

Management & Entrepreneurship**10AL51**

MANAGEMENT AND ENTREPRENEURSHIP**Sub Code: 10 AL 51**
Hours: 03**IA Marks: 25**
Total Hrs: 52**Hrs/Week: 04 Exam**
Exam Marks: 100**PART – A****MANAGEMENT****UNIT – 1**

MANAGEMENT: Introduction – Meaning – nature and characteristics of Management, Scope and functional areas of management – Management as a science, art or profession – Management & Administration – Roles of Management, Levels of Management, Development of Management Thought – early management approaches - Modern management approaches.

7 Hours

UNIT – 2

PLANNING: Nature, importance and purpose of planning process – objectives – Types of plans (Meaning only) – Decision making – Importance of planning – steps in planning & planning premises – Hierarchy of plans.

6 Hours

UNIT – 3

ORGANIZING AND STAFFING: Nature and purpose of organization – principles of organization

- Types of organization – Departmentation – Committees – Centralisation Vs Decentralisation of authority and responsibility – Span of control – MBO and MBE (Meaning only) Nature and importance of Staffing – Process of Selection & Recruitment (in brief).

6 Hours

UNIT – 4

DIRECTING & CONTROLLING: Meaning and nature of directing – Leadership styles, Motivation Theories, Communication – Meaning and importance – Coordination, meaning and importance and Techniques of Co-ordination. Meaning and steps in controlling – Essentials of a sound control system – Methods of establishing control (in brief).

7 Hours

PART – B

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ENTREPRENEURSHIP**UNIT – 5**

ENTREPRENEUR: Meaning of Entrepreneur, Evolution of Concept, Functions of Entrepreneur, Types of Entrepreneur, Entrepreneur - An emerging class. Concept of Entrepreneurship – Evolution of Entrepreneurship, Development of Entrepreneurship, Stages in entrepreneurial process, Role of Entrepreneurs in Economic Development; Entrepreneurship in India; Entrepreneurship - its Barriers.

7 Hours

UNIT – 6

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

7 Hours

UNIT – 7

INSTITUTIONAL SUPPORT: Different Schemes, TECSOK, KIADB; KSSIDC; KSIMC; DIC Single Window Agency; SISI, NSIC, SIDBI, KSFC.

6 Hours

UNIT – 8

PREPARATION OF PROJECT: Meaning of Project, Project Identification, Project Selection, Project Report, Need and significance of project, Contents, formulation, Guidelines by Planning Commission for Project Report, Network Analysis, Errors of Project Report, Project Appraisal. Identification of Business Opportunities. Market Feasibility Study: Technical Feasibility Study, Financial Feasibility Study & Social Feasibility Study.

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Unit 1 – Management

Meaning

1. George R Terry, management is distinct process consisting of planning, organizing, actuating & controlling performance to determine & accomplish the objectives by the use of 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 forts 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.

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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 economic way. The proper use of men, machines, money will help a business to earn sufficient 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 future 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 sum 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 other 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 it is clear that 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 & discipline. It does not restrict the entry of people in to managerial jobs with a special academic degree. We can conclude that there 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 management 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.

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Basic difference	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 consist 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 particular situation. The three important roles played by a manager are interpersonal roles. Decision roles & information roles.

Interpersonal roles: These includes figure head, leader & liaison rolesIn 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.

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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 has to 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 share holders & 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 particular 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 the purpose of executing the plans
- Assemble the resource: Execute the plans; the resources of men, machines, materials & money have to 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.

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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 employees 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 & have to 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 situations 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 labour 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 are

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 the 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 particular 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 particular 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 lead to the increased production and profits to both

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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 me
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 the purpose of 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.etc. An optimum mix of these critical variables is arrives 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.

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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 as a whole, 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 particular 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.

Unit 2 - Planning

Planning: It is the scientific direction to managers to move is 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.

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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 free 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, programmes & 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 companies 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 & programmes are predetermined & every decision & action should be within the frame work of predetermined policies & procedures & programmes.
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 cases 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 make it realistic sufficient 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 involves in the planning process fail to formulate correct plans. Same reasons are lack of commitment to planning Filene 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 sufficient 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 on the basis of 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 in reference to cost, speed, quality & select best course of action.

7. Determining secondary plans

This is to support the basic plan. For example a number of secondary plans for purchasing of raw materials, acquisition of plant & machinery & aiming of workers have to 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

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Managerial level

- 1.Strategic
2. Administrative
- 3.Operational

Repetitiveness of operation

1. Standing plan
2. Single use plan.

Planning is also classified on basis of scope

1. Company wise or master plan
2. 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 programmer & budgets.

Planning premises:

Planning premises are certain assumptions about the future on the basis of which the plan will be ultimately formulated planning premises are chital to the success of planning as they supply pertinent facts & inf rastructure relating to the future such as Population trends general economic conditions, Production costs & pries, 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 come to a conclusion.

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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, where as 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 particular 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 number 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, strategies, rules, Procedures etc are standing plans because once they are

Unit 3 – 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 discredions
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 principles of the organization there should be same agency to Co-ordinate the activates of various departments.

4. **Principles of authority & responsibility:** The authority flows down 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 amenable 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.

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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.

Scalar principle: this principle refers to the nautical placement of supervisors' stultify from top & going to lower level. The alas chain is a pre-requisite for effective & efficient organization.

Concepts of organization:

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

Dynamic concept: Under dynamic the tum organization is a process of ongoing activity. I 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 in to activities & functions. Organization helps in dividing the work in to 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 gimp. An organization cannot be constituted by one person. It requires all east two or more person. It helps in cuating meaningful relationships among persons.

5. Well-defined authority – dispensability 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 particular form of organization structure largely depends upon the nature scale & size of business. The following are some important form 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 through which authority flows. This is the simplest & oldest type as chain of command or scalar principle. This is a vertical structure one person delegates 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 the purpose of control & direction. Departmental line: It divides the enterprise into 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 particular function are put under the charge of a person controlling the particular function. F.W Taylor, father of scientific management, developed the concept of functional organization. Entire work is divided into departments so nothing is restricted to one particular

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department without duplication

Line & staff organization suffer from same drawbacks. On the one hand, line organization is autocratic and staff organization, on the other hand, has loose 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 stated that staff officers are 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 material & man hours
5. Rigid & inflexible

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

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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 leads to car flits due to lack of command in organization.

Management & Entrepreneurship**10AL51****Committee organization**

Group of people pooled to carry out a defined object functions are collect the necessary information from different sciences & arrange them in order and information is eratically 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 maintains
2. Same decisions are compromise.
3. Increased administrative expenses
4. Same tines it could result in heated organists& progress of activities is regulates & checked against plans.
5. The decisions could be delayed Ex: President

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

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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 on the basis of 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 on the basis of 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

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Disadvantages:

1. It is expensive because of duplication of function service
2. It may not be linked by customers & dealers who have to 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 particular 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 cater 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 on the basis of 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.

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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 on the basis of equipments 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

A number of 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 of 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 a number of 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

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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. Woaceont 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.

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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 are 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 come in contact with 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.

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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 with each other 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 has to be self sufficient 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 each individual'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

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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 of people available, reconciling, selecting, placing, promoting, appraising, planning, the employee's covers, training them to suit the job, developing the staff to carry out the defined job effectively.

Nature of staffing

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

Process of selection & recruitment

Selection of personnel for the organization is an 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

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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 delection 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

Unit 4 – 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.

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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 skilful use of leadership (George R Terry)

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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 follower 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, Behavioural 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.

Behavioural 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 bahaviour.

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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 include the person who does not take action 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.

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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 consultive 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 devised 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 includes elements like degree of personal commitment towards good achievement, maintenance of self-esteem of workers, placement of responsibility on the basis of 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 behavioural 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 analyse 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 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., in order to motivate him to do work. There are certain inducing factors which influence the man's behaviour 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 ect., 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 each individual.

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 to a great extent what he will try to do at any given time. All these needs are interrelated because each individual 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 utilisation 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 labour 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 labour 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 as a means 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. In order 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 particular 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.

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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 fairly 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 include the needs for achievement, strength and freedom. In essence this is the need for independence. The second sub set includes the needs for status, recognition, and prestige. In essence 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 is capable of becoming. This is also known as self realization or self attenuation.

For example: A musician must create music, an artist must paint, a poet must write in order to achieve ultimate satisfaction.

In 1943 Maslow arbitrarily suggested that in general, our physiological needs are generally 85% satisfied, the safety needs 70% satisfied, the social needs 50%, satisfied, the esteem needs 40% satisfied and the self actualization needs 10% satisfied.

Behaviour

Behaviour is basically goal oriented. In other words, our behavior is generally motivated by a desire to attain same goal.

Behaviour is basically goal oriented. In other words, our behavior is a series of activities and motives. The motivation of people depends on the strength of their motives. Motives are defined as needs, wants, drives, within the individual. Motives are the ways of behavior of an individual.

Goals

Goals are outside of an individual. They are referred to as hopes for rewards towards which motives are directed. Managers who are successful in motivating employees are often providing an environment in which appropriate goals are available for need satisfaction.

Motive strength

This can be defined as the need which has the highest strength at any given time. If a need is satisfied the motive strength for the particular need will decrease at the particular time.

Changes in motive strength

A motive tends to decrease in strength if it is either satisfied or blocked from satisfaction.

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 particular 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

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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

Behaviour 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 effect strength of needs are expectancy and availability.

Expectancy

It is the perceived probability of satisfying a particular need of an individual based on past experience. Expectancy can be either actual or vicarious. Vicarious behavior comes form sources such as parents, teachers and books etc.

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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 can not 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 particular 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

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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. In essence this is the need for independence. The second sub-set includes the needs for status, recognition, and prestige. In essence 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 is capable of becoming.

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

Hawthorne studies and its findings

In 1924, experts at a Hawthorne plant of the western electric company, USA., decided to study the effect of illumination on productivity. It is one of the most famous studies in the history of human relation.

In the beginning of studies the efficiency experts assumed that the output increases with illumination for that the expert selected two groups of employees: Control group and the test group.

The control group worked under normal lighting. The test group worked under various light conditions. As the lighting was increased the out put of the test group also increased as expected. But the out put of the control group also increased. But this was unexpected. The experts could not explain this. Elton Mayo of the Harward University tried to explain this:

They increased and improved the working conditions of the workers in the control group and the output was correspondingly high. After one and half years the team suddenly brought the conditions back to normal. They expected to have a negative psychological impact on the women workers and reduce the output. But the output jumped to all time high.

So, Hawthorne research found out that the workers were motivated to work more when the benefit was decreased. The workers wanted to get the same level of benefit so they work hard to get the benefit and therefore production increases or this can also be due to level of self actualization, in which case the workers realized their true potential and did their jobs perfectly. They found this to be another theory and later experts like Douglas Mc Gregor called the same as Theory – X and Theory – Y and chris Argyrious also exposed it as Maturity and Immaturity Theory.

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 favourable.
- 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 particular given situation and particular worker for a given job, a manager should choose either theory X or theory Y.

A manger 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 manger 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.

Immaturity – Maturity theory

This theory was developed by Chris Argyrius of the Harward University. This theory is better than

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Douglas Mc. Gregor's Theory X and theory y. According to him, a person will develop from immaturity to maturity in the following seven stages:

1. People become adults from infants.
2. They become from a dependent to relatively independent persons.
3. They are at this state behaving more like adults and less like infants.
4. Their interest as adults increases till their interest as children become very little.
5. They develop longer time perspective than children.
6. They become independent from depending stages.
7. They develop awareness of self.

Maturity theory	Immaturity theory
Active	Passive
Independence	Dependence
Capable of behaving in many ways	Behave in a few ways
Deeper and stronger interest	Erratic shallow interest
Long time perspective	Short time perspective
Equal or super ordinate position	Subordinate position
Awareness and control over self	Lack of awareness of self.

Motivation-Hygiene theory

This theory was developed by Frederick Herzberg of the university of Utah was the basis of effective utilization of human resources. Herzberg began collecting information on job attitude from over 200 engineers and accountants from various industries in pittsburgh area. In this interview the people were asked about what kinds of things on their jobs made them dissatisfied or unhappy and what made them satisfied or happy.

In analyzing the data he came to a conclusion that people can be divided into two categories dissatisfied and satisfied. When people are satisfied they are concerned with work itself. He called this as motivation factor. While when they were dissatisfied, they were concerned about the environment in which they were working. He called this as hygiene factor.

Management & Entrepreneurship**10AL51****Hygiene Factors**

Company policies, administration supervision, money status, security etc., may be thought of as hygiene factors. These are not an integral part of job but are related to the conditions under which a job is performed. Hygiene factor has not produced a growth in worker's output capacity, but only prevent output losses in worker performance due to work retraction.

In analysis of the data, it was concluded that the people have two categories of needs. The following is the comparison between hygiene factors and motivators.

Hygiene	Motivating Factors
Environment	The job it self
Policies and administration	Achievement
Supervision	Recognition for accomplishment
Working conditions	Challenging conditions
Inter-personal relations	Increased responsibility
Money, status, and security	Growth and development.

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%

COMMUNICATION

Communication is the process of transmitting ideas or thoughts from one person to another, for the purpose of creating understanding in the thinking of the person receiving the ideas or information. It can also be said that communication is an exchange of facts, ideas, opinions or emotions by two or more persons. The effectiveness of communication largely depends upon the proper understanding of what is being communicated and what is being received at the other end. The correct interpretation and understanding of the messages is important from the point of view of organizational efficiency. As such the greater the degree of understanding present in communication, the more likely-hood that the human action will proceed in the direction of accomplishing organizational goals.

Systems of communication

- According to organizational structure: (a) Formal and (b) Informal
- According to direction of expression: (a) Downward (b) Upward (c) Horizontal
- According to the way of expression: (a) Oral or verbal (b) Written.

Formal communication

Such communications are those which are associated with the formal organizations structure. They travel through the formal channels. These communications include orders, instructions, decisions etc., of the supervisor. Thus it is a deliberate attempt to regulate the flow of organizational communication so as to make it orderly and thereby to ensure that the information flows smoothly, accurately and timely. This officially prescribed communication network may be designed on the basis of single or multiple channel. A single channel network prescribes only one path of communication for any particular position and all communications have to necessarily flow through one path only. This path is the line of authority linking its line supervisor and it is commonly referred to as “through proper channel”. Its implication is that all communication to and from a position should flow through the line supervisor and subordinates only.

Merits

- Maintenance of authority of the officers: It helps in exercising control over subordinates and fixation of responsibility in respect of activity to be carried out by a person in the organization.
- Sound and proper communication: An immediate supervisor has a direct contact with his subordinates. He/She understands their attitudes, wants, level of intelligence and capacities, He/She can determine efficiently as to how, what and when the information is to be communicated to whom. It is easy to maintain and is orderly in nature.

Demerits

- Overload of work: In a modern business organization, there is a lot of information, messages and other things to be communicated. All these, if transmitted through formal line of authority only, it will increase the work level on the line officers and they will not be able to perform their duties well.
- Decay in accuracy: It provides bottlenecks in the flow of information. It exhausts the original distance also and channels of more information at various positions, record the accuracy of message.
- Over look by the line officers: Communication through chains of command is not suitable for upward communication at all. Line officers do not take any interest in their subordinates. They do not like to forward the suggestions to the top management given by their subordinates. This bias changes the nature and characteristic of information at all levels when it reaches its final destination.

Limitations

- The formal communication is useful only in downward communication. One way of overcoming this limitation is to provide a number of communication channels linking one position with various other positions. Thus the system of multiple channels may improve the situation in some cases, but an unlimited use of this may cause confusion and also undermine the supervisors authority. So along with formal communication, the informal channel should also be developed for efficient and effective communication within the enterprise.

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Informal communication

It is also known as grape vine communication. The communication to be made through informal channels of communication is called informal communication. It is not the result of official action but of the operation of personnel, social and group relationship of people. Apart from these formal organizational relationship, people have got social or personnel relationship, membership of some club or organizations from same place.

Such channels of communication serve as a quick vehicle for messages. While formal communication exists to meet the utility and needs of the organization, informal communication is the method by which people carry on their non programmed activities within the formal boundaries of the system. Such type of communications are very fast, spontaneous and flexible. It is a very active channel of communication through which the information is carried immediately.

Merits

- It performs a positive eservice to the organization.
- It operates with much greater speed.
- The informal communications fulfil needs of various person in the organization, more particularly those persons who freely mix up with others and rely upon informal relationship.
- A typical informal committee network involves people within the same level of an organization.

Demerits

- It is less orderly and less static.
- Messages communicated through informal channels, sometimes are very erratic and uncertain, and any action taken based upon these may lead to difficult situation to the organization.
- Often it carries incinerate information, half- truths, rumours and distorted information.
- Origin and direction of the flow of information is hard to pin point.
- There is a chance that by the time a communication completes a complex journey it may be distorted.

Limitations

- The informal communication is the part and parcel of the organizational process. The only thing the management can do in this respect is to take suitable actions to minimize the adverse affect of such channels. Proper analysis of informal communication and a suitable classification in this respect would be helpful in making its use towards organizational efficiency.

According to the direction of communication

Downward communication: Communication which flows from supervisor to the subordinate is known as downward communication. They include orders, rules, instruction, society directions etc. their nature is directive. It would be impossible to manager an enterprise without downward communication.

Upward communication: this is just the reverse of the downward communication. It flows from subordinate to supervisor. Each communication includes reactions and suggestions from workers, their grievance etc. the contents of the upward communication are repots, suggestions, reaction, statements and proposals prepared for submissions to the supervisors. There was very little application of this forms of communication sometime before as it does not fit into the traditional theory of organization. But in modern times upward communication is considered to be main source of motivation to employees.

Horizontal communication: when communication takes place between two to more persons who are subordinates of the same person or those who are working on the same levels of the organization, this communication is known as horizontal communication or lateral communication or cross communication. The communication between functional managers, among superintendents working under some supervisor, meetings of general manager's of various factories are some of the examples of such communication. This type of communication may be oral or written.

According to the way of expression.

Oral or vertical communication: In this type of communication both parties to the process of communication exchange their ideas orally either face to face or through devices like phone,

intercoms etc., meetings, conference, lectures, interviews or other ideas.

Written communication: In this type of communication, written words, graphs, diagrams, pictures, etc., are used. They may take forms of circulars, rules, manuals, reports, porters, memos etc.

Barriers to successful communication

- More levels in organization structure through which an information has to pass.
- Long and unstructured channels of communication.
- Heavy workloads at certain level of organization.
- Prestige and superiority complex.
- Sender unable to symbolize the information correctly.
- Prejudicial and biased attitude of the receiver.
- Receiver ignoring conflicting information.
- Receiver tending to evaluate information from his own angle.

Techniques to overcome barriers and improve communication

1. Sending direct and simple messages using many channels
2. Feedback system to know whether the manager has been understood correctly or not.
3. Adopting face to face communication.
4. Time the message carefully, communicate when the receiver is motivated to listen.
5. Be sensitive to the private world of the receiver, try to predict the impact on his feeling and attitude and tailor the message to fit receivers vocabulary, interests and values.
6. Introduce a proper amount of redundancy of in the message i.e., some amount of repetitions of information so that it is not misunderstood.

COORDINATION

Meaning

Various department of an organization will be performing different tasks as assigned to them on the basis of their specialization. It is essential to coordinate these activities to achieve common objectives collectively. Coordination is the process which ensures smooth ensuring of the functions of management with the increase in the departmentation, coordination has become important.

Definition: the following are definitions given by some management pioneers.

“To coordinate is to harmonise all the activities of a concern so as to facilitate its working and success. In a well coordinated enterprise, each department or division works in harmony with others and is fully informed of its role in the organization”, -Henri Fayol.

“Coordination deals with the task of blending efforts in ordered to ensure the successful attainment of the objective. It is accomplished by means of planning organizing, actuating and controlling”- G.R. Terry.

Coordination is regarded as the essence of managerial ship for the achievement of harmony of individual efforts towards the accomplishment of group goals as the purpose of management. Each of the managerial function is an exercise in coordination”. –Koontz and O’Donnel.

Thus coordination is the management of interdependence in the work situation. It is the orderly synchronization of the interdependent efforts of individuals in order to attain a common goal. In any modern organization consisting of number of departments such as purchase, finance, production, designs, Personnel, sales etc., there is a need for all of them to perform their tasks properly and timely for achieving the targets. This calls for coordination between the various departments of any organization.

Characteristics of coordination

1. Not a separate function of management: It is necessarily in all the functions of management and not a separate one.
2. Managerial responsibility: Every departmental head is responsible to coordinate the efforts of his subordinates and also coordinate with his counter parts of other departments.
3. Unity of action: Unity of action is essential to reach common goals. Coordination brings about of organization.
4. Coordination is part of all levels of organization: It is to be built in activity at all levels of organization.

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5. It is relevant to group efforts: Coordination brings about group efforts than individual efforts. It guides the individuals towards group efforts to reach the targets.
6. Continuous and dynamic process: It is continuous and dynamic process. Managers should continuously monitor and coordinate between people and activities.
7. System concept: Any organization starts is a system of cooperation. Each department functions are different in nature and interdependence in the organization system. The organization runs smoothly with the help of coordination. Thus coordination is a system concept.

Importance of coordination:

The coordination is important because of the following factors:

- a) Unity in diversity: there are large number of employees each with different ideas, views or opinions and interests. This results into a diversified activity in any organization. It is necessary to bring them together to accomplish the common objective. Hence coordination is the main element to bring unity in diversity.
- b) Specialisation: In the modern industrial organizations, there is a high degree of specialization. This will lead to misunderstanding and dispute among the specialists. Coordination plays important role in bringing them together and explaining the important of each other's activities.
- c) Team work: Coordination help converging the diversified efforts of various groups to achieve the objectives. It promotes teamwork and avoids duplication of work.
- d) Large number of employees: Large organizations employ large number of employees. They have different habits, behavior and approaches in a particular situation. Many times they don't work in harmony. Coordination is necessary to bring harmony among them.
- e) Empire building: Empire building refers to top level of line organization. The line officers expect cooperation from staff officers, but the line officers are not ready to extend their cooperation to staff officers. This creates conflicts between line and staff officers. Therefore, coordination is necessary to avoid conflicts between line and staff officers.
- f) Functional differences: the functions of organization are divided section wise. Each section performs different jobs. Each department tries to perform its function in isolation from others. Coordination is necessary to integrate the functions of the related department.
- g) Recognition of goals: there are general goals of an organization. In addition, each

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department has its own goals and the individual employees also have their own goals. The individual employees give more importance for their own goals than the organizational goals.

- h) Communication: Coordination ensures the smooth flow of information one direction to other direction.
- i) Interdependency: the need for coordination in an organization arises of the interdependence of various units. The greater the interdependence of units, the greater the need for coordination.

Type of coordination

Coordination may be classified as internal and external coordination.

1. Internal coordination: Coordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants, departments and sections is called internal coordination. Internal coordination is subdivided into two types.
 - (a) Vertical coordination: Vertical coordination refer to the one in which a departmental head coordinates his work with that of his sub-ordinates and vice-versa.
 - (b) Horizontal coordination: Horizontal coordination refers to the coordination taking place sideways, i.e., the relationship between the persons of same status. It exists between heads of different departments, or supervisors or co-workers.
2. External coordination: Coordination with customers, suppliers, government and other outsiders with whom the organization has business connections is called external coordination.

Coordination and co-operation

Coordination and cooperation are two terms widely used in a business or ganization. Though they sound similar they differ with each other. The differences are explained below:

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Coordination	cooperation
It is a management function.	It is not a management function.
Coordination is an orderly arrangement of group efforts.	Cooperation is willingness to work or help others.
Coordination is obtained officially.	Cooperation is a voluntary service.
Achievement of objectives is directly linked to coordination.	There is no direct link between cooperation and objectives.
The success of an organization depends upon the degree of coordination	Cooperation forms the basis of coordinating.

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 in order 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 plans.

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, employees 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 in order 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 has to 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 period 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 on the basis of 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 are 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.

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- (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.

Unit 5 – 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 entreprendre means to undertake 16th country the Frenchmen who organized & military expeditions were referred to as entrepreneurs. Trench economist Richard cantillion 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 cerwavering determination & commitment.
3. Creativeness & result oriented, lord working
4. Accepts responsibilities with entrusiom,
5. Self confident deactivated & self disciplined
6. Both thinker & doer planner & worker,
7. Future vision intelligent, imaginative & self directed

Future an Entrepreneur

They are classified in to three groups

1. Primary
2. Other functions
3. Functions importance for developing countries

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Primary	Other function	Functions important for developing countries.
Decision making	Maintaining cordial employer & employee relations	Engineering
Management	Tally lab our problems	New product development
Innovation	Coordination with outside agencies	Parallel opportunities

Risk bearing: He should undertake responsibility & risk due to unforeseen situations. The other functions are diversification of production, expansion of the enterprise maintaining cordial relations with employee & employers attending to & resolving to labour problems & coordination with outside agencies for the well being of the enterprise.

The functions of an entrepreneur with reference to the underdeveloped countries include wide range of activities live management of scarce resources dealing in the public, engineering, new product development looking ant for parallel opportunities marketing management of customers & supplier relations etc.

Primary functions

Planning: planning involves

1. Study of various ideas
2. Scanning & selecting the best idea
3. Selection of product line & location of plant.
4. Deciding the type of business organization
5. Preparation of budget & identify capital resource.
6. Studying the government rules, regulations & policies
7. Study & selection of work force.
8. Study & selection of marketing strategies.

Organization: entrepreneur Coordinates & supervises the various tasks of organizing for optional ultization of resources.

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Decision making: He has to take affective decisions with regard to objective of the enterprise, arrangement of resources & facilities GK men, material, machines, money, methods, technology development of a market for the product & maintain good relationship with workers.

Management: managing of the day to day problems. These include future expansion & policies in long run.

Innovation: He should launch a new product, introduction of new technology in production line creation of new markets new or better Sana of raw material.

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 awn satisfy by psychological
2. Induced entrepreneur- Polices 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 national talent by boldness initiative in any enterprise self confident

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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

4. Young entrepreneur
5. Old entrepreneur
6. Male entrepreneur
7. 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

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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 Clements

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

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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.

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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	Owens 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	Being much involved 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.

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Entrepreneurship in today's context in the product of teamwork & ability to create, build & work as team. It is also a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities & investing 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 a routine task.

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6. Making the enterprise a success

It is mainly an economic activity as it deals with creating & 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.

Functions of women entrepreneur

- Exploration of the prospects of starting a new business
- Pool up the resources
- Establish the industrial enterprise
- Manage the business
- Development of strategies.
- To assume risk & uncertainty
- To develop business & business decision
- Motivation
- Supervision & leadership

Problems of women entrepreneurs

1. Problems of finance
2. Lack of education
3. Limited mobility
4. Family lies
5. Scarcity of raw materials.
6. Stiff competition
7. Low- risk bearing capacity
8. Social problems
9. Male dominations

Steps to be taken to develop women entrepreneurship

1. Provide basic education & establish special institutions to train women entrepreneurs.
2. Conduct especial workshops to women for better awareness

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3. Liberal financial support to motivate women entrepreneurs
4. Favorable credit policies to women
5. Provide better marketing help to women entrepreneurs
6. Provide need- based training for development of skills & entrepreneurship.
7. Establish self-help groups, Voluntary agencies & social welfare organization for women entrepreneurs
8. Provide concessions to women entrepreneurs.
9. Provide a common platform to all the concerned agencies & R & D organization to achieve an interacted approach for promoting women entrepreneurs.

Industries promoted by women entrepreneurs

1. Agarbathi
2. Paper
3. Embroidery
4. Handicrafts for exports
5. Readymade garments
6. Catering service, hotels.
7. Travel agency, Xerox, Photo studios Telephone books
8. Printing presses & DT D
9. Florists, Beauty parlour
10. Working women hostels
11. Running schools & tutorial college
12. BIOCON

Barriers of entrepreneurship

1. Lack of capital
2. Lack of technical knowledge
3. Economic business cycle
4. Non availability of raw materials & resources
5. Enfold regulations
6. Obsolescence of technology or idea

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7. Unstable & unpredictable markers
8. globalization & entry of foreign goods
9. Risk

Stages of entrepreneurial process

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

Identification of opportunity

Causesmers & business association, members of distribution system, independent technical organizations consult entry etc. government organizations & R&D centers also provide new ideas

Evaluation of opportunity

It involves length of opportunity, its real perceived value its risks & resources, with personal skills goals of entrepreneur & its uniqueness or differential advantages in its competitive environment

The length of opportunity and size & share are two main aspects for deciding the risk & gains or profits. SWOT (Strength, weakness, opportunities & treats) analysis. This plan includes

1. Description of product
2. Agreement of opportunity
3. Assessment of the entrepreneur
4. Resources needed
5. Amount & sources of capital
6. Profit expected

Development of a business plan

1. Title of project, table of contents & executive lumserasy
2. Description of business & industry.
3. Technology plan

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4. Financial plan
5. Organization plan
6. Production & operation plan
7. Marketing & distribution plan
8. Summary

Management of enterprise

After resources are acquired, the entrepreneur must use them to implement the business plan

- Increased administrative expenses
- Some times it could result in heated arguments

ENTREPRENEURSHIP

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3. Creativeness & result oriented, hard working
4. Accepts responsibilities with enthusiasm,
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6. Both thinker & doer planner & worker,
7. Future vision intelligent, imaginative & self directed

Entrepreneurship development programme EDP

It focuses on identifying entrepreneurship qualities of an individual, providing required training, preparing related project reports, preparing the entrepreneurs to manage finance, Production, technology marketing & infrastructure facilities. EDP also provides knowledge to solve problems & difficulties of entrepreneur.

Need for EDPS

1. Builds confidence in people
2. Gives guidelines to the young
3. Gives technical assistance, management, training consultancy.
4. Channelizes them to accelerate industrialization
5. It is helpful in growth of small scale sector.

Unit 6 – 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

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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:

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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 otherwisw 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 oppurtunities 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 stratagies.

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.

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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.

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- 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 small scale 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.

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- (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

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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 existance. 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.

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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

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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.

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- (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.

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- 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

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-
- 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

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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

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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

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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.

Unit 7 – Institutional Support

INTRODUCTION

Entrepreneurs who wish to start a business or industrial units require various sources and facilities apart from appropriate information related to their business. Recognizing the need to help budding entrepreneurs, both Central Government and all State Governments have initiated and started various Agencies, Institutes, Banks, Boards etc., throughout the country, in this regard.

DIFFERENT SCHEMES

DIC- A Single Window Agency

Meaning: DISTRICT INDUSTRIES CENTRE. Launched in 1978 in all districts of each state. There are about 400 DIC's in India.

Nature of support: Information and Consultancy Services. Industrial Inputs.

Objectives:

- (i) To effectively promote cottage and small-scale industries in rural areas and small towns.
- (ii) To act as a Single Window Agency to help the entrepreneur with all the information under one roof.
- (iii) To serve as an integrated administrative frame work at the district level for industrial development.

Functions:

- (i) **Surveys:** To carry out surveys to assess the potential of a district with respect to industrial development taking into account availability of raw material, manpower, infrastructure, demand for a product etc. This survey provides a basis for advising budding entrepreneurs.
- (ii) **Action Plan:** To prepare an action plan for the industrial development of the district.
- (iii) **Appraisal:** To appraise various investment proposals received from entrepreneurs.
- (iv) **Guidance:** To guide entrepreneurs in selecting appropriate machinery and equipment.
- (v) **Marketing:** To assist entrepreneurs in marketing their products and assess the possibility of export promotion.
- (vi) **R&D:** To link R&D institutes with entrepreneurial activities for product innovation.
- (vii) **Training:** To conduct artisan training programs.

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SISI

Meaning: SMALL INDUSTRIES SERVICE INSTITUTE. There are 58 SISIs all over the country including one in each State Capital.

Nature of support: Entrepreneurship development, consultancy and training.

Objectives:

- (i) To provide consultancy and training to small entrepreneurs – both existing and prospective.
- (ii) To serve as an interface between Central and State governments.
- (iii) To initiate entrepreneurial promotion programs

Functions:

- (i) To render technical support services.
- (ii) To conduct Entrepreneurship development programs
- (iii) To collect Trade and Market information and share it with entrepreneurs.
- (iv) To carry out modernization and inplant studies.
- (v) To conduct State and District industrial potential surveys.
- (vi) To provide consultancy services.
- (vii) To provide training in various trade/activities.

NSIC

Meaning: NATIONAL SMALL INDUSTRIES CORPORATION LTD. This is one of the oldest agencies set by the central government in 1955 and is the forefront of industrial development in the country.

Nature of support: Wide ranging industrial inputs.

Objectives:

- (i) To promote, aid and foster the growth of SSI's in the country with a focus on commercial aspects.
- (ii) To enable the Small Scale Industries to gain competitive advantage and to contribute effectively to the development of the country.
- (iii) To evolve special schemes to meet the needs of handicapped, scheduled castes and scheduled tribe entrepreneurs.

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Functions:

- To provide machinery on hire-purchase scheme to SSI's
- To procure government orders for small scale units
- To develop small-scale units as ancillaries to large industries.
- To import and distribute scarce and rare raw materials among actual users in the small-scale sector
- To undertake the construction of industrial estates
- To help exporting products of SSIs
- To develop prototype of machines and equipments and pass on the know how to SSIs
- To set up SSI in other developing countries.

SIDBI

Meaning; SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA . It was established in 1990 under Act of Indian Parliament as a principal financial institution. It is a subsidiary of IDBI. Its head office is in Lucknow. SIDBI is among the top 25 development banks in the world.

Nature of support: Financial services and other support services

Objectives:

- (i) To promote, finance and develop small scale sector in India.
- (ii) To co-ordinate the functions of other institutes engaged in similar activities
- (iii) To finance industrial infrastructure projects.

Functions:

- To provide finance assistance to
 - new projects
 - expansion/diversification projects
 - modernization projects
- To initiate steps for technological upgradation and modernization of existing units.
- To promote rural industrialization
- To provide channels for marketing SSI products in India and abroad.
- To foster Human Resource Development to suit the SSI sector needs
- To disseminate appropriate information to budding and existing entrepreneurs.

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Types of help

- (i) SIDBI has so far disbursed more than 50,000 crores as financial assistance.

KSFC

Meaning: KARNATAKA STATE FINANCIAL CORPORATION. It was established in 1951 through a State Financial Corp. Act-1951.

Objectives:

- (i) To cater to financial requirements of small-scale units.
- (ii) To extend medium and long term credits to units which fall outside the preview of Industrial Finance Corporation and Public Sector Banks.

Functions:

- To provide long-term finance to small and medium industrial units organized on different ownership basis such as proprietorship, partnership, co-operative, public or private company concern.
- To provide finance to service-oriented enterprises such as travel agencies, car rental agencies, hotels, tourism-related activities, hospitals and nursing homes etc.
- To take over sick SSI units and auction them to entrepreneurs willing to rebuild.

TECSOK

Meaning: TECHNICAL CONSULTANCY SERVICES OF KARNATAKA. It was established in 1976 by the government of Karnataka. It is located in Basava Bhavan, Basaveshwara Circle, Bangalore.

Nature of support: Multi-disciplinary technical, industrial and management consultancy.

Objectives:

- (i) To provide reliable consultancy support for entrepreneurs to startup self-employment ventures in Karnataka.
- (ii) To provide consultancy services to the various Departments and Agencies of state and Central Governments.

Management & Entrepreneurship**10AL51****Functions:**

- To identify investment opportunities which are location specific.
- To assist entrepreneurs in obtaining statutory and procedural clearances.
- To carry out feasibility studies and environmental impact studies.
- To assist preparation of detailed project reports as per investment norms and financial norm.
- To carry out market survey and research specific to industry needs.
- To assist in project implementation and extend turn key assistance.
- To help in reorganization and restructuring of employees.
- To diagnose sick units and suggest rehabilitation measures
- To provide consultancy in valuation of assets, manpower, planning and budgetary control system
- To promote consultancy for merges and take overs.

Types of help

- (i) Since its inception TECSOK has catalyzed a large number of industries throughout Karnataka.

KIADB

Meaning: KARNATAKA INDUSTRIAL AREA DEVELOPMENT BOARD. This is a statutory body established in 1966 by government of Karnataka. Headquarters is at Bangalore with 9 zonal offices all over Karnataka.

Objectives:

- (i) To establish Industrial areas and promote rapid and orderly establishment of industries in the state of Karnataka
- (ii) To provide infrastructural facilities and amenities to SSIs
- (iii) To assist in implementation of government policies
- (iv) To function on 'No profit – No loss' basis.

Functions:

- To acquire lands for industrial activity at identified and notified locations and form industrial area with all infrastructure facilities like

- Road

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- Electricity power
- Water supply
 - To acquire lands in favour of single unit.
 - To acquire lands for single unit complexes for government organizations and to facilitate government projects
 - To provide all the infrastructure facilities to such industrial areas.
 - To maintain the infrastructural facilities during the contractual project.

Types of help

- (i) Till date KIADB has found 95 industrial areas spread all over the state and acquired land for nearly 290 single unit complexes.

KSSIDC

Meaning: KARNATAKA STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD. Established in 1960 by Government of Karnataka.

Nature of support: Infrastructure and industrial inputs.

Objectives:

- (i) To assist small scale industries in the procurement of raw materials
- (ii) To take up any activity aimed at rapid development of small scale industry

Functions:

- To establish and manage industrial estates
- To procure and distribute scarce and rare raw materials to various SSIs
- To provide assistance towards marketing of products from various SSIs
- To organize national level and international level exhibition and facilitate exchange of information
- To supply machinery under hire purchase scheme
- To provide guidance to SSI entrepreneurs contributing
- To provide technical library facilities in coordination with Indian Standard Institution.

Types of help

- (i) KSSIDC has promoted establishment of ancillary units to help PSU's like BEL, ITI, HAL, NGEF, BEML etc.

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- (ii) It has constructed 86 plots exclusively for SC/ST entrepreneurs.

KSIMC

Meaning: KARNATAKA SMALL INDUSTRIES MARKETING CORPORATION. This was established in 2001 as a subsidiary of KSSIDC. The office is in Rajajinagar Industrial Estate.

Objectives:

- (i) To extend marketing support and assistance
- (ii) To procure government needs from SSI's through purchase and price preference.

Functions:

- To improve quality of products
- Improve production manufacturing process
- Reduce prices
- Augment exports

Types of help

- (i) 75% of items reserved by SSI sector shall be procured from the units located within State, through an open tender system
- (ii) SSI units of the state shall be offered a price preference of 15% over the lowest price quoted.
- (iii) Benefits were available from 1st April 2001 upto 5 years.

Unit 8 – Preparation of Project

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

➤ Quantifiable & non quantifiable

Quantitative assements are mode involving Projects on health education & defense

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

➤ Techno-Economic projects.

a. Factor intensity – oriented classification based on the intensive of factors projects such as capital intensive or labour intensive.

b. Cause – oriented

Projects are classified as demand based on raw material based.

c. Magnitude oriented

Project based on the magnitude of investment

Project identification

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

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

Project selection

1. Technology
2. Equipment
3. Investment size
4. Location
5. Marketing

Need of Project report

1. It serves as a road map describing the direction of enterprises its goal to achieve them.

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2. It also serves to attract investors & lenders.

Contents of report:

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

Project formulation

1. General information which includes
 - Bio data of promoter
 - Industry profile
 - Constitution & organization.
2. Project decision utilililes, pollution control, communication system, transport facilities, machinery & Equipment, capacity of the plant, Technology selected.
3. Market potential capital costs & sources of finance
4. Capital costs & sources of finance
5. Assessment of working capital requirement
6. Other financial aspects
7. Economic & social variables
8. Project implementation.

Objectives

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

GUIDELINES BY PLANNING COMMISSION FOR PROJECT REPORT

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

General information:

The feasibility report must include the analysis of the industry to which it belongs. The report should deal with description of type of industry, its priority, past performance, increase in production, role of public sector, technology, allocation of funds and information about the enterprise.

Preliminary Analysis of alternatives

The details like gap between demand and supply of proposed products, availability of capacity, list of all existing plants in industry, indicating their capacity, level of production attained, list of present projects and list of proposed projects. All technically feasible options are considered here.

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Location of plant/ project, requirement of any foreign exchange, profitability, return on Investment, alternative cost calculations etc., are to be presented.

Project Description

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

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

Marketing plan:

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

Capital requirements and costs

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

Financial Analysis

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

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

Economic Analysis

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

Miscellaneous aspects

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

NETWORK ANALYSIS:

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

They are:

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

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

Importance of network analysis

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

1. The whole project has to be considered with reference to the sequence of activities and events. Sequence means activities that are to follow on after another leading to an event.
2. The events should be considered as different branches of operations.
3. The different segments of the project are treated as separate network which are finally integrated to the overall network. Then the entire project may be put on one network.
4. The time estimates may be done based on either previous experience of similar types of operations or may be based on probabilities for the ones where previous experience does not exist.
5. Cost estimates would depend on the project time estimates and the charge of prices of different factors of production.
6. The physical progress of the project, nature of events, job formed and snags in different areas of project work would call for corrective action at appropriate time. The concept of

crashing would be helpful to reduce penalties.

Programme evaluation and Review techniques (PERT)

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

Steps involved in PERT:

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

Advantages of PERT:

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

Limitations of PERT:

1. Difficult to provide realistic/correct time estimates for new activities in the absence of past data.
2. There is no provision in this techniques about requirement of resources at various activities.

3. For the effective control of a project using PERT, it calls for frequent updates and revision of calculations which is a costly affair.

Critical path method (CPM)

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

Advantages of CPM:

1. It helps in ascertaining the time schedule of activities having sequential relationship.
2. It makes control easy for the management.
3. It defines the most critical elements in the project. Thus, the management is kept alert and prepared to focus their attention on the critical activities.
4. It makes room for detailed and better planning.

Limitations of CMP:

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

Difference between PERT and CPM

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

PERT	CPM
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Its origin is military	Its origin is industry
Event oriented approach	Activity oriented approach.
Allows uncertainty.	Does not allow uncertainty
It has three time estimates	Only single time estimate
Time – besed	Cost-based
Probabilistic model	Deterministic model
There is no demarcation between critical and non-critical activities.	Marks critical activities
It averages time.	Does not average time
It is suitable where high precision is required in time estimates.	Suitable where requirement of precision is reasonable.

ERRORS OF PROJECT REPORT

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

Product selection:

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

Capacity utilization estimates:

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

Market study

Production of goods is ultimately meant for sale. Hence market study plays vital role and is very important. Market study is a difficult task. Some entrepreneurs assume that there will be good market for their product without conducting effective market study, leading to failure.

Technology selection

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

There are two types of errors made by some entrepreneurs in selecting the location of enterprise.

First, they are attracted by the concessions and government offers, financial incentives to establish industries at a particular location.

Selection of Ownership form

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

PROJECT APPRAISAL

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

Method of project appraisal

Any project is appraised under the following contexts:

- Economic analysis
- Financial analysis
- Technical feasibility
- Managerial competence and
- Market analysis.

Economic analysis

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

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

Financial Analysis

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

Technical feasibility

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

Managerial competence

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

1. Opinion pool.
2. Market survey.
3. Life cycle analysis.
4. Desk survey.
5. Dealers opinion etc.

IDENTIFICATION OF BUSINESS OPPORTUNITIES

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

- Study of government rules and regulations regarding the different business opportunities.
- Extensive and in depth study of promising investment opportunity.
- SWOT analysis of the business opportunities.
- Market feasibility study.
- Technical feasibility study.
- Financial feasibility study and
- Social feasibility study.

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

Sources of business ideas

1. Unfulfilled demand; An Unfulfilled demand will open doors to new products
2. Own idea: One own creative idea can result in a business opportunity.
3. Social and economic trends: Social and economic trends necessitate demand for new products.
4. Magazines/Journals/ Research publications: Magazines/ Journals/ Research publications form a major role of ideas.
5. Government: Government also identifies and proposes ideas and give support for business opportunities.

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6. Emerging new technology and scientific know how: commercial exploitation of indigenous and imported technologies and know-how is another source of opportunities.
7. Changes in consumer needs: the needs of consumers change giving rise to requirement of new business opportunities.
8. Trade fairs/Exhibitions: Trade fairs and technical exhibitions also offer wide scope for business opportunities.
9. Banks and government agencies: Commercial banks and government agencies encourage entrepreneurs by providing business opportunities, ideas subsidies, loan etc.

Market feasibility study

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

- **Nature of market:** The nature of market in terms of monopolistic or perfect competition is to be studied.
- **Cost of production:** It is essential to study and control cost of production. Cost of production decides the selling price.
- **Selling price and profit:** Selling price plays a vital role in profit. In price sensitive goods like cosmetics, one should be careful in fixing the price.
- **Demand:** Present demand and demand forecast are prepared and studied. This will decide the facility planning.
- **Market share:** Estimated market share is to be made. Comparison is made with share of similar products.
- **Target market:** Study is made with regard to the target market and market segmentation.

TECHNICAL FEASIBILITY STUDY

In technical feasibility study, the following points are studied.

- **Location of the project:** The data regarding the location of project is very important. It may

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

- **Construction of factory, building and its size:** The construction details, the nature/type of building and its size for the project are to be analyzed.
- **Availability of raw materials:** The study of availability of raw materials, sources of supply, alternate sources, its quality and specifications cost etc., are to be studied.
- **Selection of machinery:** The selection of machinery required to produce the intended product is to be carried out. The specifications are capacity, cost sources of supply, technology evaluation of various makes of the machine. Their good and bad etc., are studied.
- **Utilities:** The details about availability of utilities like water, gas electricity, petrol, diesel etc. are to be studied.
- **Production capacity:** Establishment of production capacity and utilization of production capacity are analysed.
- **Staff requirement:** Study and analysis of requirement of workers, technical staff and officers etc. is to be made.
- **Technical viability:** The technical viability of the opportunity is to be studied.

FINANCIAL FEASIBILITY STUDY

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

- **Total capital cost of project:** It is very essential to study the total cost of project. This includes fixed capital, working capital and interest factor.
- **Sources of capital:** The study of main sources of capital is to be made. If capital is borrowed, interest burden is to be studied in detail.
- **Subsidiary sources for additional finance:** After study of main sources of capital, subsidiary sources of capital are to be identified and studied.
- **Financial for future development of business:** Financial requirement for future development of business are to be studied. Working capital requirement for at least three months running of enterprise are to be estimated.
- **Break Even Analysis(BEA):** BEA is to be carried out to see at what level of

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production/sales will make the organization no loss/no profit situation. BEA is very useful to identify the level of production that makes profit.

- **Estimation of cash and fund flow:** It is very essential to make a study of estimation of cash and fund flow in the business.
- **Return on investment(ROI):** ROI is to be calculated to see the amount of return on investment for the investors/share holders and how much they get.
- **Proposed balance sheet:** Proposed balance sheet is made showing liabilities and assets, depreciation, interest burden, profits expected etc.
- **Cost of labour and technology:** The cost of employees is to be estimated and studied. If technology is not available then it has to be purchased from any R & D institution or by way of foreign collaboration.

SOCIAL FEASIBILITY STUDY

Social feasibility study is important in the social environment.

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