. Project helps the entrepreneur judge the viability and profitability of a given enterprise report.
- 4.4.1 Need & its Significance**
- A project report is analogous to a feasibility study. It is of no moment whether you are a large, medium or small-scale entrepreneur. In every investment, all angles must be considered and these likewise involve hard-earned money, valuable time and priceless effort. Thus, an overview or insight for any business undertaking must be fully scrutinized particularly on the 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 ROI or return of investment which is done practically through a feasibility study or project

4.4 Project Report:

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

- 1. General Information:** Information on project profile and product details.
- A project report needs to be done / prepared with great care and consideration. The important contents of a good project report are given below.
- Promoter(s):** His/her education qualification, work experience, project related experience, special achievement.
 - Location:** Exact proposed location of the project, lease or freehold, location advantages.
 - Land and Building:** Land areas, built up area, type of construction, cost of construction, detailed plan and cost estimate along with plant layout.
 - Plant and Machinery:** Details of machinery need, capacity, suppliers, cost, various alternatives available, cost of other miscellaneous assets.
 - Production Process:** Description of production process, process chart, and technical utilities: Water, power, steam, compressed air requirements, fuel, coal/oil etc, cost of raw material, tie up arrangements, if any for production of raw material, alternatives raw materials, if any.
 - Transport and Communication:** mode, its associated costs.
 - Raw Material:** List of Raw material need by Quality, sources of production, cost of raw materials, tie up arrangements, if any for production of raw material, alternatives raw materials, if any for production of raw material, alternatives raw materials, if any.
 - Main Power:** the requirements such as skilled, semi skilled and unskilled (helpers), places of main power availability, requirements of training and its cost.
 - Products:** Products mix, product standard, estimated production and sales figures, trade practices, sales promotion devices etc.
 - Market:** end - users of products, distribution of market as local, national, international, alternatives product substitutes, if any.
 - Alternatives:** end - users of products, distribution of market as local, national, international, alternatives product substitutes, if any.
 - Requirement of working capitals:** working capitals reqd, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.
 - Requirement of funds:** Break up of total project cost in terms of cost of land, building, plant and machinery, misc. fixed assets, preliminary and pre - operative expenses, contingencies and margin money for working capital, financial arrangements for meeting the cost of setting up of the projects.
 - Cost of production and profitability of first five years, break even analysis, schedule of implementation etc.**

- 4.4.3 Project Formulation**
- Project formulation divides the process of project development into eight distinct and sequential stages which are described below.
- The general information in the project report include the following
- General Information:**
 - i. **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
 - ii. **Industry profile:** A reference of analysis of industry to which the project belongs.
 - iii. **Organization 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 industry centre.
 - iv. **Product details:** product utility, product range, product design and the advantages to be offered by the product over its substitutes if any
 - v. **Site information:** location of the site whether owned or leasedhold land, industrial area, no objection certificate from, Municipal authorities or residential.
 - vi. **Physical infrastructure:** availability of the following items of infrastructure should be mentioned in the project report
 - vii. **Raw material:** requirement of raw material, whether inland or imported sources of raw material mentioned in the project report
 - viii. **Skilled labor:** availability of skilled labor in the area, arrangements for training laborers in various skills.
 - ix. **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, slate 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, stated in the project report.
 - vii. **Boilenecks should be stated.**
3. **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, slate 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, stated in the project report.
 - vii. **Boilenecks should be stated.**

In order to judge 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 supply 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 raised buildings, plant and machinery, installation costs, preliminarily expenses, Margin for working

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.

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 supply position. This should also be mentioned how such gap should be filled up by the proposed unit.

iv. Market potential: while preparing the project report the following aspects relating to the market research and development activities.

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

xl. Technology selected: the selection of technology arrangement 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 period of conversion from raw material to finished goods.

viii. Production process: a mention should be made for the process involved in production and other common facilities: like machine shops, welding shops n ad electrical repair shop

- i. **General Information:** The feasibility report must include the analysis of the industry reports.
- ii. **Preliminary analysis of alternatives:** The details like gap between demand and supply of proposed products, availability of capacity, list of all existing plants in industry, indicating their capacity, level of production attained, list of present projects and list of proposed 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

Timely 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. Anticillarisation
- 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.

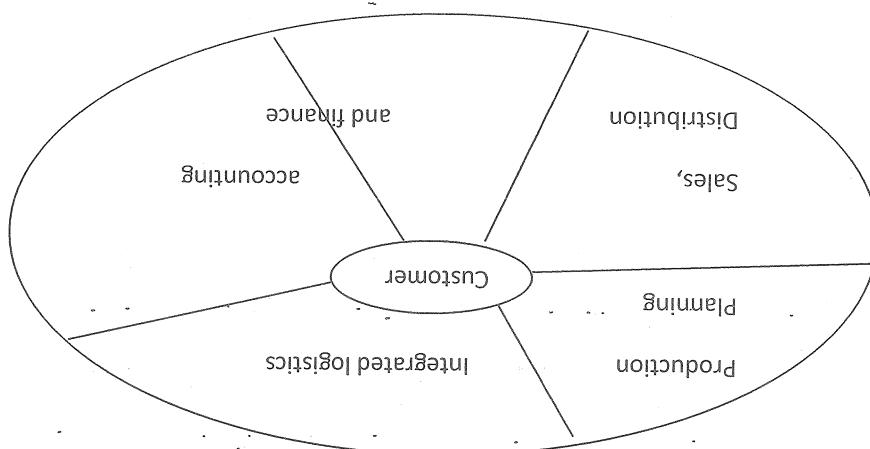
MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry

- 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.
- 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.
- vii. **Economic analysis:** Impact of operation on the foreign trade and there benefits are to be included in the report.
- viii. **Miscellaneous aspects:** Based on nature and size of a particular project its any other relevant information may be included.

- which are non-generic in nature.
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, etc. while it may have to be made to order for most other types of organizations 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 each other.
 1. It provides a set of tools for planning and monitoring various business processes to achieve the goals of the organization.

The importance of ERP can also understand through the following points:

Figure: ERP



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

called Enterprise Resource Planning (ERP).

Technology has helped simplify and integrate all functions on the same computer platform, and is complicating, prioritizes, etc across functions becomes burdensome.

Goals of the organization. In such a scenario, sharing of information, resources, backlogs, due dates,

purchasing, production, distribution, sales, HR, finance, and accounting must work together to achieve the

purposes 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

ENTERPRISE RESOURCE PLANNING

- 4. Waiting for Return on Investment (ROI)**
- To this would be the confusion and errors that it may result in.
- Corporation 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.
- 3. Data conversion**
- 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.
- 2. Integration & Testing**
- Training of workers is a must for effective implementation of ERP. Training expenses are high therefore becomes all the more difficult to bring in a new system.
- 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.
- 1. Training**

Disadvantages of ERN

- 5. ERP is multi-faced**
- 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.
- 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.
- 4. ERP helps reduce inventory**
- ERP can address the issue of tracking employee time and communicating with them about benefits and services, leading towards a unified and a simple HR system.
- 3. ERP helps standardize HR information**
- ERP in every one of their business verticals, and if integrated, may reduce a fortune in terms of overall costs.
- 2. ERP helps standardize manufacturing processes**
- Large manufacturing companies often find multiple business units across the company using the same items for different units and work stations. Standardizing those Preparations of Project and processes and using a single, integrated computer system can save time, increase productivity and reduce human resources. Imagine TATA, as a conglomerate, may use stationarity in every one of their business verticals, and if integrated, may reduce a fortune in terms of overall costs.

- 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 give different accounts of how much they contributed to the revenues. With an ERP system, a single version of truth manager can be questioned because everyone is using the same system.
- 4. ERP generates and implementation can be costly and time-consuming, and may require extensive employee training throughout the organization.**
- 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 give different accounts of how much they contributed to the revenues. With an ERP system, a single version of truth manager can be questioned because everyone is using the same system.

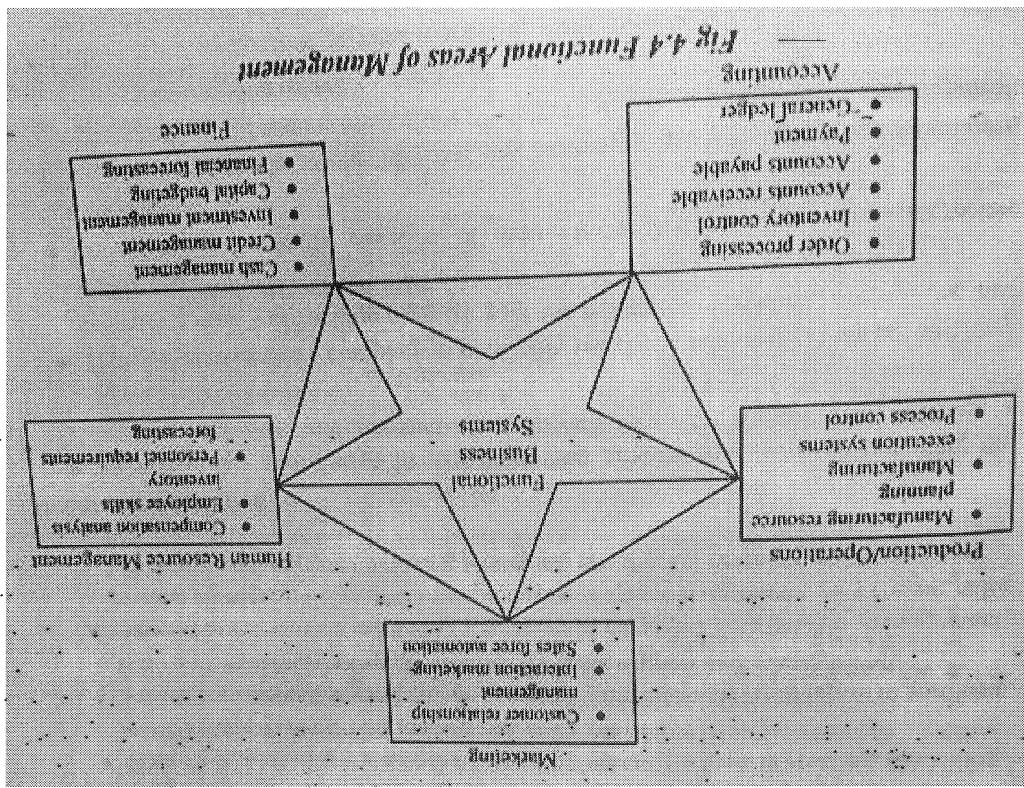
Advantages of ERP

- MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry**
4. ERP generation and implementation can be costly and time-consuming, and may require extensive employee training throughout the organization.
4. ERP generation and implementation can be costly and time-consuming, and may require extensive employee training throughout the organization.

GANGORENTHI

Peter Drucker once said, "The Aim of Marketing is to know and understand the Customer so well longer about the stuff that you make, but about the stories you tell". Other gentleman Seth Godin said, "Marketing is no longer about the product or service it sells itself". Quotes like these would give an idea of what marketing is the present day world.

4.3 MARKETING/SALES



(functions are followed in next section)

The functional areas of management with respect to ERP are accounting, finance, marketing, operations management/protection and human resource management. (explanation of each

4.2 FUNCTIONAL AREAS OF MANAGEMENT

ERP systems often break havoc in the companies which are trying to install them. The most common reason for the performance problems is that everything 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.

5. ERP implementation leads to panic

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

- 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 is made to understand the consumer thoroughly in the following ways:
1. Gathering and Analyzing Market Information
 2. Deciding on the marketing Plan
 3. Product Designing and Development
 4. Standardization and Grading
 5. Packaging and Labelling
 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 customers need |
| 3. | Company-oriented selling efforts | Market-oriented selling efforts |
| 4. | Goods are already produced and then sold at a profit. Trendency is to clear the stocks: preference and feedback; and the supply is adjusted to demand | Goods are produced and then sold at a profit. Trendency is to clear the stocks: 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 story that spreads. Sales overcomes the natural resistance to say yes". The following table gives the story that spreads. Sales overcomes the natural resistance to say yes". The following table gives the 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 story that spreads. Sales overcomes the natural resistance to say yes". The following table gives the

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 distinct from other competitors. Giving a distinct name to one's product is called branding. Thus, the objective of

6. Branding:

Packaging aims at avoiding breakage, damage, destruction, etc., of the goods during transit and storage. Packaging facilitates handling, lifting, conveying of the goods. Many a time, customers demand goods in different quantities. It necessitates special packaging. Packing material includes bottles, canister, plastic bags, tin or wooden boxes, jute bags etc. Label is a slip which is found on the products itself or on the package providing all the information regarding the product and its producer.

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 palmed off to him. Customers who want best quality will be shown 'A' grade product. This way, the customer will have no doubt in his mind that a low grade product has been palmed off to him. Grades, namely 'A', 'B', and 'C', representing three levels of quality; best, medium and ordinary respectively. This grading 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. raw material to be used, etc., with respect to a particular product. By doing so, it is ascertained that

4. Standardization and Grading:

Standardization refers to determining of standard regarding size, quality, design, weight, color, shape, packaging etc. For example, a company produces commodity - X, having three grade. This grading is called grading. For example, a company produces commodity - X, having three

3. Product Designing and Development:

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

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.

g) What kind of distribution system do they like?

f) Where do they want it?

e) What kind of ads do they like?

d) When do they want it?

c) At what price?

b) In what quantity?

a) What do the consumers want?

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

12. Storage or Warehousing:

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

11. Transportation:

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

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

10. Physical Distribution:

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.

9. Promotion:

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.

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 again.

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 again.

Handling customers complaints

After-sales-services

Technical services

Credit facilities

Maintenance services

It is the king of market. Therefore, it is one of the chief functions of the company to offer

Customer support service: every possible help to the customers. A company offers primarily the following services to the

Customer is to show the products of a given company are different from that of the competitors,

so that it has its own identity.

branding is to show the products of a given company are different from that of the competitors,

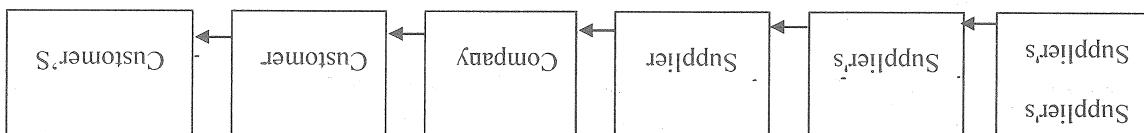
Figure illustrates the basic business processes in supply chain life cycle. It also emphasizes how many companies today are reengineering their supply chain processes, aided by internet technologies and SCM software. The objective is to significantly reduce costs, increase efficiency and improve their supply chain cycle times.

The goal of SCM is to create a fast, efficient and low-cost network of business relationships or value chain since each supply chain process should add value to the products or services a company produces.

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

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



A Supply Chain basically consists of all parties involved, directly or indirectly, in fulfilling a customer request. The supply chain includes not only the manufacturer and supplier, but also transporters, warehouses, retailers, and even customers themselves. In its broadest sense, a supply chain refers to the way that materials flow through different organizations, starting with basic raw materials and ending with finished products delivered to the ultimate consumer. But supply chain is just not about a company along with its suppliers and customers. It extends from the company to its supplier and further backward to its supplier's supplier and goes again backward. Similarly the chain extends forward from the company to its customer and further forward to its customer's customer and so on. Therefore a supply chain may be viewed as:

One of the growing field of management in the world today is the Supply Chain Management. This was born the concept Supply Chain Management to view the flow of materials from suppliers all the way to consumers as a system to be managed. Thus and customers in view to keep the business going. It is increasingly becoming a popular perspective today 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 increasing 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

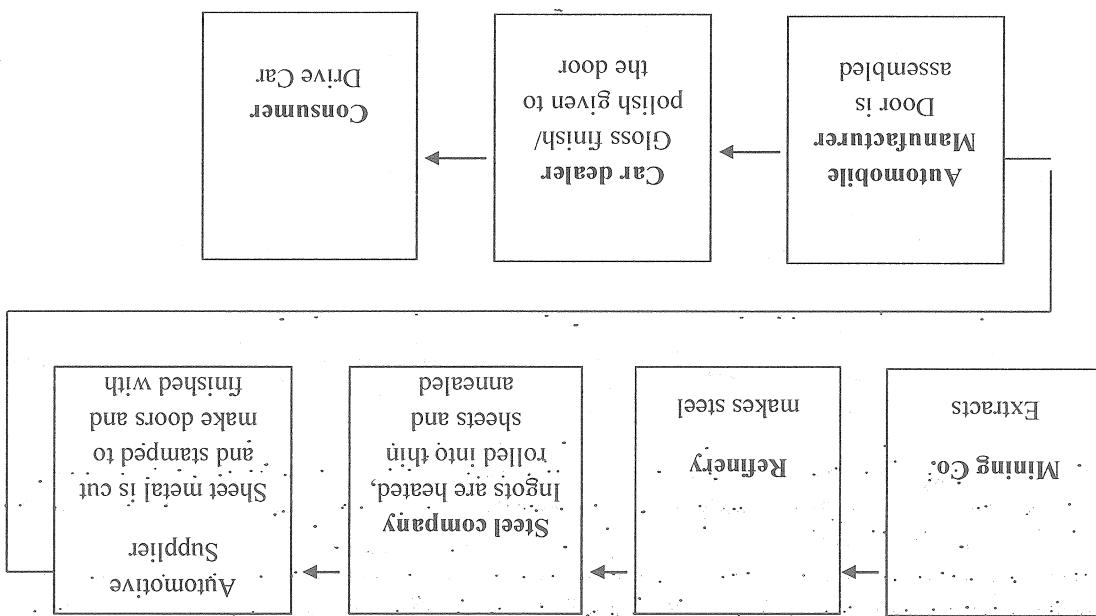
4.4 SUPPLY CHAIN MANAGEMENT

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!

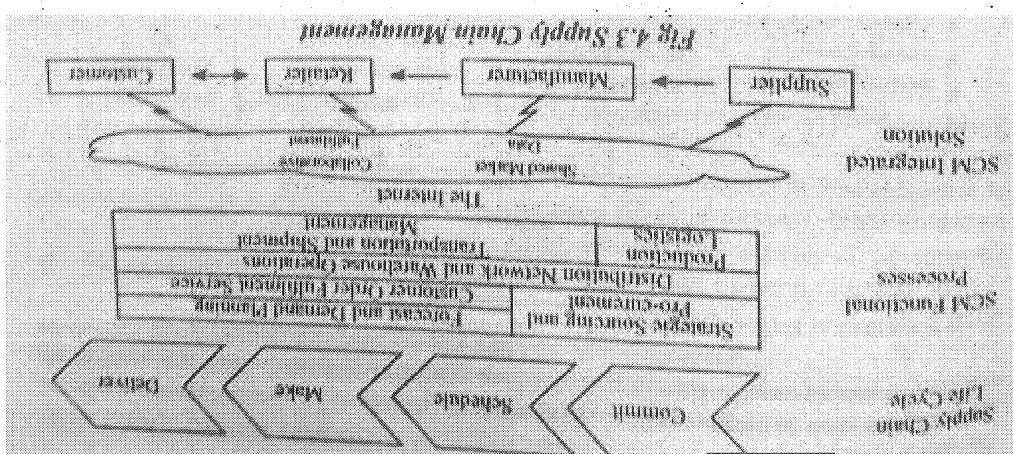
MODULE 4: Preparation of project and ERP Management and entrepreneurship for IT industry

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, and services along both directions of this chain. The supply chain 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 in Fig 4.2 may show the presence of only one player at each stage, but in reality, a manufacturer may supply chains show only the movement of materials, it should also be visualized in terms of movement of information, funds, products, and services along both directions of this chain. The supply chain 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



MODULE 4: Preparation of project and ERP Management and entrepreneurship for IT industry

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

4.4.2 Importance of Purchasing and Supply Management

The search for right answers to these questions require a systematic approach to the activity of purchasing.

- (vi) How can the organization improve its benefit from its suppliers?
- (v) How efficient is the whole procurement process?
- (iv) Should the organization develop new sources?
- (iii) Will the suppliers always deliver agreed quality and at the right time?
- (ii) Are the supplies reliable?
- (i) Are purchases being done at best prices?

Purchasing or procurement refers to buying of raw materials, purchased parts, machineries, supplies, stationery 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 :

4.4.1 Purchasing

- (iii) Out-bound supply chain : This chain pertains to the distribution of goods and services to the end customers.
- (ii) In-house Supply chain : This refers to the chain of movements of all raw materials, components until its arrival to the organization.
- (i) In Bound Supply chain : This chain consists of all the supplies of raw materials and sub-assemblies and also finished products within the factory until they are ready to be shipped out.

Supply chains can also be understood as having three distinctive entities : Stocking of raw materials and finished goods. Warehousing : It deals with the type, number, size and technology concerned with the storing or techniques, and so on. Expediting : It deals with speeding up an order through the entire or part of the materials system. Supply chain also uses extensive programming, travelling salesman algorithm, Break-even analysis, inventory control models, linear programming, research tools such as transportation

- (iv) Logistics : It is concerned with the logic and economics of movement of all materials following pages.
- (iii) Logistics : It is concerned with the logic and economics of movement of all materials.
- (ii) Purchasing : Process of buying all what is needed for the company. It is discussed in detail in the

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

- A step-by-step procurement process would be :**
1. Identification of the need to purchase
 2. Selection of Supplier or Vendor
 3. Placement of Purchase Orders
- o The very first step would be to make a list of all possible vendors through professional contacts, trade directories and B2B portals, although the starting point would be with known suppliers.
 - o The vendors selected are then contacted. They are subjected to what are known as request for proposal (RFP) and request for quotation (RFQ) processes.
 - o The vendors are finalized based on several criteria and negotiations are held with them.
 - o Contracts are generated fixing all terms such as price, payment, delivery terms and other engineering specifications.

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 promptness, 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 production, design, quality control, accounting etc must go through the purchase dept in order to communicate with the suppliers. Similarly suppliers have to go through the purchase dept to communicate with any one in the company.

- The various activities that are expected from the purchase dept or purchase officer are:
- (i) Tremendous impact of material cost on profits.
 - (ii) The increasing prominence of automated manufacturing.
 - (iii) The growth of business - to - business less 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.

4.4.3 Functions of Purchase Department or Purchase Office

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

4.5.1 Objectives of Financial Management (Also Role of a Finance Manager)

Financial management is one of the most sought-after streams in management studies in the world because it offers some of the greatest challenges to budding MBAs trying to make a name for themselves in the world of finance. Financial Management is also very popular because it is an interdisciplinary subject and students from non-engineering backgrounds can also pursue it. The best financial management talent in the world comes from the great companies like Stock Exchanges, Finance 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!

The attainment of these objectives largely depend upon the efficient management of finance. Success and failure. The important objectives of any organization are profitability, growth and survival. Financial management plays a key role in any business and in fact, will be a difference between

Financial management basically deals with procurement of funds needed for business and acquiring financial resources and allocation of funds to different departments, its efficient utilization. In other words, management of finance is the anticipation of financial needs, blood of any business.

Every business enterprise in this world irrespective of its nature and scale of operations needs finance to carry out its activities and accomplish its goals. Money is a continuous necessity in running any organization and without it very few opportunities can be taken advantage of. Finance is actually the lifeblood of any business.

4.5 FINANCE AND ACCOUNTING

- o Purchases are generated only after the competent authority has approved the purchase.
- o Once the order is placed with the selected vendor, regular follow-up is done to ensure that all terms are met.
- o When the vendor finishes his work and supplies the material, it is received and checked wrt order sizes.
- o Once the materials arrive, a thorough inspection is carried out and checked for contracted specifications.
- o Based on checking, the lot could be either accepted or rejected. If rejected, sufficient proof has to be generated.
- o If the lot is accepted, the relevant inventory records are updated and then the material is made available to the user.
- o The purchase process is not completed until the payment is authorized and delivered to the vendor.
- o Also, the performance of all vendors are rated and updated in the records.

6. Vendor rating / certification & payment authorization

- o Based on checking, the lot could be either accepted or rejected. If rejected, sufficient proof has to be generated.
- o If the lot is accepted, the relevant inventory records are updated and then the material is made available to the user.
- o The purchase process is not completed until the payment is authorized and delivered to the vendor.
- o Also, the performance of all vendors are rated and updated in the records.

5. Inspection and acceptance/rejection of received material

- o Once the vendor follows his work and supplies the material, it is received and checked wrt order sizes.
- o When the vendor finishes his work and supplies the material, it is received and checked wrt order sizes.
- o Once the order is placed with the selected vendor, regular follow-up is done to ensure that all terms are met.
- o Purchases are generated only after the competent authority has approved the purchase.
- o Once the order is placed with the selected vendor, regular follow-up is done to ensure that all terms are met.

- 4.5.2 Scope of Finance**
- What is finance? What are the financial activities of a firm? How are they related to the firm's 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.
- They raise funds to acquire production and other various facilities. Thus, the three most important activities of a business firm are:
- Production
 - Marketing
 - Finance
- 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 marketable supply of finance in any firm ensures finance on the one hand and production and marketing on the other hand. A remarkable relationship between finance and production and marketing exists, 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.
- All businesses enterprises have to raise funds from various sources in order to invest in their businesses. It includes the cost of maintenance and service activities, cost of sales activities etc. Working capital is that which is required to meet the expenditure for day-to-day working of the business. It includes the cost of machinery and equipment, furniture etc., which have to be bought even before beginning the operations of the company.
- Working capital is the difference between fixed assets used for purchasing fixed assets and for working businesses and earn profits out of them. Funds raised are used for working capital. Fixed assets like land, building, machinery, office equipment, furniture etc., which have to be bought even before beginning the operations of the company.
- 4.5.3 Sources of Finance**
- Following are the different methods of raising capital:
- Raising money through partnership
 - Loans from banks, financial institutions, pawn brokers etc.
 - Shares - preference, equity and deferred shares.
 - Debentures - convertible and non-convertible
 - Public Deposits
 - Hire Purchase
 - Trade Credit

1. External Sources

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

2. Internal Sources

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 marketable supply of finance in any firm ensures finance on the one hand and production and marketing on the other hand. A remarkable relationship between finance and production and marketing exists, 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.

3. Internal Sources

They raise funds to acquire production and other various facilities. Thus, the three most important

activities of a business firm are:

- To pay salaries and wages to the employees
- To control all financial activities of the company through standard costing, Budgetary control, Financial Analysis, Break-even Analysis etc.
- To prepare financial statement like profit and loss accounts and balance sheet
- To forecast the economic trends of the market well in advance.
- To manage their goods or services to earn profit.

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

(iii) Dividend Decision

Capital Structure accounting 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.

Capital Structure must strive to obtain the best financing mix or the optimum Capital Structure. A finance manager must determine the proportion of debt and equity 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.

to meet the firm's investment needs. The most important issue in front of a Finance Manager is to

meet the firm's investment needs. Why, and how much of funds to acquire in order

Manager should broadly determine when, where, why, and how much of funds to acquire by the Finance Manager. A Finance

This is the second most important function to be performed by the Finance Manager. A Finance

Manager should know the maximum risk that one can take in order to maximize returns.

Usually, greater the risk, higher will be the expected return, in any kind of business. Therefore,

investment proposals should, therefore, be evaluated in terms of both expected return and risk.

predicted with certainty. Because of uncertain future, investments involve risk.

Because it is very difficult to measure future benefits of investments and cannot be

(ii) Financing Decision

one should know the maximum risk that one can take in order to maximize returns.

Usually, greater the risk, higher will be the expected return, in any kind of business. Therefore,

investment proposals should, therefore, be evaluated in terms of both expected return and risk.

predicted with certainty. Because of uncertain future, investments involve risk.

Because it is very difficult to measure future benefits of investments and cannot be

compared.

(b) The measurement of a cut-off rate against which the prospective return of new investments

(a) the evaluation of prospective profitability of new investments, and

assets that would yield benefits in future. Two important aspects of the investment decision are:

Investment decision or capital budgeting involves the decision of allocation of funds to long-term

(i) Investment Decision

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

(iii) Dividend or profit allocation decision.

(ii) Financing or capital-mix decision.

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

The most important work of a Finance Manager 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 functions. 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

MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry

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

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.

4.6 ACCOUNTING PROCESS

- I. Accounting Process
- 1. Financial Accounting
- 2. Cost Accounting
- 3. Tax Accounting
- 4. Management Accounting
- II. Book-Keeping
- 1. Single Entry
- 2. Double Entry
- III. Books of Account
- 1. Journal
- 2. Ledger
- IV. Financial Statements
- 1. Trial Balance
- 2. Profit & Loss Account
- 3. Balance Sheet

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

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 always having money and making profits, with always a probability of losing it. Therefore, a conflict exists between profitability and liquidity while managing current assets, and a proper trade-off must be achieved.

(iv) Liquidity Decision

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

- information is given about the cost and profitability of different activities.
- 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 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.
- 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 possess much more value than what is stated in the balance sheet.
- 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, patents and trademarks possessed etc., do not find any place in the books of account.

4.6.2 Limitations of Accounting

- Profitability and the financial soundness of the business. The accounting information is communicated to them in the form of an annual report.
- 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 liability and the position of a position statement called Balance Sheet which provides whether it has increased or decreased or remained constant. A systematic record of assets and liabilities facilitates the preparation of a position statement.
- c) To ascertain the financial position of the business:** The businessman is also interested in knowing his business at a end of a particular period i.e., how much it owns and how much it owes. He would like to know what happened to his capital, ascertain the financial position of his business at a end of a particular period i.e., how much it is liable to others. He would like to know what happened to his assets.
- b) To ascertain net profit or net loss of the business:** A business man would be interested in profit or loss account and find out the net result of business operations during a particular period or incurred some loss. A proper record of all income and expenses helps in preparing a periodically finding the net result of his business operations i.e., whether the business has earned profit or loss.
- 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 also used for recording various assets and liabilities of the business.

The objectives of accounting can be stated as follows:

- b) Loss or profit occurred during a specific accounting period.**
- a) the true state of affairs of a business at any instant of time.**

to show:

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

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!

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.

4. Management Accounting

While Financial Accounting is mainly concerned with external transactions or an organization, profitability of work centres and so on.

Cost Accounting is concerned with internal matters like expenditure incurred on production 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.

Cost Accounting deals with the classifying and recording of all expenditures incurred

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.

- iv. Nominal Accounts Expenses incurred
- iii. Real Accounts Property bought and sold
- ii. Personal Accounts Credit given and taken
- i. Cash Accounts Cash receipts and payments

Financial Accounting covers:

of the company and hence is also known as General Accounting.

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

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

- Assets:** Assets are the properties that are owned and that which have monetary value. Assets are in fact, the resources of the business enterprise.
- (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: Intangible assets are those which have certain rights and values. e.g., Patents, trademarks, goodwill, copyright.
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:
- (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 e.g., Long term loans, debentures, bonds, mortgage payable, owners investment 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. **Transactions:** Transaction is the monetary dealing between 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.

- 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.

Camara Bank Account etc.

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. Vimlets account, Texaswi's account, Boses Account, Tabrez & Sons Account, etc.

- Real and Nominal accounts together are called as 'Impersonal accounts'.
- 3. Nominal Accounts:** Those relating to incomes and expenses.
- 2. Real Accounts:** Those relating to property (assets)
- 1. Personal Accounts:** Those relating to persons and particular firms.

All business accounts are broadly classified into three classes :

Classification of Accounts

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

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 account which system which recognizes and records both the aspects of every transaction. The Double Entry system in Cash Account. This method of recording business transaction is called Double Entry other in Cash Account. Goods Account and the stock of goods increases and cash decreases should be recorded which involves two entries, one in Goods Account and the cash 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 for cash from a supplier, goods comes in and cash goes out. 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

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

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 incomes and gains.

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

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

MODULE 4: Preparation of project and ERP Management and entrepreneurship for IT industry

statement called Trial Balance Sheet. The profit and loss statement gives us information about the amount

The final accounts consist of an income statement called Profit and Loss Account and a position

(b) To ascertain the financial position of the business

(a) To know the net result of business activities

the final accounts are

and some other relevant information, the final accounts are prepared. The objectives of preparing

to check the arithmetical accuracy of the journal and ledger. Thus, with the help of trial balance

Accounts. But before preparing the final accounts, a statement called Trial Balance is prepared

(iii) **Summarizing the transactions:** The next step is to prepare a year-end summary known as Final

with respect to each account. For this purpose, all accounts are balanced periodically

transactions in this manner is to ascertain the combined effect of all transactions of a given period

persons are entered separately in the account of each person etc. The objective of classifying the

all transactions related to cash are posted to Cash Account, transactions related to different

nature and posting them to the concerned accounts in another book called Ledger. For example,

(ii) **Classifying the transactions:** The second stage consists of grouping the transactions of similar

such as cash, receipts, invoices, cash memos etc.

recorded in the book of original entry. This book is called Journal. All transactions are

transactions in the book of original entry. This book is called Journal. All transactions are

(i) **Recording the transactions:** The accounting process begins with the recording of all

(iv) Interpreting the results.

(iii) Summarizing the transactions

(ii) Classifying the transactions

(i) Recording the transactions

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.

account cannot be checked, because a trial balance cannot be prepared. It also becomes difficult

hence not reliable. The main defect in this system is that the arithmetical accuracy of the books of

and no entry. The accounts maintained under this system are incomplete and non-systematic and

are not at all recorded. The Single Entity 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. Under this system neither all the transactions 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

(v) The financial position of the business can also be ascertained at any point of time.

(iv) The financial result of a business organization i.e., profit or loss can be correctly ascertained.

balance.

(iii) The arithmetical accuracy of the books of account can be easily verified by preparing a trial

This helps the management in taking appropriate decisions.

(ii) It supplies full information about the incomes, expenses, assets & liabilities of the business.

| Date | Amount | Particulars | Dr. | Rs. | Dr Amount Rs. |
|---------|--|--|-----|--------|---------------|
| June 01 | Cash Account Dr. | | 2 | 100000 | |
| June 02 | Furniture Account Dr. | To Capital Account | 1 | 10000 | 10000 |
| June 03 | Cash Account Dr. | To Sales Account and Paid by cheque | 2 | 3000 | 3000 |
| June 04 | Drawings Account Dr (Being Goods sold for cash) | To Cash Account | 10 | 500 | 500 |
| | | Being cash withdrawn for | 2 | 500 | 500 |

Journal

Examples of a Journal and Journal entries (see figure)

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 book of original entry because all transactions are recorded first in this 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.

Thereafter the process of recording the transactions for the next year begins again. The Balance sheet will then be transferred to the new books of account for the next year. Like management, investors, bankers, creditors, etc. The balances on various accounts appearing in the Balance sheet will then be transferred to the new books of account for the next year. This involves computation of various accounts. Such analysis is meant for interested parties liquidity, solvency, and profitability of the business. Such analysis to assess the results shown by the final accounts. This involves computation of various accounts to assess the results shown by the final accounts. This stage consists of analyzing and interpreting the results shown by the final accounts. The last stage consists of analyzing and interpreting the results shown by the final accounts.

of profit made or the loss incurred during the year and the Balance sheet shows the position of assets and liabilities of the business as at the end of the year.

MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry

LEDGER Page No. 2

Example of a ledger:

asset, incomes and expenses.

Provides complete information about various transactions relating to all people and all items of which all journal entries must be posted. In fact, ledger is the principle book of entry which thus, ledger is a book where all accounts relating to different items are maintained and into cash receipts can be posted to Cash Account, and so on.

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

3. Ledger

These columns are meant for recording the amounts with which the two accounts have been affected. The amount to be debited is entered in the 4th column against the amount to be credited is entered in the 5th column and both the amounts will always be equal.

Column 3 : This gives the LF (Ledger-Folio) No. which is nothing but the page number in the ledger where the concerned account appears.

Column 4 and 5 : These columns are meant for recording the amounts with which the two accounts have been affected. The amount to be debited is entered in the 4th column and the amount to be credited is entered in the 5th column against the transaction called Narration is given in the bracket.

Column 2 : 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 5 columns. The explanation of each column of the journal and its entries are given below :

* Imaginary Ledger Folio Numbers

| | | | | |
|--|--|--|--|---------------|
| | | | | personal use) |
|--|--|--|--|---------------|

| Sl.No | Name of the Account | LF | Dr. | Credit |
|-------|---------------------|----|-----|--------|
|-------|---------------------|----|-----|--------|

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 Method.

(ii) **Balances Method :** In this, only the balances of each account is shown in the Trial Balance.

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

(i) **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 entries 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 of the debit balances given to debits under the same heading 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 is an equal and double entry system i.e., credit and debit. The debit balances are shown in one column and the double entries which appear in the final accounts. A Trial Balance basically shows the balances of all the accounts prepared to check the arithmetical accuracy of the books of account. It is usually prepared just before preparing the final accounts. A Trial Balance basically shows the balances of all the accounts which appear in the ledger. We know that every transaction has two aspects under debit and credit. The debit balances are shown in one column and the credit balances in the other in the trial balance.

1. **Trial Balance:** After posting all journal entries into the ledger, a statement called trial balance is prepared to check the arithmetical accuracy of the books of account. It is usually prepared before preparing the final accounts. A Trial Balance basically shows the balances of all the accounts which appear in the ledger. We know that every transaction has two aspects under debit and credit. The debit balances are shown in one column and the credit balances in the other in the trial balance.

| 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 4 | By Drawings a/c | 10 | 500.00 |
| June 3 | | | | | | | |

| Sales | | RS. | Expenditure | | Revenues | |
|-----------|-------|-------|-------------------------|-------|-----------|-------|
| Product X | 15000 | 20000 | Raw materials | 15000 | Product Y | 10000 |
| Product Z | 5000 | 20000 | Production costs | 15000 | Product Y | 10000 |
| Scrapes | 2000 | 5000 | Administrative Expenses | - | Product Z | 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 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.
- Profit and Loss Statement

| | | | | | | |
|----|-------------------|----|-------|---------|---------|--------|
| 1. | Cash Account | 2 | 12500 | Balance | Balnace | 21,000 |
| 2. | Capital Account | 1 | 16000 | | | |
| 3. | Furniture Account | 16 | 2000 | | | |
| 4. | Bank Account | 3 | 2000 | | | |
| 5. | Sales Account | 4 | 3000 | | | |
| 6. | Drawings Account | 10 | 500 | | | |
| 7. | Salaries Account | 5 | 500 | | | |
| 8. | Bad Debts Account | 20 | 1000 | | | |

| Assets | Liabilities |
|--------|-------------|
|--------|-------------|

(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 to prepare its annual budgets. A typical Balance sheet is shown in the following figure.

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**

| | | | | | | | | | | | | | | | | | | | | | |
|--------------|------|---------------|------|------------------|------|--------------------|------|----------------|------|-------|-------|-------|-------|----------------|-------|--------------|-------|------------|------|---------------------|-------|
| Old Machines | 8000 | New Machinery | 5000 | Salaries & Wages | 3000 | Traveling Expenses | 1000 | Advertisements | 1000 | TOTAL | 65000 | TOTAL | 50000 | Total Expenses | 50000 | Total Income | 15000 | Income Tax | 3000 | Net income (Profit) | 12000 |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |

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).

The Balance Sheet at the beginning of the financial period is an outflow of assets (or inflow of liabilities) and expenditure is an outflow of assets (or inflow of liabilities).

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

Relation between Balance sheet and profit & loss Account

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

(e) Written Reports

(d) Posters

(c) News Release

(b) Exhibitions

(a) Power point presentations

2. Oral/visual Reports

(e) Newsletter

(d) Empirical Publication

(c) Fact Sheet

(b) Annual Reports

(a) Abstract and briefing

I. Written Reports

There are two broad categories of Reporting Methods,

Reporting is an important part of an organization's work. In other words, reporting goes on at all levels - to the Government, reporting on the performance of the junior, reporting to the boss, reporting on the status of work, reporting on the particular target audience.

There are many ways to present data, or report, so that it can be easily understood by the particular target audience.

magazine, reporting to an audience, reporting to the Board of Directors, reporting to the Government, reporting on the performance of the junior, reporting to the boss, reporting on the status of work, reporting on the particular target audience.

TYPES OF REPORTS AND METHODS OF REPORT GENERATION

- Health, safety and security.
- Training and development
- Employee benefits analysis
- Performance appraisals
- Job placement
- Recruitment, selection and hiring

HRM also supports

- Control of all personnel policies and programs
- Development of employees to their full potential
- Planning to meet the personnel needs of the business.

Thus, human resource information systems are designed to support:

The goal of HRM is the effective and efficient use of the human resources of a company.

development of the employees of an organization.

The human resources management involves the recruitment, placement, evaluation, compensation and

4.8 HUMAN RESOURCES**MODULE 4: Preparation of project and ERP Management and entrepreneurship for it industry**

| | |
|------------------|---|
| For Whom? | d. Empirical Publication |
| Content | An empirical publication includes an abstract, introductions, literature review, methodology, results, implications, conclusions, and references. |
| Meaning | A publication that includes the data collected from actual research, experiments, or observations |
| Tips | When writing your empirical publication, use the results of any qualitative or quantitative data you collected, especially if you were able to demonstrate specific |

| | |
|------------------|--|
| For Whom? | c. Fact Sheet |
| Content | Simple, one-page documents listing facts about the data in a simple-to-read format |
| Meaning | For audiences who want to easily pick out relevant facts about the data at a glance. |
| Tips | Should easily convey data at a glance. |

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

| | |
|------------------|---|
| For Whom? | 1. Written Reports |
| Content | - The reasons for conducting the evaluation. - The major conclusions and recommendations |
| Meaning | An abstract is a short, written overview. A briefing is a short, oral overview. Both are usually part of a larger report. |
| Tips | If your audience is short on time they should be able to quickly and easily glean major evaluation conclusions |

| | |
|------------------|--|
| For Whom? | a. Exhibition |
| Meaning | For large events like fairs or conferences. A good way to network, put information into people's hands, and creates awareness among large audiences. |
| 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. |

| | |
|------------------|--|
| For Whom? | a. Presentation |
| Meaning | To display key presentation points in order to enhance understanding, illustrate ideas, and break down complex concepts into simpler ones. |
| Content | 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 presenting. |
| 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? | e. News Letters |
| Meaning | 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 (monthly, quarterly) and contains updated information about the program or cause items of visual interest. |
| 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. |

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 market data that laid the foundation that guided the research decision makers problem and then moves on to description of the theoretical and contemporaneous

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

e) **Table of contents:** all reports should have a section that clearly indicates the division of the corporate and the experts who provided inputs for accomplishing the study is included here

d) **Acknowledgements :** a small note acknowledging the contribution of the respondents, the concise manner

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 precise and formal

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 permissive

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

1. 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 | Interest, 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 | |
|---------|--|

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.

BIBLIOGRAPHY

2. Primary data that can be compressed and presented in the main body of the report. This includes original data, long tables and graphs which can be described in statement form in the text.

1. Secondary information like long articles or in case the study uses/is based on/references some technical information that needs to be understood by the reader; long tables or articles or legal or policy documents.

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

APPENDICES

(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 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.

FINDING SECTION

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 given here, along with the reasons for collecting the study-related information from the give group is given here.

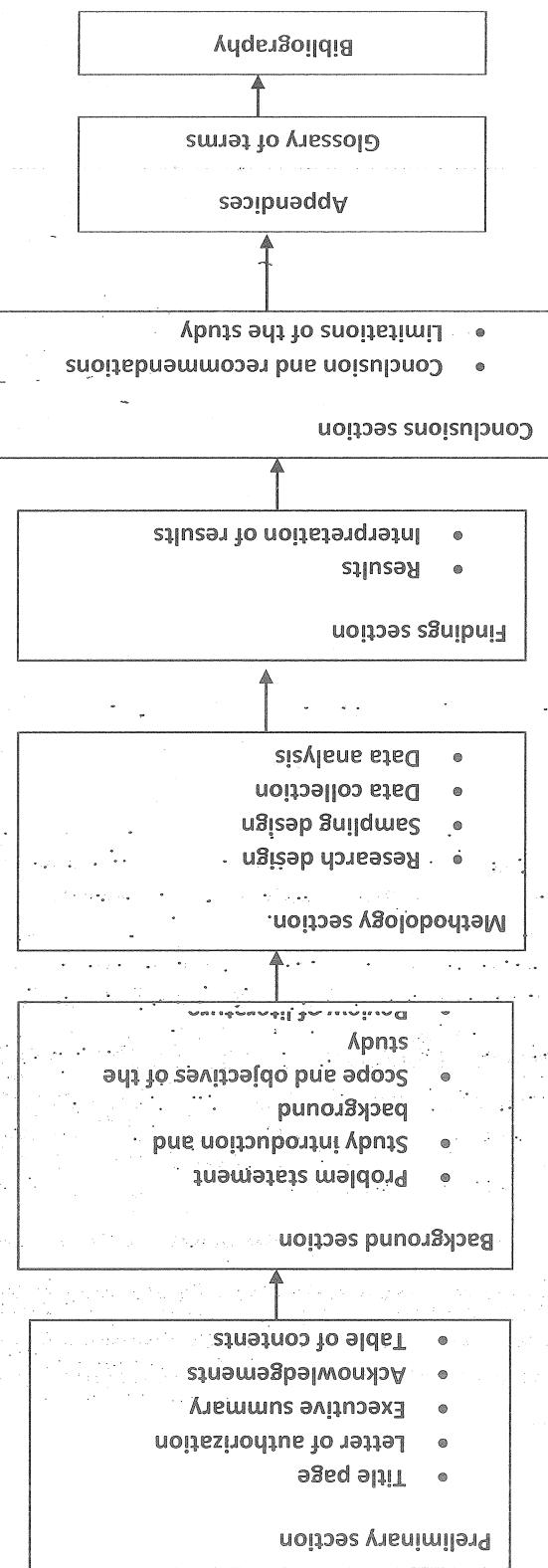
b) Sampling design: The entire sampling plan in terms of the population being studied for using a design also must be presented here.

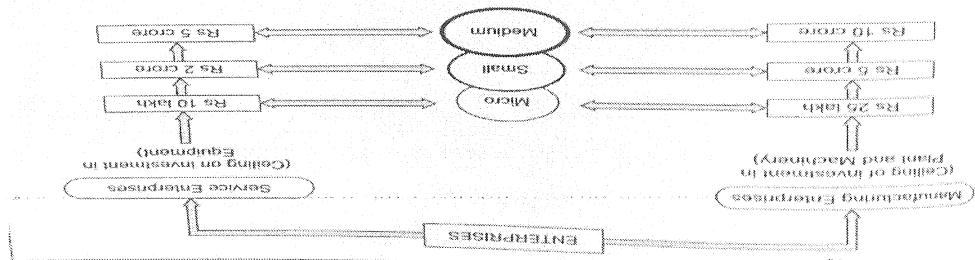
c) Data Collection methods: In this section, the researcher should clearly list the secondary data sources considered and the primary instrument designed earlier. The information needed for the study as drawn from the study objectives stated earlier. The in simple, non-technical terms.

d) Data analysis: The assumptions and constraints of the analysis need to be explained here. Study are discussed here.

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

METHODOLOGY OF RESEARCH





- Micro Enterprises – investment up to Rs. 10 lakh
- Small Enterprises – investment between Rs. 10 lakh and Rs. 10 crore
- Medium Enterprises – investment above Rs. 10 crore and equipment between Rs. 25 lakh and Rs. 5 crore
- Service Enterprises – investment up to Rs. 25 lakh

Enterprises have been defined in the terms of investment in plant and machinery and further equipment (excluding land and buildings) and further classified into:

- Micro Enterprises engaged in manufacturing/ rendering of services.
- Small Enterprises engaged in the manufacture/production of goods pertaining to any industry
- Medium Enterprises – investment above Rs. 5 crore and upto Rs. 10 crore
- Service Enterprises – investment up to Rs. 25 lakh

Under the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, the figure shows the new nomenclature and classification of SMEs. Manufacturing enterprises have been defined in the terms of investment in plant and machinery and further classified into:

- Enterprises engaged in providing/rendering of services.
- Enterprises engaged in the manufacture/production of goods pertaining to any industry
- Micro and Small Enterprises – investment up to Rs. 10 crore and equipment up to Rs. 25 lakh
- Medium Enterprises – investment between Rs. 10 crore and Rs. 5 crore and equipment between Rs. 25 lakh and Rs. 5 crore
- Large Enterprises – investment above Rs. 5 crore and equipment above Rs. 5 crore

Topics:-

MODULE-5: MICRO AND SMALL ENTERPRISES

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY

MODULE 5: Micro and Small Enterprises Management and entrepreneurship for it industry

- 5. Production output in small quantities:** by virtue of small planned capacity of SSI enterprises, the production output is small.
- 6. 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.
- 7. 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 industrial undertakings shall be considered to be under control by 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.
- 8. Informal management style:** informal management style is prevalent in SSI's form of family business not only in India, but also elsewhere in the world.
- 9. Usually present in the form of family business:** SSI's are usually present in the form of their products and services at competitive prices. Similarly, the local markets are most easily accessible to the SSI's for resources. SSI's generally require utilization of local demand: the small scale of operations in SSI generally requires utilization of local selling their products and services at competitive prices.
- 10. 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.
- 11. Work atmosphere is characterized by unity, harmony, love and affection.**

5.2 CHARACTERISTICS OF SMALL SCALE INDUSTRIES

The various characteristics of SSI are treated as a small-scale industry.

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 or on lease or on hire-purchase does not exceed Rs.100 lakhs as on March 31,2001 is termed as a small-scale industry.

3. 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.

4. 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.

5. The unit is not owned, controlled or subsidiary of any other industrial undertaking:

6. Generally utilize local resources and produce good/services to meet local industrial under-taking: where 2 or more industrial undertakings are set up by the same person as a proprietor, each of such industrial undertakings shall be considered to be under control by 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.

7. Usually present in the form of family business:

8. Informal management style:

9. Usually present in the form of family business:

10. Work atmosphere is characterized by unity, harmony, love and affection.

G
A
N
D
E
R
O
X
R
I
N
T
H
E
I
D
C
O
M
S
A
N
D
E
R
O
X
R
I
N

- There are several advantages of SSI
- 5.7. **Advantages of Small Scale Industry :**
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.
 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 medium and large scale enterprises which have relatively much longer gestation period.
 3. **Provide local employment opportunities.** Many of the SSIs are located in rural and backward areas with much lower capital investment for purchasing land, buildings, etc. The overall capital requirement is much lesser due to small scale of employment for local people(particularly in rural and backward areas) at relatively small capital investment.
 4. **Attract subsidies from the government.** As we shall study in the section on government policies for SSIs, 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.
 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.
 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 by SSIs.
 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

The entrepreneur can arrange finances from three 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.

Social Feasibility

Thus in project appraisal, a team of experts review these five types of feasibility studies included by the entrepreneur in the project report.

- Social feasibility
- Financial feasibility
- Organizational feasibility
- Industry/market feasibility
- Product/service (Technical feasibility)

Project appraisal are as same as in project selection.

Project appraisal is done in step 4 and step 5. However it must be noted that the steps in

step 3:

The Project identification happens in steps 1 and 2 while the project selection is done in

5.8. Steps to start Small Scale Industries :

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.
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.
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.

GANGA SEKAR ROX RNSIT HE I G O C Q D 3 6 6 8 9 0 1 2 3 4 5 6 7 8 9

- The angel investor is generally a wealthy individual, who becomes personally involved with a start-up company-lending experience and money.
- 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.
- 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.
- The angel investor is generally a wealthy individual, who becomes personally involved with a start-up company-lending experience and money.
- 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.
- 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 build/maintain composite loan, comprising of working capital and term loan up to a loan limit of Rs 1 crore.
- 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 indicated below.
- Documentation for loan application
 - Balance sheet and profit loss statement for last three consecutive years of firms owned by promoters.
 - Proof of possession of land/building
 - Architect's estimate for construction cost
 - Partnership deed/memorandum and articles of associations of accompany
 - Project Report
 - Budgetary Quotations of plant and machinery.

Take Necessary clearances

An entrepreneur has to obtain several clearances or permissions depending upon the nature of his unit and products manufactured.

Regulatory of taxation clearances

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.

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 manner.

Recruit Employees

Water connection is also obtained likewise by applying in advance in formal forms.

Generally 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 Officer in state.

1. Establishing a printing press-district Magistrate.

Product Specific Clearances

The Method of grating consent under water and air pollution to SSI units has been simplified.

Environment and Pollution related clearances

7. Employee Strength exceeding 10 with power connection or 20 without power-chief

Inspector of Factories.

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-I TO of the area concerned.

MODULE 5: Micro and Small Enterprises

Procurement of Raw Materials

The machines and equipment to be used in the production process are extensively analyzed during the technical feasibility study.

Procure and install Machineries

Management and entrepreneurship for it industry

MODULE 5: Micro and Small Enterprises Management and entrepreneurship for it industry

Procurement of raw materials should be done by the time installation of machinery and equipment starts taking place.

The entrepreneur's memorandum form is available with the district industries center (DIC's) and can be submitted there by entrepreneurs.

Last but not the least, the unit should start its operations.

It provides the first-ever legal frameworks for recognition of concept of enterprise - (Comprising both manufacturing and services) and integrating three tiers of enterprise - micro, small and medium.

Both categories are further classified into micro, small and medium enterprise, based on their investments in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services) as under:

Manufacturing enterprises-Micro Enterprise -Investment up to Rs. 25 lakh-Small Enterprise - Investment above Rs. 25 lakh & up to Rs. 5 crore-Medium Enterprise -Investment above Rs 5 crore & up to Rs. 10 crore.

Service enterprises-Micro Enterprise -Investment up to Rs 10 lakh-Small Enterprise - Investment Above Rs. 10 lakh & up to Rs. 2 crore-Medium Enterprise -Investment above Rs 2 crore & up to Rs. 5 crore.

The Act provides for a statutory consultative mechanism at national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises,

Dept. of ISE, RNSIT 2020-21 V/A & B

- (i) Notification of scheme /programmes for this purpose.
- (ii) Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises.
- (iii) Progressive credit policies and practices.
- (iv) Preference in government procure to products and services of the micro and small enterprises.
- (v) More effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises.
- (vi) Simplification of the process of closure of business by all three categories of enterprises.

The other features include

and with a wide range of Advisory function, and an advisory Committee to assist the Board and the Central/State Governments.

MODULE 5: Micro and Small Enterprises Management and entrepreneurship for it industry

small scale industries.

as co-ordinates various activities at the state level for promotion and development of early fifties. This Institute provides support / services to the State Government as well set up for the promotion and development of Small Scale Industries in the State in the Development Organization (SIDO), Ministry of Small Scale Industries, Govt. of India, The micro small and medium enterprises are the field offices of Small 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 institutional supports 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 by 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. There small scale enterprise sectors need lots of support and encouragement through direct or indirect taxes. The small scale enterprise sectors need lots of support and encouragement for its rapid growth from both central and state government.

5.10 Supporting agencies of Government for Small Scale Industries:

- i. It refinance loans and advances provided by the existing lending institutions to the small-scale units.
- ii. It discounts and rediscounts bills arising from sale of machinery to and manufactured by small-scale industrial units.
- iii. It extends seed capital/soft loan ASSistance under National Equity Fund, Mahila

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;
- ii. Expanding the channels for marketing the products of the small scale sector; and
- iii. Promotion of employment-oriented industries, especially in semi-urban areas to create more employment opportunities and thereby checking migration of population to urban areas.

Objectives :

Small Industries Development Bank of India is a non-independent 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):

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 small 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 SIS, their inspection and quality control.
- 3. To provide market information to the SIS's.
- 4. To recommend SIS'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

GANDHARVA ROXON INSTITUTE OF MANAGEMENT & TECHNOLOGY

- iv. It grants direct ASSISTANCE and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
- v. It provides services like factoring, leasing, etc. to small units.
- vi. It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
- vii. It provides financial support to National Small Industries Corporation for providing leasing, hire purchase and marketing help to the small-scale units.
- 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.

State Level Institutions / Agencies:

- i. KIADB
- ii. KSSIDC
- iii. TECOSOK
- iv. KSFc
- v. DIC
- vi. District level single window agency

Introduction:

- 1. Technical Consultancy Services Organization of Karnataka (TECKSOK)

For-starters :

- TECKSOK sharpens project ideas through feasibility studies, project reports, market surveys sourcing of finance and selection of machinery technologies, costing and also providing turnkey ASSISTANCE.
- Facilities global exposures, updated technologies, different market strategies, financial restructuring and growth plan to improve the profitability of an industry.

For existing industries:

- Provides an impartial consultant to provide insight on its work.

- 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, canterns, ESI hospitals, bus-depots, petrol-bunk etc.
- It has different industries with requisite infrastructure facilities.
- Industrial Areas Development Act with primary objective of promoting and ASSIsiting in the rapid growth and development of industries in the industrial areas by means of acquiring land and providing well laid out plots of suitable sizes to suit different industries with requisite infrastructure facilities.
- KIADB is a statutory body which came into existence in 1996 under the Karnataka Industrial Areas Development Act with primary objective of promoting and ASSIsiting in the thriving agricultural sector.
- KIADB came into existence in the year 1996 due to the availability of rich natural resources, wealth of mineral resources, rivers, waterfalls, harbors, forests and moderate climate which contribute to the thriving agricultural sector.
- KIADB is a statutory body which came into existence in 1996 under the Karnataka Industrial Areas Development Act with primary objective of promoting and ASSIsiting in the rapid growth and development of industries in the industrial areas by means of acquiring land and providing well laid out plots of suitable sizes to suit different industries with requisite infrastructure facilities.

2. Karnataka Industrial Areas Development Board (KIADB)

- i. Technological 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:

- It also identifies and implements sickness in industry and facilitates its turn around.
- It can also provide expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government.

3. Karnataka State Finance Corporation(KSFC) :

- Established in the March 1959 under the State Financial Corporation Act 1951 for extending the financial assistance to set up tiny small-scale and medium scale industrial units in the state.
- It has decentralized system of working. Each district has a branch office, some districts having more than one branch.
- Extending the financial assistance to set up tiny small-scale and medium scale industrial units in the state.
- Established in the March 1959 under the State Financial Corporation Act 1951 for extending the financial assistance to set up tiny small-scale and medium scale industrial units in the state.
- It has a merchant banking department approved by the Security Exchange Board of India (SEBI).
- It takes up the management of public issues, underwriting of shares, project report preparation, deferred payment guarantee, syndication of loans, bill discounting and similar tasks.
- It also includes fund based activities like subscription to nonconvertible debentures is also considered.
- It takes up the management of public issues, underwriting of shares, project report preparation, deferred payment guarantee, syndication of loans, bill discounting and similar tasks.
- Karnataka State Scale Industries Development Corporation (KSSIDC)

A. KARNATAKA STATE SCALE INDUSTRIES DEVELOPMENT

- It was established in 1960 by Government of Karnataka KIADB(Karnataka Industrial Development Board), a part of KSSIDC acquires land for industrial purpose, development and allotted developed places for entrepreneur.
- KSSIDC has promoted establishment of ancillary units to help PSU's like BEL, ITI, HAL, NGEF, BEML etc., it has constructed 86 plots for SC/ST entrepreneurs.
- Industrial estates have other infrastructure like roads, drainage, street light, water supply, and common service buildings like bank, post office, cantinen etc.
- It provides ready built sheds and small plots and has made them available for allotment for entrepreneur.
- It has established 98 industrial estates in all districts and major Talukas.
- It has opened raw material depot in all districts of state. Its regional offices are in Bangalore, Mysore, Belgaum, Gulbarga, Hubli, Tumkur, Shimoga, and Mangalore.
- To promote and develop SSI in state.
- Construction and utilization of infrastructure, especially in backward areas, procurement and marketing raw materials, technical support and assistance.
- To take up activity aimed at rapid development of SSI.

Objectives

- | | |
|--|---|
| <ul style="list-style-type: none"> To promote and develop SSI in state. Construction and utilization of infrastructure, especially in backward areas, procurement and marketing raw materials, technical support and assistance. To take up activity aimed at rapid development of SSI. | Dept. of ISE, RNSIT 2020-21 V A & B |
|--|---|

Objectives:

It was established in May 1978 in order to catch the needs of small units. The main function of DIC is to act as chief coordinator or multifunctional agencies in respect of various govt. Departments and other agencies. There are about 400 DICs in India. Nature of support information and consultancy services, industrial inputs.

5. DISTRICT INDUSTRIES CENTRE'S (DIC)/SINGLE WINDOW CONCEPT

- Persistence efforts of KSSIDC as the nodal agency of the state aided in realizing the dream of setting up the country's first green field international Airport at Devanahalli on public private sector partnership. This has brought in international standards in the aviation sector. Established at a cost of Rs. 2,000 crores, the airport is presently meeting the surge of air traffic in Bangalore.
- KSSIDC has been instrumental in establishing Jimdal Vijayanagar Limited (presently JSW Limited), Vikram Tyres Limited, Karnataka Amalgamations and Pharmaceuticals Limited, to name a few.
- An important arm of the state in bringing industrial boom in various sectors, KSSIDC has also extended financial assistance in the form of core sector industries like steel, cement, mining and textile and modern sector industries like information technology, aviation, telecommunication, and other infrastructure projects to the extent of around Rs. 2,223 crores.
- Persistence efforts of KSSIDC as the nodal agency of the state aided in realizing the dream of setting up the country's first green field international Airport at Devanahalli on public private sector partnership. This has brought in international standards in the aviation sector. Established at a cost of Rs. 2,000 crores, the airport is presently meeting the surge of air traffic in Bangalore.

- To establish and manage industrial estates.
- To procure and distribute scarce and raw materials to various SSI's.
- To provide assistance towards marketing of product from various SSI's.
- To organize national level and international level exhibition and facilitate exchange of information.
- To supply machinery and hire purchase scheme.
- To provide guidance to SSI entrepreneurs.
- Provide technical library facilities to help entrepreneurs.
- Provide laboratory facilities in coordination with Indian standard institute.
- KSSIDC has assisted 135 start-ups through equity participation to the extent of Rs. 118.28 crores spread over the length and breadth of the state.
- An important arm of the state in bringing industrial boom in various sectors, KSSIDC has been instrumental in establishing Jimdal Vijayanagar Limited, to name a few.
- Persistence efforts of KSSIDC as the nodal agency of the state aided in realizing the dream of setting up the country's first green field international Airport at Devanahalli on public private sector partnership. This has brought in international standards in the aviation sector. Established at a cost of Rs. 2,000 crores, the airport is presently meeting the surge of air traffic in Bangalore.

5.10 Intellectual Property Rights

- To undertake product development work appropriate to small industries.
- To assist the entrepreneurs in marketing their products and assess the possibilities of ancillary station and export promotion of their products.
- To appraise the worthiness of various proposals received from entrepreneurs.
- To guide entrepreneurs in matters relating to selecting the most appropriate imported machinery, if needed, assessing requirements for raw materials etc.
- To prepare an action plan to effectively implement the schemes identified.
- To provide investment advice to entrepreneurs.
- To conduct industrial potential surveys keeping in view the availability of resources in terms of material and human skills, infrastructure, demand for product etc. To prepare techno-economic surveys and identify product lines and markets.
- To conduct industrial potential surveys keeping in view the availability of machinery and equipment, sources of funds, labour, market etc.

Functions:

- To act as single window agency to help the entrepreneur with all information under one roof.
- To effectively promote cottage and SSI in rural areas and in small towns.
- To serve as integrated administrative frame work at district level for industry.
- To develop as industrial development authority.

Intellectual property (IP) refers to creative output of human beings such as inventions, literary and artistic works, symbols, names and so on.

Some important rights protected under the latest Govt of India National IPR Policy 2016 are

1. Patents
2. Copyrights
3. Trademarks
4. Industrial Designs
5. Geographical indications of goods
6. Plant varieties and farmer rights
7. Undisclosed information.

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.

According to Patents Act, a patentable invention is a new product or process and should have the following characteristics.

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

(b) Inventive step

The invention should possess utility so that it can be made or used in an industry.

Non Patentable inventions

- Frivolous inventions which are contrary to well established natural laws
- Inventions which are contrary to public order or morality
- Inventions which causes serious prejudice to health of human, animal, plant life or to the environment
- Any Process for medicinal, surgical, curative, diagnostic, therapeutic or other treatment of human beings
- Mathematical method or business method or algorithms or computer programme per se
- Inventions which are Traditional Knowledge or an aggregation or duplication of known properties of traditionally known components
- (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)
- 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
- Inventions relating to atomic energy and the inventions prejudicial to the interest of security of India.
- A mere scheme or rule or method of performing mental act or method of playing game;
- merely a presentation of information
- (xi) Topography of integrated circuits

(i) Trademark: All the logos of the companies. Abbreviated as TM.

There are four types of trademarks

Goods or services to distinguish it from other similar goods or services.
Signature, name, device, label, numerals, and combination of colors used by one organization on competing goods or services. In other, a trademark is a visual symbol which may be a word, signs, symbols, slogans, logos that help consumers to distinguish between

3. Trade Marks

(vi) Computer Programme

(v) Sound recording

(v) Cinematography

(iv) Original Artistic Work

(iii) Original Musical Work

(ii) Original Dramatic Work

(i) Original Literary Work

Indian Copyright Act affords separate and exclusive copyright protection to the following classes of work:

book published earlier
will have a copyright on the book written by him, provided the book is not a copy of some other
write textbooks on such topics which are also covered in book by other authors, but each author
protection for the expression of an idea and not for the idea itself. For example, many authors
(generally for 60 years) after which the work is said to enter the public domain. Copyright gives
the right to copy, distribute and adapt the work. Copyright lasts for a certain time period
Copyright is an exclusive right granted to the author or creator of an original work, including

2. Copyrights

6. Palm Varieties and Farmers Rights

Other Examples of products having GI protection in India include Kolhapur Chappals, Darjeeling tea, Alphonso Mango, Tirupathi Laddu, Mathura Pedas and so on.

of 10 years. It can be renewed from time to time for further period of 10 years each. saree made by any other company in Mysore or anywhere in India, the saree cannot be sold under the name Mysore Silk. The registration of a Geographical Indication is valid for a period of 10 years. It can be renewed from time to time for further period of 10 years each.

to sarees made by Karnataka Silk Industries Corporation (KSIDC). No matter how good a silk can be sold under that geographical Indication. For Example Mysore Silk Has a GI tag attached to a product then no similar or identical product made or produced elsewhere has been granted to a product then no uniqueness of the product. Once a GI is registered with a specific geographical location for the uniqueness of the product. Once a GI has been granted to a product then no similar or identical product made or produced elsewhere can be sold under that geographical Indication. For Example Mysore Silk Has a GI tag attached to sarees made by any other company in Mysore or anywhere in India, the saree cannot be sold under the name Mysore Silk. The registration of a Geographical Indication is valid for a period of 10 years. It can be renewed from time to time for further period of 10 years each.

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

electrical appliances, cars and architectural structures. to wide variety of products of different industries like handicrafts, medical instruments, watches, processes which in the finished article appeals to and judged solely by the eye. Designs are applied to any article whether in two or three dimensional forms. This may be applied by any industrial An industrial design refers to the features of shape, configuration, pattern or colors applied to

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

ii) Service mark-Similar to trademark but used only on services.

Inspired or influenced by this system, and hence his idea belonging to the whole system. Of a large system and has seldom the capability of arriving at a new idea without being him. According to Kant and Hegel, putting across the socialist view, say that man is part his own person and therefore the fruits of a man's physical and mental labor belongs to According to Capitalistic point of view, John Locke says that every man has a property in

- 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 least talked about, although it is perhaps the most 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. Formulae, patterns, compilations, programmes, devices, methods, techniques or processes. For generally known as trade secrets or confidential Information. Undisclosed information include

7. Undisclosed Information

- 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.

in public and private sector for development of new plant varieties. 2. To protect the plant breeders rights to stimulate investment for research and development both in conserving preserving, improving and making available plant genetic resources for the time in conserving preserving, improving and making available plant genetic resources for the development of new plant varieties.

- 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: The Objectives of the Act are: To 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.

- MODULE 5: Micro and Small Enterprises Management and entrepreneurship for it industry

- 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 as compared to USA's 57,385, Japan's 44,235, China's 29,846 and South Korea's 14,626 with international patent applications filed from the country in the year 2015 was 1,423, in the same period.
7. The Agreement on Trade Related Aspects of Intellectual Property Right (TRIPS) is an international agreement (1994) administered by the World Trade Organization (WTO) that sets down minimum standards for many forms of intellectual property rights that promote innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system.
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 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 applications processed through The Patent Cooperation Treaty (PCT), an international patent law treaty, provides a unified procedure for filing patent applications to protect inventions in each of its contracting countries, numbering over 150. Such a patent application is simultaneously processed by all member countries and considered for 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
2. The first legislation in India relating to patents was the Act VI of 1856, George Alfred Deaconing is supposed to have made the first application for a patent in India in the year 1856 for his invention, "An Efficient Pukkaah Pulling Machine".

- Low cost

• 12 months of time to file complete specification

- Secures filing date

application-advantages. It gives following benefits:

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://patentinindia.com/provisions-patent/>

Step 5: Draft (write) patent application

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 process or not.

Step 4b: Decide whether to go ahead with patent

The detailed explanation for patentability criteria is given here <http://patentinindia.com/patent-idea-india/>. The patentability opinion is provided by the patent professionals up on conducting extensive search and forming patentability report.

- Enabling
- Industrial application
- Non-obviousness
- Novelty

Indian patent act such as :

The next step would be finding out whether your invention meets all patentability criteria as per

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://patentinindia/patent-idea/>.

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

- Advantages of the invention

- How does it work

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 FEE. 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 objections.

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. After 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.

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.

Ref ID: A71/VAD
Pit Layout, Dr. Wm. A. O'Donnell
Sedgwick Museum, Cambridge
Post Box 125, 76757, Sedgwick
Ref ID: A71/VAD
Pit Layout, Dr. Wm. A. O'Donnell
Sedgwick Museum, Cambridge
Post Box 125, 76757, Sedgwick