



DAYANANDA SAGAR COLLEGE OF ENGINEERING

*Accredited by National Assessment & Accreditation Council (NAAC) with 'A' Grade
(An Autonomous Institution affiliated to Visvesvaraya Technological University, Belagavi)
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Bengaluru-560078*

DEPARTMENT OF CONSTRUCTION TECHNOLOGY AND MANAGEMENT



MANAGEMENT AND ENTREPRENEURSHIP

5th Semester UG (18HS5ICMEP)

Faculty: Prof. Suhas H B

DIGITAL CLASS ROOM MATERIALS

MANAGEMENT AND ENTREPRENEURSHIP
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Course Code: 18HS5ICMEP**L: P: T: S: 3: 0: 0: 0****Exam Hours: 03****Total Hours: 40****Credits: 03****CIE Marks: 50****SEE Marks: 50****COURSE OBJECTIVES:**

1. Understand the underlying principles of management.
2. To analyze and identify the functions of entrepreneurial activities and its prerequisites under practical conditions.
3. To develop and enhance one's decision making skills amidst competitive business market.

Course Outcomes: After completion of the course, the graduates will be able to

MANAGEMENT & ENTREPRENEURSHIP	
CO1	4. Apply the principles of management in business activities.
CO2	5. Use the managerial and entrepreneurial qualities & skills under real world condition.
CO3	Analyze the functions of Management & Entrepreneurship and apply those in practical situations.
CO4	6. Identify various schemes provided by government of India to support business enterprise.
CO5	7. Develop leadership skills to build a small scale industry.
CO6	8. Develop entrepreneurial personality, able to prepare project report and initiate SSI.

Mapping of Course outcomes to Program outcomes:

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12
CO1	-	-	-	-	-	3	3	2	2	-	-	-
CO2	-	-	-	-	-	3	3	2	2	-	-	-
CO3	-	-	-	-	-	3	3	2	2	-	-	-
CO4	-	-	-	-	-	3	3	2	2	-	2	-
CO5	-	-	-	-	-	3	3	2	2	-	2	-
CO6	-	-	-	-	-	3	3	2	2	-	2	-

Unit	Course Content	Hours	COs
1	MANAGEMENT: Introduction – Meaning – nature and characteristics of Management, Scope and Functional areas of management – Management as a science, art and profession – Management & Administration – Roles of Management, Levels of Management. PLANNING: Nature, importance and purpose of planning process – Objectives – Types of plans.	06	CO1 CO2
2	ORGANIZING AND STAFFING: Nature and purpose of organization – Principles of organization – types of organization – Departmentation – Committees-Centralization Vs Decentralization of authority and responsibility – Span of control – MBO and MBE (Meaning Only) Nature and importance of staffing. (Case studies discussion)	10	CO1 CO2
3	DIRECTING & CONTROLLING: Meaning and nature of directing – Leadership styles, Motivation (Definition), characteristics, motivational theories (Maslow's theory, theory 'X' and 'Y'), Meaning and steps in controlling – Essentials of a sound control system – Methods of establishing control (in brief).	06	CO3 CO4
4	ENTREPRENEUR: Meaning of Entrepreneur; Evolution of the Concept, Functions of an Entrepreneur, Types of Entrepreneur, and Entrepreneur – an emerging Class. Stages in entrepreneurial process; Role of entrepreneurs in Economic Development; Entrepreneurship – its Barriers, EDP and its objectives (Case studies discussion, role play / group discussion)	08	CO3 CO4
5	SMALL SCALE INDUSTRY: Definition; Characteristics; Objectives; Scope; role of SSI in Economic Development. Advantages of SSI, Steps to start an SSI, Impact of Liberalization, Privatization, Globalization on S.S.I, Effect of WTO/GATT. Overview of detailed project report/profile. Startup India: Benefits, Policies. Action plan- simplification and Handholding, Funding Support and incentives, Industry-Academia Partnership and Incubation. Salient features of Karnataka Startup Policy 2015-2020, Strategies encouraging entrepreneurship through NAIN. Venture capitalist, SSI funding schemes by banks and financial institutions, Government of India Initiatives on Thrust Areas, (Related case studies, supporting videos)	10	CO5 CO6

SELF-STUDY COMPONENT:**Preparation of Project report/Profile****Note:**

1. At the end of the course students should have cultivated the ability to prepare project profile based on their selected business idea.
2. One Credit is allocated to project profile prepared by students.
3. Project profile/report shall be submitted before the end of the course.

Contents /Structure of project report/profile:

1. Introduction
2. Market potential
3. Basis and pre assumptions
4. Implementation schedule
5. Technical aspects
6. Financial aspects and analysis
8. Details of machinery and equipment/ service suppliers

TEXT BOOKS:

1. Principles of Management – P.C.Tripathi, P.N.Reddy – Tata McGraw Hill.
2. Dynamics of Entrepreneurial Development & Management – Vasant Desai – Himalaya Publishing House.
3. Entrepreneurship Development – Poornima.M.Charantimath – Small Business Enterprises – Pearson Education – 2006 (2 & 4).
4. Management & Entrepreneurship-N V R Naidu, IK International, 2008

REFERENCE BOOKS:

- 1 Management Fundamentals – Concepts, Application, Skill Development – Robers Lusier – Thomson.
2. Entrepreneurship Development – S.S.Khanka – S.Chand & Co.
3. Management – Stephen Robbins – Pearson Education/PHI – 17th Edition, 2003.
4. <http://www.startupindia.gov.in/>
5. http://startup.karnataka.gov.in/docs/Startup_Policy_Karnataka.pdf

Assessment Pattern:**CIE –Continuous Internal Evaluation Theory (50 Marks)**

Bloom's Category	Tests	Preparation of Project Report/ Profile
Marks (Out of 50)	30	20
Remember	--	02
Understand	10	02
Apply	10	04
Analyze	05	04
Evaluate	05	03
Create		05

SEE –Semester End Examination Theory (50 Marks)

Bloom's Category	Marks Theory(50)
Remember	10
Understand	10
Apply	10
Analyze	10
Evaluate	10
Create	

Module 1 – Management

Meaning

1. George R Terry, management is distinct process consisting of planning, organizing, actuating & controlling performance to determine & accomplish the objectives using people & resources.
2. Management is that function of an enterprise which concern itself with the direction & control of various activities to attain the business objectives.

Nature & characteristics of management

1. Management is an activity: Management is a process of organized activity which is concerned with the efficient use of resources of production. Resources include materials, money & people in the organization.
2. It is a purposeful activity: It is concerned with the achievement of an objectivity these functions such as planning, organizing, staffing, directing & controlling
3. It is concerned with the efforts of a group: management is concerned with management of people & not the direction of thugs. It inspires & motivates works to put forth their efforts to the maximum extent.
4. Management is getting things done: Management is the art of getting things done their & with people in formally organized groups.
5. It applies economic principles: Management is the art of applying the economic principles that underlie the control of men & materials in the enterprise under consideration.
6. Involves decision-making: Management in the decision-making process & the decisions are involved in all the functions of management.
7. It Co-ordinates all activities & resource: It is concerned with the Co-ordination of all activities & resources it's various functions to attain the stated objectives.
8. It is a universal activity: It manager irrespective of the enterprise in which they are working & their place in the organization shuttered make use of the management principles.
9. IT is an integrating process: It integrates men, machines & materials for carrying out the operations of the enterprise & for achieving the stated objectives.
10. It is concerned with direction & control: It in concerned with the direction & control of various activating the enterprise to attain the business objectives.

11. It is intangible: It is abstract & cannot be seen with the eyes. It is evidenced by the quality of organization & results such as increased productivity.
12. Management is both science & an art: It has developed certain principle & laws which are applicable of to any group activity.
13. It is a proffers ion: Because there are established principles of management which are being applied in practice.
14. It is an interdisciplinary approach: Management as a body of discipline takes the help of other social sciences.
15. It is an economic resource: There are five factors of production land, labor, capital, management. The entrepreneur establishes the organization as owner & it is the management which transforms these resources these in to productive process.
16. It is a system authority: As management is a process of directing men to perform a task, authority to extract work from others, it is implied in the busy concept of management.
17. It is dynamic, not static: Management adopts itself to the social changes & also introduces in methodology.

Objectives of Management

1. Proper utilization of resources: the main objective of management is to use various resources of the enterprise in most economical way. The proper use of men, machines, money will help a business to earn enough profits to satisfy various in assets.
2. Improving performance: Management should aim at improving the performance of each & every factor of production. The fixing of objectives of various factors of production will help them in improving their performance.
3. Mobilizing best talent: The management should try to employ person in various fields so that better results are possible. The employment of specialists in various fields will be increasing the efficiency of various factors of production. There should be a people environment which should encourage good persons to jay the enterprise.
4. Planning for future: No management should feel satisfied with today's work if it has not thought of tomorrow plans should take in to consideration what should we do next. Future performance will depend upon present planning. Planning for future is essential to help the concern.

Scope of management

Management is an all-pervasive function since it is required in all types of organized Endeavour. The following activities are covered under the scope of management

1. Planning
2. Organization
3. Staffing
4. Directing
5. Co-coordinating
6. Controlling

The functional areas of management are

Production management: Production means creation of utilities. This creation of utilities takes place when raw materials are converted in to finished products. IT deals with aspects such as production planning, quality control & impaction, Production control techniques.

Marketing management: Marketing is a total of physical activities which are involved in the transfer of goods & services & which provide for their physical distribution. It includes marketing of goods & services, price determination, market research, sales promotion, advertisement publicity etc.

Financial management: Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and litigation of funds or finance for business purposes.

Office management: The concept of management which applied to office is called office management. It is a technique of planning, Co-coordinating & controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work is such a way that it helps the management in attaining its goals. It works as a service department for another department

Is management a science, art or profession?

Science is a systematized body of knowledge acquired by making their observation & experimentation based on certain principles capable of general application art on the hand is concerned with the application of skill or knowledge so enquired. If this idea of science & art is applied to the management activity management is both science & an art

The management can be regarded as profession but by the analysis of the characteristics of management indicates that it does not possess all the essential characteristics of a profession. Like other recognized professions such as medicine & law, management does not have norms of managerial behavior, common rules uniform code of conduct & organization & license. It does not restrict the entry of people into managerial jobs with a special academic degree. We can conclude that their management cannot be called a profession however; we may state that there are certain trends which indicate that the management is moving in the direction of profession

The term management involves providing a body of principles or laws for the solution of specific management problems & the objective evaluation of results further the analysis of functions of management has to the development of certain principles which are useful for solving concrete business problems in future. Thus, we find the management is both a science & an art.

Administration V/S management

Administration is different from management: Admin is higher level activity while man is a lower level activity. It is concerned with the determination of overall objectives & policies of the enterprise while management with planning, coordinating & controlling of business activities for attaining the enterprise objectives.

Admin is part of management: management is the generic term for the total process of an executive control involving responsibility for effective planning & guidance of the operations of an enterprise. Administration is the part of management which is concerned with the installation & carrying out of the procedures by which the programme is laid down & communicated & progress of activities is regulated & checked against plans.

	Administration	Management
Nature of work	It is primary concerned with determination of objectives & policies It is thinking function	It is does the implementation plans & policies, Doing function.
Scope	It takes major decision	It takes the decision within frame work of administration.
Level of authority	IT is a top-level function	Lower level function
Status	It consists of owners of an enterprise	It consists of managerial personal with specialize knowledge who may be employees.
Nature of organization	It is used in relation to good military, educational & fuliginous organization.	It is making in business forms.
Influence	Its decisions are influenced by external factors such as social, political labor	The influence by internal factors such as values, beliefs, opinions.

Roles of management

Manager is any organization plays variety of roles responding to a situation. The three important roles played by a manager are interpersonal roles. Decision roles & information roles.

Interpersonal roles: These includes figure head, leader & liaison roles In the figurehead role, the manager perform some duties that are casual & informal ones like, receiving and greeting visiting dignitaries, attending to social functions of employees entertaining customers by offering parties & winches etc. As a leader manager motivates direct & encourages his subordinates He also reconciles the needs with the goals of the organization.

In the role of liaison, the manager works like a liaison officer between top management & the subordinate staff. He develops contacts with outside people & collects useful information for the well-being of the organization.

Decision roles: There are four decision roles played by a manager. They are resource provider arbitrator entrepreneur & negotiator.

As a resource allocator, the manager divides the work, provides required resources & facilities to carry out the allocated work and delegates requires authority among his subordinates He decides who must do what & who gets what.

As a arbitrator, a manager works like a problems solver. He finds solutions of various un-anticipated problems both within & outside the organization. As an entrepreneur, a manager continuously looks for new ideas & lies to improve the organization by going along with changing work environment. He also acts as a negotiator negotiates with employees & lies to resolve any internal problems like trade agreements strikes & grievances of employees.

Information role: A manager plays as monitor, spokesman and disseminator. A manager monitors his environment & collects information their personal contacts with colleagues & subordinates. As a spokesman, he communicates the information/goals of organization to his staff& the progress of work to his superiors. He also communicates the performance of company to shareholders & the rules & responsibility to his subordinates. As a disseminator, the manager passes some of the information directly to his subordinates & to his bosses. Manager is any organization plays variety of roles responding to a situation. The three important roles played by a manager are interpersonal roles. Decision roles & information roles.

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Level of management

Top management	Middle management	Supervisor management
Board of directors	Departmental heads	Senior Supervisor
Chairman	Decisional heads	Immediate Supervisor
Chief Executive	Schlock heads	Front Line Supervisor

The process of dividing authority & responsibility among the various executives is called the creation of level of management.

Top management: Head of organization

Functions of Top Management

- Determine objective of the organization. They relate to profit, business growth, survival, prestige, competitive pricing, marketing method.
- Frame the policy: To frame policies & check out plans to carry out the objectives & policies, policies may relate to different aspects of the organization.
- Organizational frame work: Top management determines the organization structure for executing the plans
- Assemble the resource: Execute the plans; the resources of men, machines, materials & money must assemble.
- Control the operations the organization: Top management also controls operations their budget cost & statistical quality control & accounting device.

Middle management: It consists of departmental divisional or sectional heads other executive officers attached to the different departments. This department is responsible for implementing policies & plans decided by management.

Functions of Middle Management

- To execute the various functions of organization so that the top management gets enough time to look after their responsibilities.
- To cooperate among themselves, with the top management & the supervisors so that the organization functions smoothly
- To achieve coordination between the different parts of organization
- To develop & train employers in the organization for better functioning & for filling up vacancies that may arise in future.

- To build company spirit where all are working to provide a product or service wanted by consumer.

Supervisory management: It consists of senior supervisors. The executives at this level are in direct touch with the workers & must see the work is properly carried out.

The effective implementation of the plans & policies, the quality of coordination ship quality of output & overall success of the organization very much dependent on the hard labor, discipline, loyalty of the personal at this level of management.

Functions of supervisors

- To issue order & instructions to the workers & to supervise & control their work.
- To plan activities of the section.
- To assign jobs to the workers
- To direct & guide the workers about work procedure.
- To arrange for the necessary tools, equipment, material etc.
- To solve the problems of workers
- To maintain discipline among the workers & to develop them the right approach to work.
- To inform the management about the problems of workers which are not solved at this level?
- To maintain good human relations.
- To build a high group morale among workers.

DEVELOPMENT OF MANAGEMENT THOUGHT

Development has emerged as a powerful & innovative force on which the today's society depends for material support from an unrecognized situation in the past one or two centuries.

This is the area of management which is responsible for undertaking activities such as industrial & technical surveys, taking up research work, suggesting ways & means for innovations for reacting the taken up for improving methods of production, finding out best ways of doing things, raising productivity in the firm. The innovative methods of production & marketing will help the firm to grow.

Seventeen and eighteen centuries had seen industrial revolution. Lots of inventions & new technologies had emerged. The importance of management was focused division of lab our concept was evolved importance of planning was identified. But the management on a separate

field of study had emerged only during the early 20th century when new industrial era began.

Business organizations had a stage shift from ownership towards joint stock companies. As an answer to the problems like insufficient system, inefficiency of labour & discrepancy in wage payment, management has been recognized as a separate & important field of study.

Subsequently, management has evolved as a specific discipline of study & practice. The evolution of management can be divided into two parts early management approach & modern management approach.

Early Management approaches

History of management is as old as a man. Evidence of well-organized principle of management can be seen in ancient Greece & India. Those kings used the concepts of management like planning, organizing, leading and controlling the various activities.

The process of early management approaches is

1. Physiological development.
2. Scientific management
3. Administrative management
4. Human relations movement.

Physiological development: (Before 17th century)

In olden days when there was no experience and knowledge of business, they had to depend upon their inborn abilities. This gave rise to management that was totally based on Physiological process. People were having universal belief that managers are born and cannot be made such as artists, directors, kings etc

Scientific management: (18th -19th century)

During this time the development was brought about by following two important factors.

- The effort of scientists to demonstrate the application of science & scientific methods.
- The effort of establishing standard practices.

The work made use of scientific methods for achieving standard practice & higher efficiency.

Thus, scientific management came into existence.

a) Work study

Work study includes time and motion study. Taylor observed that the workers were not producing their full capacity for the fear that their piece rate would be cut with rise in production. The best way of doing a job was arrived at with this the time required to complete one job was calculated called standard time.

b) Differential payment

Motion and time study and establishment of standard time further helped in arriving at the production rate of a piece or job. It was linked that incentives are introduced with increase in production. It was thought that this would motivate workers to produce more.

c) Reorganization of supervision

The supervisions work was just to allocate the work to be done. The planning of work and selection of tools & sequence of doing work are to be done by foreman and the worker had to simply carry out the work without wasting his time as to how to do that.

d) Scientific requirement and training

Taylor suggested that need for scientific training and development of a worker to carry out a specific task in a more productive way. He also believes that good cooperation between the management and workers would had to the increased production and profits to both

The objectives of scientific management are

1. To assures industrial and market tendencies and to regularize continuous operation.
2. To earn larger profit from a given expenditure on man and materials by minimizing waste work and waste movements.
3. To provide healthy and safe working environment
4. To build character this proper work
5. To develop self-realization and self-satisfaction among workers there by improving their morale.
6. To give better opportunity for individual their scientific methods of working.
7. To ensure happier and social life to workers,
8. To promote justice among workers by eating them equal.
9. To perform planned and balanced operations.

Administrative management: Henri Fayol is considered as father of administrative management. The theory was developed to make it applicable to middle and top-level management. He suggested the activity of any business organization could be divided in to six groups, financial, technical, accounting commercial, managerial security. The focus was on managerial or administrative activity. Management junction is divided in to functions such as planning, organizing, commanding, coordinating and controlling.

Principles of management are

1. Division of work

2. Discipline
3. Authority and responsibility
4. Unity of command
5. Unity of direction
6. Union is strength
7. Equity
8. Order
9. Stability of tenure personnel
10. Remuneration

Human relation movement

The unpredictable and irritable pattern of behavior of worker made the task managers more difficult. They are broadly classified in to

1. Illumination experiments
2. Relay assembly list room
3. Interviewing program,
4. Bank wiring test room.

The business organization is not merely technical and economical unit where only production and profits are anticipated but it is also socialistic human system. These are four important modern management approaches

1. Behavioral approach.
2. Systems approach
3. Quantitative approach
4. Contingency approach

Behavioral approach:

The behavioral approach management is concerned with the application of methods & finding psychology and sociology for understanding the organizational behavior. This is an improved & extended version of human relations approach to management. Motivation theory, leadership, communication and employee motivation & development are same

Behavioral scientists regarded the classical approach as highly mechanical & routine & resulting in demoralizing human aspect.

Quantitative approach

Quantitative approach is also known as management science approach which was developed during Second World War to find solutions to some complex new problems in warfare.

This deals with formulating a mathematical model to simulate a given problem that includes the feasibilities, constraints, costs of events. An optimum mix of these critical variables is arriving at, either for minimizing time or cost or maximizing profit or minimizing time or cost or maximizing profit or production or service enabling the management to take up logical decision.

System approach

The classical approach emphasizes in the structure & task, the behavioral approach emphasizes on people & the quantitative approach on mathematical modeling & decision making based on the model. But system approach provides the management the integrated approach of problem solving.

A system is defined as a set of independent parts together form a unitary whole that performs a defined task. Organization is a system that consists of people, task, structure & technology. Each part of the system has an independent relation with other part. The systems approach tries to emphasize to resend the organizations, rather than dealing the parts separately. A system can be either an open system or closed system, a system that interacts with outside environment is called open system & a system that works with the closed boundary is called closed system.

Contingency approach

The contingency approach is the most recent development in the field of management. This attempts to integrate all the management approaches contingency approach suggests the task of managers to identify the correct techniques that will suit a situation & apply them to solve a problem.

This approach is very much applicable is preparing organizational structure in deciding degree of decentralization, motivational & leadership approaches establishing communication systems, resolving conflicts training the employees etc.

Planning

Planning: It is the scientific direction to managers to move in a direction by which objectives will be met with ease.

Uses:

1. Minimizes the risk, reduces uncertainties surrounding business conditions.
2. Increases the degree of success
3. It establishes Co-ordinate effort in the organization.
4. It helps managers to organize people & resources properly. While planning - managerial function should be performed first.

How to plan:

1. Profit thinking & analysis of information.
2. Predetermined course of action.
3. Objectives to be attained in the future.
4. Study of alternative courses.
5. Involves decision making.
6. Try to achieve better results.
7. Continuous process & integrated work.

Nature or characteristics of planning

1. Focus in objectives: Plan starts with setting up of objectives long term & short-term objectives should be prepared. The main aim is to utilize the financial resources in the best possible manner. & take the best advantage of prevailing economic situation. It is realized by developing policies with procurement, administration & distribution of business funds in a best possible way,

It is important in developing procedures to ensure consistency of actions. The procedures follow the formulation of policies & strategies etc.

2. It is an intellectual process: The intellectual process requires mental exercise, foreseeing future developments, making forecasts & the determination of the best course of action.
3. Planning is a selective process: It involves careful study of analysis of various alternative courses of action. For alternatives to decide & make decision it requires to know what is to be done. How it is done, when it is to be done & by whom it is done.
4. Planning is pervasive: which is an activity to cover all the levels of enterprise. In the levels

of management, the top level is concerned with strategically planning, middle & the cover are concerned with administrative & operational planning.

5. Planning is integrated process: It involves not only determination of objectives to formulate sound policies, programmer, procedures & strategies for the meeting these objectives. The managerial functions & facilities other managerial functions like organizing, staffing, directing & control try.
6. Planning is directed towards efficiency: Planning is basically to increase the efficiency. Good plan is will give maximum output & profit at minimal cost. Planning is foundation.
7. Planning is flexible: Planning should be adaptable to the changes in the environment Kuntz & o, Donnell emphasizes on effective planning which requires continual checking on events & forecasts and redrawing of plans to maintain a course towards designated goal.
8. First function in the process of management: Planning is important filled of the process management. Manager takes the responsibility to organize staff direct & control them without planning. Other functions become meaningless activity, producing nothing but chaos.
9. It is a decision-making process: Decision making is an integral part of planning; it is defined as the process of choosing among alternatives.
10. It is a continuous process: The manager should constantly monitor the progress of his plans. The must monitor within & outside the organization to determine if changes are required in his plans.

Essentials of Good plan

1. Clearly defined objective.
2. Simple
3. Comprehensive
4. It should be rationale & appropriate.
5. It should provide proper analysis & classification
6. It must be flexible.
7. Balanced
8. It must use all available resources & opportunities to the utmost before creating new authorities of new resources.
9. It should be flue from social & psychological biases of the planners as well as subordinates.
10. These should be proper co-ordination among short term & long-term plans.

Advantages or benefits of planning.

The following points emphasize the importance & benefits.

1. Planning offsets future uncertainty & change

It helps manager in carrying out the future course of action & brings degree of certainty & order into the organization than would be present without planning.

2. It tackles increasing complexity in modern business. People in different field of specialization are required for running a business with complex machine.
3. It helps in co-ordination. Refined objectives well published policies, programmers & procedures help the management in the Co-ordination process.
4. It helps in exercising effective control

It helps in determine advance of the work done, person responsible to do it. The time to be taken to do the work & the costs incurred.

5. It helps in the proper utilization of company's resources:

It involves deciding in advance of what is to be done, where & by whom it is to be done.

6. It facilitates unity of action:

Under planning, policies, procedures & programmers are predetermined & every decision & action should be within the frame work of predetermined policies & procedures & programmers.

7. It helps in a rounding business Failures, Unity of action, Coordination of activities, economy in operation & offsetting of future uncertainty & change will avoid business failures.

8. Focuses attention on organization goals

Easy to apply & coordinate the resources of the organization more efficiently.

9. Improves competitive strength

It facilitates in discovering new opportunities & there by shape its own future.

10. Improves adaptability

It helps in coping up changing environment by anticipating the future events & changing conditions prepare the organization to meet then & manage efficiently.

11. Guides decision making: It involves making a choice from the various available alternatives.

12. Secures economy in junction: It involves selection of the most profitable course of action after evaluating the alternatives.

Disadvantages

1. Limitations of forecasts: because the information data available are not reliable. It causes the stab.
2. Rigidity: It restricts individual freedom, initiative & desire for creativity because of predetermined policies.
3. Time-consuming: IT takes time & hence delays action. It makes it realistic enough time should be given to planning process.
4. Costly: It exercises lot of money for preparing estimates, collecting information & facts for analysis.
5. Influence of external factor: Like natural calamities, break-out of war, changes in political & economic situations limits the effectiveness of planning.
6. Limited scope: For organizations to change rapidly planning is limited especially for those engaged in publication of text books & fashionable articles manufacturing industry.
7. People's resistance: A new plan is simply not executed because of unwillingness or inability of people.
8. Fisher of people in planning: Persons involved in the planning process fail to formulate correct plans. Same reasons are lack of commitment to planning. Failure to formulate sound strategies lack of clearly defined objectives, etc.

Planning process

Various steps:

1. Awareness of opportunities of problems:

- a) What business opportunities or problems are likely to come?
- b) What are the plans for exploiting the opportunities?
- c) Whether it is necessary to devise a new plan or is it enough to execute existing plan.
- d) By making changes in the plan, what is the benefit to the organization?

2. Collecting & analyzing information

To collect the information & data related to planning should be made & analyzed.

3. Determination of objectives:

Analysis & interpretation of data facilitates in determining the enterprise objectives. Objectives should be specific & clean.

4.Determining planning premises & constraints

Premises are planning assumptions based on which planning takes place. Some premises like population growth & political environment are uncontrollable while some degree of control can be exercised on the technology used. Some constraints like government control affect the plans.

5.Finding out the alternative courses action

For every plan there are number of alternatives & hence all possible alternatives to work out a plan for achieving the desired objectives should be found out for then evaluation.

6.Evaluation of alternatives & selection

Alternatives are about cost, speed, quality & select best course of action.

7.Determining secondary plans

This is to support the basic plan. For example, several secondary plans for purchasing of raw materials, acquisition of plant & machinery & aiming of workers must be prepared for successful operation of the basic plan.

8.Securing participation of employees.

The successful execution of plan depends on the extent of Co-operation of the employees. Management involves employees in planning the communication.

9.Providing for follow up & future evaluation

It is a check made to see that we are proceeding along right lines, for management to devise a system for continuous evaluation a appraisal of plan.

Steps in planning:

Step-1 Stating organizational objectives

Step-2 List the alternative channels of reacting the objectives
Step-3 Develop premises on which each alternative is listed

Step-4 Select the best alternative which first in to organizational objectives.

Step-5 Prepare a sound plan out of selected alternative This will be a master plan which contains various functional Plans.

Step-6 Implement the designed plan

Types of plans

Planning can be classified in different forms.

1. Time
2. Managerial level

3. Repetitiveness of operations in firm

4. Scope.

Time

a. Long range planning

b. Medium range planning

c. Short range planning

Managerial level

- Strategic
- Administrative
- Operational

Repetitiveness of operation

1. Standing plan

2. Single use plan.

Planning is also classified on basis of scope

- Company wise or master plan
- Functional or departmental plan

Standing plans are to be used over & again to lead to the development of policies, procedures, methods, rules and strategies.

Single use plans are used in specific situations only to produce programme & budgets.

Planning premises:

Planning premises are certain assumptions about the future based on which the plan will be ultimately formulated. Planning premises are vital to the success of planning as they supply pertinent facts & info restructure relating to the future such as Population trends, general economic conditions, Production costs & prices, probable competitive behavior, capital & material availability, Government control & so on.

Decision-making

Decision – making can be defined as the selection based on some criteria of over behaviors choosing alternative from two or more possible alternatives. To decide means to cut off or in practical content to conclude.

Importance of decision-making

Decision making permeates the all managerial functions management & decision-making are inseparable activities managers use the tool of decision-making for discharging their duties Decision-making is an importance tool in the management functions of direction & central. In direction, decisions relate to determine the course of action, deciding the type of motivation deciding the order & instructions to given, whereas inaction control, the decisions relate to deciding of standards control points procedures etc.

Decision-making is necessary in a business concern because there are many alternative courses of action to most business situations. For instance, for establishing a business, the entrepreneur may salute one of the forms of organization.

All management functions such as planning, organization direction & control are settled by managers with the tool of decision-making.

Classification of planning premises

1. Internal & external premises
2. Tangible & intangible premises
3. Controllable & non-controllable

Internal & external premises: Premises may exist within & without the company. Premises include forecasts, Policies & programmer of organization, capital investment in plant & equipment competence of management skill of the lab our forces;

- a. External premises are classified as baroness environment,
- b. Factors which influence the demand for the products of the enterprise
- c. Factors which affect the resources available to the enterprise.

Tangible & intangible premises: Tangible are those which can be quantitatively measured while intangible premises are those which being qualitative in character cannot be so measured.

Controllable & non-controllable: Planning premises are controllable some these one non-controllable Because of pressure of uncontrollable factors there is need for the organization to revise the plans periodically in accordance with current developments uncontrollable factors are strikes was natural calamities, emergency, legislation

Reasoning hierarchy of plans

A plan is a commitment to a course of action for achieving specific results. From this it follows that there are number of plans for achieving different goals. Managers, normally commit the mistake of taking major programmes only as plans. But a member of future courses of action are also plans. The plans may be classified according to origin, use, purpose, kind etc. some of the plans are in the form of standing plans while others are single use plans. Single use plans are used only one & not over & over again. Whereas, repeat use plans are used again & again. For example: objectives, policies, strategists, rules, Procedures etc. are standing plans because once they are



Module 2 – Organizing and Staffing

Nature of organization

Organizing is the grouping of activities required to reach the objectives, the assignment of each grouping to a manager with authority necessary to supervise it and Coordinate horizontally and vertically in the enterprise structure. It is used to denote an enterprise, company or a firm. It is defined as “structure the frame on which the management of enterprise is based. It is expressed in two senses. One is process of organizing as other is used to denote the result of that process called organization structure

There are two types of organizations formal and informal

	Formal organization	Informal organization
Meaning	Consciously Co-ordinate relationships.	Spontaneous personal relationships
Basis	Relegation of authority, functions procedures and regulations	Whions and prejudices
Nature	Stable and predictable	Unstable & unpredictable
Form	Definite structure & well defined jobs	Structure less & full of discrebions
Sources of authority	Formal position	Informal without position
emphasis	office	people

Principles of organization:

1. **Principle of objective:** The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole & the organization is set up achieves that goal.
2. **Principles specialization:** The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification.
3. **Principles of Co-ordination:** The Co-ordination of different activities is an important principle of the organization there should be same agency to Co-ordinate the activates of various departments.

4. **Principles of authority & responsibility:** The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been given the work.
5. **Principle of definition:** The scope of authority & responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility.
6. **Span of control:** Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that supervisor should be able to control their work effectively.
7. **Principle of balance:** The principle means assignment of work should be performed well, such that every person should be given only that much work which he can
8. **Principle of continuity:** The organization should be amendable according to the changing situations, everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static.
9. **Principle of uniformity:** The organization should provide for the distribution of work in such a manner that the uniformity is maintained.
10. **Principle of unity of command:** There should be a unity of command in the organization. A person should be answerable to one boss only. If a person is under the control of more than one person then there is likelihood of confusion & conflict.
11. **Principle of exception:** This principle states that top management should interfere only when something goes wrong. If the things are done as per plan then there is no need for the interference of top management.
12. **Principle of simplicity:** The organizational structure should be simple so that it is easily understood by each & every person. The authority, responsibility & position of every person should be made clear so that there is no confusion about these things.
13. **Principle of efficiency:** the organization should be able to achieve enterprise objectives at a minimum cost. The standard costs & revenue are pre-determined & performance should be according to these goals.
14. **Scalar principle:** this principle refers to the nautical placement of supervisors starting from top & going to lower level. The scalar chain is a pre-requisite for effective & efficient organization.

Concepts of organization:

Static concept: Under static the organization is used as a structure, an entity or network of specified relationship. It lays emphasis on position & not an individual.

Dynamic concept: Under dynamic the organization is a process of ongoing activity. In this sense organization is a process of organizing work, people & the Systems

Characteristics of organization

1. **Division of work:** it deals with the whole task of business. The total work of the enterprise is divided into activities & functions. Organization helps in dividing the work into related activities so that they are assigned to different individuals.

2. **Co-ordination:** Co-ordination of various activities is as essential as their division. It helps in integrating & harmonizing various activities. Co-ordination also avoids duplication & delays.

3. **Common objectives:** An organization structure means towards the achievement of enterprise goals. The goals of various segments lead to the achievement of major business goals. This helps in proper accomplishments.

4. **Co-operative relationship:** An organization curates' Co-operative relationship among various members of the group. An organization cannot be constituted by one person. It requires at least two or more persons. It helps in creating meaningful relationships among persons.

5. Well-defined authority – responsibility relationships:

The organization consisting various positions arranged in hierarchy with well-defined authority & responsibility there is always a central authority from which a chain of authority relationship sketches throughout organization.

Types of organization:

The adoption of a form of organization structure largely depends upon the nature, scale & size of business. The following are some important forms of organization.

1. Line organization
2. Functional organization
3. Line & staff organization
4. Committee form of organization
5. Matrix organization

Line organization: It is the basic framework for the whole organization. It represents a direct vertical relationship this which authority flows. This is the simplest & oldest turn as chain of command or scalar principle. This is a vertical structure one-person delegate's authority to his subordinate & who in turn delegates to his subordinate & so on. This form of organization is followed in military establishments. The modern organizations do not entirely rely on line organization.

Types of line of organization pure line departmental line pure line: In pure line organization all persons at a given level perform the same type of work. The divisions solely for control & direction. Departmental line: It divides the enterprise in to different departments which are convenient for control purposes. There is a unity of control & line of authority which flows from top to the bottom.

Functional organization: The functional organization the task of management & direction of subordinates should be divided according to the type of work involved. All the persons in the organizations dealing with a function are put under the change of a person controlling the function. F.W Taylor, father of scientific management, developed the concept of functional organization. Entire work is divided in to departments so nothing is restricted to one department without duplication

Line & staff organization suffer from same drawbacks. On the one land, line organization is autocratic and staff organization, on the other land, has lose control. Staff officer helps the commander in all respects of his job. A line manager is vested with executive authority.

Staff officers are experts in their fields. They are attached to line managers to advise them in the field of their specialization. It is often staled that staff officers one assigned an authority of ideas & line officer an authority of command i.e. the line executives' function is to act, the staff executives' function is to think.

Line organization

G.M > manager > superintendent > foreman

Advantages:

1. Simple & easy, to understand
2. Flexible, easy to expand & contract
3. makes clear division of authority
4. Encourages speedy action,
5. It is strong in discipline & fixes responsibility

Disadvantages:

1. Neglects specialists
2. Overloads a few key executives
3. Limited to very small concerns
4. There could be wastage of Matinal & man hours
5. Rigid & inflexible

It is useful for industries such as paper, sugar textile etc.

Functional organization**Advantages:**

1. It is a logical reflection of functions.
2. Quality of work improved.
3. Simplifies raining
4. It facilitates specialization& standardization
5. It makes for higher degree of efficiency

Disadvantages:

1. Responsibility for profit is at the top only
2. Makes economic growth of company difficult
3. Limits the development of the growth of mangers
4. It is unstable it weakens the disciplinary controls
5. Workers always remain confused allot authority

Matrix organization: It is defined as try organization that employees a multiple command structure but also related support mechanicals & an associated organization culture & behavior pattern. The support mechanisms physical, financial & human resources are to be should by people of different projects.

Advantages:

1. Ensures the achievement of objectives with specialization
2. Ensures utilization & resources
3. Adopts itself to External changes.
4. It is flexible
5. It gives room for rainy.

Disadvantages:

1. It may lead to confusions.
2. Work may get delayed
3. Same lines necessary resources may not be available
4. It may lead to car flits due to lack of command in organization.

Committee organization

Group of people pooled to carry out a defined object functions are collecting the necessary information from different sciences & arrange them in order and information is erratically examined & draft a detail report containing the recommendation framing the policies of the organization.

Advantages of committee:

1. Can take valuable decisions.
2. Can use expertise while taking decision
3. Communication of decision is faster.
4. Since the managers of various departments are involved in decision-making coordination will be there,
5. Decision based on vas-experience

Disadvantages:

1. Secrecy cannot be maintaining
2. Same decisions are compromise.
3. Increased administrative expenses
4. Same times it could result in heated organists& progress of activities is regulates & checked against plans.
- 5.The decisions could be delayed Ex: resident
Example for functional organization

Marketing	Engineering	Production	Finance
Market	Engineering Admin	Production Plan	Financial Planning
Research	Design	Engineering	Budget
Planning	Engineering	Purchasing	Accounting
Advertising	Packing	Tooling	Statics
Sales	Quality Control		Data Processing

Departmentation

It is dividing the activities or tasks into discrete segments called Departmentation

Factors influencing assigning activities depend on specialization, control, coordination, key activities, Emphasis on local conditions, economy.

Methods of basis of departmentation

1. Functional departmentation
2. Production wise departmentation
3. Territorial or geographical departmentation
4. Customer wise departmentation
5. Process or Equipment wise
6. Combined or composite form

Functional departmentation: It refers to grouping of activities of enterprise based on functions such as production, Purchase, sales marketing, personnel, Research etc. The actual number of the departments depends on the size of the enterprise & its nature.

Advantages of departmentation

1. It is simple, nature & logical way of growing
2. Promotes specialization.
3. Simplifies raising
4. Provides means of right control at top
5. Facilitates coordination within the function.

Product wise departmentation: The grouping of activities based on products is very popular with large organizations having distinct type of products dealing in televisions set transistors, computers, agro- daily instruments.

Advantages:

1. It ensures better customer service
2. It solves the co-ordination problems of functional department
3. It makes control effective
4. It assists in development of all- round managerial talent

Disadvantages:

1. It is expensive because of duplication of function service

2. It may not be linked by customers & dealers who must deal with different salesmen of the same enterprise for different products.

Territorial or geographical departmentation: When several activities of an enterprise are geographically dispersed in different locations, territorial or geographical department

All activities relating to a area or zone may be grouped together under the zonal manager or head Chief executive North zone manager South zone manager East zone manager West zone manager

Advantages:

1. Making use of location advantages
2. It facilitates effective control
3. It caters to the needs of local people
4. Coordination of activity within the area.

Disadvantages:

1. It is an expensive method of creating heads
2. It leads to duplication of activities
3. Co-ordination becomes difficult.

Customer wise departmentation: A business house may be divided in to number of departments based on customers it serves i.e. Lange & small customers, industrial and ultimate buyer, government & other customers. The purloins advantage of customer wise departmentation is that it ensures full attention to different type of customers & their different needs, takes & requirements.

Process or equipment wise departmentation: Enterprise where production is carried their different processes may adopt process wise departmentation to enable continuous flow of production. Where work is carried on machines which are common, departments may be created based on equipment milling departments, grinding departments.

Combined or composite method of departmentation: An enterprise may have to combine two or three methods of departmentation to make use of all of them.

Committees

Several persons may come together to take a decision, decide a course of action, advise on matters then it is called committee. Smithies there is a need for opinion of other persons for

taking important decisions. The thinking of varied persons pooled together their deliberations & discussions & common decisions are reached. Because of collective information & analysis committees are more likely to come up with solutions to complex problems. Need for committees

1. Exchange of ideas among organization members.
2. Proper discussion on present problems & efforts are made to find solutions.
3. The committees may also need in establishing & developing organizational policies.

Type of committees

1. **Formal & informal committees:** If a committee is formed as a part of organization structure & is delegated some duties & authority. An informal committee is formed to tackle some problems.
2. **Advisory committees:** Line officers may refer some problems or issues to a committee for advice. The committee collect information about the problem & recommend some for the same.
3. **Hire committee:** Instead of giving work to one person it may be assigned to several executives. The committee having administrative power are called line or plural committee.

Advantages:

1. Pooling of opinion
2. Better Co-ordination
3. Balancing of views
4. Motivation
5. Dispersion of power
6. Better acceptance of decision
7. Better communication
8. Executive training.

Weakness of committee:

1. Delay
2. Compromise
3. Weaken ability
4. Domination by same members.

5. Stained relations
6. Lack of effectiveness.

How to make committee effective?

1. Reasonable number
2. Well informed members
3. Effective chairman
4. Clear cut reference
5. Proper briefing

Centralization:

It the power to take decisions. Vests in one person at the top it will be a case of centralization.

Decentralization:

It the power is dispersed among many persons it will be a case of decentralization.

Centralization is a common occurrence in small enterpriser, the success of small enterprise depends on the dynamic manager who single- handle commands the running of the concern. He takes all the decision himself. There is a direct link between the proprietor & his employee.

Advantages centralization

1. Standardization of procedures & systems: It enables standardization of procedure & systems. It facilitates smooth working in the organization.
2. Facilitates evaluation: When same policies are used for all segments of the enterprise their performance can early be evaluated.
3. Economics: There will be a centralized buying and selling. This will enable bulk buying resulting in discounts & savings on transportation expenses.
4. Co-ordination of activities: centralized management will help in Co-coordinating the work of different segments in such a way that organizational goals are achieved

Disadvantages

Destroys individual initiative: Nobody is given the authority to use his own judgement even if there are glaring lacunae in the decisions.

Over burdening of few: This system gives responsibility only for few persons. In a decentralized set up routine matters one left to the subordinates & manager concentrate on important administrative work only.

Slows down the operation: Since all decisions are taken only by one person & his in availability keeps the matter pending.

Risk from customers: Customers do not meet policy makers.

No scope for specialization: In individual cannot have specialization in all fields hence employing the services of specialists becomes necessary.

Advantages of Decentralization:

1. Reduces burden of Top executives under their system top executives will retain only that work which requires their personal attention otherwise everything is assigned to persons or appropriate levels.
2. Quick decisions: The decision-making powers are delegated to the level of actual execution action is taken immediately.
3. Facilities of diversification: With the expansion & diversification of activities there will be a need to delegate authority at departmental level. It gives authority for various persons to carry out the required task.
4. Motivation of subordinates: The greater the degree of standardization in operations, the more will be the centralization because it will be easy to control the operation from the top.
5. Secure of competition: The employers of different departments will compete to show better results.
6. Market emphasis: Decision taking is scattered & the lower levels of management there will be more product or market emphasis.
7. Decision of risk: Management can experiment new ideas at one department without disturbing others.
8. Effective control & supervision: The executives at lower levels will have the full authority to take important decisions they will recommend awards or punishments as per their performance.

Disadvantages

1. Lack of coordination: It is difficult to coordinate the activities of various segments.
2. Difficulty in control: Top management will not be able to exercise effective control because it does not remain in touch with day to day activities of various segments.
3. Costly every decentralized division must be said enough for its activities like production

marketing accounting personnel.

4. Lack of able managers: If the competent persons are available as per the requirements the system will not fail otherwise the system will collapse.

Management by objectives (MBO)

The system of management by objectives can be described as a process whereby superior & subordinate managers of an organization jointly identify its common goals, define everyone's major areas of responsibility in terms of results expected of him, & use these measures as guides for operating the unit.

The nature of objectives can be short term: to follow up the work this is lagging long term ex: Planning for a project specific which is related to the nature of goods, customer type of production.

Advantages of MBO

1. It provides a basis for planning & development of policies
2. It prevents waste efforts & unnecessary expenditure
3. It provides motivation to people.
4. It leads to better understanding superiors & subordinates

MBE management by exception

In this principle only, major deviations in daily activities should be brought to notice of the manager. It states that non-deviations from standards should not be brought to their attention.

1. Manager gets more time to think for improvements
2. Manager's time is saved
3. Subordinates feel free

Staffing: It is human resource management. This includes the requirement of work force by taking inventory people available recruiting selecting placing promoting appraising planning the employee's career training them to suit the job developing the staff to carry out the defined job effectively.

Nature of staffing

1. It is basic function of management
2. Staffing is important to increase in production
3. It maintains healthy atmosphere in any organization
4. It creates optimum utilization of human resources
5. Staffing is basic function of management

Process of selection & recruitment

Selection of personnel for the organization is the important managerial responsibility.

Recruitment is the process of searching for prospective employees & stimulating them to apply for jobs in the organization.

Techniques of selection

1. Application banks
2. Preliminary
3. Interview
4. Group discussion
5. Employment test

Application Bank: It provides actual information needed for evaluating the candidate's suitability. Preliminary interview: It is the interview for short direction & is aimed at obtains certain basic information.

Interview: It is one of the least reliable & valid deletion techniques. IT relies upon a considerable extent in accepting or rejecting a candidate.

Group discussion: there are the techniques where the candidates are brought together in group to informal discussion & evaluate them.

Employment tests: These are the only techniques of selection which are fool proof.

Various sources where the personnel may be recruited:

1. Application introduced by friends
2. Consulting agencies
3. Campus recruitment
4. Casual callers
5. Through advertisements
6. College recruitment
7. Employment Exchange



Module 3 – Directing & Controlling

Meaning and nature of directing

Directing means issuing of orders, leading and motivating subordinates as they go about executing orders. It is also defined as the process and techniques used for issuing instructions to carry out a job and making sure that the operations are carried out as per the plan.

Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives. The direction has two major activities namely 1. Giving orders to employees and 2. Leading and motivating them to accomplish the goals.

Definition of direction:

Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objectives. (Harold D Koontz & O' Donnel) Directing consists of the processes and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned. (Haimann)

Direction is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on- the-job instruction and issuing orders. (Ernest Dole)

Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of the management. (Urwick and Breach)

Principles of Direction:

The role of a manager is to understand the needs, motives and attitudes of his subordinates. He should use appropriate strategies according to the people and situations. The following are some of the principles of effective direction:

1. Harmony of objectives:

For an organization to function well, the goals of company and goals of individuals are in complete harmony. It is very uncommon for such a situation to exist in any organization. Individual goals may differ from the goals of the organization. The manager should

coordinate the individual goals to be in harmony with the goals of the organization.

2. Unit direction of command:

This principle implies that an employee should receive orders and instructions only from one supervisor or boss. Otherwise, there may be indiscipline and confusion leading to conflicting orders, divided loyalties and reduced results.

3. Efficiency:

If the superior consults with the subordinates in decision-making, then there would be a sense of commitment. This makes the direction easy and improves the efficiency of subordinates.

4. Direct supervision:

Managers should have direct face-to-face contact with the subordinates. Personal touch with subordinates will ensure successful direction.

5. Effective communication:

The supervisor must have good communication skills. He must clearly communicate the plans, goals, policies, responsibilities and the duties to the subordinates. In communication, comprehension is more important than the content.

6. Effective control:

The management should monitor the behavior and performance of subordinates to exercise effective control over subordinates.

7. Follow – through:

Direction is a continuous process. Having given the directions may not ensure carrying out them. Hence a manager should follow-through the performance of his subordinates. Follow up is very important function of direction.

Leadership:

Leadership is an important aspect of managing. Leadership is defined as Influence that is the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. In other words, people should be encouraged to develop not only willingness to work but also willingness to work with zeal and confidence.

The will to do is triggered by leadership and lukewarm desires for achievements are

transformed into burning passion for successive accomplishment by the skillful use of leadership (George R Terry)

Leadership is the lifting of man's visions to higher sights, the raising of man's performance to a higher standard, the building of man's personality beyond its normal limitation. (Peter Drucker)

Leadership is the ability to secure desirable actions from a group of followers voluntarily without the use of coercion. (Alford and Beatty)

Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals. (Keith Davis)

Leadership styles

There are 3 widely used leadership styles or leadership approaches viz., Traits approach, Behavioral approach and contingency approach.

Traits approach

Trait is basically a character and early notions about leadership dealt with personal abilities. IT was believed that some people have leadership qualities by birth or god's gift. The traits that associate with leadership are identified as: mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc. This approach has several drawbacks:

- It failed to identify right traits required for effective leadership.
- It is difficult to associate the traits with jobs to be carried out. A leader who is successful in one area may be a failure in different area.
- Since these are subjective, it is difficult to measure their effectiveness quantitatively.
- This approach implies that leadership is in-built quality and no training can make a person leader.

Behavioral approach

Several studies have been made did not agree as to which traits are leadership traits or their

relationship to actual instances of leadership. It is found that most of these so-called traits are really pattern of behavior.

There are several theories based on leadership behavior and styles. Some of them are:

1. Leadership based on the use of authority.
2. Likert's four systems of managing.
3. The managerial grid and
4. Leadership involving a variety of styles and level of use of power and influence.

(i) **Style based on authority:** Based on how the authority is used, the leaders are styled into 3 groups.

1. The first is autocratic leader who commands and expects compliance, is dogmatic and positive and leads by the ability to withhold or give rewards and punishment.
2. The second is democratic or participative leader who consults with subordinates on proposed actions and decisions and encourages participation from them. This type of leaders includes the person who does not act without the concurrence of subordinates and who makes decisions but consults with subordinates before doing so.
3. The third type is free-rein leader who uses his power very little and gives a high degree of independence to his subordinates to carry out their work. Such leaders depend largely on subordinates to set their own goals and the means to achieve.

The flow of influence with three leadership styles:

There are some variations within this simple classification of leadership styles. Some democratic leader may consult and listen to their followers' ideas and concerns, but when decision is to be made, they make their own decision. A participative leader is the person who is supportive. They consult with their subordinates and take their opinions, feelings and suggestions before making decision.

The use of any style will depend on the situation. A manager may be autocratic in routine and emergency tasks. Leaders gain considerable knowledge and better commitment on the part of persons involved by consulting with subordinates whereas free-rein type leadership works better in R & D organizations.

Comparison of leadership styles

Factor	Leadership style		
	Autocratic	Participative	Free-Rein
1.Decision maker	Leader only	Leader in consultation with subordinates	Subordinates only
2.Discipline	Obey the leader	Cooperative	Self-imposed
3.Delegation of authority	Rare	Good	Complete
4.Responsibility	Leader	Leader and Subordinates	Individuals
5.Initiative	By leader	By team	Only by individuals
6.Communication	One way and downward	Both ways	Free flow
7.MOtivation	Punishments	Rewards	Self attenuation
8.Hierarchy of needs	Physiological and safety	Mixed	Self attenuation
9.Focus	Task oriented	People oriented	People

(ii) **Likert's four systems of management:** Prof. Likert had developed four systems of management based on his study of patterns and styles of leadership.

System 1: Management is described as exploitive-authoritative. Its managers are highly autocratic, have little trust in subordinates. They motivate people through fear and punishment, only occasional rewards, engage downward communication and limit decision making to the top.

System 2: This is called benevolent authoritative. Its managers have a patronizing confidence and trust in subordinates, motivate them with rewards and some fear and punishment, allows little upward communication, solicits some ideas and opinions from subordinates, allows some delegation of decision making but with close policy control.

System 3: This is referred to as consultee management. Managers in this system have substantial but not complete confidence in subordinates, they usually try to make use of the ideas and opinions of subordinates, rewards for motivation, occasional punishments, engage in communication in both up and down and act like a consultant to both up and act like a consultant to both top and subordinates.

System 4: This is most participative type and hence it is often called as participative-group. These managers have complete trust and confidence in subordinates in all matters. They always get ideas and opinions from subordinate and use them for constructive purpose. They give monetary rewards encourage decision making and work with subordinates as a group.

(iii) **The managerial grid:** A well-known approach to defining leadership styles is the managerial grid developed by Robert-Blake and Jane Mouton. Building on previous history which dealt with managers concerned with both people and production, they device a two-dimensional grid based on people and production. Concern for production on X-axis of grid includes the attitudes of a supervisor towards a variety of things such as quality of policy decisions, procedures, creativeness, staff services, work efficiency; volume of output etc. concern for people is taken on Y-axis of grid. This include elements like degree of personal commitment towards good achievement, maintenance of self-esteem of workers, placement of responsibility based on trust rather than obedience, provision of good working conditions and maintenance of satisfying interpersonal relations.

The managerial grid is a useful device for identifying and classifying Managerial styles, but it does not tell how to lead.

(iv) **Leadership involving a variety of styles:** this concept is also called as leadership continuum. It is seen that the leadership involves a variety of styles ranging from one which is highly boss centered to the other which is highly subordinate concerned. The style varies with the degree of freedom a leader or manager grants to his subordinates. Thus, instead of suggesting a choice between two extreme styles of leadership autocratic and democratic, this approach offers a range of styles with no suggestion of what is right and what is wrong. This theory recognizes that which type of leadership is appropriate depends on the leader, the subordinates and the situation.

Contingency approach to leadership

The behavioral approach seems to suggest that the best style of leadership is one that combines both autocratic and democratic. There is no one best style of leadership under all conditions. Effective leadership style varies with situation. The effective leaders need to analyze the situation and find the most appropriate and best-suited style for a given environment. Contingency approaches have much meaning for managerial theory and practice.

MOTIVATION

Introduction

Management is an art of getting the work done by the people and thereby achieving the best results. Getting the work done depends upon the inducement of the people to better their performance by inspiring the personnel with zeal to do work for the accomplishment of objectives of the organization. It may rightly be called motivation of people, the most important function of the personnel management. Management should constantly provide for incentive or motivating forces to intensify their desire and willingness to apply their potentialities for the achievement of common objectives. Some people may be motivated by the intense outer pressures of reward while some others are self-motivated.

Motivation is derived from motive means any idea, need, emotion or organic state that prompts a man to an action. Motive is an internal factor that integrates a man's behavior. As the motive is within the individual, it is necessary to study the needs, emotions etc., to motivate him to do work. There are certain inducing factors which influence the man's behavior and induce him for the best performance to meet his needs and emotions. So, motivation is a process to get the needs of the people realized with a view to induce him to do work. Indeed, motivation is nothing but an action of inducement.

Motivation has been defined by Edwin B. Flippo as follows:

- (i) Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward.
- (ii) Motivation is the process consisting of the three parts (a) motives, (b) the needs, drives, desires, aspirations etc., which are the motivating factors (c) attainment of the objectives.

Characteristics of motivation

The following are the characteristics of motivation.

- Motivation is a psychological concept: Motivation should come from inside everyone.

There are two desiring factors, in motivation:

- (a) Fundamental needs, such as food, clothes and shelter and
- (b) Ego-satisfaction including self-esteem, recognition from others, opportunities for achievement, self-development and self-actualization, which act as powerful, though unconscious, motivators of behavior.

- The whole individual is motivated, not part of him: A person's basic needs determine what he will try to do at any given time. All these needs are interrelated because everyone is an integrated organized whole.
- Motivation is an unending process: Man is a social animal. As a social animal he has innumerable wants which induce him to work. If one basic need is adequately satisfied for a given individual it loses power as a motivator and does not determine his current behavior, but at the same time others needs continue to emerge. Wants are innumerable and cannot be satisfied at one time. It is an unending process so the process of motivation is also unending to induce the person to satisfy his innumerable wants.
- Frustration of basic needs makes a man sick: If anybody fails in trying to meet a need which he feels is essential for him, he becomes to some extent, mentally ill and such frustrated man cannot be motivated any further, until his essential need is satisfied.
- Goal are motivators: Goals and motives are inseparable. Man works to achieve the goals. As soon as the goal is achieved he would be no longer interested in work. Therefore, it is very essential for the management to know his goal to push him to work.
- The self-concept as a unifying force: Unifying force means the drive to actualize his own image of himself. The outlines of a person's self-image are fairly well checked in early childhood and there after don not act i9nner change. For example, a child who easily seems himself as a leader will if possible try to behave that way in later life. Thus, two things that individual is always trying to do are:
 1. To act like the person he thinks he is, and
 2. To get what he thinks he can.
 - Motivation is an important function of personnel management because management of personnel means getting the work done by the people to achieve the organizational objectives. Motivation is one of the methods to induce the man on the job to get the work done effectively to have the best results towards the common objectives. Motivation is necessary for the better performance.

The expected results from motivation are as follows:

- **Best utilization of Resources:** All other resources can produce no results unless the man tries to put them in to action. Man should be motivated to carry out the plans, policies and programmes laid down by the organization by utilizing the other resources to the best of their efforts.
- **Will to contribute:** A distinction should be made between capacity to work and willingness to work. A man can be physically, mentally and technically fit to work but he may not be willing to work. Motivation concerns to create a need and desire on the part of the workman to present his better performance.
- **Reduction in labor problems:** All the members try to concentrate their efforts to achieve the objectives of the organization and carry out the plans in accordance with the policies and programmes laid down by the organization. If the management introduces motivational plans, it reduces the labor problems like labour turnover, absenteeism, in-discipline, grievances etc., because their real wages increase by the motivational plans.
- **Sizable increase in production and productivity:** Motivation induces the men to work hence it results in increased production and productivity because men try to put their efforts to produce more and more and thus their efficiency increases.
- **Basic of cooperation:** In a zeal to produce more, the members work as a team to pull the weight effectively, to get their loyalty to the group and the organization, to carry out properly the activities allocated and generally to play an efficient part in achieving the purpose which the organization has undertaken. Thus, motivation is basic of cooperation to get the best results out of the efforts of the men on the job.
- **Improvement upon skill and knowledge:** All the members will try to be as efficient as possible and will try to improve upon their skill and knowledge so that they may be able to contribute to the progress of the organization.

Positive and Negative motivation

Motivation is concerned with inspiring the man to work to get the best possible results. It may be done by two ways:

- By Positive motivation and
- by negative motivation.

Positive motivation

In the real sense, motivation means positive motivation. Positive motivation makes the people induce to do their work in the best possible manner they can and improve their performance. It provides better facilities and rewards to them for their better performance. It provides better facilities and rewards to them for their better performance. Such rewards and facilities may be financial and non-financial. Financial or monetary motivation may include different incentive wage plans, productive bonus schemes etc. Monetary incentives provide the worker a better standard of life while the non-monetary motivation satisfies the ego of the man.

Negative motivation

Negative motivation aims at controlling the negative efforts of the workers and so inducing the man to work positively in the interest of the organization. It is based on the concept that if the man fails in achieving the desired results, he should be punished. Punishments, reprimands, fear of loss of job are some of the methods which are usually taken to direct the man in the desired direction. Under this method man works in fear and tends to produce minimum enough to get by safety. The negative motivation may also be classified into monetary and non-monetary motivation. The non-monetary negative motivation may include reprimands, cut in facilities and greater control on the activities etc. this is based on the presumption that man works because of fear.

Though both the methods of motivation-positive and negative aim at inspiring the will of the people to work but the two differ in their approaches. Positive approach has no place for punishment whereas the negative approach does not provide for rewards. In this sense both are opposite to each other and may be regarded as two ends of a rod.

Human Needs

The central problem of motivation, as far as management of an organization is concerned, is how to induce the people because the psychology and behavior of people differ from one another. A manager should invariably, know before planning for motivation, why people work. To take effective motivational decision, the manager should study and try to understand the behavior of people at work and thus plan to motivate it in the desired direction.

For this purpose, manager must have knowledge of the motives of the worker which bring about purposeful behavior and induce him to behave in a manner. They have direct influence on

the individual, since they determine in part his thoughts and actions.

Need can be defined as a condition requiring supply or relief, the lack of any requisite, desired or useful. A motivating situation has both subjective and objective aspect. The subjective side is a need, a drive or a desire. The objective side is called the incentive or goal. When the process of obtaining the incentive satisfies the needs, the situation is described as motivating.

Maslow's theory of motivation

Abraham Maslow was the pioneer in contributing a systematic scheme of need hierarchy. He arrived at a conclusion, after a proper research, that there are certain perceived needs of the employees which they expect to be satisfied by joining any organization. If the perceived needs are satisfied according to the satisfaction, they feel satisfied and motivated and if there is a gap between the two, they become slow or refuse to work,

Maslow's hierarchy of needs

Maslow has suggested that the underlying needs for all human motivation can be organized in a hierarchical manner on five general levels.

They are:

1. Physiological needs
2. Safety needs
3. Social needs
4. Esteem needs and
5. Self-actualization.

Physiological needs: At the lowest order level are physiological needs which include the need for food, water, sex, clothing and shelter. For a human being who lacks everything the major motivation would be such physiological needs.

Safety needs: When the physiological needs are satisfied, the safety needs become the most important in the hierarchy. These are the needs for protection against danger or loss of existing physiological needs.

Social needs: The third level in the hierarchy comprises the social needs, that is the giving and receiving of love, friendship, affection, belongingness, association and acceptance. If the first two levels are well satisfied, then a person becomes keenly aware of the absence of friends or of a sweetheart, and will be motivated toward affectionate relations with people in general.

Esteem needs: At the fourth level in the hierarchy are the esteem needs, which are generally classified on to two subsets. The first subset includes the needs for achievement, strength and freedom. This is the need for independence. The second sub set includes the needs for status, recognition, and prestige. This is the need for self- esteem of self-worth.

Self-actualization: The fifth and highest level in hierarchy is the self-actualization need. This is the need to realize one's potentialities for continued self-development and the desire to become more and more of what one is and what one can become. This is also known as self-realization or self-attenuation.

Need satisfaction

When a need is satisfied according Maslow, it is no longer a motivator of behavior. High strength needs that are satisfied are sometimes referred to as satisfied.

Example: If a high strength need is thirst, drinking tends to lower the strength of this need, and afterwards the other needs may now become more important.

Blocking need satisfaction

The satisfaction of a need may be blocked. If there is a high motive strength for attaining a goal the individual may behave in various ways to attain a goal. If all the ways are blocked either by imaginary or real barriers, then frustration can take place. Frustration can take in different forms.

Example: regression, Fixation

Frustration

The blocking or thwarting of goal attainment is referred to as frustration. This is defined in term of the condition of the individual rather than in terms of the external environment. A person may be frustrated by an imaginary barrier and may fail to be frustrated by a real barrier.

Aggression, Rationalization, regression, fixation and resignation are all symptoms of frustration.

Increase motive strength

Behavior may change if an existing need increases in strength. The strength of some needs tends to appear in a cyclical pattern.

Example: The need for food tends to recur regardless of how well it has been satisfied at a given moment.

Categories of activities

Activities resulting from high strength can be classified in to goal directed activity and goal activity.

- Goal directed activity: It is motivated behavior directed at reaching a goal.

Example: If one's strongest need at a given moment is hunger, various activities such as looking for a place to eat, buying food or preparing food would be considered goal-directed activities.

- Goal – activity: It is engaging in the goal itself.

Example: In case of hunger, food is the goal and eating is the goal activity.

Expectancy and availability

The important factors that affect strength of needs are expectancy and availability.

Expectancy

It is the perceived probability of satisfying a need of an individual based on experience.

Expectancy can be either actual or vicarious. Vicarious behavior comes from sources such as parents, teachers and books etc.

Example: Suppose a boy's father is a cricket star and the boy also wants to become a cricketer. In the beginning his motive strength will be very high, but if he is not selected year after year, then his expectancy of being a cricket star decision will slowly die and finally he may give up hopes of being a cricket star.

Availability

This reflects the perceived limitations of the environment. It is determined by how the goals that can satisfy a given need by an individual.

Example: If a person is watching a TV in the night and if current goes off he cannot watch TV or read. This goal activity is limited by the external factors. So, the individual may settle for sleeping. This availability is variable of environment.

In this situation there seems to be a general disregard for the welfare of the organization.

Goal oriented behavior

Since in every human being there is some need or the other, there will also a goal for every human being. He works to achieve the goal. This is goal oriented behavior.

An organization can be considered as collective of individuals with one goal. It may so happen very often that the goals of the management do not coincide with the goals of the individual.

When this happens, the organization will not prosper. If the goal of the individual can be made parallel to the goals of the organization then the organization will be profited.

Integration of organizational goals and need of an employee

The goals of organization mainly are increasing the production and process. The needs of the employee also must be the same as that of the organization. For this the basic needs must be satisfied i.e., the physiological, safety, and social needs must be satisfied.

- Physiological needs: Money is the goal; for this need money satisfies other needs as well. So workers will demand higher wages and other financial benefits.
- Safety: Free from hazards of life, accidents, diseases, wars, etc., are the goals for the need of

safety. Insurance for life, accident, health, promise for retirement benefits etc., are the best measures to satisfy the need of safety. Security of job is a very important goal.

- Social need: This is expressed in the form of co-operation tendency of workers. They join groups of similar belief-oriented people.
- Esteem: Which are generally classified into two subjects. The first subject includes the needs for achievement, strength and freedom. This is the need for independence. The second subset includes the needs for status, recognition, and prestige. This is the need for self-esteem or self-worth.
- Self-actualization: This is the need to realize one's potentialities for continued self-development and the desire to become more and more of what one is and what one can become.

Needs of an employee

Maslow told motives are those which are still not satisfied. So accordingly, the workers want the following:

- Full appreciation of their work
- Feeling in the things
- Sympathetic understanding of personal problems
- Job security
- Good manager
- Good wages
- Promotion and growth with company
- Management loyalty with workers
- Good working conditions
- Tactful discipline

Theory X and Theory Y

The findings of Elton Mayo helped Douglas Mc Gregor to form his theory of human nature which is called Theory X and Theory y. Theory X assumed that the most people are not willing to assume responsibility. They do not like to work and they like to be directed. After defining theory X, he then questioned whether these views of human nature are correct and if management practice based upon it are correct.

Basing his analysis on Maslow's hierarchy of need, he concluded that the theory X is wrong. Therefore, he developed another theory. This is called theory-Y . this assumed that people are not lazy by nature. The work is as natural as play and people can work naturally if motivated properly.

Theory X

- Work is inherently distasteful to most people.
- Most people are not ambitious, have little desire for responsibility and they prefer to be directed.
- Most people have little capacity for creativity in solving organization problems.
- Motivation occurs only at the physiological and safety levels.
- Most people must be closely controlled or often forced to achieve organization objectives.

Theory Y

- Work is as natural as play if the conditions are favorable.
- Self-control is often responsible in achieving organization goals.
- The capacity for creativity in solving organization problems is widely distributed in population.
- Motivation occurs at the social esteem and self-actualization levels as well as physiological and security levels.
- People can be self-directed and creative at work if properly motivated.

The idea one may get that theory X is manager is usually direct. They like controlling people and they supervise people very closely. Theory Y manager is directly opposite to the theory X manager. They are more supporting and appreciative.

Let us not assume that theory is X good and theory Y is bad or vice verse for the given situation and worker for a given job, a manager should choose either theory X or theory Y.

A manager who adapts theory X will be of the type who orders people and is more task oriented. A manager who adopts theory Y will be more relation oriented and will care for worker. But only a

combination of both theory X and theory Y will give a manager good control over his group. So a manager should adopt theory X with a particular person and theory Y with the another and so on.

Motivator

Feeling which produces feelings of achievement, recognition in jobs can be called motivator.

These motivators often increase the productivity. If the motivation hygiene theory is applied to maslow's hierarchy of needs, one will come to a situation of the type shown below:

As be seen from the above figure, the lower of Maslow's hierarchy of needs came under hygiene factors, i.e., physiological safety, social needs are completely by hygiene factors, while esteem is half hygiene and half motivating factor. Self-actualization is a completely motivation factor.

Let us assume that a man is highly motivated and is working at a 90% capacity. He has good working relationship with his supervisors. He will be satisfied with his working conditions. Let us also assume that his supervisor is suddenly transferred and a person who is unable to work with him becomes his supervisor, then the man is dissatisfied. His capacity for work falls to 60%

CONTROLLING

Controlling is the last function of management. The main objective of control is to identify the variations between the set standards and actual performance and then to take necessary steps to correct it and prevent such deviations in future.

Definition

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

“Control consists of verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established. It has for its object to point out weaknesses and errors to rectify them and prevent recurrences”-Henri Fayol.

“Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to the plans”-George R. Terry.

“Controlling is the measurement of accomplishment against the standards and the correction of deviations to assure attainment of objectives according to plans” – Koontz and O’Donnell.

Steps in controlling

Control points out the deviations of the plans and suggests remedial action to improve future. There are three steps in control process.

- (i) Establishing standards
- (ii) Measuring and comparing actual results against standards
- (iii) Taking corrective action

Establishing standards: the first step in any control process is to establish standards against which results can be measured. Standards are criteria of performance. Standards may be qualitative or quantitative. Standards like, costs should be reduced, communication is to be

faster, goodwill, employee's morale etc., are some examples of qualitative standards. Number of units produced, profit percentage, standard hours, total cost incurred, overheads etc., can be expressed quantitatively.

Standards are to be flexible to adapt to changing conditions. Standards should emphasize the achievement of results more than the conformity to rules and methods. The standards could be of physical standards, cost standards, revenue standards, capital standards, intangible standards etc.

Measuring and comparing actual results against standards: The second step in control process is to measure the performance and compare it with the set standards. Measurement of performance can be done by personal observation or by a study of various summaries of figures, reports, charts and statements. Comparison is very easy if the system of control is well defined. Several established techniques are available for quick comparison. Some variations are desirable like excess production, reduced expenditure than standards, no corrective action is required. However, if the standards are not achieved, then the management should initiate necessary corrective action. If the deviations are beyond the reasonable limits then they should be reported to the management.

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 deviation may be due to ineffective communication, defective system of wages, wrong tools and machines, negligence from worker, lack of training, ineffective supervision, inadequate facilities etc. the management must take necessary corrective action based on the nature of causes of deviation.

Managers may correct deviations by redrawing their plans, or by modifying goals, they may use their authority through reassignment of job to others, or by putting additional staff, or providing extra training, better tools and by better leading.

ESSENTIALS OF A SOUND CONTROL SYSTEM

The essentials of a sound control system are as follows:

- (i) Feedback: Feedback is the process of adjusting future actions based upon the information regarding past performance. Feedback makes the control system very effective.

- (ii) Objective: Control system should be objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little scope for argument by the employees. They avoid aristocracy.
- (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. Hence every organization should evolve suitable control system that serves specific needs.
- (iv) Prompt reporting: the control system should provide for prompt and timely reporting without any delay. Delayed reporting may lead to ineffective control actions. Prompt reporting will help the managers to take immediate corrective action before the problem occurs.
- (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. Hence the control system should be flexible in accordance with the modified standards.
- (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.
- (ix) Effective and operational: A control system should not only detect deviations but should also provide solutions to the problems that cause deviations. It must disclose where and how the failures are occurring, who is causing them and how they should be dealt with.
- (x) Motivation: A good control system should motivate people to achieve higher performance. The control is to be so designed that it induces positive reactions from employees. The purpose of control is to prevent and not to punish.

METHODS OF ESTABLISHING CONTROL

Various methods are used by the management for controlling the various deviations in the organization. Some of the important methods of establishing control are discussed below:

- (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. However, this is a time-consuming technique

and may not be liked to be observed by workers.

- (ii) **Budgeting:** A budget is a statement of anticipated results during a designed time expressed in financial and non-financial terms. The budgeting process typically involves the use of cost standards. Budgets are made for a specific period like monthly, quarterly or annually. The budgets are prepared based on the purpose like sales budgets, capital expenditure budget, advertisement budget, R and D budget etc.
- (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 importance is given for 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 or 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 in determining the volume of production or sales and the total cost 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. The following are the steps involved in standard costing.
 - (a) Setting the cost standards for various components like labour, material, machine hour rate etc.
 - (b) Measurement of actual performance and comparing with standard cost.
 - (c) Find the variance of actual cost compared to standard cost.
 - (d) Taking corrective measures to avoid such variances to occur in future.
- (vi) **Return on investment:** Ratio of net profit to the total investment or capital employed in the business is termed as return on investment, generally expressed as percentage.
$$\text{RoI} = \text{Profit} / \text{Total Investment}$$
Using this the percentage of profit is identified. The amount of profit earned by a company is different from the rate of profitability.
- (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. Under this

system, each department is made a profit center. The individual department is responsible for its own operation.

- (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. It helps the management to handle the operations effectively.
- (ix) **Internal audit:** Internal audit is conducted by an internal auditor who is an employee of an organization. He makes an independent appraisal of financial and other operations. 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 purpose of external audit is to safeguard the interests of shareholders and other outside parties concerned with the company. It is also known as statutory audit control. The external auditor certifies the compliance of all accounts. The external audits are conducted by qualified auditors.
- (xi) **Statistical control reports:** this type of reports is prepared and used by large organizations. They are quantitative in nature. These reports are very useful in sales, production, etc. there are various statistical tools available for this purpose.
- (xii) **Gantt milestone chart:** this technique was proposed by Henri I. Gantt. This is basically a time-based production control technique. This is widely used to monitor the progress of projects. This two-dimensional chart with activities on vertical and time on horizontal scale. This is basically a schedule of activities against time.
- (xiii) **Production control:** Production control technique is necessary for smooth functioning of an organization. Production control involves forecasting and planning of production, inventory control, scheduling, selection of process etc.
- (xiv) **Program me Evaluation and Review Techniques (PERT):** this was developed during 1957-58 for US Navy. This is primarily oriented towards achieving better managerial control of time spent in completing a project. A project is split into activities and all the activities are integrated in a highly logical sequence to find the shortest time required to complete the entire project. PERT 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 such as repairing a weak bridge, construction of huge buildings etc.



Module 4 – Entrepreneurship

The spirit of enterprise makes a person is entrepreneur. Entrepreneur thus is an innovator who carries out new combinations in ever changing environment to initiate & accelerate the process of economics social & technological development. He who uses searches for changes responds to it & exploits the opportunity. The person having a dynamic activity to prime changes in the process of production, innovations in business, new ideas & usages of resources, establishing new markets.

Evolution of concept

It varies from country to country, time o time & the level of economic development of the place. This word is derived from French verb. Which is entrepreneurd means to undertake 16th country the Frenchmen who organized & military expeditions were referred to as entrepreneurs. Trench economist Richard centillion used the word entrepreneur to business. Since the word entrepreneur is used to me who takes the risk of stating new organization or business or introducing a new idea, production service to society.

Characteristics of Entrepreneur

1. A good entrepreneur should be action oriented enthusiastic & energetic & ready to take risk at all levels to achieve the goal.
2. Should have cratering determination & commitment.
3. Creativeness & result oriented, lord working
4. Accepts responsibilities with extrusion,
5. Self-confident deactivated & self-disciplined
6. Both thinker & doer planner & worker,
7. Future vision intelligent, imaginative & self-directed

Functions of a successful entrepreneur are;

1. Taking Initiative
2. Organizing Resources
3. Identifying Opportunities and Prospects
4. Risk-Taking
5. Decision Making

6. Technology Transfer and Adaptation
7. Innovation
8. Fostering Autonomy
9. Social Responsibility
10. Public Relations
11. Experience Sharing
12. Managerial Roles
13. Balanced Economic Development

These are explained below;

1. Taking Initiative

Entrepreneurship is a pro-active activity that takes such actions, which others can't even perceive.

This unique function of entrepreneurship provides our civilization with a wide variety of products, ways of actions, production techniques, etc.

Therefore, taking initiative with such end and qualification is the prime function of entrepreneurship in every economy.

2. Organizing Resources

Organizing entails identifying those resources that are required to transform a particular idea into reality. The resources include human and nonhuman resources.

Organizing in entrepreneurship will increase productivity, promote new ventures, distribute and supervise work and responsibility, and will remove barriers to work.

Entrepreneurship, thus, is the taping tool for assuming indigenous skills and resources for the productive purpose.

3. Identifying Opportunities and Prospects

Entrepreneurship searches those activities of value that have an economic and social contribution.

It identifies new opportunities in the socio-economic arena which have got profitable prospects therefore, entrepreneurs are called searchers of hopes into blind spots and this function enormously indebted our society to entrepreneurship.

4. Risk-Taking

Entrepreneurship takes the risk for the new venture.

For innovative actions in the field of production technology for new products in a volatile market and new raw materials used in production.

Moreover, it also takes the risk for theft, robbery, snatching market fall and hooliganism that may be involved with new entrepreneurship This is a major function of entrepreneurship in developing countries.

5. Decision Making

Entrepreneurship is a new initiative therefore, it has to decide multivariate issues that affect new ventures.

Entrepreneurship has to decide upon equipment to be used quality, price and its variation, deficiency, capital structure, the feasibility of the project, organizational structure, philosophy of management, etc. that will guide, run and prosper the new venture or distinct attempt for entrepreneurship.

We know that **decision-making is a process** and entrepreneurship to make n a success, goes through this process.

6. Technology Transfer and Adaptation

Entrepreneurship throughout the world brings invented technology from different comers of the world and makes it appropriate by making required adjustments for local conditions.

This function of entrepreneurship involves identifying appropriate technology with market potentials and adapts it into the local environment.

Sometimes, the technology uses indigenous materials that reduce cost and wastage of resources. This entrepreneurial function virtually makes the world united in terms of homogeneous technology.

7. Innovation

Entrepreneurship innovates a new production process or technology, market, sources of new materials, management, strategy or technique, investment opportunity, etc. that Schumpeter (1934) calls as the fundamental characteristics of entrepreneurship.

Under the context of the changing environment, the entrepreneur locates the most feasible opportunity for the venture as well as improved or distinct technology that gives competitive advantages or a new opportunity to prosperity.

Innovation is a creative means to add new utilities to existing situations or products.

Entrepreneurship through innovation creates innovative products or operations for human society.

8. Fostering Autonomy

Entrepreneurship is an exposure of creative faculty that provides personal satisfaction and independence. The unique freedom to think differently is the impetus for entrepreneurship.

Thus, entrepreneurship Fosters autonomy to advent something new of value by the application of devoted efforts and time.

9. Social Responsibility

Entrepreneurship with its innovative technology somehow promotes human efforts. It restarts closed industries with innovative managerial strategies and techniques

It also motivates new entrepreneurs and attracts them to engage into an entrepreneurial venture.

Entrepreneurship provides new products or ideas that give momentum and diversity into society.

Therefore, entrepreneurship performs social responsibility that protects the welfare, benefit and economic gain of the society. It also promotes the community standard by providing jobs and amenities.

10. Public Relations

Entrepreneurship is a new venture that requires social acceptance by the regulatory bodies and the public at large.

The government, as well as the persons' who will be subject to entrepreneurship, would be convinced through public relations to accept and to allow the entrepreneur to execute an entrepreneurial venture.

Ad by Valueimpression

History tells that many entrepreneurs were disregarded, coerced and even eliminated for their entrepreneurial activities. Failure is costly and therefore, public relation is a significant function of entrepreneurship.

11. Experience Sharing

Entrepreneurship may spread in society through publishing and sharing its success stories.

Thus, entrepreneurship holds workshops, industrial visits through which the entrepreneurial experience in different counties may be shared with a widespread adaptation of success.

This function will benefit the economies of the countries as well as the world bodies,

12. Managerial Roles

Entrepreneurs perform several managerial roles to keep their venture functioning with success.

The roles are interpersonal roles that consist of a figurehead role, leadership role, and liaison role; informational roles that include recipient role, disseminator role, and the spokesperson role; decisional roles that consist of an entrepreneurial role, disturbance-handler role, resource allocator role, and the negotiator role.

The entrepreneur also does the associated managerial functions such as planning, organizing, leading and controlling.

13. Balanced Economic Development

Sustainable economic development requires a balanced development among various regions and sectors of a country. Every country tries to ensure such a situation that makes industrialization throughout the country "possible.

Type of entrepreneur

According to the type of business.

1. Business entrepreneur
2. Trading
3. Industrial
4. Corporate
5. Agricultural
6. Retail
7. Service

According to the use of technology:

1. Technical entrepreneur or non-technical entrepreneur
2. Professional entrepreneur
3. Low technology or high technology entrepreneurs

According to motivation:

1. Pure entrepreneur - not for economic rewards and satisfy by psychological
2. Induced entrepreneur- Policies measures provides assistance, incentives by the support of government & institutions
3. Motivated entrepreneur- self fulfillment for making & marketing same things new
4. Spontaneous entrepreneur - inherent natural talent by boldness initiative in any enterprise self-confident

According to the growth

1. Growth entrepreneur
2. Super growth entrepreneur

According to the stages of development

1. First generation entrepreneur
2. Produce entrepreneur
3. Classical entrepreneur

According to the area

1. Urban entrepreneur
2. Rural entrepreneur

According to age & gender

1. Young entrepreneur
2. Old entrepreneur
3. Male entrepreneur
4. Female entrepreneur

According to the scale of operation

1. Small scale entrepreneur
2. Medium scale entrepreneur
3. Large scale entrepreneur
- Other type
1. Professional & won professional
2. Modern entrepreneur
3. Traditional entrepreneur
4. Skilled & non- skilled entrepreneur
5. Forced entrepreneur
6. Inherited entrepreneur
7. National & international entrepreneur

Qualities: Success & achievement directed & achieve goals Risk bearers, opportunity explorer, planner, stress fater, facing uncertainties, and independent, flexible, Self- confidant motivator.

Intrapreneur: Is the entrepreneurship within the existing business structure. It bridges the gap between science & market place. Existing business will have the financial resources, necessary skills to carry out business, the marketing & distribution systems to commercialize the innovation. In bureaucratic structure, due to the focus on short term profits & a highly structured organization, prevent creativity & development of new products.

The differences in the entrepreneurial & managerial domains have contributed towards an increased need for entrepreneurship. Some individual having self confidence, self motivation & belief in their own talents, often desire to innovate new things on their own. They want to own responsibilities & to work in their own way. They become frustrates if this freedom is not given to them & get demotivated entrepreneurship is one such method of providing freedom, stimulating & capitalizing on individuals in an organization who think that things can be done in different & better way. The resistance against flexibility, growth & diversification can be overcome by developing a spirit of entrepreneurship within the organization called a entrepreneurship. It reflects in the proportionate increase in social, cultural & business pressures.

Elements of entrepreneurship

It is the legal agreement that happens between the person &

organization The entrepreneurship has four important Elements

1. New business venturing

This is the corporate venturing, the creation of new business within the organization. This includes redefining the company's products or services, development of new market segment or formation of new corporate ventures.

2. Innovations

Innovation is the development of new products, improvement of existing products, development of improved & simplified production methods & procedures.

3. Self-renewal

This is the transformation of an organization their renewal of main ideas. This includes a redefinition of a business concept, reorganization or modification in the system with an aim to initiate innovating.

4. Proactiveness

Proactiveness includes initiative & risk thing competitiveness & dashing to take new challenges, organization with this type of proactiveness spirit will lead the market than follow the competitors.

Point	Entrepreneur	Entrepreneur	Manager
Goal Management	Independent innovates new ideas	Independent starts new ventures & leads direct involvement	Delegates & supervises more than direct involvement
Status	Not concerned about traditional status, but wants recognition	Not concerned about status	Concerned about status symbol
Risk	Owns moderate risk	Bears all the risk & uncertainly	Does not bear any risk.
Rewards	Gets fixed rewards for his work, many get extra for his innovations	Since there is risk, he may get profit or loss depending on outcome	Works for salary for his service which fixed & definite.

Innovations	Innovative	Any innovative	Need not be innovative. He manages the ideas of top management.
Decision making	Moderate, limited to this work	Beng much irrvoled in decision making	Delegates the decisions of top management

Entrepreneurship

Concept of Entrepreneurship: It is a process undertaken by entrepreneur to augment his business interests. It is defined as an indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities government policies, availability of resources, opportunities coverage towards the common good, development of society & economy. Entrepreneurship in today's context in the product of teamwork & ability to crate, build & work as team. It is also a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities & inverting the resources to exploit the opportunities for better gains. Higgins defines the function of foreseeing investment & production opportunities, organizing an enterprise to undertake a new production process, raising capital hiring labour, arranging the supply of raw materials, finding site, introducing new technique, discover age new sources of raw materials & selecting top managers for day to day operation. Cole's explains the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or organize profit by production or distributing of economic goods & services. All the above definitions highlight risk bearing, introversion & resource organizing achieving goal their production of goods or services.

Characteristics of entrepreneurship

1. Innovation

Entrepreneurship involves innovation of new things to effect dynamic changes & good success in economy. It should create conditions for growth of economy.

2. Risk – taking

Risk is an inbuilt element of any business. Entrepreneurship should be risk bearing to catn uncertainty of future.

3. Skillful management

Entrepreneurship hinges together various functions of the management planning organizing staffing directing controlling & leading.

4. Organization

It being together various facilities of production for an efficient & economical use.

5. Decision making

Decision making is very vital. Taking decision at all levels & stages of entrepreneurship is aroutine task.

6. Making the enterprise a success

It is mainly an economic activity as it deals with creating & b operating an enterprise. It involves in satisfying the needs of customers with the help of production and distribution of goods & services. This makes the enterprise a success.

Following are the steps involved in the entrepreneurial process:

(i) Search for a New Idea:

An entrepreneurial process begins with the idea generation, wherein the entrepreneur identifies and evaluates the business opportunities before him/her.

(ii) Preliminary Assessment of Idea:

The identification and the evaluation of opportunities is a difficult task; an entrepreneur seeks inputs from all the persons including employees, consumers, channel partners, technical people, etc. to reach to an optimum business opportunity. Once the opportunity has been decided upon, the next step is to evaluate it.

(iii) Detailed Analysis of Promising Idea:

An entrepreneur can evaluate the efficiency of an opportunity by continuously asking certain questions such as, whether the opportunity is worth investing in, is it sufficiently attractive, are the proposed solutions feasible, is there any competitive advantage, what are the risk associated with it etc.. Above all, an entrepreneur must analyze his personal skills and hobbies, whether these coincides with the entrepreneurial goals or not along with the detailed analysis of options

(iv) Selection of the Most Promising Idea:

Once the analysis is done at both macro & micro level, then the entrepreneur selects the best possible option amongst the chosen few on the basis of the key factors identified by him/her before idea generation.

(v) Assembling the Resource and Personnel:

The next step in the process is resourcing, wherein the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.

(vi) Determining Size of Unit:

On the basis of the ability to manage resources, the entrepreneur should determine the initial size of the business and the possibilities of increasing the size in near future.

(vii) Deciding on Location of Business and Plan Layout:

This is yet another significant decision as several areas merit tax concessions and may have labour or material in abundance as compared to other areas.

(viii) Sound Financial Planning:

Once the funds are raised and the employees are hired, business location and layout have been finalized then efforts are made to do sound financial planning with the available financial resource in order to put it to optimum use.

(ix) Launching the Enterprise:

Launching the enterprise by an entrepreneur can be a daunting adventure because it challenges the entrepreneur to define what he/she stands for and wants to accomplish in life. While starting a business, the entrepreneur needs to stay focused and should always be open to suggestions. If he/she is mission- driven entrepreneur, it must be remembered that building a truly great company is a marathon, not a sprint.

(x) Managing the Company:

Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.

(xi) Harvesting:

The final step in the entrepreneurial process is harvesting wherein, an entrepreneur decides on the future prospects of the business, i.e. its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations is undertaken accordingly, by an entrepreneur. The entrepreneurial process is to be followed, again and again, whenever any new venture is taken up by an entrepreneur, therefore, it is a never ending process.

Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. Capital Formation:

Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.

2. Improvement in Per Capita Income:

Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase net national product and per capita income in the country, which are important yardsticks for measuring economic growth.

3. Generation of Employment:

Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honorable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country

4. Balanced Regional Development:

Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail various concessions and subsidies offered by the central and state governments. Public sector steel plants and private sector industries by Modis, Tatas, Birlas and others have put the hitherto unknown places on the international map.

5. Improvement in Living Standards:

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standards of life of a common man. These offer goods at lower costs and increase variety in consumption.

6. Economic Independence:

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country.

Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. Backward and Forward Linkages:

An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example- the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc. These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units. Entrepreneurs create an atmosphere of enthusiasm and convey a sense of purpose. They give an organization its momentum.

Entrepreneurial behavior is critical to the long term vitality of every economy. The practice of entrepreneurship is as important to established firms as it is to new ones

Barriers to Entrepreneurship

1 Finances

We are all bustling with ideas that are unique and can make for an amazing business start-up. But no matter how good your idea is, you will always need stable finances and funding from the investors to begin the process and take the first step towards your journey of entrepreneurship.

And getting a sound financial investment or funding can be one of the biggest Barriers to Entrepreneurship as many of banks, private investors, angel investors, and organizations find it quite difficult to believe in the start-up ideas owing to the risk of failure and losing their money.

2 Fear of not to be a success We all go through the fear of failure. And if the fear is associated with the risks and stakes taken in the stream of business and entrepreneurship, the level of fear elevates. There is a fear if we are on the right track, is the idea worthwhile, will there be profit, will I find investors, and various such fears and tensions act as the Barriers to Entrepreneurship.

3 No strategic plan in place

Lack of proper planning and strategy in place is one of the most common Barriers to Entrepreneurship. Many of us think to build a business out of a hobby without having any sort of long term and short-term vision and plan in mind. Running a fully-fledged business or being an entrepreneur requires a huge amount of skill set, passion for excelling, strategic vision, the mission to accomplish the goals, market research, and a lot more. Right from the target market, finances, human resources, to a proper strategic plan is required to build a successful business or a brand in the market.

4 Human resource issues

Entrepreneurs cannot handle and run a business alone by themselves. We require the support of human resource to carve a niche in the market.

Employees with the required knowledge, expertise, and experience are needed for the efficiency of the business processes and high levels of productivity.

First, it is quite difficult to find the employees that share the same vision and wavelength of the business. Plus paying a hefty annual or even a monthly retainer income is a problem of the start up's as the finances at hand are always limited, and the overheads and expenses are also to be taken care of. And secondly, it is also difficult to manage human resources as each of us work

with a different mindset and perspective. Hence, human resources and employees can be as one of the Barriers to Entrepreneurship.

5 Stringent rules and regulations of the market

It is not very easy for entrepreneurs to enter the new market as there are quite many rules and regulations imposed by the government authorities. Plus, there are various laws and compliances to be adhered to such as taxation, environmental regulations, licenses, property rights, and much more than act as the Barriers to Entrepreneurship.

Some of the countries have many corrupt officials that act as a hindrance for the new entrepreneurs and start-up brands to start or expand their business in the new market. And if the brand is planning to expand its business operations in any of the foreign countries, it gets even more difficult.

6 Fewer opportunities

Even though there is a lot of talent pool in the market with the aspiring entrepreneurs buzzing with the ideas, but the opportunities presented to them are quite less and fewer.

Reasons such as nepotism and corruption act as the Barriers to Entrepreneurship with not many vital and lucrative opportunities.

7 Lack of capacity

Even if there are opportunities presented to the aspiring entrepreneurs, there is a lack of capacity in some of them to embrace the opportunities with open arms. The reasons can vary from lack of knowledge, lack of education, lack of willingness, lack of strategic knowledge, and cultural hindrances amongst others; but the factor of motivation and zeal gets missing.

To start a new business venture amidst all the risks and market-related issues, it requires a lot of hard work, passion, and high capacity to handle all of it.

8 Less market experience

The experts always mention that one should never rush in setting up a business. It is quite necessary to gain a relative amount of work experience by working in the industry domain or sector of choice and as per the education levels. It also helps to sharpen the required expertise and find the ground in the career graph.

Once the person is ready to take risks and have a relative amount of market exposure, he is ready to take the entrepreneurial plunge.

9 Lack of risk-taking capacity

It is always said that entrepreneurs never sail in safe waters and are never confined to their comfort

zones. Lack of risk-taking capacity is the psychological mindset and perspective towards the business and acts as one of the major Barriers to Entrepreneurship.

The budding entrepreneur must have a structured and organized approach towards the various business elements and should risks rather than averting them.

10 Corrupt business situations

As mentioned earlier, if the business situations and the environment are not very supportive and corrupt for the young and aspiring entrepreneurs, it acts as one of the top Barriers to Entrepreneurship.

Bribing, rampant corruption, unfriendly ties of government with other nations, inconsistent laws, stringent compliances, and enforcing regulations that are unhealthy and negative in their approach hamper the growth of businesses in the country.

Russia is one of the examples of having an unhealthy and unsupportive business environment.

11 Inadequate training

With no proper education, development, training, entrepreneurial skills, and technical know-how acts as the Barriers to Entrepreneurship.

12 Lack of practical knowledge

Having a strong educational background is just not enough to pursue business as it requires practical knowledge as well to stay relevant amidst the various market cycles. And many entrepreneurs lack practical knowledge.

Entrepreneurship Development Programmes: Meaning, Need and Objectives of EDP

Meaning:

As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as “an attempt to develop a person as entrepreneur through structural training.

The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society.”

Objectives of EDP:

The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:

- a. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.
- b. Analyse environmental set up relating to small industry and small business.
- c. Select the product.
- d. Formulate proposal for the product.
- e. Understand the process and procedure involved in setting up a small enterprise.
- f. Know the sources of help and support available for starting a small scale industry.
- g. Acquire the necessary managerial skills required to run a small-scale industry.
- h. Know the pros and cons in becoming an entrepreneur.
- i. Appreciate the needed entrepreneurial discipline.
- j. Besides, some of the other important objectives of the EDPs are to:
- k. Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.
- l. Prepare him / her to accept the uncertainty in running a business.
- m. Enable him / her to take decisions.
- n. Enable to communicate clearly and effectively.
- o. Develop a broad vision about the business.
- p. Make him subscribe to the industrial democracy.
- q. Develop passion for integrity and honesty.
- r. Make him learn compliance with law.

Module 5 – Small Scale Industry

INTRODUCTION

India is a large country characterized by abundant man power, poor finances, problem of unemployment and underemployment, over-dependence on agriculture, transportation difficulty, lack of modern technological knowhow etc., to name a few. In such a scenario, Small-Scale industries have occupied an important place in the process of industrialization in the country. Small- Scale industries basically make use of local raw materials, local skills, local finance and generally local markets, all of which helps the cause sociopath-economic development in all corners of the country. As a matter of fact, the small-business sector has now emerged as a dynamic and vibrant sector for the Indian economy in the recent years and about 5 million SSI's are testimony to it. SSI's actually account for 35% of Indian industrial exports. With the opening up of Indian economy in 1991, the SSI's suffered a setback initially, but turned around, and now are competing and selling on a world-wide scale. As Thomas Friedman said, the world is now truly flat with the Indian Small Scale Industries and their entrepreneurs contributing to the same in a big way.

Definition of SSI

The Indian Industrial Law defines a Small-Scale industrial undertaking with effect from 21.12.1999 as follows:

“An industrial undertaking in which the investment in fixed assets, plant and machinery does not cross Rs.10 million is treated as a SSI unit. This is irrespective of whether the assets are held on ownership terms, on lease or on hire purchase.”

It is also subject to condition that the unit is not owned, controlled or a subsidiary of any other industrial undertaking.

Examples of SSI

Units manufacturing Ice Creams, bread, biscuits, oil extracts, rice mills, garments, auto repair and services, health services, legal services and so on.

CLASSIFICATION OF SSI

Small Scale industries are broadly classified as:

I. Traditional Industries

1. Khadi and Village industry

2. Handloom
3. Handicrafts
4. Coir
5. Sericulture

II. Modern Industries

1. Small-Scale industrial undertaking
2. EOU (Export oriented) SSI units
3. Ancillary industrial unit
4. Tiny industrial unit
5. Small-scale business and business enterprises.

Some more definitions

1. EOU SSI Unit:

It has the same definition of a SSI unit but with an obligation to export at least 30% of its production.

2. Ancillary Industrial Unit:

It is basically a SSI unit but with following features:

- (i) It engages in the manufacture of parts, accessories, components, sub-assemblies, toolings etc.,
- (ii) It supplies at least 50% of its production to other industries.
- (iii) In case of a service-oriented SSI, it has to supply 50% of its service volumes to other organizations.

3. Tiny Industrial Unit:

If the investment in plant and machinery is limited to Rs.25 lakh, irrespective of the location of the unit, it becomes a tiny industrial unit.

Ex:- Laundry, hatching and poultry, Xeroxing, garage etc.

CHARACTERISTICS OF SSI

Small Scale industries have special features which distinguish them from large-scale industries.

The different characteristics of SSI are:

1. Its a One-man-show at most SSI's
2. Capital investment is low.
3. Most SSI's employ less than 10 workers.
4. They can also be found in rural and semi-urban areas
5. They are generally involved in the production of light consumer goods, specific industrial components, simple-to-process food items.
6. Small scale units generally use local resources although the market for its products can be far and wide
7. SSI's are generally labour intensive.
8. Organization structure of an SSI would be very simple.
9. SSI's have a tendency of folding up very soon.
10. Human resources, especially women and children, are exploited.
11. The market share of an SSI is usually very small. Scaling becomes a problem.
12. Division and specialization of labour is low.

NEED AND RATIONALE OF SSI

The need and the rationale for promoting small scale industries in India was emphasized by the Industrial Policy Resolution in 1956 which stated,“SSI's provide immediate large scale employment and affects a more equitable distribution of national wealth. They also mobilize resources of capital and skill which might otherwise remain unutilized. Establishment of SSI's all over the country also reduces unnecessary and unplanned urbanization and migration to cities.” The above need and rationale of SSI can also be elaborated with the help of the following arguments:

1. Need for Employment

In a country of billion people, it is necessary to provide large scale employment opportunities so as to lift people above the poverty line. Given India's scarce capital resources and abundant labour, encouraging SSI was one of the best strategies.

2. Need for Equality

Large scale industries may tend to concentrate income into a few hands whereas small scale industries ensure a more equitable distribution of national income and wealth.

3. Need for more entrepreneurs

SSI's basically help identifying small time entrepreneurs who would not have up otherwise. In other words, SSI's provide more opportunities for unearthing latent entrepreneurial talents.

OBJECTIVES OF AN SSI

The main objectives of developing Small Scale Industries in India are as follows:

1. To generate immediate and large scale employment opportunities in all parts of the country with relatively low investment.
2. To reduce the unemployment and underemployment problems in the country.
3. To encourage setting up of industries in small towns and villages thus improving local economy.
4. To bring poor and backward areas to the mainstream of national development.
5. To ensure a better and equitable distribution of national income and wealth.
6. To mobilize the country's untapped capital and human resources.
7. To generally improve the standard of living in our country.
8. To encourage small entrepreneurs and help them grow and realize their dreams.

SCOPE OF SMALL SCALE INDUSTRY

'Scope of SSI' generally means the range of activities and the type of products that come under the SSI sectors. Some of the important activities that SSI's are normally involved in are:

1. Manufacturing activities
2. Construction activities
3. Public utilities
4. Service/Repairing activities
5. Financial activities
6. Retailing activities
7. Wholesale business

In India, the Small Scale Sector is provided by the Government, by the way of reservation.

This means that the Indian Government has made a list of 114 items which are reserved for exclusive production in small sector. No large scale industry may produce any of these items reserved in favour of SSI's. The main objective of this reservation policy is to insulate the

small sector from unequal competition with large industrial establishments. Although this policy has some negative effects, by and large it has helped SSI.

Some of the items in the reserved list of 114 as it stands today are:

- | | |
|--------------------------------|----------------------------|
| 1. Leather products | 12. Cotton hosiery |
| 2. Rubber products | 13. Scientific instruments |
| 3. Natural essential oils | 14. Auto ancillary |
| 4. Boat making | 15. Electrical goods |
| 5. Tricycles and perambulators | 16. Printing presses |
| 6. Stationery items | 17. Wooden furniture |
| 7. Sports goods | 18. Flour mills |
| 8. Ceramics | 19. Foundaries |
| 9. Electro plating | 20. Ice creams |
| 10. Food processing | 21. Pickles and Chutneys |
| 11. Lock making | 22. Khadi products |

ROLE OF SSI IN ECONOMIC DEVELOPMENT

Small Scale Industries play a vital role in the development of Indian economy in the following ways:

1. **Providing Employment:** Since SSI's are more labour intensive and less sophisticated technologically, they provide employment on large scale. Since India has a large number of semi-skilled and unskilled labour, this helps the cause of development. In fact, SSI accounts for 75% of total employment in the industrial sector and about 20 million people are currently employed in SSI in India.
2. **Mobilization of local resources:** SSI uses local resources with respect to raw materials, labour, talent, savings etc., thus improving local economy, SSI also helps in promotion of traditional family skills and handicrafts and therefore facilitates the identification and growth of local entrepreneurs.
3. **Feeding large scale industries:** Small scale industries complement the large scale industries by providing them parts, components, sub-assemblies, accessories, services etc.

4. **Promotion of exports:** SSIs help improve India's balance of payments in two ways:
 - First, they do not require importing of sophisticated equipment thus saving foreign exchange.
 - Second, they export their goods and earn foreign exchange. In recent years, there has been a substantial increase in exports from Indian SSI's which accounts for around 25% of India's total exports.
5. **Equitable distribution of wealth:** SSI's help an equitable distribution of India's income and wealth by creating more small business than large business.
6. **Promoting Regional Development:** Since SSI's can be set up in rural and semi-urban areas of the country, they help promoting a balanced regional development. This also reduces congestion in cities, migration of villagers to cities, pollution in cities etc.
7. **Capital Optimization:** Small Scale Units requires less capital per unit of output produced. They also provide quick return on investments due to shorter gestation period(time taken to start an industry and produce goods). Both these factors help capital optimization and profitability.
8. **Inspiring new entrepreneurs:** Existing and successful smallscale industries inspire many more entrepreneurs to start on their own which improves quality and competition which in turn helps the cause of Indian economy.

Advantages of SSI

The Small Scale Sector has several distinct advantages-both economic and social over large scale sectors. Some of them are:

1. Small Scale Industries provide self-employment opportunities with relatively low investments.
2. Most units do not require high-end technology.
3. These industries can be located anywhere.
4. They use local resources and local manpower thus improving local economy.
5. Time taken from conceptual stage to production stage(gestation period) is less.
6. They help earn and save foreign exchange.
7. Small firms are viewed favourably by the society because wealth is not concentrated in

few hands.

8. They make use of large semi-skilled and unskilled labour which is available in our country.
9. They introduce to the world local craftsmanship and handicrafts.
10. Small firms require simple technology and low managerial skills.
11. They assist large and medium industries by acting as ancillaries.
12. They inspire many more entrepreneurs to start their own ventures which improves quality and competition.

Weaknesses of SSI

The following issues may be generally considered as weaknesses of SSI sector:

1. **Raw Material:** The problem with respect to raw material could be in shape of
 - (i) Absolute scarcity
 - (ii) Poor quality
 - (iii) High costs.
2. **Finance:** The problem of finance in small sector is mainly due to two reasons-
 - Firstly, it could be partly due to scarcity of capital in the country as a whole. •Secondly it is due to weak creditworthiness of small units in the country.
3. **Marketing:** SSI units may lack professional marketing executives as employed by large sectors. Hence marketing can be a weakness.
4. **Capacity under-utilization:** Studies have shown that capacity in SSI is not fully utilized leading to lower optimization and profitability.
5. **Outdated Technology:** Continued usage of old technology and no upgradation brings down their efficiency.
6. **Over protection:** Most SSI units do not have desire to grow to medium and large scale because of the benefits of protection and reservation given to them.
7. **Inefficient Entrepreneurs:** Entrepreneurs who are young, and lack industrial experience, and also whose financial background is weak and those who are stressed out, are all likely to fail faster.
8. **Zero R&D:** Small Scale sectors hardly invest in R&D which prevents them from introducing any innovation into the market.

9. **Lack of Successors:** When many entrepreneurs who run SSI units become old-
- (i) They may transfer the responsibility to their children who might be inefficient, or
 - (ii) They may have children who are unwilling to continue family business.

Due to both these reasons the unit may die a slow death.

STEPS TO START A SMALL SCALE INDUSTRY

Before any steps are taken to start a small scale industry, the entrepreneur must familiarize himself on the following aspects:

- a) Priorities and policies of government.
- b) Assistance, subsidies and facilities offered by various States.
- c) Various organizations like KIADB, SIDBI etc., which help budding entrepreneurs.
- d) Government Incentives available for starting a new industry.
- e) Licencing and registration requirements.
- f) Policies and regulations concerning imports, exports, laws(legal and industrial), taxes etc.

The main steps involved in the establishment of a small scale industry can now be listed as follows:

- 1. Project/product identification
- 2. Selecting the form of ownership
- 3. Location of the unit
- 4. Preparation of Project Report
- 5. Registration of Project Report
- 6. Arrangement of finance- fixed and working
- 7. Procuring licenses and clearances
- 8. Creating physical infrastructure
- 9. Recruitment of staff
- 10. Procuring raw materials
- 11. Power connection and water supply
- 12. Starting production
- 13. Marketing the production

1. Project/product identification:

Project identification is the process of identifying broad areas where opportunities for new business ventures exist. Product identification is the selection of the actual product to be made and is the first major step in the setting up of a business enterprise. The following points may be noted with respect to product identification.

- (i) A new product idea can be pulled from a study of what people need or what people love. This is known as Market-Pull.
- (ii) A new product idea can also be pushed into the market with the help of R&D. This is known as Technology-Push. Eg:- Plastic was invented and pushed into market by Dupont Labs, USA.
- (iii) Whatever is the product, one has to become aware of the following aspects with respect to the product – market potential (local and international), existing competition, availability of raw material, technology, man power, future demand etc.

2. Selecting the form of Ownership:

This is an important decision taken by the entrepreneur. Some commonly chosen forms of ownership for SSI would be:

- (i) Sole proprietorship
- (ii) Family ownership
- (iii) Partnership
- (iv) Private Limited Company

Each type of ownership has both short-term and long-term advantages and disadvantages.

3. Location of unit:

Factors which are normally considered while deciding the location of the unit are:

- (i) Proximity to the source of raw materials
- (ii) Nearness to the market.
- (iii) Availability of all kinds of manpower.
- (iv) Infrastructure available with respect to – factory sheds, industrial estates, transportation facility, availability of power, water, waste disposal, essential services etc.

- (v) General business climate of the region
- (vi) Climate and environmental factors.

4. Preparation of Project Report:

A Project report is a written document pertaining to the investment proposal. It is basically a document which explains the road map to reach the destination, as determined by the entrepreneur. A typical project report should include the following information, as is made mandatory by Planning Commission of India.

- (i) General information about project
- (ii) Preliminary analysis of alternatives
- (iii) Project description
- (iv) Technical feasibility
- (v) Economic viability
- (vi) Financial analysis
- (vii) Marketing plan etc.

5. Registration of Project Report:

The registration of small scale units is done in two stages:

- (i) Provisional registration
- (ii) Permanent registration

Provisional registration is a temporary registration which is need at the planning stage in order to bring the unit into existence. It is issued by the district unit of Directorate of Industries.

Provisional registration is given for one year initially and then extended by six months (for valid reasons) for a maximum of four times.

Permanent Registration is then applied for when the entrepreneur is ready to commence commercial production.

6. Arrangement of finance – Fixed and Working

Arrangement of finance is required for 2 reasons – fixed capital and working capital.

Fixed capital is the finance required for setting up infrastructure like land, buildings, machinery etc.,. This can be generated by

- (i) Partnership
- (ii) Bank loans

(iii) Venture capitalists

(iv) Personal savings

Working capital which is necessary for buying raw materials and recurring expenditure can also be raised by various sources.

7. Procuring licenses and clearances:

Depending on the product produced and the area where the unit is located, a number of licenses and clearances are required to be produced. Some of them are from:

- (i) Municipal authorities (if within city limits)
- (ii) Chief Inspector of Factories (when employing more than 10 people)
- (iii) Ministry of Agriculture (for food and vegetable processing)
- (iv) State Drug Controller (for making drugs and cosmetics)
- (v) Collector, Central Excise (Excise items like alcohol, cigarette etc.,)
- (vi) Bureau of Indian Standards (for all measurements)
- (vii) Company Law Board (for Reg. Of corporate body)
- (viii) Pollution Control Board (for pollution control clearances)... and so on...

8. Creating Physical Infrastructure:

This is the toughest and most time consuming step involved in the opening of a new business venture. If it is a manufacturing unit then it takes even more time and effort than if it is a service unit. Creating physical infrastructure includes acquiring land and building, selecting, buying and installation of machinery, and so on.

9. Recruitment of staff:

Manpower is the key to success of any organization. The right kind of staff – right from managerial level to worker level – has to be recruited so that all types of work can be accomplished.

10. Procuring Raw Materials:

Raw materials have to be procured in the right quantity, quality and delivery schedules. It is advisable to have several sources of raw materials.

11. Power Connection and Water Supply:

There is an acute shortage of power and water supply in our country. Therefore application for connection of power (HT or LT) have to be given well in advance. It is also advisable to have alternate sources of power and water supply.

12. Starting Production:

After the basic trial runs, commercial production has to begin with proper quality checks in place.

13. Marketing the product:

This is the last and the most important step in realizing the business ambition. No business is complete without selling the products and ensuring that the revenue flows into the organization.

GOVERNMENT POLICY TOWARDS SSI

The Government of India has, over decades, encouraged the small sector because of its numerous advantages. The government's objectives and intention towards industries in general and small scale industries in particular have been made clear through Industrial Policy Resolutions(IPR). These resolutions were announced in 1948, 1956, 1977, 1980, 1990 and 1991. These were followed by some more policy resolutions in 1999 and 2003. Let us now see how government policy towards SSI has been embodied in these IPRs and other resolutions.

IPR, 1948: Fresh after independence and under the influence of Mahatma Gandhi, the Government understood the need to protect cottage industries and nurture them. The emphasis in IPR, 1948 was to solve the acute problems faced by small producers with respect to raw material, skilled labour, capital, transportation, marketing etc.

IPR, 1956: The IPR of 1956 basically aimed at “Protection Plus Development”. In a way, this resolution initiated the modern SSI in India. For the first time, several products(numbering 128) were reserved for exclusive production in small scale sector. Five year planning had already started(in 1951) and IPR of 1956 aimed at integrating the efforts of small scale sector with that of large scale sector.

IPR, 1977: The IPR of 1977 aimed at “Protection Plus Development Plus Promotion” of small sector. In fact, this IPR for the first time classified all small scale business into 3 categories and defined them for promotion purposes.

- (i) Cottage and household industries
- (ii) Tiny sector
- (iii) Small scale industry

Then IPR of 1977 also increased the number of reserved items to 504 for exclusive production in small sector.

IPR, 1980: The IPR, 1980 resolved the following with respect to small sector

- Increase in investment ceilings from Rs.1 lakh to Rs.2 lakhs in case of tiny units, from Rs.10 lakhs to Rs.20 lakhs in case of small scale units and from Rs.15 lakhs to Rs.25 lakhs in case of ancillaries.
- Promotion of village and rural industries to improve rural economy as well as to be compatible with the environment.

IPR, 1990: The resolutions made during IPR, 1990 were as follows:

- The investment ceiling for small scale industries was raised from Rs.35 lakhs to Rs.60 lakhs.
- Correspondingly for ancillary units it was raised from Rs.45 lakhs to Rs.75 lakhs.
- Investment ceiling for tiny units was raised from Rs.2 lakhs to Rs.5 lakhs provided the unit was
 - located in a area having population of less than 50000 as per 1981 census.
 - As many as 836 items were reserved for exclusive manufacture in small sector.

To help technology upgradation in SSI, the government started Small Industries Development Organization(SIDO)

- Small Industries Development Bank of India(SIDBI) was started to extend credit facilities for SSI's.
- Special cells were created in SIDO to encourage the youth as well as woman entrepreneurs.

IPR, 1991: With the opening of Indian economy under Narasimha Rao in 1991, the government came out with a new IPR called 'The New Small Enterprise Policy 1991'. The salient features and effects of this policy were:

- (i) It aimed at increasing the vitality and growth of the small sectors to improve Indian economy.
- (ii) Efforts were made to reduce licenses required to start a SSI.
- (iii) Efforts were also made to de-regulate de-bureaucratize with a view to remove obstacles.
- (iv) Tiny industries were allowed to come up anywhere in the country.
- (v) Partnership act was amended to suit SSI.
- (vi) Better market promotion of SSI products was taken in.

(vii) An Export development centre was opened in SIDO.

Government Policy Resolution in 1999

- (i) Government took steps to improve investment limits, facilitate foreign participation, promote exports, announced incentives for quality improvements, and so on.
- (ii) A new Union Ministry of small-scale industries was created to focus better attention on SSI.
- (iii) The turnover limit for SSI was enhanced from 4 crores to 5 crores.
- (iv) A national program to boost rural industrialization was announced, with a target of 100 rural clusters every year.

Government Policy Resolution in 2003

- (i) 75 more items were de-reserved from SSI sectors.
- (ii) Lending rates to open SSI was reduced by 2%
- (iii) More SIDBI branches were opened.
- (iv) All India census of SSI was carried out.

GOVERNMENT SUPPORT TO SSI DURING 5 YEAR PLANS

Five year plan of India have played an important role in shaping government support towards SSI. Let us see how the Five year plans have supported SSI through years.

First Five Year plan (1951-56)

- Rs.48 crores was the plan outlay for SSI sectors which accounted for 48% of total expenditures on industry.
- By the end of first plan there were six boards to help the cause of SSI- All India Handloom Board, All India Handicrafts Board, All India khadi and village industries board, Small- Scale Industries Board, Coir Board, Central Silk Board.

Second Five Year Plan (1956-61)

Rs.187 crores was the outlay on SSI.

- 60 industrial estates were established all over the country for providing basic facilities like power, water, transport in one place.

Number of items reserved for SSI sectors was increased.

Third Five year Plan (1961-66)

- Rs.248 crores was the outlay on SSI sector
- It stressed on the extension of coverage of small scale industries.

Fourth Five Year Plan (1969-74)

- Rs.242 crores was earmarked for SSI sector
- It stressed on consolidation of industrial estates and upgradation of facilities.

Fifth Five Year Plan (1974-79)

- Rs.592 crores was the outlay of this plan
- The main thrust of the plan was to develop SSI sectors in order to address growing unemployment problems due to the ever-increasing population.

Sixth Five Year Plan (1980-85)

- Rs.1945 crores was the outlay of this plan
- The number of items reserved for SSI sector rose to a maximum of 836. This was the height of Govt. protection.
- 409 items of raw materials were reserved for exclusive purchase from SSI's
- Consultancy services to improve standards was initiated.

Seventh Five Year Plan (1985-90)

- Rs.3,249 crores was the outlay of this plan.
- The main thrust of the seventh plan was upgradation of technology to increase competitiveness of small sector.

Eighth Five Year Plan (1992-97)

Rs.6,334 crores was the outlay of this plan

- The main thrust of the 8th plan was to generate more employment to improve economic growth.
- This plan proposed to establish tool rooms and training institutes.
- 'Single Window' concept for giving licenses and clearances for opening SSI's was started.

- Central Government with the help of various State Governments set up integrated infrastructure development centre for tiny units.

Ninth Five Year Plan (1997-2002)

- Foreign direct investment policy liberalized.
- Disinvestment commission constituted
- Technology Development Board set up to facilitate development of new technologies and assimilation of imported technologies.
- Special schemes to promote industrial development of hilly, remote and inaccessible areas announced.
- Sick industries Corp. Act, 1985 was amended.

Impact of Liberlization, Privatization and Globalization on SSI

The impact of liberlization, privatization and globalization has been both good and bad on the SSI sector in India. They can be summarized as follows:

1. Small Scale units are now more exposed to severe competition both from large scale sector – domestic and foreign – as well as MNCs
2. In a liberlized environment, the SSI's did not have to face the following problems which were prevalent earlier:
 - delay in project implementation
 - inadequate availability of finance and credit. •
 - marketing problems
 - delay in payment
 - lack of technological upgradation •
 - lack of infrastructure facilities
 - deficient managerial and technical skills
3. There is now no restriction on FDI (foreign direct investment) which has led to many multinational companies especially in areas such as automobiles and electronics.
4. Competition in domestic market has intensified with the arrival of cheap and low quality products. For example chinese products have flooded India threatening the very existence of

several Indian small scale units.

5. Globalization, on the other hand, also has made the world truly flat. In other words, Indian SSI units can now market their products all over the world and if their products and services are good, they strike it rich.
6. SSI units have shifted their strategy somewhat post-globalization. Earlier they were producing a wide variety of products of lower quality for Indian markets. Now they concentrate and produce lesser variety of products but of higher quality in order to be accepted globally. This has paid rich dividends.

Effect of WTO/GATT on Indian SSI

WTO stands for World Trade Organization while GATT stands for General Agreement for Trade & Tariffs. The effects of WTO and GATT on the Indian SSI's have been more bad than good. They can be summarized as under:

1. Many important quotas have been removed. This allows importing any quantity of foreign raw materials and goods for local processing and consumption. This means one of the protection given to SSI is lifted.
2. Important tariffs were reduced which again allowed a higher quantity of foreign products into the Indian markets.
3. Removal of quantitative restrictions on import in 2001 and all export subsidies in 2003, made every industrial unit, small or large, export-oriented or domestic oriented, face intense competition.
4. Out of 812 reserved items that were listed in favour of SSI, 586 items were removed and placed on the OGL (Open General Licence) list of imports. This again reduced protection to smaller sector. The number of reserved items now stands at 114.
5. Patent Laws were tightened through regulation of Intellectual Property Rights. This discouraged Indian Companies from imitating or downright copying of foreign products.
6. On the other hand, WTO has given many Indian SSI units, a platform to market their products anywhere in the world, especially with the help of internet.
7. Enlightened entrepreneurs who had a feel of the world wide market benefited from WTO.
8. Service sector in India has been especially benefited by WTO and has already captured 25% of Indian total exports.

9. WTO has also introduced anti-dumping, strict labour standards, environmental safety and other safeguard measures which benefits mankind as a whole.

SUPPORTING AGENCIES OF GOVERNMENT FOR SSI

The Central Government through its ministry of Small-Scale Industries and all the State Governments have started a number of agencies – both at Central and State level – to provide infrastructure and support services to small enterprises. A classification of all such agencies are:

- I. Central Level Institutions
- II. State Level Institutions
- III. Other Agencies

I. Central Level Institutions

1. **SSI BOARD:** Small Scale Industries Board. It is the apex advisory board to the central government in matters related to small scale sector in the country.
2. **KVIC:** Khadi and Village Industries Commission. It promotes development of Khadi and other village industries.
3. **SIDO:** Small Industries Development Organization: It mainly acts as a nodal agency and an interface between Central and State Governments. It also gives wide ranging technical and consultancy services.
4. **NSIC:** National Small Industries Corporation Ltd.,
5. **NSTEDB:** National Science and Technology Entrepreneurship Development Board. This agency promotes usage of science and technology in SSI sectors.
6. **NPC:** National Productivity Council. This agency suggests various ways of improving productivity.
7. **NISIET:** National Institute for Small Industry Extension and Training. It imparts high quality training to budding as well as existing entrepreneurs. It is located in Hyderabad.
8. **NIESBUD:** National Institute for Entrepreneurship and Small Business Development. It co-ordinates the efforts of various agencies involved in entrepreneurship development. It is located in New Delhi.
9. **IIE:** Indian Institute of Entrepreneurship. It aims to carry out research and development activities in entrepreneurship studies. It is located in Guwahati.
10. **EDII:** Entrepreneurship Development Institute of India. It is an autonomous body

sponsored by financial institutions like IDBI, ICICI etc., and engaged in spearheading and inspiring entrepreneurship movement in India. It is located in Ahmedabad.

II. State Level Institutions

1. **DI:** Directorate of Industries. It is involved in promotion of small scale sector at the state level.
2. **DIC:** District Industries Centre
3. **SFC:** State Financial Corporation. It provides financial support for starting SSI's
4. **SIDC:** State Industrial Development Corporation. It promotes infrastructure facilities
5. **SSIDC:** State Small Industrial Development Corporation. It helps small and tiny units in procurement of scarce raw materials. It also gives other services.

Other agencies:

There are a number of other agencies – both Central and State level – which directly or indirectly help the cause of Small Scale sector in India, mainly in financial and industrial domain. They are:

1. **SIDBI:** Small Industries Development Bank of India
2. **NABARD:** National Bank for Agricultural and Rural Development
3. **HUDCO:** Housing and Urban Development Corporation Ltd.,
4. **NGO's:** Non-Governmental Organizations
5. **EPC:** Export Promotion Council
6. **CII:** Confederation of Indian Industries
7. **FICCI:** Federation of Indian Chambers of Commerce and Industry
8. **ASSOCHAM:** Associated Chamber of Commerce and Industry of India
9. **WASME:** World Association for Small and Medium Enterprise
10. **LUB:** Laghu Udyog Bharati
11. **ICSI:** Indian Council of Small Industries
12. **CSIR:** Council of Industrial and Scientific Research.