

ENTREPRENEU RSHIP MANAGEMENT

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Entrepreneur ship Building

Entrepreneurship

- ▶ A process to create value through recognition of Business Opportunity
- ▶ Management of risk-taking appropriate to the opportunity
- ▶ Management skills to mobilize Human, Financial and Material Resources needed to bring a project to fruition

Entrepreneur

An entrepreneur is one

- ▶ who discovers innovative ideas
- ▶ develops these ideas into products and services
- ▶ markets them successfully
- ▶ nurtures the business persistently with untiring spirit

Concept of Entrepreneurship

It involves fusion of
Capital
Technology
Human Talent

Concept of Entrepreneurship

- ▶ It is a very dynamic and risky process
- ▶ It is an ability to create something from nothing
- ▶ It is a creative and innovative process
- ▶ It needs a flair for sensing opportunity
- ▶ It needs the ability to recognize, seize and exploit an economic opportunity

Dimensions of Entrepreneur

- ▶ Innovation
- ▶ Need for achievement
- ▶ Planning capability
- ▶ Organization building ability
- ▶ Leadership quality

Innovation

- ▶ Improvisation & improvement
- ▶ Different from Invention
- ▶ Invention is scientific discovery
- ▶ Innovation is giving a human face to Invention
- ▶ Innovation involves problem solving
- ▶ Innovation is commercialization of invention

Need for Achievement

- ▶ Higher level human need
- ▶ Most relevant factor for explaining entrepreneurial behaviour
- ▶ People with high need for achievement can succeed as entrepreneur
- ▶ Successful entrepreneurs are calculated risk takers
- ▶ People with high need for

Planning

- ▶ Necessary for mitigating risk
- ▶ Needed to handle uncertainties
- ▶ Lot of resources involved
- ▶ Great deal of co-ordination needed
- ▶ Beyond a point forecasting anything is not possible

Organization Building

Mobilization of

- ▶ Human Resources
- ▶ Financial Resources
- ▶ Other Material Resources
- ▶ Building formal, meaningful hierarchical structure
- ▶ Meaningful roles and responsibilities for people
- ▶ Defining relationship between different roles

Modern Day Entrepreneur

- ▶ Visionary leader
- ▶ Organization Builder
- ▶ Excellent Manager
- ▶ Capable Administrator

Difference between Manager and Business Leader

Manager

- ▶ Revenue Earner
- ▶ Enjoys formal authority
- ▶ Normally takes the role for granted
- ▶ Works with existing resources
- ▶ Cannot make sweeping changes
- ▶ Roles are well defined with boundaries

Difference between Manager and Business Leader

Business Leader

- ▶ Earns Profits
- ▶ Creator of wealth and assets
- ▶ Leader of people
- ▶ High Achiever
- ▶ Great Motivator
- ▶ Role Model



Thank you

ENTREPRENEURSHIP MANAGEMENT

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Exploring Marketing Opportunities

- Scanning the external environment
- Business opportunities arise as a result of changes in the external environment
- Identify macro-environmental factors that affect business
- Spot Marketing Opportunities by analyzing the dynamic nature of macro-environmental factors

Macro-Environmental Factors

- Demographic Factors
- Economic Factors
- Technological Factors
- Political Factors
- Legal Factors
- Social Factors
- Cultural Factors

Demographic Factors

- Age
- Age groups : pre-teens, teenagers, young adults, etc
- Generations
- Gender
- Income & income distribution
- Family composition & family size

Demographic Factors

- Occupation : Occupational diversity offers more business opportunities
- Education levels : Higher demand for different skills mean more business opportunities
- Population density : More business opportunities in urban centres
- Population distribution & population migration

Economic Factors

- Goal of business is to create & manage demand
- Demand : Needs, wants backed by purchasing power
- Purchasing power : Higher purchasing power creates more demand for goods & services
- Personal Disposable Income : The discretionary income spent on non-essential purchases
- Inflationary trends : Impact prices and consequently demand

Economic Factors

- Employment indicators : More job opportunities drive demand upwards. Loss of employment creates slump in demand
- Market rate of interest: Low rates of interest create more propensity to consume & drive demand
- Overall state of the economy : A booming economy is ideal for entrepreneurship

Technological Factors

- Growth of technology : Last 2 decades have seen tremendous growth in technology
- Technology growth : a fall-out of advances in computing, internet and telecommunication technologies
- Emergence of new & advanced technology in diverse fields
- Technology has driven growth in the service sector also

Technological Factors

- Rate of adoption of technology : has increased exponentially
- Thrust on research & development by big corporates
- Rate of obsolescence of technology : has risen sharply
- Life spans of technologies & products are shrinking
- Innovative approach : Need of the hour

Political Factors

- Political stability : important for business
- Government approach towards businesses in general & towards specific sectors in particular
- Govt creates infrastructure by building roads, ports, power plants, dams, telecom infrastructures, townships, hospitals, institutions, etc
- Govt controls factors of production

Political Factors

- Govt gives clearances & licences for business
- Governments aid start-up ventures by extending loans, facilities, benefits
- Government regulatory mechanisms control business activities trying to protect interests of stake-holder groups
- Government subsidies to business
- Govt. Taxation policies

Legal Factors

- Government makes laws
- Business laws govern company & business practices
- Corporate laws
- Labour laws
- Laws are enacted to protect the rights of consumers, companies and other stakeholders

Social Factors

- Social class segmentation : Upper, Middle & Lower social classes
- Upper class : High purchasing power, high quality-seeking, brand-conscious, price-insensitive
- Middle class : Moderate purchasing power, seeks value for money, loves brands, price-sensitive
- Lower class : weak purchasing power, volume segment

Cultural Factors

- Culture is a mixed basket
- Culture is a unique combination of
 - ✓ Values & ethics
 - ✓ customs & traditions
 - ✓ Rituals & festivals
 - ✓ History & heritage
 - ✓ Language & literature, etc.

Cultural Factors

- Diverse cultural & sub-cultural groups in India
- Culture reflected in food habits, dresses, language, daily life practices
- Culture is also dynamic. It changes & adapts.
- Cultural shifts are generally slow but they are happening all over the world
- Core cultural values are held dear by societies
- Globalization & localization have come to co-exist

Conclusion

- By studying & closely monitoring the demographic, economic, technological, political, legal, social and cultural dynamics in the external environment, an entrepreneur can identify various business ideas & marketing opportunities for products & services that he can analyze in detail and transform some of them into real business plans.

Thank you

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► **Analysing Marketing Opportunities (Micro Environmental Factors-1)**

Micro-environmental factors

- ▶ Demand-related Factors
- ▶ Customers
- ▶ Suppliers
- ▶ Employees
- ▶ Industry & Competition
- ▶ Firm's internal environment

Demand-related Factors

- ▶ Nature of demand and its components - stability, trends, seasonality, random fluctuations
- ▶ Current level of demand
- ▶ Demand potential
- ▶ Consumption pattern and buying habits
- ▶ Decisions regarding entry of firm into industries , expansions or divestments will all need information pertaining to demand

Customers

Factors to be considered

- ▶ Purchasing power, Buying motives & Buying habits
 - Attitudes & Life-style
 - Brand awareness and loyalty
 - Reasons for loyalty to specific brands
 - Brand switching behaviour
 - Most preferred brand study
 - Analysis of customer value

Suppliers

Factors to be considered

- ▶ Continuity of flow of supplies
- ▶ Dependability in terms of quality, quantity, delivery, price & other services
- ▶ Not to be dependent on single source of supply
- ▶ Ability to get credit on easy terms

SWOT Analysis

- ▶ Strengths → Internal Analysis
- ▶ Weaknesses → Internal Analysis

- ▶ Opportunities Scanning → Environment
- ▶ Threats Scanning → Environment

Internal Analysis

Some parameters for Internal Analysis

- ▶ Market share
- ▶ Customer satisfaction levels
- ▶ Product Quality
- ▶ Service Quality
- ▶ Price effectiveness

Internal Analysis....

Some parameters

- ▶ Distribution effectiveness
- ▶ Promotion effectiveness
- ▶ Selling effectiveness
- ▶ Intensity of coverage of distribution
- ▶ Innovativeness

Benchmarking

- ▶ A technique used for Internal Analysis
- ▶ Involves comparison of firm's business processes & performance metrics to industry best practices from other companies, usually direct competitors
- ▶ Aim is to understand where the firm stands with respect to its competitors in the industry on parameters for internal analysis

Opportunity Matrix

	Probability of Success ↓	
Attractiveness of Opportunity ↓	High Probability of Success	Low Probability Of Success
High in Attractiveness	Pursue Aggressively (I)	Monitor Closely (III)
Low in Attractiveness	Monitor Closely (II)	Too Minor to consider (IV)

Opportunity Matrix.....

- ▶ A 2 x 2 matrix using 2 dimensions – Attractiveness of Opportunity & Probability of the firm's success
- ▶ Each of the 2 dimensions sub-divided as High and Low
- ▶ The 4 cells offer 4 different scenarios
- ▶ Firm needs to adopt a different strategy for each cell of the matrix

Opportunity Matrix.....

Cell # 1 : Opportunities which are high in attractiveness and with a high probability of success if the firm decides to pursue them

- ✓ Recommended Strategy : Firm should aggressively pursue these opportunities

Opportunity Matrix.....

- ▶ Cell # IV : These are opportunities that are low in attractiveness and the firm's probability of success is also low
- ▶ Recommended Strategy : These opportunities may be ignored as they are too minor to consider

Opportunity Matrix.....

- ▶ Cell # II : These are opportunities that are low in attractiveness but the firm has a high probability of success
- ▶ Recommended Strategy : The firm should Wait and Watch these opportunities and monitor them closely to see if they improve in attractiveness over time

Opportunity Matrix.....

- ▶ Cell # III : These are opportunities that are high in attractiveness but the firm has a low probability of success
- ▶ Recommended Strategy : The firm should monitor these opportunities closely to see if the firm can improve its chances of success with them

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Opportunity Matrix

		Success Probability	
		High	Low
Attractiveness	High	Pursue Aggressively (I)	Monitor Closely (II)
	Low	Monitor Closely (III)	Too Minor (IV)

Opportunity Matrix

<u>Cell #</u>	<u>Strategy</u>
I	Pursue aggressively
II	Wait & Watch (Monitor)
III	Wait & Watch (Monitor)
IV	Ignore (Too Minor)

Examples of Opportunities

- New segments, new markets to serve
- Adoption of a new technology
- Product line extension possibilities
- Leveraging existing skills to enter new business /markets /segments
- Internet marketing possibilities
- Forward &/or backward integration

Examples of Opportunities

- Falling trade barriers in foreign markets
- Weak rivals
- Growing demand
- Acquisition of rival firms with attractive products /markets /technologies
- Alliances / Joint Ventures that expand market coverage or boost competitive capability

Threats Matrix

		Probability of Occurrence	
		High	Low
		High	Prepare Contingency Plans
High		Low	Monitor Closely
Low		High	Monitor Closely
		Low	Ignore

Threats Matrix

<u>Cell #</u>	<u>Strategy</u>
I	Prepare contingency Plans
II	Monitor Closely
III	Monitor Closely
IV	Ignore (Too Minor)

Examples of Threats

- A major breakthrough in technology that threatens the firm's business model
- An adverse piece of government legislation
- A powerful competitor enters the industry
- A discernible and abrupt shift in consumer tastes
- A natural calamity that has a devastating impact on its business
- A substitute product or service appears on the market

SWOT Analysis

- S – Strengths
- W – Weaknesses
- O – Opportunities
- T - Threats

Environmental Scanning

- Scanning of macro-environmental factors : Political, Legal, Social, Cultural, Demographic, Economic, Technological
- Scanning of micro-environmental factors : Customers, Competitors, Suppliers, Internal stake-holders, firm's internal environment
- Environmental Scanning will help identify Opportunities & Threats

Industry & Internal Analysis

- Internal Analysis helps to identify firm's own Strengths & Weaknesses
- Industry Analysis helps to understand firm's strengths & weaknesses relative to other competitors within the industry
- Local, Regional, National or International Benchmarking can help identify best practices within and across industries
- Benchmarking will indicate areas of weaknesses

Examples of strengths

- low-cost manufacturing capabilities
- technological know-how
- expertise in consistent customer service
- unique advertisement or promotional talent
- proven record of defect-free manufacturing
- state - of - the - art plant & equipment
- attractive real estate locations
- strong distribution network
- access to valuable raw materials
- up-to-date information systems
- deep resources

Examples of strengths

- experienced workforce
- young & talented workforce
- motivated workforce
- intellectual capital
- valuable team-spirit
- vast collective knowledge
- proven Quality Control systems
- patents
- a big base of loyal customers
- a strong balance sheet
- high credit rating

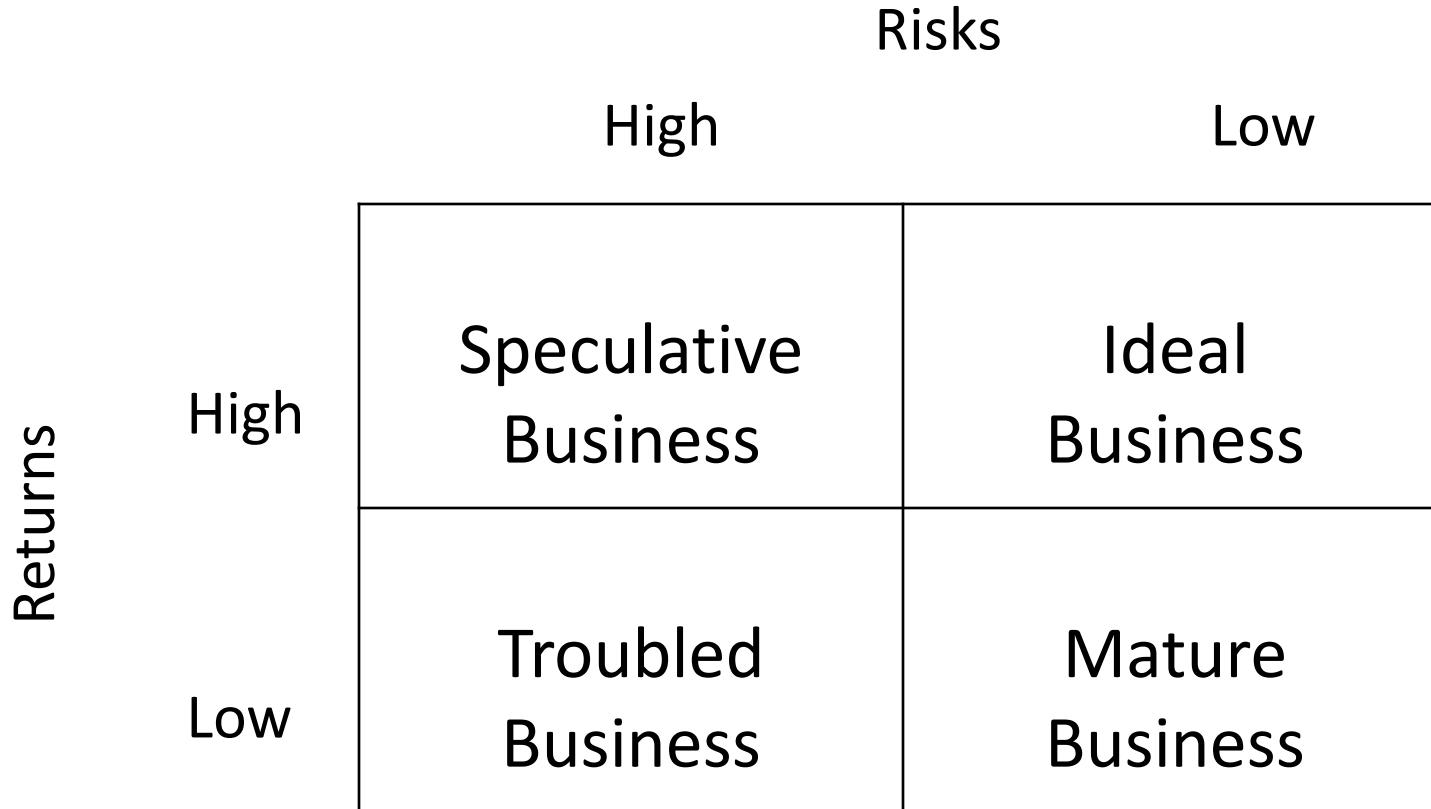
Examples of strengths

- brand-name image
- company reputation / goodwill
- committed / dedicated workforce
- expertise in new product development
- a vibrant & effective R & D team
- highly-trained customer service representatives
- sound partnership with dealers & suppliers
- organizational agility in responding to changing market conditions
- on-line business skills

Examples of Weaknesses

- No clear strategic direction
- Obsolete facilities
- Too much debt
- High unit cost
- Lack of necessary skills
- Internal operating problems
- Narrow product line
- Weak brand image
- Poor company reputation

Business Classification



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Analysing Marketing Opportunities

- ▶ An avenue from which the entrepreneur can seek to derive business growth and marketing opportunities is something called the **Strategic Intent**

Strategic Intent

3 components of Strategic Intent

Vision

Mission

Business Definition

Vision

- ▶ It is the dream of the entrepreneur
- ▶ An inspirational picture of a future that offers
 - ✓ Clarity amidst confusion
 - ✓ Hope against despair
 - ✓ Unity of purpose amidst diversity of personal causes
- ▶ It is a vivid *description* of what a Company dreams to be

Vision.....

- ▶ Values are the essential ingredients of vision
- ▶ It is the *timeless, unchanging core values* that define the enduring character of the organization even when it experiences changes in technology, competition, etc.
- ▶ It is not something that can be easily achieved in the normal course. It requires a *quantum effort*

Vision.....

- ▶ It is the firm's fundamental reason for existence beyond making money
- ▶ The vision enables the firm to stay focused & not stray into unrelated areas
- ▶ The vision must be shared, owned & lived by every individual in the firm
- ▶ A company's different businesses operate in different environments. The "shared values" keep them united

Vision.....

Example

Du Pont's vision is to develop "*immortal polymers, zero waste processes, elastic coatings as hard as diamonds, elastomers as strong as steel, materials that repair themselves, chemical plants that are run by a single chip, coatings that change color on demand*"

Mission

- ▶ A vision usually describes what a Company *dreams* to be. A mission is what the company *is & why it exists*
- ▶ Mission is an expression of the growth ambition of the firm
- ▶ It is a *proclamation* to insiders & outsiders on what the firm stands for

Mission.....

- ▶ A mission is *abstract, romantic & full of zeal*
- ▶ It is not time bound like a strategy
- ▶ It is *unique & personal* to a firm
- ▶ The mission directs the entire *planning endeavour* of the firm
- ▶ A change in mission leads to a change in direction, plans & strategies of a firm

Mission.....

- ▶ The entrepreneur plays a major role in shaping the mission & it can rarely be amended without his direct intervention
- ▶ It is be called by different names like *creed, policy, company purpose, company philosophy, etc.*
- ▶ Mission statements are not changed frequently. However, a firm should revise it if it has lost its relevance over time

Mission.....

Example

“The mission of our company is to make cleanliness common place, to lessen work for women, to foster health & to contribute to personal attractiveness that life may be more enjoyable for the people who use our products” - Unilever

Business Definition

- ▶ It provides the blue print for the firm's *product – market choice*
- ▶ By setting & delimiting the contours of the business, it clarifies to the firm opportunities it can pursue & the areas in which these opportunities are to be looked for
- ▶ It also clarifies the various sources from which *threats & competition* can emerge

Business Definition.....

- ▶ Traditionally, firms have defined their businesses in terms of *products*. Theodore Levitt argued that *market definitions* of business are superior
- ▶ A product-oriented business definition *forecloses* the option for a wider search & larger choice of opportunities
- ▶ It prevents the firm from seeing the *latent* sources of competition for the firm's product

Business Definition....

- ▶ Theodore Levitt in “*The Marketing Myopia*” exposed the flaws in viewing one’s business from a narrow product-oriented perspective
- ▶ He argued that “*the failure is at the top*” because a narrow business definition carries with it the “*shadow of obsolescence*” since substitute products serving the same need are in the offing all the time

Thank
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Exploring Growth Options

- Exploring Growth Opportunities
- Ansoff's Product / Market Expansion Grid or matrix
- The matrix was developed by applied mathematician and business manager, H. Igor Ansoff, and was published in the Harvard Business Review in 1957

Ansoff Product/Market Grid

Products → Markets ↓	Existing Products	New Products
Existing Markets	Market Penetration Strategies	Product Development Strategies
New Markets	Market Development Strategies	Diversification Strategies

Intensive Growth Strategies

- Market Penetration Strategy
- Market Development Strategy
- Product Development Strategy

Market Penetration Strategy

- Firm seeks to achieve growth through deeper penetration in existing markets with existing products
- It is a low - risk strategy among the growth strategies because firms continue to do what they can do best
- It also concentrates risks by putting all eggs in one basket

Market Penetration Strategy.....

- Encourage current customers to buy more
- Attract competitors' customers
- Encourage non-users to buy
- Decreasing prices to attract new customers
- Increasing promotion and distribution efforts
- Acquiring a competitor in the same marketplace

Market Penetration....

- Appropriate if
- ✓ the firm's industry is resistant to major technological advancements
- ✓ demand remains fairly stable
- ✓ the target markets are not saturated
- ✓ there are strong entry barriers in the industry

Market Development Strategies

- Firm seeks to grow by finding new uses & new users & hence new markets for its existing products
- It can tap new channels of distribution to reach out to new markets
- It can bring about cosmetic changes (not intrinsic changes) to its existing products to attract new user segments

Market Development

Approaches

- Add new segments or customer groups
- Seek additional distribution channels in existing markets
- Seek different geographical markets
- Enter into a new domestic market (expanding regionally)
- Enter into a foreign market (expanding internationally)

Market Development.....

Appropriate if

- the firm owns proprietary technology that it can leverage into new markets
- potential consumers in the new market are profitable (i.e., they possess disposable income)
- consumer behaviour in the new markets does not deviate too far from that of consumers in the existing markets

Product Development

Strategies

- Firm tries to achieve growth in existing markets through new products
- The new products are not intrinsically new but improved versions of existing products or substitutes serving the same need catering to the same market

Product Development.....

Usually carried out through :

- ❖ Quality improvement : stronger, bigger, better, improved product
- ❖ Feature improvement : safety, convenience, weight, material, etc
- ❖ Style improvement : new models of cars, motor-cycles, cell phones, etc

Product Development.....

Can be implemented by

- Investing in R&D to develop new products to cater to the existing market
- Acquiring a competitor's product and merging resources to create a new product that better meets the need of the existing market
- Forming strategic partnerships with other firms to gain access to each partner's distribution channels or brand

Diversification Strategies

- Firm enters a new market with a new product
- Most risky among the growth strategies
- Both market development and product development are required
- Risk can be mitigated somewhat through related diversification
- Offer the greatest potential for increased revenues by opening up entirely new revenue streams for the company



THANK YOU

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Market Survey Techniques

Types of Interviews

- Structured & Direct Interviews
- Unstructured & Direct Interviews
- Structured & Indirect Interviews
- Unstructured & Indirect Interviews

Structured & Direct Interviews

- Most commonly used type of interview
- A formal questionnaire is designed in advance
- Question formats can be open-ended or closed-ended.
- Closed-ended questions can either be dichotomous or multiple choice type
- Questions can also have scales for responses.
- Questionnaire is normally “pretested”
- Questions use simple, unambiguous words

Structured & Direct Interviews

- Field interviewers are recruited & trained
- Appropriate for large scale sample surveys
- Does not need high-skilled interviewers
- No interviewer freedom to deviate from questionnaire wordings or order of questions
- Interviewer to record responses (data) in the body of the questionnaire
- Field survey is followed by data tabulation, compilation & analysis and report writing

Unstructured – Direct Interviews

- Mostly used in Exploratory Research where the researcher has very little understanding about the problem
- Interviewer is given only general instructions on the type of information desired
- Plenty of interviewer freedom
- Respondent can be an expert
- Open-ended questions used
- Interviews may be recorded with permission

Unstructured – Direct Interviews

- Skilled interviewers needed
- In-depth probing is involved. Also called “Depth Interviews”
- Interview lasts long
- Cost per interview is high
- Not many such interviews can be conducted
- Not suited to large scale sample surveys
- Findings are indicative & qualitative

Indirect Interviews

- Partially structured & partly unstructured in format
- Employed when direct questioning will not bring out hidden & subconscious motives, emotions, attitudes, beliefs & opinions
- Employ the principle of “Projection”
- Respondent is presented with a non-personal, ambiguous situation (a picture or incomplete sentence or unfinished storyline) & asked to describe it in his own way

Indirect Interviews

- In doing so, the respondent interprets the situation in terms of his own needs, emotions, attitudes, motives & values
- Specialist interviewers and analysts needed for design & execution
- Takes time and are costly
- Findings are qualitative & indicative
- Also called “Projective Techniques”

Interviewing Media

- Personal Interview
- Telephone Interview
- Mail Interview

Personal Interview

- Interviews can be conducted at the respondent's home, office, store, shopping mall or any other convenient location.
- Provides opportunity to obtain more & better information because of face to face interaction
- Non-response is low but response bias high
- Provides better samples of respondents
- Substantially more expensive

Telephone Interview

- Useful when limited information is to be collected quickly & inexpensively
- Not used for indirect interviews
- Easier to get people's co-operation on phone than in a personal interview
- Impersonation cannot be ruled out
- Body language is missed but voice intonations can be observed
- Short duration & inexpensive with wide reach

Mail Interviews

- Can use postal mail or email
- Respondent can answer at his leisure
- quality of responses improve
- Respondent can remain anonymous & may reveal more confidential information
- High rate of non-response
- Requires long time to carry out study
- Respondents who mail back feel more strongly about the subject/ idea/ problem than non-respondents. This introduces bias into the sample & findings

Focus Group

- Conducted by a trained moderator with a group of 8 – 12 willingly recruited participants who have some common background
- Fosters interaction among group members that leads to spontaneous disclosure of attitudes, opinions, emotions & buying behavior.
- Lasts for 2 hours with video-recording
- Used primarily to define problems, to provide background information, to generate ideas rather than to provide solutions to problems

Focus Group

- Qualitative research technique. Findings are indicative.
- Costly, time-consuming & needs expert moderator & analyst
- Typical applications include examination of new concepts, ideas to improve existing products, finding unmet needs, creative inputs for advertising, profiling of “opinion leaders” etc.
- Can also include specialist participants

Panels

- Panel is a sample of individuals, households, outlets or firms scattered geographically
- Panels are set up by MR agencies
- Panel members give repetitive information on purchases of products &/or services on an ongoing basis
- There can be
 - ❖ Consumer Purchase Panels
 - ❖ Advertising Audience Panels
 - ❖ Dealer Panels

Panels

- Consumer Panels record purchase data on pre-specified products/brands in “diaries” that are handed over to MR agency after panel term
- Ad audience panels record viewership/listenership/ readership data of AV/radio/print media
- TRP measures of TV programs use panels with people-meter that send data to central server

Panels

- Dealer Panels provide retail audit data on levels & movement of inventory, sales, prices of specified products/brands across retail outlets
- Panels are a form of syndicated research. Panels can be sponsored by multiple clients who wish to track market trends
- Panels provide longitudinal data (over time periods)

Panels

- Repeated collection of panel data permits deeper analysis & tracking of market trends
- Permits before-and-after kind of analysis of intervening events like ad campaigns, sales promotions or PR drives.
- Provides insight into brand-switching behavior.
- Panels can “condition” buying behaviour
- Attrition is a common problem for panels

Thank you

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PROJECT FORMULATION

Systematic development
of Project Idea for the
eventual objective of
arriving at an Investment
Decision

FEASIBILITY ANALYSIS

A Feasibility Analysis is an analysis that takes all of a project's relevant factors into account including

- economic
- technical
- legal factors and

Scheduling considerations

To ascertain the likelihood of completing the project successfully

TECHNO ECONOMIC ANALYSIS

It is an analysis of choice of
Optimal technology

Plan

Design and

Projection of demand

PROJECT DESIGN AND NETWORK ANALYSIS

Projects are broken down into

Simple activities which are

Arranged in a logical sequence

Network Analysis is a

System which plans

Both large and small projects

Analyzes the project activities

NETWORK ANALYSIS

Network is a diagram depicting all activities (as arrows) and milestones (as nodes) of a project from start to completion

Activities can be undertaken concurrently and sequentially

Each activity consumes time and resources

Network diagram connects all activities of a project logically

NETWORK PLANNING

2 most commonly used techniques of Network Planning are

CPM (Critical Path Method)

PERT (Program Evaluation & Review Technique)

NETWORK PLANNING

In CPM, activity durations are deterministic

In PERT, activity durations are probabilistic

In PERT, for each activity, 3 time duration estimates are considered

- i. Pessimistic time duration (t_p)
- ii. Optimistic time duration (t_o)
- iii. Most likely time duration (t_m)

The Expected duration (t_e) is calculated as follows :

$$t_e = (t_o + 4t_m + t_p) / 6$$

NETWORK PLANNING

The objective is to find out the shortest duration path possible through the network from start to finish whereby all project activities can be completed.

The network will have some critical activities which cannot be delayed without delaying the final completion of the project.

ANALYSIS OF INPUTS

Identification of the nature of resources involved

Estimation of the quantum of those resources required at different stages of the project implementation

Evaluation of the possibility of continued supply of such resources at affordable prices

FINANCIAL ANALYSIS

Outflow of cost and the inflow of revenues

It involves estimation of the project costs, operating costs and fund requirements

It also helps in comparing various project proposals on a common scale

SOCIAL COST BENEFIT ANALYSIS

It has a broader outlook in addition to profitability and cost benefits

It should generate employment for the local people and every government would be involved in generating employment as a result of industrialization

It also examines the benefits accruing to society at large, either directly or indirectly.

PRE – FEASIBILITY ANALYSIS

Pre feasibility Study lays stress on assessing

Market Potential

Magnitude of Investment

Technical Feasibility

Financial Analysis

Risk Analysis

It helps the project sponsoring body, project implementing body and the consulting agencies to accept the proposal

DETAILED FEASIBILITY STUDY

The goals of detailed feasibility studies are :

To understand thoroughly all aspects of a project, concept or plan

To become aware of any potential problems that could occur while implementing the project

To determine if, after considering all significant factors, the project is viable – that is , worth undertaking

AREAS OF DETAILED FEASIBILITY STUDY

Following areas / factors need to be considered

Technical Feasibility

Managerial Feasibility

Economic Feasibility

Financial Feasibility

Cultural Feasibility

Political Feasibility

Environmental Feasibility

Thank you

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Stages of Project Formulation

- Feasibility Analysis
- Techno – Economic Analysis
- Project Design and Network Analysis
- Input Analysis
- Financial Analysis
- Social Cost Benefit Analysis
- Pre Investment Analysis

Feasibility Analysis

A Feasibility Analysis is an analysis that takes all of a project's relevant factors into account – including economic, technical, legal and scheduling considerations – to ascertain the likelihood of completing the project successfully

Techno Economic Analysis

- Choice of Optimal Technology and allied costs
- Plans and Designs of facilities
- Projection of market demand

Project Design and Network Analysis

- Project broken down into numerous activities
- Activity durations & related resources estimated
- All activities arranged in a logical interconnected network
- Network Planning Techniques like Critical Path Method (CPM) or Program Evaluation & Review Technique (PERT) used to map all activities from start to finish

Input Analysis

- Identify the nature of various types of resources that would be involved in the project.
- Estimate the quantity & quality of those resources required at different stages of the project implementation.
- Evaluate the possibility of continued supply of such resources at affordable prices at the right time.

Financial Analysis

- Concerned with Outflow of Cost and the Inflow of Revenues.
- Involves estimation of the project costs, operating costs and fund requirements.
- Helps in comparing various project proposals on a common scale.

Social Cost Benefit Analysis

- Takes a broader outlook, in addition to profitability and cost-benefits.
- Project should generate social benefits like employment, infrastructure & civic amenities for local people.
- It also examines the benefits accruing to society at large, either directly or indirectly.

Pre – investment Analysis

It helps the entrepreneur or the promoter of the business, the project - implementing unit and the consulting agencies to take a decision to accept / reject the project proposal.

Project Report

There are 2 parts

- Feasibility Report
- Detailed Project Report

Important features of Feasibility Report

- Introduction
- Criteria / constraints
- Methods
- Overview of Alternative Options
- Evaluation
- Conclusions
- Recommendations

Detailed Project Report

The DPR emphasizes the techno-economic aspects of the project like

- Location of plant, including infrastructure
- Volume of project
- Capacity installed
- Availability of resources
- Details of the product(s), sizes and capacity
- Organisation
- Technical knowhow

Detailed Project Report (contd.)

1. Project at a glance
2. Market Report
3. Technical Details with the processes involved and the Plant Layout
4. Plant & Machinery and Other Equipment, as required
5. Project Schedule
6. Organisation

Project Appraisal

- It is necessary for the entrepreneur himself to assess how soon he would be able to recover the investment made by him

AND

- It is necessary for the approving authorities like the Government Agencies or the Financial Institutions extending financial assistance to assess the desirability/ viability of the project

Project Appraisal Methods

Some of the commonly used methods are :

- Payback Period
- Average Rate of Return Method
- Net Present Value Method
- Benefit – Cost Ratio
- Internal Rate of Return

THANK YOU

ENTREPRENEURSHIP MANAGEMENT

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Project Appraisal

- ❑ Process of reviewing a given project and evaluating its financial prospects
- ❑ Financial feasibility is the main concern of the entrepreneur
- ❑ Essential stage of any project, regardless of its nature and size
- ❑ Justification for the proposed investment in the project

Appraisal Techniques

- Discounted Cash Flow Techniques
- Entrepreneur tries to assess the kind of return that he would expect from the project
- Different techniques available within Discounted Cash Flow Methods
- Most important are Net Present Value Technique (NPV) and Internal Rate of Return (IRR)

Conventional Investment

- ❑ In a conventional investment there is a series of inward cash flows over time but one cash outflow at the start of the project
- ❑ A project or investment with a conventional cash flow starts with a negative cash flow (the investment period)
- ❑ It is followed by successive periods of positive cash flows generated by the project once completed

Non Conventional Investment

- A non-conventional investment fund operates differently from a conventional fund
- It is an investment where cash outflows happen over different periods of time
- Investors in the non-conventional investment fund may or may not be able to redeem their investment on demand for a proportionate interest of the fund's net assets, or the non-conventional investment fund may be listed on an exchange

Net Present Value Method

- ❑ Net Present Value (NPV) is the value of all future cash flows (positive and negative)
- ❑ Defined as the surplus of the present value of all future cash inflows or benefits over all present and future cash outflows
- ❑ It takes into account all revenues, expenses, and capital costs associated with an investment in its Free Cash Flow (FCF)

Advantages of NPV

- Takes into account the time value of money
- Comprehensive tool for evaluating future revenue inflows & future cash outlays
- Gives the investor a realistic picture of the future of his investment
- Powerful tool for Decision-Making by the entrepreneur

Disadvantages of NPV

- ❑ No set guidelines to assess the Required Rate of Return
- ❑ Difficult to be used to compare projects of different sizes
- ❑ There could be hidden costs that are difficult to forecast
- ❑ No method for selecting a discounting rate

NPV for conventional project

- One time investment at base period

Net Present Value formula for conventional project:

$$\begin{aligned} \text{NPV} &= P_1 / (1+r)^1 + P_2 / (1+r)^2 + \dots + P_n / (1+r)^n - C_0 \\ &= \sum P_t / (1+r)^t - C_0 \end{aligned}$$

P values are the revenue inflows in time periods t, where t goes from 1 to n

r is the rate of return in each period

C₀ is the cash outflow in the base period 0

NPV for Non-conventional Investment

- ❑ $NPV = \sum P_t / (1+r)^t - \sum C_t / (1+r)^t$ where
- ❑ P_t are the revenue inflows over t periods of time (t goes from 1 to n)
- ❑ C_t are the cash outflows over t periods of time
- ❑ r is the rate of return in each period
- ❑ n is the life of the project

Internal Rate of Return (IRR)

The Internal Rate of Return is the rate of return which when used for discounting the cash flows of an investment

- reduces the net present value of that investment to zero
- equates the aggregate discounted benefits with the aggregate discounted costs
- is a metric used in financial analysis to estimate the profitability of potential investments

Formula for IRR

The internal rate of revenue formula is as follows:

$$0 \text{ (NPV)} = P_0 + P_1/(1+IRR) + P_2/(1+IRR)^2 + P_3/(1+IRR)^3 + \dots + P_n/(1+IRR)^n$$

where:

- P_0 equals the initial investment (cash outflow) which is with a negative sign
- $P_1, P_2, P_3\dots$, are the cash flows in periods 1, 2, 3, etc.
- IRR equals the project's internal rate of return
- NPV is the Net Present Value = 0
- n is the holding period

IRR for Conventional Investment

- Since IRR is that rate of return which makes the NPV =0, the IRR for a conventional one time investment can be calculated as follows :
- $\sum P_t / (1+r)^t - C_0 = 0$
- $\sum P_t / (1+r)^t = C_0$

- r is the internal rate of return

IRR for Non-conventional Investment

- ❑ $\sum P_t / (1+r)^t - \sum C_t / (1+r)^t = 0$
- ❑ $\sum P_t / (1+r)^t = \sum C_t / (1+r)^t$
- ❑ r is the internal rate of return
- ❑ Symbols have usual connotations

IRR & RRR

- ❑ IRR is Internal Rate of Return
- ❑ RRR is the entrepreneur's Required Rate of Return
- ❑ If the $IRR > RRR$, entrepreneur can decide to invest in the project
- ❑ If $IRR < RRR$, entrepreneur can decide to drop the project

Thank you

ENTREPRENEU RSHIP MANAGEMENT

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Project Appraisal

A project is appraised to minimize

- ▶ Risk
- ▶ Uncertainty

Project Appraisal

- ▶ There is a lot of uncertainty amid which project decisions have to be made
- ▶ There is a lot of turbulence in the external environment and the canvas is very big
- ▶ The macro-environmental factors - economic, demographic, social, cultural, technological, political, legal factors come into play and all these are ever changing

Project Appraisal

- ▶ The micro-environmental factors – customer preferences, competitor moves, supplier services, firm's internal environment keep changing
- ▶ All these inject a lot of uncertainty and risk into the investment decision
- ▶ It is essential to identify which are the risk-prone events and their corresponding probabilities of occurrence and then make some sort of provision in the prediction model for these factors

Project Appraisal Methods

Conservative Methods

- ❖ Shorter Payback period
- ❖ Risk Adjusted Discount Rate

Modern Methods

- ✓ Marketing Research
- ✓ Operations Research
- ✓ Network Analysis
- ✓ Ratio Analysis

Conservative Methods

- ▶ Shorter Payback Period technique : One, out of two projects, is selected for which the payback period is shorter because the entrepreneur wants to recover his investment within a shorter gestation period
- ▶ Risk Adjusted Discount Rate : The entrepreneur adds a premium for risk over & above a cut off rate of acceptable return

Modern Quantitative Techniques

- ▶ Marketing Research
- ▶ Operation Research
- ▶ Network Analysis
- ▶ Ratio Analysis

Market Research

Primary Market Research

It is a process, where organizations or businesses get in touch with end consumers to collect primary data

The data can be collected through

- ▶ Focus group discussions
- ▶ One-to-one interviews

Market Research

Secondary Market Research

It uses information that is collected from sources like internet, government agencies, media, chambers of commerce, etc. The data can be collected from the following

- ▶ Public sources
- ▶ Commercial sources
- ▶ Educational Institutions & others

Operations Research

- ▶ Operations Research, also called Decision Science, is the study of applying mathematics to business questions to find optimal solutions
- ▶ The three key items of any Operations Research are:
 - Algorithms and Statistics
 - Optimization
 - Simulation

Network Analysis

- ▶ Network Analysis is a method of setting up a network diagram depicting the interrelationships between a large number of activities with their starting & ending milestones to monitor their timely completion
- ▶ 2 different methods for network analysis are
 - PERT (Program Evaluation and Review Technique)
 - CPM (Critical Path Method)

Ratio analysis

- Quantitative method of gaining insight into a company's liquidity, operational efficiency & profitability by studying its financial statements such as the balance sheet and income statement

Examples of Ratio Analysis Categories

- Liquidity Ratios
- Solvency Ratios
- Profitability Ratios
- Efficiency Ratios
- Market Prospect Ratios

Other techniques of risk analysis

- ▶ Sensitivity analysis
- ▶ Probability analysis
- ▶ Decision tree

Some factors which add to the risk

- ▶ The process or product becoming obsolete
- ▶ Declining demand for the product
- ▶ Change in government policy on business
- ▶ Price fluctuations
- ▶ Foreign exchange restrictions
- ▶ Inflationary tendencies



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Financial Analysis of a Project

It is an attempt to look into a number of projected estimates. These are

- ▶ Projected Capital Cost Estimates
- ▶ Projected Operating Cost Estimates
- ▶ Projected Revenue Estimates

Projected Capital Cost Estimates

► Advance Expenditure

- Plant and Machinery Cost
- Cost of Spares
- Freight and Insurance Charges
- Taxes and Duties
- Installation Charges
- Other Overhead Expenses
- Cost of Land
- Cost of Buildings and Civil Works
- Cost of Premises

Projected Operating Cost Estimates

► Cost of Raw Materials

- Cost of Labour
- Energy Cost
- Plant Maintenance Cost
- Cost of Supervision
- Administrative and Management Cost
- Depreciation Charges
- Interest on Borrowings

Operating Revenue Estimates

- ▶ Gross Revenues
- ▶ Net Revenues
- ▶ Gross Margin
- ▶ Operating Profit Before Interest and Tax
- ▶ Profits before Tax (PBT)
- ▶ Profit After Tax (PAT)
- ▶ Retained Earnings

Gross Revenue

- ▶ Gross revenue is the total amount of sales recognized for a reporting period, prior to any deductions
- ▶ The Revenue Forecasting depends for its accuracy on the correct assessment of the projected demand potential and the anticipated sale price of the goods or services
- ▶ A lot of market research or at least an extensive market study is required

Net Revenue

- ▶ Net Revenues = Gross Revenues – (Sales Returns + Allowances + Discounts)
- ▶ Deductions from gross revenue include sales discounts, sales returns & allowances
- ▶ It indicates the ability of a business to sell goods and services, but not its ability to generate a profit

Cost of Goods Sold (COGS)

Cost of Goods Sold includes

- ▶ Raw Material Cost
- ▶ Labour Cost
- ▶ Energy Cost
- ▶ Supervision Cost
- ▶ Repair and Maintenance Cost
- ▶ Royalty and Knowhow Cost
- ▶ Depreciation
- ▶ Incidental Expenditure

Gross Margin & EBIT

- ▶ Gross Margin = Net Revenues – Cost of Goods Sold
- ▶ Operating Profit Before Interest and Tax. Also called Earnings Before Interest & Tax (EBIT)
- ▶ EBIT = Gross Margin – (Total Selling + General Expenses)

PBT, PAT & Retained Earnings

- ▶ Profits Before Tax (PBT) =
EBIT - Interest
- ▶ Profits After Tax (PAT) =
PBT – Income Tax
- ▶ Retained Earnings = PAT –
Dividends

Retained Earnings

- Retained earnings (RE) is the amount of net income left over for the business after it has paid out dividends to its shareholders
- A business generates earnings that can be positive (profits) or negative (losses)
- Positive profits give room to the business owner(s) or the company management to utilize the surplus money earned
- The money not paid to shareholders counts as retained earnings

Proforma Balance Sheet

It is a Projected Balance Sheet based on

- ▶ Proforma Operating Cost Estimates
- ▶ Proforma Operating Revenue Estimates
- ▶ Proforma Profit and Loss Statement

Assets

- ▶ An asset is something that can generate economic value and/or future benefit
- ▶ An asset can generate cash flows in the future, such as a piece of machinery, a financial security, or a patent
- ▶ Personal assets may include a house, car, investments, artwork, or home goods

Different Types of Assets

- ▶ Current assets or short-term assets
- ▶ Fixed assets or long-term assets
- ▶ Tangible assets
- ▶ Intangible assets
- ▶ Operating assets
- ▶ Non-operating assets

Liabilities

- ▶ The term liability signifies all types of account payables
- ▶ These are financial obligations that an individual or a firm must meet in the short run or in the long run
- ▶ Liabilities tend to play a significant role when it comes to financing expansion or ensuring smooth processing of everyday operations or commercial practices

Fixed Assets & Current Assets

- ▶ Fixed Assets : Land, Buildings, Plant and Machinery, Furniture and Fittings
- ▶ Current Assets : Cash, Bank Balances, Marketable Securities, Sundry Debtors, Inventories (raw materials, work in progress and finished goods), Prepaid Expenses
- ▶ Total Assets = Fixed Assets + Current Assets

Liabilities

- ▶ Current Liabilities : Sundry Creditors, Taxes Payable, Bills Payable, Proposed Dividends
- ▶ Capital Stock : Common Stock, Preferred Stock
- ▶ Total Debts : Secured Loans, Unsecured Loans
- ▶ Reserves & Surpluses : Retained Earnings
- ▶ Total Liabilities = Current Liabilities + Capital Stock + Total debts + Reserves & Surpluses

Balance Sheet

- ▶ Balance Sheet shows Assets & Liabilities
- ▶ Total Assets should equal Total Liabilities
- ▶ Projected Capital Cost Estimates, Projected Operating Expenditure & Projected Revenue Streams for the Project used to generate the Proforma Profit and Loss Statement & the Proforma Balance Sheet
- ▶ Proforma Balance Sheet forecasts the projected financial health of the venture



Thank you

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Project Finance

2 vital issues :

- ▶ Capital Required or
Fixed Assets or
Capitalization
- ▶ Composition of
Capital or Capital
Structure

Capital Structure

Objectives are

- ▶ Minimizing the Cost of Capital
- ▶ Maximizing the returns to owners or shareholders of the organization

Project Funds

Project Funds needed for

► Fixed
Financing

Capital

► Working
Financing

Capital

Fixed Capital

- Funds needed for purchasing Fixed Assets

Examples : Plant and Machinery

Furniture &
Fixtures
Building

Need for Fixed Capital

Quantum of Fixed Capital needed depends on factors like

- ▶ Nature of Business
- ▶ Size of Business
- ▶ Leasing Arrangement
- ▶ Presence of Ancillary Units

Need for Fixed Capital (Contd.)

Factors (Contd.)

- ▶ Technology
- ▶ Provision of Sub Contract
- ▶ Trends in the Economy
- ▶ International Business Condition

Sources of Finance for Fixed Assets

- ▶ Borrowing from Public
- ▶ Financial Institutions
- ▶ Lease Financing
- ▶ Retained Earnings
- ▶ Issue of Equity Shares

Sources of Finance for Fixed Assets (Contd.)

- ▶ Issue of Preference Shares
- ▶ Issue of Debentures
- ▶ Term Loans
- ▶ Retained Earnings
- ▶ Deferred Credit
- ▶ Development Loans or Capital Subsidies
- ▶ Unsecured Loans and Deposits

Term Loans

- ▶ Loans are normally for 10 to 25 years
- ▶ Repayment possible in instalments even before due date
- ▶ Loans at fixed rate of interest
- ▶ Risk shared by financial institution and promoter
- ▶ Recruitment of Nominee Director on firm's Board

Working Capital

- ❖ Capital required for running day to day operations of the business
- ❖ Components of Working Capital
 - Cash and bank balance
 - Accounts Receivable
 - Inventory
 - Advances Paid
- ❖ Net Working Capital = Current Assets – Current Liabilities

Inventory

Components of Inventory

- ▶ Stock of raw materials
- ▶ Stock of Finished Goods
- ▶ Stock of In-Process Goods
- ▶ Stores and Spares

Current Assets & Current Liabilities

- ▶ Current Assets are items which are easily convertible into liquid cash within one accounting year. For example, cash & bank balance, bills receivable, inventory
- ▶ Current Liabilities are items which the firm owes to

Debt Equity Ratio

Financial structure of organisation is composed of two parts

- ▶ Equity
- ▶ Debt

The Debt-to-Equity Ratio is calculated by dividing a company's total liabilities by its shareholder equity.

These figures are available on the Balance Sheet of the company



Thank you



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Working Capital

- ▶ Working Capital = Current Assets – Current Liabilities
- ▶ Current Assets : Cash & Bank Balances, Bills receivable, Inventory
- ▶ Current Liabilities : Creditors, Bills Payable

Working Capital Management

Managing Working Capital

- ❑ Estimation of Requirement of Working Capital
- ❑ Procurement of Funds for meeting Working Capital needs

Factors Determining Working Capital Requirement

- ▶ Operating Cycle
- ▶ Sales Volume
- ▶ Seasonality
- ▶ Cyclical Factors
- ▶ Nature of business

Factors Determining Working Capital Requirement

- ▶ Terms of credit
- ▶ Inventory Turnover
- ▶ Technology
- ▶ Contingency
Plans

Factors Determining Working Capital Requirement

Operating Cycle

Operating Cycle is the time period during which Cash gets reconverted back to Cash through a number of processes

Impact of Operating Cycle on Working Capital Requirement

- ▶ Long Operating Cycle Results in More Working Capital Requirement
- ▶ Short Operating Cycle Results in Less Working Capital Requirement

Impact of Seasonality on Working Capital Requirement

- ▶ During Peak Seasons, demand is high & during off Seasons, demand is low for many products & services
- ▶ Peak Season results in Shorter Cash – To – Cash Cycle which results in less Working Capital requirement
- ▶ Off Season results longer Cash – To – Cash Cycle which results in more Working Capital requirement

Factors Involved in Making an Estimation of Working Capital Requirement

- ▶ Cost of buying Raw Material
- ▶ Average Time taken for Raw Materials to get into the process
- ▶ Length of Production Cycle
- ▶ Credit extended to Buyers
- ▶ Credit enjoyed from Suppliers
- ▶ Delayed Wage Payment

Factors Involved in making an estimation of Working Capital **Cost of buying Raw Materials**

Buying raw materials in bulk quantities with heavy discount results in less working capital requirement

Restricting total funds for raw materials procurement in turn will have an impact on working capital management

Length Of Production Cycle

The length of the production process or cycle, will have A direct impact on the length of the operating cycle. If operating cycle is long, the working capital requirement will be more and vice – versa

Sources of Funds for Working Capital

- ▶ Borrowings from banks and other financial institutions
- ▶ Short term finance sources like enjoying more credit period from suppliers
- ▶ Unsecured non – bank short term sources
- ▶ Pledging
- ▶ Factoring

Sources of Funds for Working Capital

- ▶ Bank credit
- ▶ Unsecured public deposits
- ▶ Inter – company deposits
- ▶ Insurance companies like LIC extending short term loans

Sources of Funds for Working Capital

► Unsecured Non – Bank Short Term Sources

These are private loans extended by big customers depending on long standing relationship

At times, to tide over the crisis in working capital management, they also allow interest free advances

Factoring

This means a process under which invoices representing ‘commercial receivables’ are sold to another buyer called “Factor”, at a discount to get instant cash

Inter – Company Deposits

A deposit made by one company with another and normally for a period up to 6 months

These are short term deposits made by one company in another company



Thank you

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Human Resource Management

Variables of Human Behaviour

- ▶ Biographical Characteristics
- ▶ Ability Criteria

Variables of Human Behaviour

Biographical Characteristics are certain characteristics of Individuals like

- ▶ Age
- ▶ Gender

Ability Criteria are capabilities to do the job like

- ▶ Intelligence & Aptitude

Job Performance Parameters

- ▶ Employee Productivity
- ▶ Absenteeism
- ▶ Employee Turnover
- ▶ Employee Loyalty
- ▶ Job Satisfaction

Factors in favour of Age

- ▶ Experience
- ▶ Higher Commitment
- ▶ Judgement Capability
- ▶ Ethical Approach
- ▶ Basic Training not needed
- ▶ Less Supervision needed
- ▶ Can be good Trainer
- ▶ Good Decision Making ability

Factors against Age

- ▶ More Risk Aversion
- ▶ Less Flexibility
- ▶ More Resistance To New Technology

Age versus Employee Productivity

- ▶ No evidence to support the proposition that with age productivity goes down
- ▶ Extensive research has been done and it has been shown that Productivity and Age are really unconnected and unrelated

Absenteeism

- ▶ Means Unauthorized Absence from Work

Types of Absenteeism

- ▶ Avoidable Absenteeism
- ▶ Unavoidable Absenteeism

Absenteeism

- ▶ **Avoidable Absenteeism:** When an employee voluntarily skips going to work
- ▶ **Unavoidable Absenteeism:** When an employee is compelled to skip going to work for reasons not in his control

Age versus Absenteeism

- ▶ Avoidable Absenteeism : Age has an inverse relationship with avoidable absenteeism. Younger in age, more avoidable absenteeism
- ▶ Unavoidable Absenteeism : Age has a direct relationship with unavoidable absenteeism. Older in age, more unavoidable absenteeism

Age versus Productivity

- ▶ There is no evidence to support the proposition that with age productivity goes down.
- ▶ Extensive research has been carried out and it has been shown that productivity and age are really unconnected and unrelated.

Age versus Employee Turnover

- ▶ There is an inverse relationship between employee age and employee turnover in organisations
- ▶ With increased age, chances of employee turnover go down

Age versus Job Satisfaction

- ▶ No clear relationship between employee age & employee job satisfaction
- ▶ Entrepreneur has to do job design in a manner where the job is likely to give satisfaction to not only an older employee but also attract and retain young talent

Gender versus Absenteeism

- ▶ Women normally exhibit higher levels of Absenteeism in organisational life compared to men, at least in the Indian context.
- ▶ Women in India are more responsible for home affairs compared with men

Gender versus Employee Turnover

- ▶ Generally, there is little to suggest that women leave jobs more frequently compared to men or the other way round.
- ▶ In India, women tend to leave jobs and go back to family roles more often than their counterparts in the west.

Thank you

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Human Resource Management

What is Human Ability ?

- ▶ It is an important variable that defines human behaviour
- ▶ Ability is the capacity of an individual to perform a given task
- ▶ Entrepreneurs need to hire people with the right abilities

Types of Ability

- ▶ Intellectual Ability
- ▶ Physical Ability

Intellectual & Physical Abilities

- ▶ Intellectual Abilities : required to perform mental activities like thinking, reasoning, computing, communicating, problem solving, etc.
- ▶ Physical Abilities : attributes that are required to be present in an individual for carrying out certain physical tasks that involve strength, stamina, eyesight, hearing, balance, co-ordination between body parts, etc

7 Dimensions of Intellectual Ability

- ▶ Numerical Ability
- ▶ Verbal Comprehension
- ▶ Perceptual Speed
- ▶ Inductive Reasoning
- ▶ Deductive Reasoning
- ▶ Spatial Visualisation
- ▶ Memory

Numerical Ability, Verbal Comprehension & Memory

- ▶ Numerical ability is the ability to work with numbers
- ▶ Verbal comprehension is a person's ability to understand a spoken message using a natural language
- ▶ Memory is the ability to retain and recollect knowledge or information

Inductive & Deductive Reasoning

- ▶ Inductive Reasoning is the ability of an individual to study past trends in order to forecast what is going to happen in the future
- ▶ Deductive Reasoning is the ability of an individual to think logically in order to find out underlying reasons

Perceptual Speed & Spatial Visualization

- ▶ Perceptual Speed is the ability of an individual to identify perceptual similarities and differences quickly and accurately
- ▶ Spatial Visualization is the ability of an individual to visualize space in three dimensions

Intelligence Quotient (IQ)

- ▶ IQ is a measure of a person's relative intelligence in performing intellectual tasks
- ▶
$$IQ = \frac{\text{Mental Age of a person}}{\text{Chronological Age}} \times 100$$
- ▶ Mental Age is computed as an outcome of some special standardized IQ tests
- ▶ High IQ is not a prerequisite for all kind of jobs
- ▶ Higher IQ is required for intellectually demanding jobs

Intelligence

Intelligence is the ability to think, to decode information, to learn from experience, to solve problems and to adapt to new situations

Types Of Intelligence

- ▶ Cognitive Intelligence
- ▶ Social Intelligence
- ▶ Emotional Intelligence
- ▶ Cultural Intelligence

Cognitive Intelligence

- ▶ Cognitive Intelligence is a measure of one's ability to perform mental tasks like information processing, analytical reasoning, problem solving, decision-making, etc.

Social & Emotional Intelligence

- ▶ Social Intelligence is a measure of how well one gets along with others and how effectively one can get work done with the help of others
- ▶ Emotional intelligence is the ability of a person to deal with one's emotions, the

Cultural Intelligence & EQ

- ▶ Cultural Intelligence is the awareness of cross-cultural differences and the ability to function successfully in cross cultural situations
- ▶ EQ or emotional quotient is the ability to identify and manage one's own emotions and emotions of others in different situations

Importance Of Intelligence To Entrepreneur

- ▶ Entrepreneurs are naturally interested in understanding the intelligence levels of employees who would be the most important assets for him in the organization.
- ▶ A proper assessment of intelligence will help him find the right person for the right job



Thank you

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- Human Resource Management
- Human resources handle & control all other resources
- To handle & control human resources, efficient & effective Leadership is needed
- Who will provide leadership ?
- The Entrepreneur has to be the first leader

Human Resource Management

The thrust of this episode is on

Leadership

Leader

- Who is a Leader ?
- A Leader is the one who

✓ Knows the way

✓ Shows the way

✓ Goes the way

Leader versus Manager

- A manager is appointed, a leader evolves
- A manager has subordinates, a leader has followers
- Subordinates do not choose their manager, followers choose their leader
- A manager has a target, a leader has a vision
- A manager enjoys formal authority, a leader has informal power

Leader versus Manager (contd.)

- A manager operates in a structured environment, a leader has to operate in an unstructured environment
- Managers are found in organizations, leaders are found in all spheres of life
- Subordinates are duty-bound to obey their managers, followers act voluntarily to execute the leader's orders

- Personality **Personality & Leadership** which means a Mask
- It is the sum total of certain characteristics (traits) that makes every individual different from all others – the way he reacts to ideas or situations or interacts with people and this is how he is perceived by people around him
- Research has tried to find out the common traits among successful leaders from different fields

Personal Qualities of Leaders

- Ambition and Energy
- Desire to Lead
- Honesty and Integrity
- Self-Confidence
- Intelligence
- High-Self Monitoring
- Job-Relevant Knowledge

Big 5 Model of Personality Traits

- Extraversion
- Agreeableness
- Conscientiousness
- Emotional Stability
- Openness to Experience

- The ability to ~~Exaggeration~~ extension to all kinds of people, the ability to communicate effectively with different groups of stakeholders
- Strong communication skills in one-to-one as well as in one-to-many situations
- Ability to impress and inspire through public speaking

- The ability to ~~Agreeable leader~~ is different kinds of people

- A leader needs to be warm & friendly towards others
- A leader needs to be of a co-operating nature
- A leader needs to be trustworthy so that people can repose their faith & confidence in him

It is a fundamental personality trait, the tendency to be

- responsible
- organized
- hardworking
- goal-directed
- willingness to adhere to norms and rules

- The ability to **Emotional Stability** in the face of adversity, to maintain balance & to win over situations
- An emotionally stable person is someone who is not easily ruffled by any situation
- Such a person has a lot of self-confidence & he has control over situations
- He does not allow mental turbulence to show on the surface

A person who is Openness to Experience

- the ability & the willingness to experiment
- the ability to take measured risks
- the ability to be creative & innovative
- the willingness to learn
- the ability to be sensitive

Thank you

ENTREPRENEURSHIP MANAGEMENT

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Leadership

2 sets of Theories

- ❑ Trait Theories of leadership
- ❑ Behavioural Theories of Leadership

Behavioural Theories

- ▶ Ohio State University Studies
- ▶ Michigan State University Studies
- ▶ Managerial Grid (Blake & Mouton)

Ohio State University Studies

Used the Leader Behaviour Description Questionnaire. 2 Dimensions emerged :

- ❖ Initiating Structure: These leaders believed in formal roles. Task-orientation
- ❖ Consideration: These leaders believed in relationships. People-orientation

Michigan Studies

- ▶ Findings similar to Ohio Studies
- ▶ 2 Dimensions emerged

▶ Production
Orientation

▶ Employee
Orientation

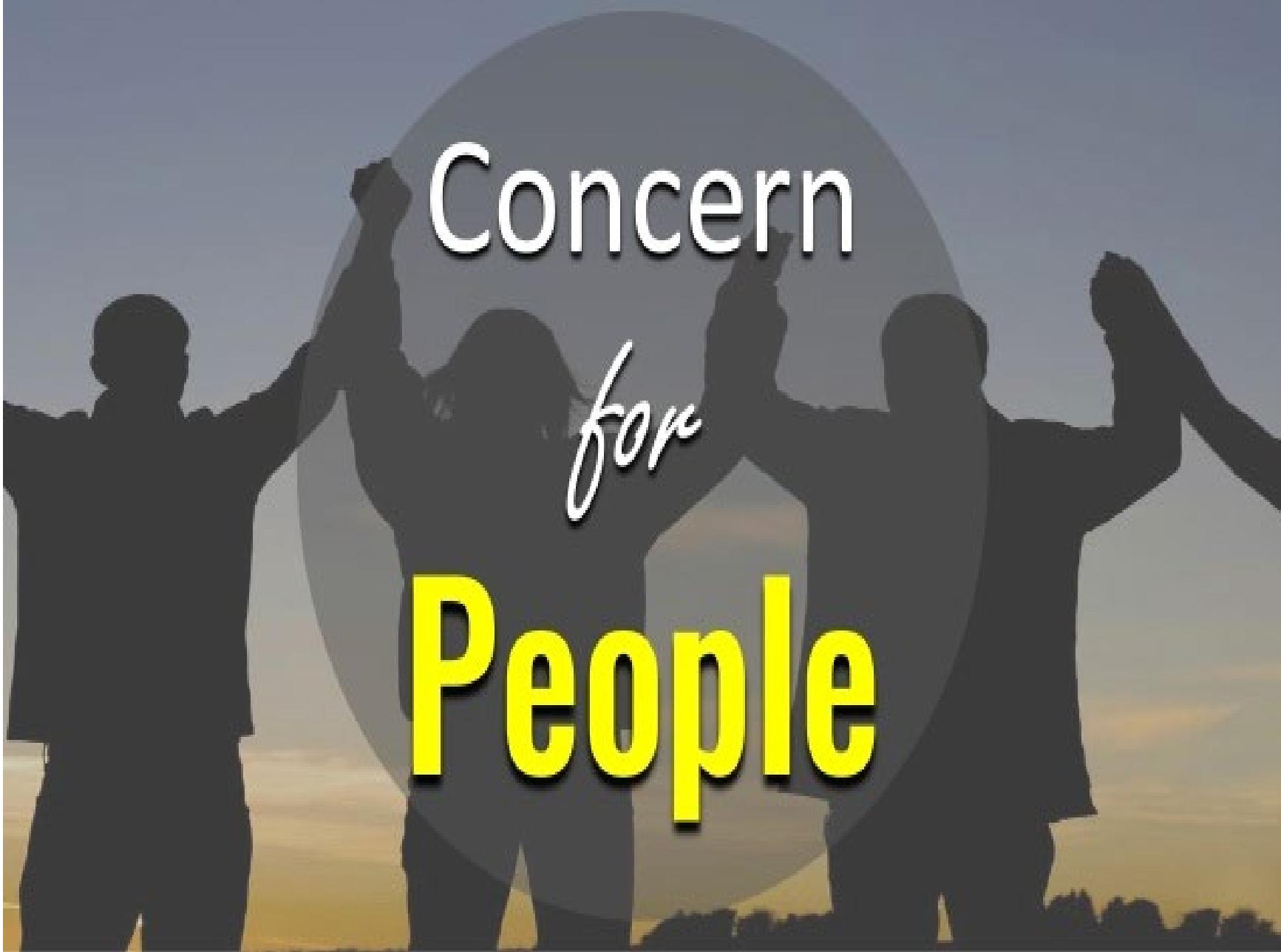
The

Blake Mouton

Managerial Grid

prepared by:
Ronald M. Quileste
PhD in Education - 1

TWO Behavioral Dimensions



Concern
for
People

Concern for Results



task
oriented



people
oriented

Concern for People

HIGH

Country Club
Management
(1,9)

Team
Management
(9,9)

Middle of the Road

Management
(5,5)

(1,1)
Impoverished
Management

(9,1)
Authority –
Compliance
Management

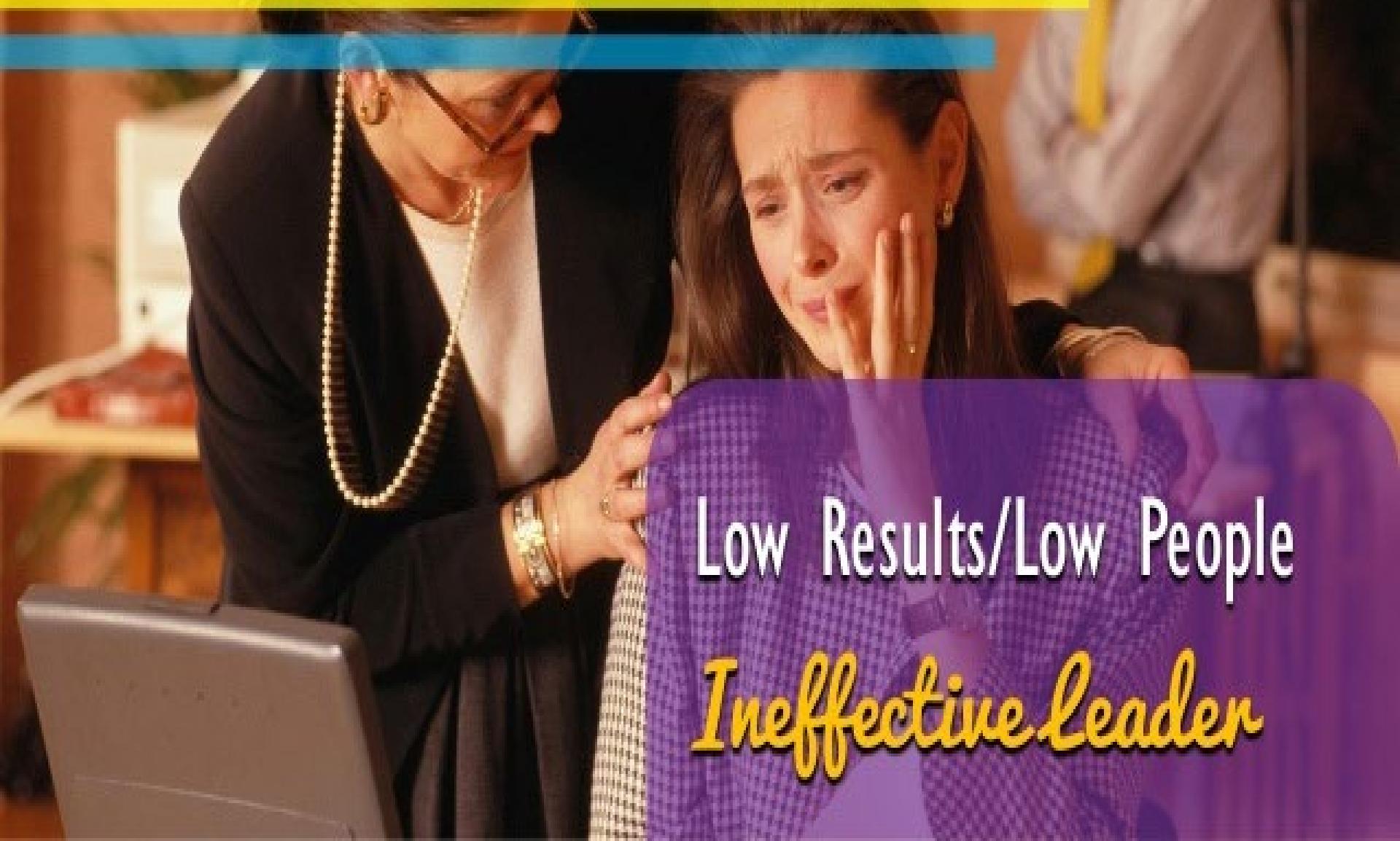
LOW

Concern for Results

Managerial
Grid
by
Blake and
Mouton
(1964)

HIGH

Impoverished Management



Low Results/Low People

Ineffective Leader

Country Club

Management

- High People / Low Results



A man in a dark suit jacket and white shirt is leaning over a woman with short brown hair, holding a red spray paint can. He appears to be spraying her face. The woman is looking up at him with a surprised or distressed expression. The background is a plain, light-colored wall.

Authority Compliance *Management*

High Results / Low People

- medium results / medium people



Middle-of-the-Road *management*

A collage of several photographs showing diverse business professionals (men and women) smiling and interacting in an office environment. The images are slightly blurred and overlapping.

Team Leadership

- high production / high people



Contingency Theories of Leadership

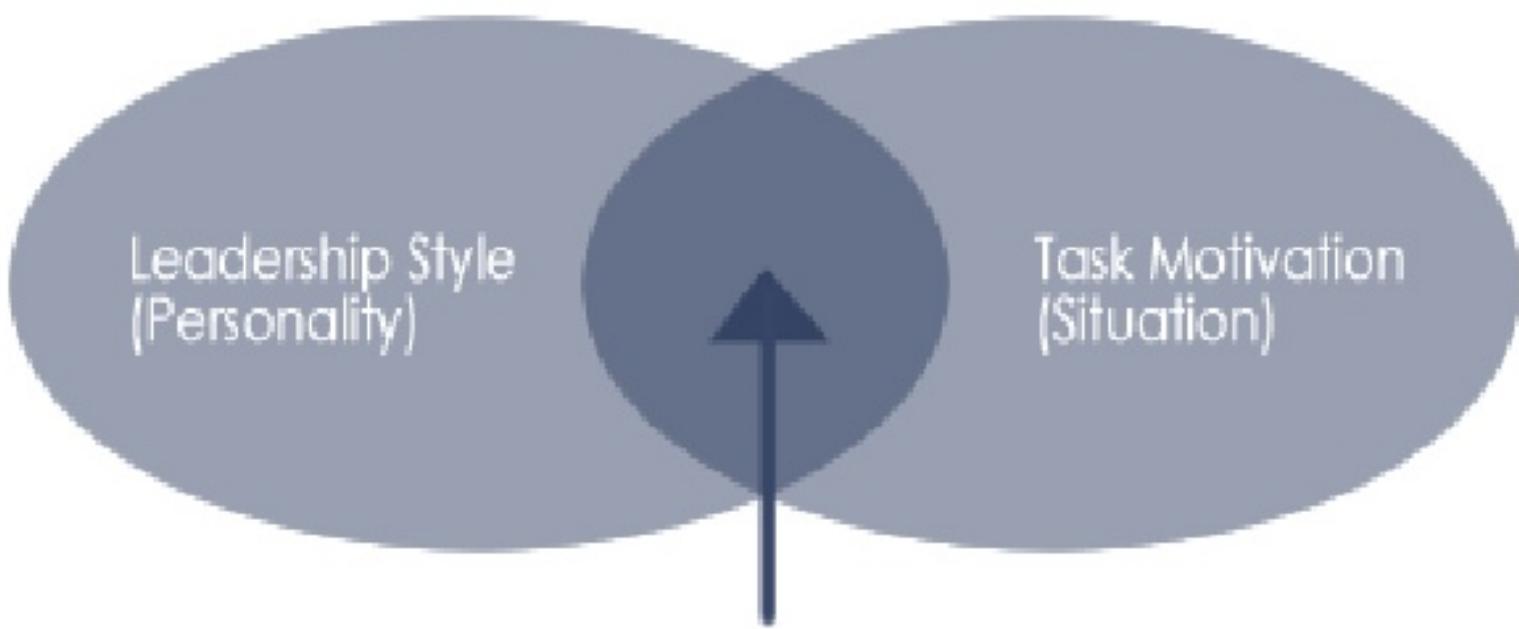
Fiedler's Contingency Model

Fiedler Model: The Leader

Assumption: Leader's style is fixed and can be measured by the least preferred co-worker (LPC) questionnaire.

Least Preferred Co-Worker (LPC) Questionnaire

The way in which a leader will evaluate a co-worker who is not liked will indicate whether the leader is task- or relationship-oriented.

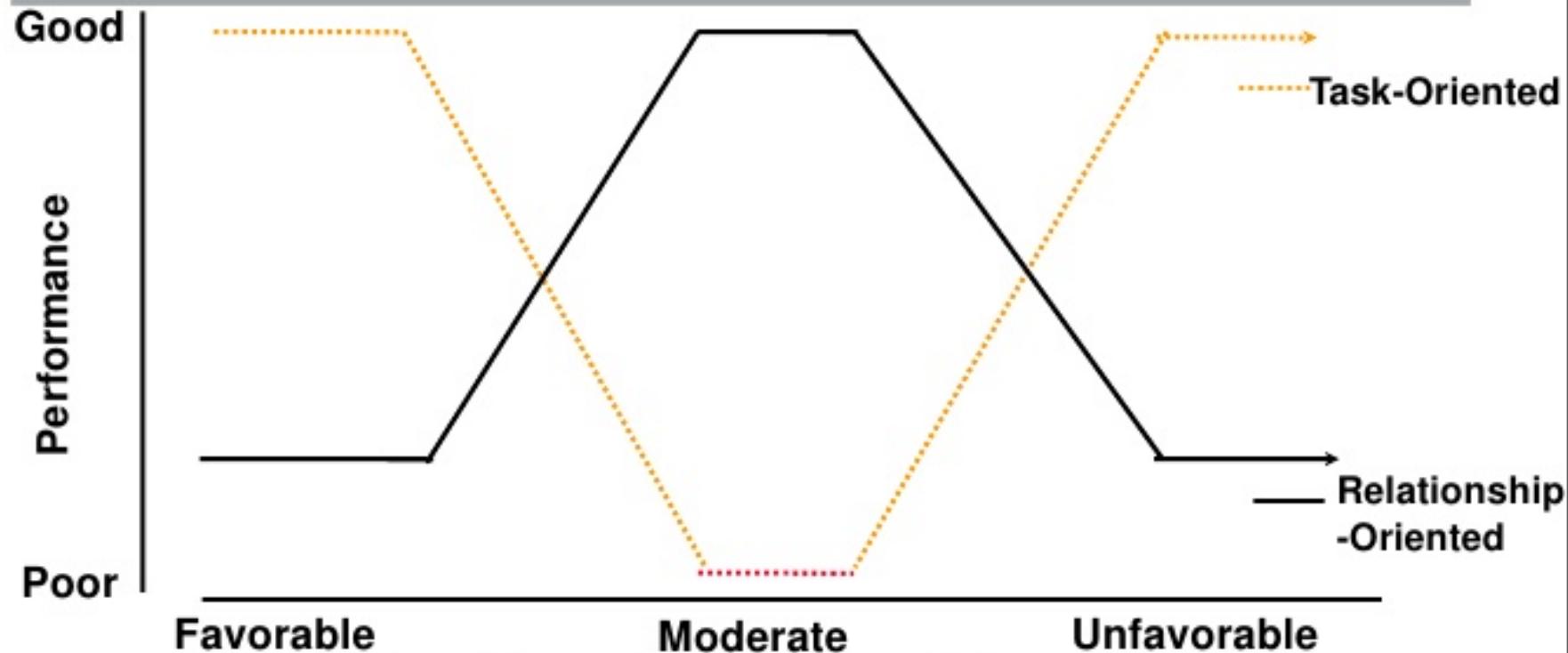


Leadership effectiveness -
Characteristic and situation

Fiedler's Contingency model

- Fiedler's model assumes that group performance depends on:
- Leadership style, described in terms of task motivation and relationship motivation.
- Situational favorableness, determined by three factors:
 - 1. Leader-member relations - Degree to which a leader is accepted and supported by the group members.
 - 2. Task structure - Extent to which the task is structured and defined, with clear goals and procedures.
 - 3. Position power - The ability of a leader to control subordinates through reward and punishment.

Findings of the Fiedler Model



- Category
- Leader-Member Relations
- Task Structure
- Position Power

Representation of Fiedler's Contingency Model

Situational Control	High Control Situations			Moderate Control Situations			Low Control Situations	
Leader-member relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	High	High	High	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Strong	Strong	Weak
Situation	I	II	III	IV	V	VI	VII	VIII
<i>Optimal Leadership Style</i>			<i>Task Motivated Leadership</i>			<i>Relationship Motivated Leadership</i>		



Thank you

ENTREPRENEURSHIP MANAGEMENT

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Situational Leadership

- Hersey & Blanchard Model
- Leader- Member Exchange (LMX) Model
- Path – Goal Theory

Hersey & Blanchard Model

- Leader Behaviour should be adjusted to suit Maturity levels of Followers
- 4 levels of follower maturity / development

Follower Readiness (Maturity)

Followers who are

- Unable & Unwilling (R1/M1)
- Unable but Willing (R2/M2)
- Able but Unwilling (R3/M3)
- Able & Willing (R4/M4)

Maturity levels

According to Hersey and Blanchard, maturity levels can be broken down into four different levels:

M1 : People lack knowledge, skill and confidence to work and often need to be pushed and supervised.

M2 : People are willing to work but cannot independently take responsibility for the work.

M3 : People are very experienced and are able to take up tasks independently but do not have the confidence to take sole responsibility.

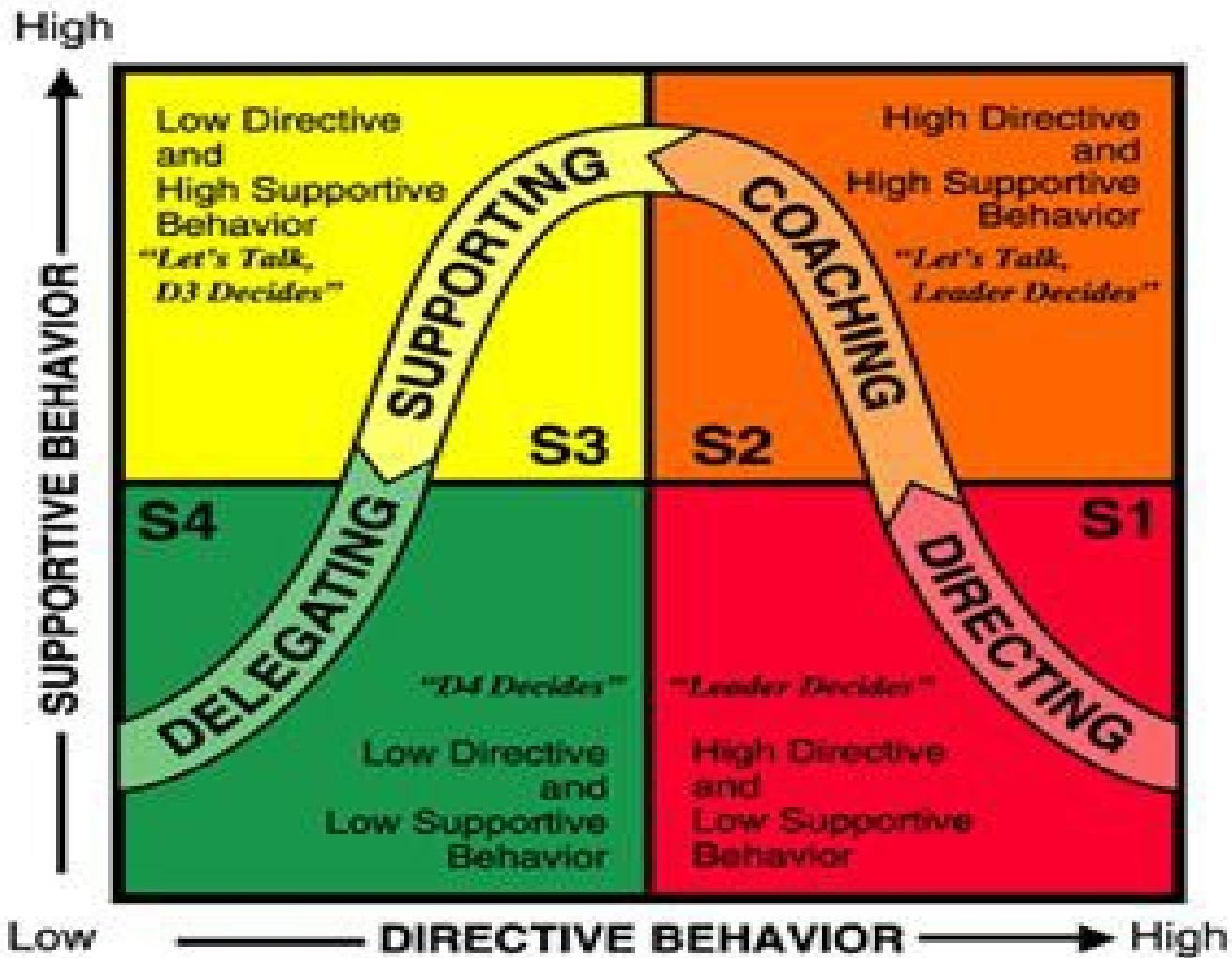
M4 : People have high abilities and confidence and are willing to take individual responsibility of the tasks.

- Telling/Directing (High Task, Low Relationship) : S1
- Selling/Coaching (High Task, High Relationship) : S2
- Participating (Low Task, High Relationship) : S3
- Delegating (Low Task, Low Relationship) : S4

Situational Leadership Model (SLM) Template

Hersey Blanchard Situational Leadership Theories

S1	Directing	Leader defines the roles of the individual or group and provides the what, how, why, when and where to do that task.
S2	Coaching	While the leader is still providing the direction, he or she is now using two-way communication and providing the socio-emotional support to "sell" their message to get people on board.
S3	Supporting	Leader shares decision-making about aspects of how the task is accomplished and the leader is providing less task behaviors while maintaining high relationship behavior
S4	Delegating	Leader is still involved in decision; however, the process and responsibility has been passed to the individual or group. The leader stays involved to monitor progress.



What is the LMX theory?

“The LMX theory conceives leadership as a process that is focused on the *interactions* between a leader and subordinates”
(Northouse, 2010, p. 147).

- ❖ Traditionally, researchers thought of leadership as something that was done at a **group** level.
- ❖ Unlike the trait or skills approach, the LMX theory focuses on an **interactive** relationship; not just on the leader or follower.

Theory Significance

LMX theory challenges the belief that leaders should interrelate with and have the same association with *every* member of their group. This theory addresses the issue that people are vastly different and need to be interacted with as such.

In-group Privileges



- Preferential treatment from leaders, upper management, CEO's, etc
- Better, higher quality information exchange
- Free access to leadership for feedback, signatures, etc.
- Better chance to receive higher marks on performance feedbacks
- Access to resources (paper, money, staffing, etc)

Out-group Realities



- Lack of access to resources, leadership input, fair feedback.
- Limited trust and information exchanges with leadership
- Feelings of neglect and loss of team identity
- Lower production and morale

Path - Goal Theory

- ✓ Developed by Robert House
- ✓ A theory which describes:

How leaders can motivate their followers to achieve group and organizational goals and the kinds of behaviors leaders can engage into motivate followers.



Path-Goal Theory: Brief Description

- ✓ It is about how leaders motivate followers to accomplish designated goals
- ✓ The stated goal of leadership is to enhance employee performance and employee satisfaction by focusing on employee motivation
- ✓ Emphasizes the relationship between the leader's style and characteristics of the followers and the work setting
- ✓ The leader must use a style that best meets the followers motivational needs

Guidelines for Path-Goal Theory

- ✓ Determine what outcomes subordinates are trying to obtain in the workplace
- ✓ Reward subordinates for performing at a high level or achieving their work goals by giving them desired outcomes
- ✓ Make sure subordinates believe that they can obtain their work goals and perform at a high level

Leadership Behaviors

- ✓ Directive leadership
- ✓ Supportive Leadership
- ✓ Participative Leadership
- ✓ Achievement-Oriented Leadership

Note: House assumes leaders are flexible, can display any behaviors depending on the situations

Subordinate Characteristics

- ✓ Need for affiliation: prefer supportive leadership
- ✓ Preferences for structure: prefer directive leadership
- ✓ Desires of control: prefer participative leadership
- ✓ Self-perceived level of task ability: prefer achievement orientated leadership

Path-Goal Theory



Path–Goal Leadership

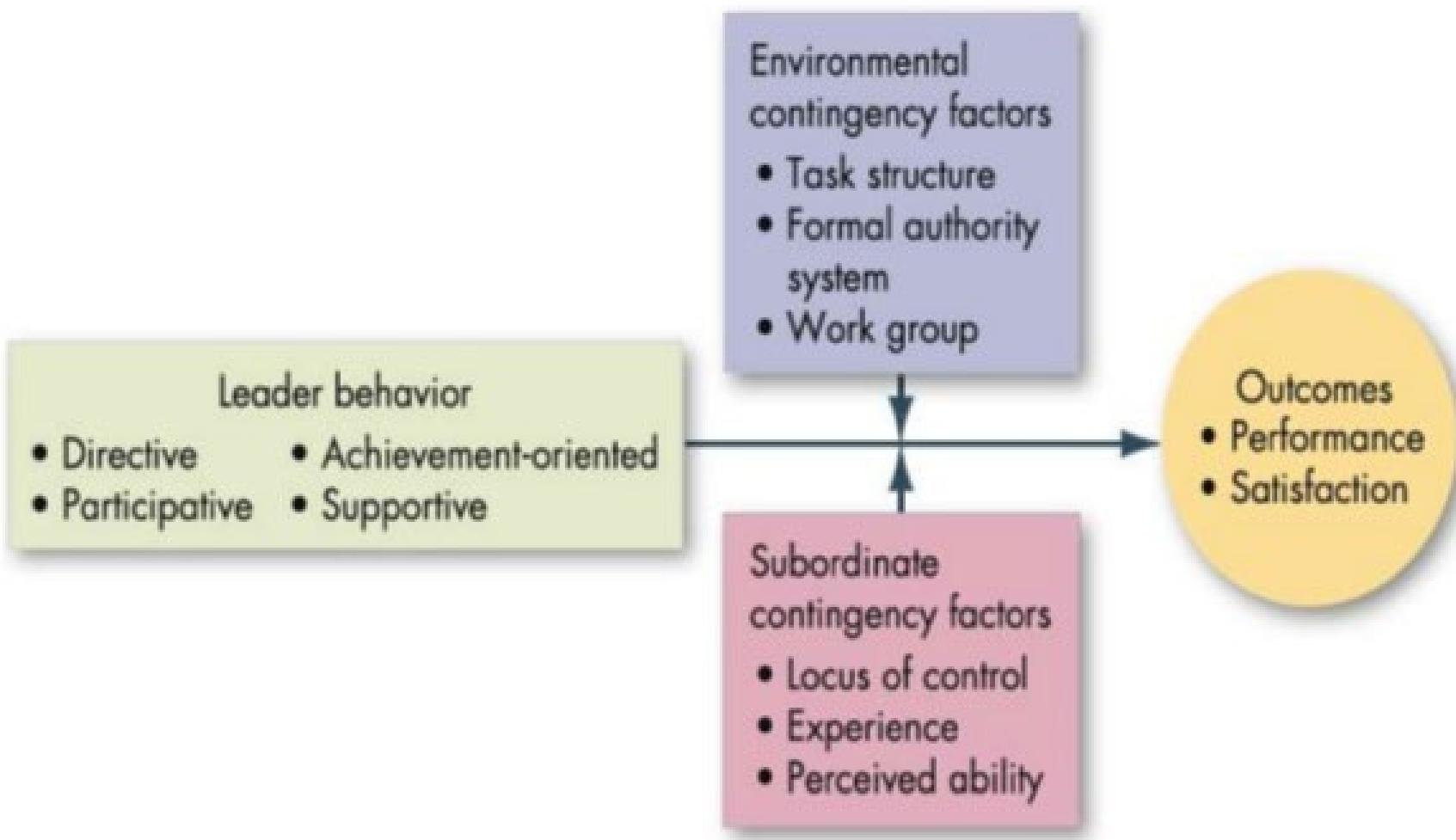
- Defines goals
- Clarifies path
- Removes obstacles
- Provides support



Path-Goal Theory: How It Works

LEADER BEHAVIOR	GROUP MEMBERS	TASK CHARACTERISTICS
DIRECTIVE LEADERSHIP <i>Provides guidance and psychological structure</i>	Dogmatic Authoritarian	Ambiguous Unclear rules Complex
SUPPORTIVE LEADERSHIP <i>Provides nurturance</i>	Unsatisfied Need affiliation Need human touch	Repetitive Unchallenging Mundane & mechanical
PARTICIPATIVE <i>Provides involvement</i>	Autonomous Need for control Need for clarity	Ambiguous Unclear Unstructured
ACHIEVEMENT ORIENTED <i>Provides challenges</i>	High expectations Need to excel	Ambiguous Challenging Complex

Path -Goal Variables and Predictions



Thank you

ENTREPRENEURSHIP MANAGEMENT

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Factories Act, 1948

Objectives

- An act to consolidate and amend the law regulating workers in factories
- To regulate working conditions of the workers in the factory
- To ensure that basic requirements of health, safety and welfare of the factory workers are provided by the employer (owner)

Important Definitions

- Factory
- Adult
- Adolescent
- Child
- Calendar Year
- Worker

Definition Of Factory

Section 2(m)

Factory means “any premises including precincts (the area surrounded by the boundary walls) thereof whereon

- I) 10 or more workers are/were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or

Definition of Factory (Contd...)

ii) 20 or more workers are/were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on”.

“Adult” means a person who has completed his/her eighteenth year of age.

“Adolescent” means a person who has completed his/her fifteenth year of age but has not completed his/her eighteenth year.

Definition of Child & Calendar Year

“Child” means a person who has not completed his/her fifteenth year of age.

“Calendar year” means the period of twelve months beginning with the first day of January in any year.

Definition of Worker

“Worker” means a person employed, directly or through any agency (including a contractor) with or without the knowledge of the principal employer, whether for remuneration or not, in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any other kind of work incidental to, or connected with, the manufacturing process, or the subject of the manufacturing process.

Chief Inspector of Factories

He is the government functionary who is empowered to visit factories and take important decisions regarding the running of factories and he can also, if needed, force the employer or the entrepreneur to strictly follow the provisions of the Factories Act or face penalties in case of violations

Health & Hygiene of Factory Workers

The act provides for certain health & hygiene practices to be followed for the Factory workers

- Cleanliness – section 11
- Disposal of wastes and effluents – section 12
- Ventilation and temperature – section 13
- Dust and fumes – section 14

Health & Hygiene of Factory

Workers (Contd.)

- Artificial Humidification – Section 15
- Over Crowding – Section 16
- Lighting – Section 17
- Drinking Water – Section 18
- Latrines And Urinals – Section 19
- Spittoons – Section 20

Provisions on Cleanliness

Cleanliness

- Every factory shall be kept clean and free from effluents arising from any drainage system
- No accumulation of dust and dirt
- Floor has to be cleaned once every week
- Walls, partitions and ceiling of workplace – repainting once in every three years

Disposal of Wastes & Effluents

- State governments are required to make rules for effective arrangements for disposal of manufacturing waste or effluent.
- There are pollution control boards to ensure that industrial effluents are treated first and then disposed.

Ventilation & Temperature

- Adequate ventilation for circulation of fresh air in the work room in natural ways or by artificial means
- Room Temperature also should be kept at a comfortable level

Dust & Fumes

- The act states that, if required, exhaust appliances should be installed near the origin of such dust and fumes
- Exhaust fans will have to be installed, if needed, so that people do not have to cough and feel irritated due to dust & fumes.

Artificial Humidification

- In all factories, humidity of the air has to be artificially increased
- State government may make rules prescribing the standard of humidification and conduct tests for determining the humidity of the air and providing arrangement for cooling of the air

Overcrowding

- No room in any factory shall be overcrowded
- In every workroom of a factory, individual space to the extent of minimum 9.9 cubic meters per worker to be provided.
- In every workroom of a factory built after the commencement of this act, individual space to the extent of minimum 14.2 cubic meters per worker to be provided.

Lighting

- There shall be provided and maintained sufficient and suitable lighting natural or artificial or both in every part of the factory
- State government is to prescribe the standard of sufficient and suitable lighting or illumination for different classes of factories

Drinking Water

- Effective arrangements are to be made to provide and maintain at suitable points sufficient supply of purified drinking water
- All ~~such points shall be marked legibly “drinking water” in a language understood by majority of workers and shall be situated six metres away from any washing place, urinals or latrines.~~
- Factory employing 250 workers or more should supply cold drinking water during summer.

Latrines & Urinals

- Separate enclosed accommodation of latrines and urinals for male and female workers
- Such accommodation shall be lighted and ventilated and maintained in a clean and sanitary condition
- In every factory where more than 250 workers are employed, toilets of prescribed sanitary types should be provided at convenient places accessible to workers at any time while they are in the factory

Spittoons

- Sufficient number of spittoons should be provided in clean and hygiene condition.
- No person shall spit within premises of a factory except in the spittoons provided for the purpose.
- Whoever spits in contravention of above shall be punishable with fine not exceeding 5 (five) rupees.

Thank you

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Factories Act, 1948

Safety Provisions

Sections 21 - 41 discuss safety provisions for workers working in factories

- ▶ Fencing of machinery - section 21
- ▶ Employment of young persons on dangerous machines - section 23

Factories Act, 1948

Safety Provisions (Contd..)

- ▶ Striking gear and devices for cutting off power - section 24
- ▶ Self acting machines - section 25
- ▶ Casing of new machinery - section 26
- ▶ Prohibition of employment of women and children near cotton openers - section 27
- ▶ Hoists and lifts - section 28

Factories Act, 1948

Safety Provisions (Contd.)

- ▶ Lifting Machines, Chains, Ropes and Lifting Tackles - Section 29
- ▶ Revolving Machinery - Section 30
- ▶ Pressure Plant - Section 31
- ▶ Floors, Stairs & Means of Access - Section 32
- ▶ Pits, Sumps, Openings in Floor, etc. - Section 33
- ▶ Excessive Weights - Section 34

Factories Act, 1948

Safety Provisions (Contd.)

- ▶ Protection of Eyes - Section 35
- ▶ Precautions against Dangerous Fumes, Gases, etc. - Section 36
- ▶ Precautions regarding Use of Portable Electric Light - Section 36A
- ▶ Explosive or Inflammable Dust, Gas, etc. - Section 37
- ▶ Precautions in case of Fire - Section 38

Factories Act, 1948

Safety Provisions (Contd.)

- ▶ Power to Require Specifications of Defective Parts or Tests of Stability - Section 39
- ▶ Safety of Buildings & Machinery - Section 40
- ▶ Maintenance of Buildings - Section 40A
- ▶ Safety Officer - Section 40 B
- ▶ Power to make rules to supplement this Chapter

Important Provisions of Safety

- ▶ Employment of young persons on dangerous machines - section 23
- ▶ Prohibition of employment of women and children near cotton openers - section 27
- ▶ Safety Officers - Section 40B

Employment of Young Persons on Dangerous Machines - Section 23

A young person must not be allowed to work on dangerous machines unless he has been fully instructed about the danger arising in connection with the working of that machine and the precautionary to be observed thereof.

Prohibition of Employment of Women & Children near Cotton Openers - Section 27

No woman or child shall be employed in any part of a factory for pressing cotton in which a cotton opener is at work.

Safety Officers - Section 40B

Where there are 1,000 or more workers employed, in the opinion of the state government any manufacturing process or operation is carried on and it involves a risk of injury, etc., the state government may require the occupier of the factory to employ safety officers whose qualifications & conditions of service shall be such as may be prescribed by the state government.

Welfare Provisions

Sections 42 - 50 discuss Welfare Provisions for Workers working in factories

- ▶ Washing Facilities - Section 42
- ▶ Facilities for storing & drying clothing - Section 43
- ▶ Facilities for sitting - Section 44

Welfare Provisions (Contd.)

- ▶ First Aid Appliances - Section 45
- ▶ Canteens - Section 46
- ▶ Shelters, Rest Rooms & Lunch Rooms - Section - 47
- ▶ Crèches - Section 48
- ▶ Welfare Officers
- ▶ Power to make rules to supplement this Chapter

Important Provisions of Welfare

- ▶ Canteens - Section 46
- ▶ Crèches - Section 48
- ▶ Welfare Officers -
Section 49

Canteens - Section 46

A canteen facility shall be provided in factories where 250 or more workers are employed. The state government is empowered to make rules pertaining to the date by which the canteen shall be provided, the standard in respect of construction, accommodation, furniture and other equipment for the canteen.

Crèche - Section 48

A suitable room or rooms shall be provided in every factory where 30 women workers are employed for the use of children under the age of 6 years of such women. The state government is empowered to make rules in regard to its construction, accommodation, etc.

Welfare Officers - Section 49

In every factory wherein 500 or more workers are employed, the occupier shall employ in the factory such number of Welfare Officers as may be prescribed. The duties, qualifications & conditions of service of such welfare officers shall be such as may be prescribed by the state government.

Thank you