

# Unit 1

## What is management ?

From the view point of economics, sociology, psychology, statistics and anthropology management has different meanings. There are four views of management:

- (1) Management is a process.
- (2) Management is a discipline.
- (3) Management is a human activity.
- (4) Management is a career.

Management is a process : A process is defined as systematic method of handling activities. Often we hear the statements “that company is well managed” or “the company is miss-managed”. These statements imply that management is some type of work or set of activities, these activities sometimes performed quite well and some times not so well. These statements imply that management is a process involving certain functions and activities that managers perform.

Management is a discipline: Discipline refers to the field of study having well defined concepts and principles. Classifying management as discipline implies that it is an accumulated body of knowledge that can be learnt. Thus, management is a subject with principles and concepts. The purpose of studying management is to learn how to apply these principles and concepts at right circumstances at the right time to produce desired result.

Management is a human activity: If you say that “the restaurant has an entirely new management” or “He is the best manager I have worked for”, you are referring to the people who guide, direct and thus manage organizations. The word ‘management’ used here refers to the people who engage in the process of management. Managers are responsible for seeing that work gets done in organization.

Management is a career: Today management is developed as a career focused on specialization. Marketing management, finance management, personal management, Industrial management, production management, quality management are some of the specializations in management. Specialists are appointed at various positions of the organizational hierarchy. Hence, management is career

## Explain Nature and its characteristics

Management by George R Terry : Management is a process consisting of planning, organizing, directing, and controlling, performed to determine and accomplish the objectives by use of people and resources.

Nature

(1) Multidisciplinary: Management is multidisciplinary. It draws freely ideas and concepts from the disciplines like economics, sociology, psychology, statistics, operations research etc. Management integrates the ideas taken from various disciplines and presents newer concepts which can be put into practice. The integration of these ideas is the major contribution of management.

(2) Dynamic nature of principles: A principle is truth which establishes cause and effect relationships of a function. Principles are developed by integration of ideas from various disciplines supported by practical evidence. These principles are flexible and

change with the environment in which organization works. Continuous researches are being carried on to establish new principles; many older principles are changed by new principles. There is nothing permanent in management.

(3) Relative not absolute principles: Management principles are relative and not absolute. They must be applied according to the need of the organization. Each organization is different from other. The principles of management should be applied in the light of prevailing conditions.

(4) Management – science or art: There is controversy whether management is science or art. Earlier management was regarded as art but now it is both science and art. This aspect has been discussed in detail in this chapter.

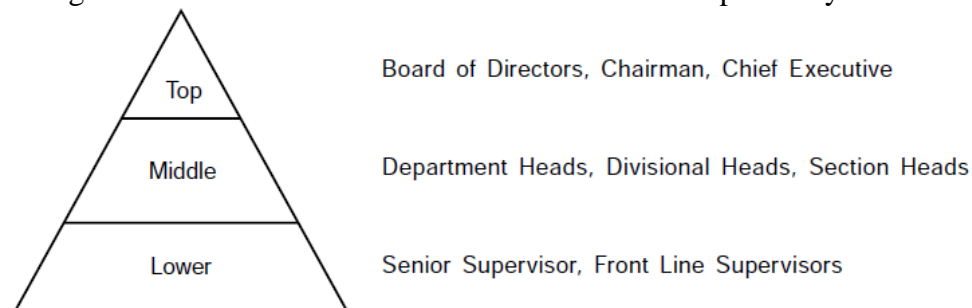
(5) Universality of management: Management is universal phenomena. Though universal yet management principles are not universally applicable but are to be modified according to the needs of the situation

#### Important Characteristics of Management

- It should be stable
- It should be applicable to all kinds of organizations
- It is transparent
- Its approaches are very clear and goal oriented
- It should be simple yet effective
- It should be responsive to economic, technological, social, political factors that affect the areas of operation
- It should have well defined goals
- It should have good planning, organizing, staffing, directing and controlling functions

lists the levels of management with a brief note on the responsibilities associated with each of them

People in an organization are arranged in an hierarchy and they all have the relationship of superior-subordinates. Every manager in an organization performs all five management functions. The relative importance of these functions varies along the managerial levels. There may be as many levels in the organization as the number of superiors in a line of command. Some of these levels are merged into one on the basis of nature of functions performed and authority enjoyed. E.F.L. Brech has classified management levels into three categories – Top Management and Supervisory/Lower Level



**Fig. 1.3:** Levels of management

Top management of an organization consists board of directors, chairman and chief executive officer. Top level management determines goals and objectives. It performs overall planning, organizing, staffing, directing and controlling. It integrates organization with environment,

balances the interest groups and is responsible for overall results. Middle management stands between top management and supervisory management level. Middle level management establishes programs for department and carries out functions for achieving specific goals. The other functions of middle level management are training and development of employees, integrating various parts of the department. Supervisory management is concerned with efficiency in using resources of the organization. A supervisor is an executor of policies and procedures making a series of decisions with well-defined and specified premises

## IMPORTANCE OF PLANNING

Planning is of great importance in all types of organization whether business or nonbusiness, private or public, small or large. The organization which thinks much ahead about what it can do in future is likely to succeed as compared to one which fails to do so. Without planning, business decisions would become random, ad hoc choices.

Planning is important because of the following reasons.

(1) *Primacy of planning*: Planning is the first and foremost function of management, other functions follow planning. What is not planned cannot be organized and controlled. Planning establishes the objectives and all other functions are performed to achieve the objectives set by the planning process

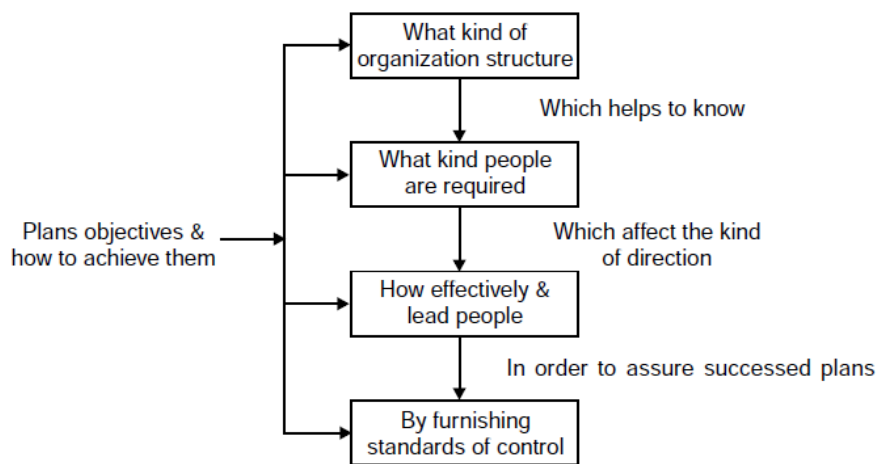


Fig. 2.3: Primacy of planning

2) *To minimize risk and uncertainty*: The organization continuously interacts with the external dynamic environment where there is great amount of risk and uncertainty. In this changing dynamic environment where social and economic conditions alter rapidly, planning helps the manager to cope up with and prepare for changing environment. By using rational and fact based procedure for making decisions, manager can reduce the risk and uncertainty.

(3) *To focus attention on objectives*: Planning focuses on organizational objectives and direction of action for achieving these objectives. It helps managers to apply and coordinate all resources of the organization effectively in achieving the objectives. The whole organization is forced to embrace identical goals and collaborate in achieving them.

(4) *To facilitate control*: Planning sets the goals and develops plans to achieve them. These goals and plans become the standards or benchmarks against which the actual performance can be measured. Control involves the measurement of actual performance, comparing it with the standards and initiating corrective action if there is deviation. Control ensures that the activity confirm to plans. Hence control can be exercised if there are plans.

## Modern Management Approaches

### Behavioural Approach

This is an improved and more matured version of human relations approach. The various contributors of this approach are Douglas Mc Gregor, Abraham Maslow, Curt Levin, Mary Parker Follett, Rensis Likert etc. Behavioural Scientists regard the classical approach as highly mechanistic, which tends to degrade the human spirit. They prefer more flexible organization structures and jobs built around the capabilities and aptitudes of average employees. The behavioral approach has laid down the following conclusions.

- (1) Decision-making is done in a sub-optimal manner, because of practical and situational constraints on human rationality of decision-making. The behaviorists attach great weight age on participative and group decision-making.
- (2) Behavioral Scientists encourage self direction and control instead of imposed control.
- (3) Behavioral Scientists consider the organization as a group of individuals with certain goals.
- (4) In view of behavioural scientists the democratic-participative styles of leadership are desirable, the autocratic, task oriented styles may also be appropriate in certain situation.
- (5) They suggest that different people react differently to the same situation. No two people are exactly alike and manager should tailor his attempts to influence his people according to their needs.
- (6) They recognize that organizational conflict and change are inevitable.

### Quantitative Approach

Quantitative approach (also known as management approach) started during Second World War during which each participant country of the war was trying to seek solutions to a number of new and complex military problems. The interdisciplinary teams who were engaged for this purpose were known as operation research teams. These operation research teams developed quantitative basis for making military decisions. These quantitative tools later are used to make business, industry and enterprise decisions. The focus of quantitative approach is on decision making, and to provide tools and techniques for making objectively rational decisions. Objective rationality means an ability and willingness to follow reasonable, unemotional and scientific approach in relating means with ends and in visualizing the totality of the decision environment. This approach facilitates disciplined thinking while defining management problems and establishing relationships among the variables involved. This approach is widely used in planning and control activities where problems can be defined in quantitative terms.

### Systems Approach

A system is a set of interdependent parts which form a unit as a whole that performs some function. An organization is also a system composed of four independent parts namely, task, structure, people and technology. The central to the system approach is 'holism' which means that each part of the system bears relation of interdependence with other parts and hence no part of the system can be accurately analyzed and understood apart from the whole system. A system can be open or closed system. In open system, a system interacts with surrounding. An organization is open system because it interacts with it.

### Contingency Approach

According to this approach, management principles and concepts have no general and universal application under all conditions. There is no best way of doing things under all conditions. Methods and techniques which are highly effective in one situation may

not give the same results in another situation. This approach suggests that the task of managers is to identify which technique in a situation best contribute to the attainment of goals. Managers therefore have to develop a sort of situational sensitivity and practical selectivity. Contingency views are applicable in designing organizational structure, in deciding degree of decentralization, in motivation and leadership approach, in establishing communication and control systems, in managing conflicts and in employee development and training.

## TYPES OF PLANS

Plans are classified into standing plans and single use plans as shown in fig 2.3. Standing plans provide guidelines for further course of action and are used over a period of time. Standing plans are designed for situations that recur often enough to justify a standardize approach. For example a bank designs a standing plan to process a loan application. Using this standing plan the bank manager decides whether to approve or not a loan application depending upon the details furnished by the applicant. Once formulated these plans are in operation for a long period unless there is change in these plans. Examples of such plans are organizational mission, long term objective, strategies, policies, procedures and rules. On the other hand single use plans are designed for specific end; when that end is reached, the plan is dissolved or formulated again for next end. Examples of such plans are project, budgets, quotas, targets etc. Single use plans are generally derived from standing plans. Organization set their mission and objectives, out of which strategic actions are determined. In order to put these actions into operations, projects, budgets etc., are prepared for specific time period.

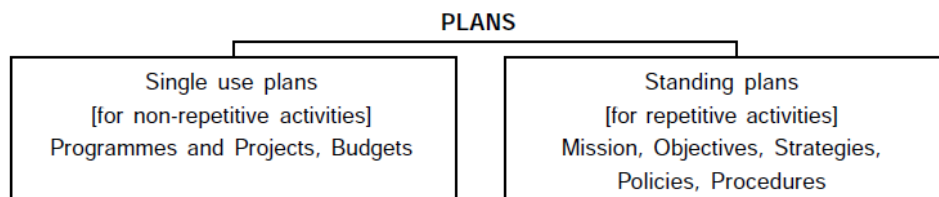


Fig. 2.3: Types of plans

Various organizational plans discussed above are interlinked and may be arranged in hierarchy in which higher order plans helps to derive lower order plans. In turn a lower order plan contributes to the achievement of the objectives of a higher order plans.

## STEPS IN PLANNING

The planning process is different from one plan to another and one organization to another. The steps generally involved in planning are as follows:

(1) *Establishing goals/objectives*: The first step in planning process is to determine the enterprise objectives. These are set by upper level managers after number of objectives has been carefully considered. The objective set depends on the number of factors like mission of the organization, abilities of the organization etc., Once the organizations objectives are determined, the section wise or department wise objectives are planned at the lower level. Defining the objectives of every department is a very essential one; then only clear cut

direction is available to the departments. Control process is very easy if the objectives are clearly defined.

(2) *Establishing planning premises*: This is the second step in planning which involves establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions—the expected environmental factors, pertinent facts and information relating to the future such as general economic conditions, population trends, competitive behavior etc.

The planning premises can be classified as below:

- (1) Internal and External premises.
- (2) Tangible and Intangible premises.
- (3) Controllable and non-controllable premises

**Internal and External premises**: Premises may exist within or outside the enterprise. Internal premises include sales forecasts, ability of the organization in the form of machines, methods of design, behavior of the owners and employees etc., The external premises exists outside the enterprise and include general business and economic environment, technological changes, government policies and regulations, population growth etc.,

**Tangible and Intangible premises**: Tangible premises are those which can be quantified. They include population growth, industry demand, capital and resources invested etc., On the other hand political stabilities, sociological factors, attitudes and behavior of the owners etc., are intangible premises.

**Controllable and non-controllable premises**: Some of the planning premises are controllable and others are non-controllable. Some examples of non-controllable factors are strikes, wars, natural calamity, legislation etc., Because of the presence of non-controllable factors; organizations have to revise plans periodically in accordance with current development. The controllable factors are availability of resources, skill of managers and labor etc.,

(3) *Deciding the planning period*: Once the long term objectives and planning premises are decided, the next task is to decide the period of the plan. Some plans are made for a year and in others it will be decades. Companies generally base their period on a future that can reasonably be anticipated. The factors which influence the choice of a period are:

(a) **Lead time in development and commercialization of a new product**: An aircraft building company planning to start a new project should have a planning period of five to ten years where as a small manufacturer of spare parts who can commercialize his idea in a year or so makes annual plans.

(b) **Time required for recovering capital investment or the pay back period**: The pay back period also influence the planning period. For example, if a machine costs 50 lakhs and generates cash in flow of Rs. 10 lakhs a year, it has a pay back period of 5 years. Therefore the plans should also be for at least five years.

(c) **Length of commitment already made**: The plan period should be long enough to enable the fulfillment of already made commitments. For example if a company has agreed to supply goods for five years, it needs

to plan for the same period to fulfill its commitments.

(4) *Identification of alternatives*: The fourth step in planning is identifying alternatives. A particular objective can be achieved through various actions. For example an organization's objective is to grow further which can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organization and so on. With each category there may be several alternatives. For example, diversification may point out the possibility of entering into one of the several fields.

(5) *Evaluation and selection of alternative*: Once the alternatives are identified the next step is to evaluate the alternatives in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research. In addition software packages are available for evaluating alternatives.

(6) *Developing derivative/supportive plans*: Once the plan is selected, various plans are derived so as to support the main plan. The derivative may be planning for buying equipments, buying raw material etc. These derivative plans are formulated out of the main plan and therefore, they support.

(7) *Measuring and controlling the process*: One should not allow plan to run on its own without monitoring its progress. Managers need to check the progress of their plans so that remedial action can be taken to make plan work or change the plan if it is unrealistic. Hence process of controlling is a part of any plan.

## ORGANIZATION STRUCTURE

An organization structure shows the authority and responsibility relationship between the various positions of the organization by showing who reports to whom. It is a set of planned relationships between groups of related functions and between physical factors and personnel required for the achievement of organizational goal. The structure of an organization is generally shown on the organization chart or a job task pyramid. It shows the authority and responsibility relationship between various positions in the organization. A good organization structure should not be static but dynamic. It should be subject to change from time to time in the light of changes in the business environment.

Organizational Structure Affects Most of the Process of Organizing

This statement is accurate. Organizational structure is the framework that defines the roles, responsibilities, and relationships between individuals and teams within an organization. It is a critical element of organizing, as it helps to ensure that everyone is working towards the same goals and objectives.

Organizational structure can affect a wide range of organizational processes, including:

- Goal setting: Organizational structure can help to clarify organizational goals and objectives, and to ensure that everyone is aligned with them.



- **Decision-making:** Organizational structure can help to identify the individuals and teams responsible for making different types of decisions.
- **Communication:** Organizational structure can help to establish communication channels and protocols, and to ensure that information flows effectively throughout the organization.
- **Coordination:** Organizational structure can help to coordinate the work of different individuals and teams, and to ensure that everyone is working together efficiently.
- **Control:** Organizational structure can help to establish control mechanisms to ensure that the organization is meeting its goals and objectives.

some specific examples of how organizational structure can affect organizational processes:

A company may have a centralized organizational structure, with all major decisions being made by top management. This structure can be efficient for making quick decisions, but it can also limit creativity and innovation.

- A company may have a decentralized organizational structure, with more decision-making authority delegated to lower levels of management. This structure can be more responsive to customer needs and market changes, but it can also lead to duplication of effort and inconsistent decision-making.
- A company may have a functional organizational structure, with employees grouped together based on their job function. This structure can promote efficiency and specialization, but it can also make it difficult for employees to collaborate across different departments.
- A company may have a divisional organizational structure, with employees grouped together based on product line or geographic region. This structure can promote focus and accountability, but it can also lead to silos and competition between divisions.

### Steps in decision making

#### 1. Identify the decision

To make a decision, you must first identify the problem you need to solve or the question you need to answer. Clearly define your decision. If you misidentify the problem to solve, or if the problem you've chosen is too broad, you'll knock the decision train off the track before it even leaves the station.

If you need to achieve a specific goal from your decision, make it measurable and timely.

#### 2. Gather relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. Do an internal assessment, seeing where your organization has succeeded and failed in areas related to your decision. Also, seek information from external sources, including studies, market research, and, in some cases, evaluation from paid consultants.

Keep in mind, you can become bogged down by too much information and that might only complicate the process.

#### 3. Identify the alternatives



With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying to meet a goal. For example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

#### 4. Weigh the evidence

Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good look at your organization's own wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

#### 5. Choose among alternatives

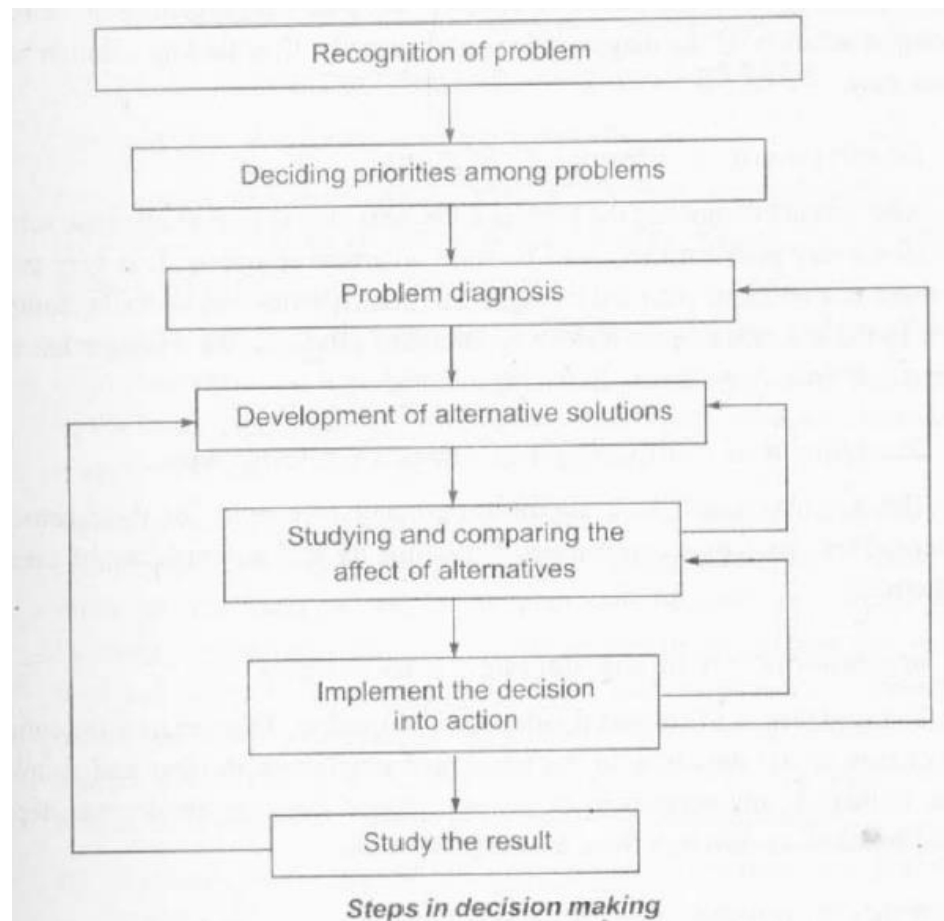
Here is the part of the decision-making process where you actually make the decision. Hopefully, you've identified and clarified what decision needs to be made, gathered all relevant information, and developed and considered the potential paths to take. You should be prepared to choose.

#### 6. Take action

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. **Develop a project plan** related to your decision, and then assign tasks to your team.

#### 7. Review your decision

After a predetermined amount of time—which you defined in step one of the decision-making process—take an honest look back at your decision. Did you solve the problem? Did you answer the question? Did you meet your goals?



### Role of manager

1. Figurehead role: legal actions, outward relationships, dignitaries
2. Leader role: selecting, guiding and motivating subordinates
3. Liaison role: relationship with people of other organizations
4. Monitor role: collecting information about internal operations, attending meetings
5. Disseminator role: transmission of information internally to subordinates, superiors
6. 6. Spokesperson role: press report, public speech,
7. 7. Entrepreneurial role: initiating change, assuming risk, transforming ideas into products
8. 8. Disturbance handler role: resolving conflicts arising in an organization
9. Resource allocator role: such as money, labour, materials and equipments
10. 10. Negotiator role: bargaining with suppliers, customers, employees etc.,

### Planning process

Corporate and functional planning:

The planning activities at the corporate level which cover the entire organizational activities are known as corporate planning. The focus in corporate planning is to determine long term objectives as a whole and to generate plans to achieve these objectives bearing in mind the probable changes in dynamic environment. This corporate planning is the basis for functional planning. Functional planning which is derived from corporate planning is undertaken for each major function of the organization like production, marketing, finance etc., Since functional planning is derived out of corporate planning and therefore it should contribute to the corporate planning.

Strategic and operational planning:

Strategic planning sets future directions of the organization in which it wants to proceed in future. Strategic planning involves a time horizon of more than one year and for most of the organization it ranges between 3 and 5 years. Examples of strategic planning may be diversification of business into new lines, planned growth rate in sales etc. Operational planning also known as tactical planning on the other hand involves deciding the most effective use of resources already allocated to achieve the organizational objectives. The time horizon in operational planning is less than one year. Operational planning is undertaken out of the strategic planning. The examples of operational planning may be adjustment of production within available capacity, increasing the efficiency of the operating activity by analyzing past performance etc.

Long and short term planning:

The long term planning is strategic in nature and involves more than one year period and can extend to 15 to 20 years or so. Short term planning usually covers one year. Short term plans are made with reference to long term plans because short term plans contribute to long term plans.

Proactive and reactive plans:

Planning is an open system approach and hence it is affected by environmental factors which keep on changing continuously. The organization's response to these changes differs. Based on these responses planning may be proactive and reactive. Proactive

planning involves designing suitable courses of action in anticipation of likely changes of environment. Managers adopting proactive changes do not wait for environment to change, but take action in advance of environmental changes. For this, continuous scanning of environment is necessary. In reactive planning response comes after environmental changes take place. By the time organization responds to change in environment there may be further change in environment. Hence this type of planning is suitable in the environment which is fairly stable over a long period of time.

Formal and informal planning:

Large organizations undertake planning in a formal way. Generally a separate corporate planning cell is formed at higher level. The cell is staffed by people of different backgrounds like engineers, economists, statisticians etc., depending upon the nature. The cell continuously monitors the environment. When environment shows some change the cell analyses the environment and suggest suitable measures to take the advantage of the changing environment. This type of planning is rational, systematic, regular and well documented. On the other hand informal planning is undertaken generally by small organizations. This planning process is based on manager's experience, intuitions rather than based on systematic evaluation of environmental changes. This planning process is part of manager's regular activity and is suitable for small organizations.

### Principles of organization

1. Objectives: The objectives of the enterprise influence the organization structure. Every part of the organization and organization as a whole should be geared to the basic objective determined by the enterprise
2. Specialization: Effective organization must promote specialization. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.
3. Responsibility: A superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates.
4. Authority: The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. The authority and responsibility must be co-extensive in the organization.
5. Efficiency: The organization should be able to attain the mission and objectives at the minimum cost.
6. Simplicity: The organization structure should be as simple as possible with minimum number of levels. A large number of levels of organization means difficulty of effective communication and coordination
7. Flexibility: The organization should be flexible, should be adaptable to changing circumstances. It should permit expansion and replacement without dislocation and disruption of the basic design. A sound organization must avoid complicated procedures, red-tape and excessive complication of control so that it may adapt itself easily and economically to business and technical changes.
8. Balance: There should be reasonable balance in the size of various departments, between centralization and decentralization. There must be balance in the formal structure as regards to factors having conflicting claims.

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

10. Unity of command: Each subordinate should have only one supervisor whose command he has to obey. Dual subordination must be avoided, for it causes uneasiness, disorder, and indiscipline and undermine of authority.

### Management cycle

#### 1. Planning:

- The management function that assesses the management environment to set future objectives and map out activities necessary to achieve those objectives.
- To be effective, the objectives of individuals, teams, and management should be coordinated to support the firm's mission.

#### 2. Organizing:

- The management function that determines how the firm's human, financial, physical, informational, and technical resources are arranged and coordinated to perform tasks to achieve desired goals.
- The deployment of resources to achieve strategic goals.

#### 3. Leading:

- The management function that energizes people to contribute their best individually and in cooperation with other people

#### 4. Controlling:

- The management function that measures performance, compares it to objectives, implements necessary changes, and monitors progress.

- Many of these issues involve feedback or identifying potential problems and taking corrective action.

#### • 5. Staffing:

Staffing involves managing various positions of the organizational structure. It involves selecting and placing the right person at the right position. Staffing includes identifying the gap between manpower required and available, identifying the sources from where people will be selected, selecting people, training them, fixing the financial compensation and appraising them periodically. The success of the organization depends upon the successful performance of staffing function.

#### 6. Directing

Planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organizational objectives. The actual performance of the task starts with the function of direction. This function can be called by various names namely "leading", "directing", "motivating", "activating" and so on

## Unit 2

### Steps in selection process

#### 1. Application Blank:

- Filling the application blank is the first step in selection process
- Applicant give relevant data: Qualification, specialization, experience, firms in which he worked/working currently, other basic information viz... address, dependants, interests, hobby etc.,,

#### 2. Preliminary Interview:

The purpose of this interview is to scrutinize the applicants, i.e. elimination of unqualified applications.

#### 3. Selection Tests:

Different types of selection tests may be administrated, depending on the job and the company. Generally tests are used to determine the applicant's ability, aptitude, and personality.

- 1. *Aptitude test*: capacity to learn the skill required for a job. [to assess training needs]
- 2. *Interest test*: type of work in which candidate has interest. [sale, field work, manufacturing]
- 3. *Personality test*: characteristics of a candidate such as self confidence, initiative, judgment, dominance, integrity, originality etc.,, very important for supervisory and top positions

#### 4. Employment Interview:

The next step in the selection process is employment interview, an interview is conducted at the beginning, and at the selection process of the employment interview can be one- to-one interview or panel interview.

#### 5. Reference and Background Checks:

Many employers request names, address, telephone numbers or references for the purpose to verify information and gaining additional background information of an applicant.

#### 6. Selection Decision:

Selection decision is the most critical of all steps in selection process. The final decision has to be made from the pool of individuals who pass the tests, interviews and references checks.

#### 7. Physical Examinations/ Medical Examinations:

After selection decision and before the job offer is made, the candidate is required to undergo a physical fitness test. A job offer is often; contingent upon the candidate being declared fit after the physical examinations.

#### 8. Job Offer:

appointment. Such a letter generally contains a date by which the appointee must report on duty

#### 9. Contract Of Employment:

Basic information is written in Contract of employment that varies according to the levels of job. After the offer and acceptance of the job certain document is the attestation form.

#### 10. Evaluation of Selection program:[optional step]

The broad test of effectiveness of the selection process is a systematic evaluation. A periodic audit is conducted in the HR department that outlines and highlights the areas which need to be evaluated in the selection process

## Steps in control process

### 1. Establishment of standards:

The first step in control process is the setting up of standards of performance. A standard acts as a reference line or a basis of actual performance. Standards should be set precisely and in quantitative terms. Standards expressed in vague or general terms such as “Costs should be reduced” or “rejections should be reduced” are not specific as “cost should be reduced by 10 percent” or “rejections should be reduced to 0.5 percent”. Standards are used as the criteria or benchmarks by which performance is measured in the control process. Since standards cannot be set for entire operations, each organization must first develop its own list of key result areas for the purpose of control. Different standards of performance are set up for various operations at the planning stage. As a matter of fact, planning is the basis of control. Standards are to be flexible in order to adopt changing conditions. For example, a new salesman who seems to be an above average performer should have his sales standard adjusted accordingly. Every objective, goal, policy, procedure and budget becomes a standard against which actual performance might be measured. However, in practice different types of standards used are: (1) Physical standards such as units of production per hour. (2) Cost standards, such as direct and indirect cost per unit. (3) Revenue standards such as sales per customer. (4) Capital standards such as rate of return of capital invested. (5) Intangible standards such as competency of managers and employees.

### 2. Measuring and comparing actual performance with standards:

The second step in the control process is measuring the actual performance of individuals, group or units and comparing it with the standards. The quantitative measurement should be done in cases where standards have been set in numerical terms. This will make evaluation easy and simple. In all other cases, the performance should be measured in terms of qualitative factors as in the case of performance of industrial relations manager. His performance should be measured in terms of attitude of workers, frequency of strikes and morale of workers. In general, measurement of performance can be done by personal observation as in the case of the subordinates being observed while they are engaged in work or by a study of various summaries of figures, reports, charts and statements. Once the performance is measured, it should be compared with the standards to detect deviations. Some deviations are desirable such as the output above the standard. But some other variations are undesirable such as a variation in the delivery schedule agreed upon with the customer. The measurement and comparison are to be made at various stages in the total process and not at the end.

### 3. Taking corrective action:

The final step in the control process is taking corrective action so that deviations may not occur again and the objectives of the organization are achieved. This will involve taking certain decisions by the management like re planning or redrawing of goals or standards, reassignment or classification of duties. It may also necessitate reforming the process of selection and training of workers. This control function may require change in all other managerial functions. If the standards are found to be defective, they will be set up again in the light of observations. Joseph Massie has pointed out that a manager may commit two types of mistakes at this stage. The first is, he may take action when no action is needed. The second is he may fail to take action when some corrective action is needed. A good control system should provide some basis for helping the manager estimate the risks of making either of these types of errors. Of course, the final test of a control system is whether correct action is taken at the correct time



## What is staffing

staffing was considered to be a part of organization function of management. It is now recognized as a separate management function. The reason for separating the staffing from organizing is to give proper emphasis to the actual meaning of managerial roles.

## Types of leadership styles

*Autocratic leadership:* An autocratic leader is one who dominates and drives his subordinates through coercion, command and the instilling of fear in his followers. An autocratic leader alone determines policies, plans and makes decisions. He demands strict obedience. Such leaders love power and love to use it for promoting their own ends. They never like to delegate their power for they fear that they may lose their authority. The merits of this type of leadership is that, it can increase efficiency, save time, and get quick results under emergency conditions, chain of command and division of work are clear.

The demerits are people are treated machine-like cogs without human dignity, one way communication without feedback and the leader receives little or no input from his subordinates for his decision-making which is dangerous in the current dynamic environment.

*Democratic leadership:* This style of leadership is also known as participative leadership. As the name itself indicates, in this style, the entire group is involved in goal setting and achieving it. A democratic leader follows the majority opinion as expressed by his group. Subordinates have considerable freedom of action. The leader shows greater concern for his people's interest, is friendly and helpful to them. He is always ready to defend their subordinates individually and collectively. This type of leadership encourages people to develop and grow, receives information and ideas from his subordinates to make decisions, and boosts the morale of employees. The demerits of this type of leadership are (1) Some leaders may use this style as a way of avoiding responsibility, (2) Can take enormous amount of time for making decisions.

*Free-rein:* In this type of leadership, the leaders exercise absolutely no control. He only provides information, materials and facilities to his subordinates. This type of leadership is employee centered and the subordinates are free to establish their own goals and chart out the course of action. This type of leadership can be disaster if the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom.

## Importance of Training

Training is essential for employees to develop the skills and knowledge they need to be successful in their jobs. It can help employees to:

- Improve their performance and productivity



- Learn new skills and technologies
- Stay up-to-date on industry trends
- Develop their leadership and communication skills
- Increase their job satisfaction and engagement

### Two Best Methods of Training

1. On-the-job training (OJT): OJT is a hands-on approach to training where employees learn by doing. They are typically paired with a more experienced employee who acts as their mentor. OJT is a very effective way to train employees on specific tasks and procedures.
2. Instructor-led training (ILT): ILT is a traditional classroom-style training where an instructor delivers the training material to a group of employees. ILT is a good way to train employees on a variety of topics, including technical skills, soft skills, and company policies and procedures.

### Explanation of the Two Best Methods of Training

#### On-the-job training

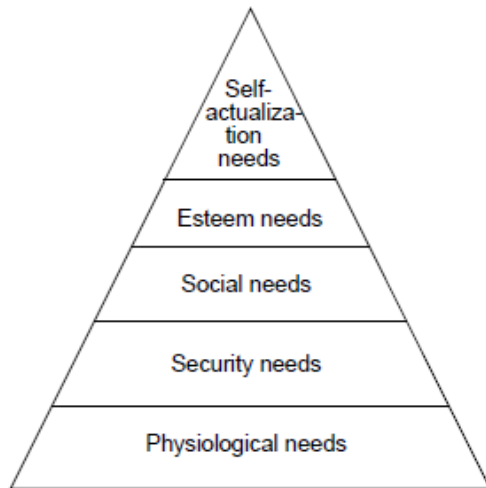
OJT is a very effective way to train employees on specific tasks and procedures because they are learning in the same environment where they will be performing the job. It also allows employees to get immediate feedback from their mentor.

#### Instructor-led training

ILT is a good way to train employees on a variety of topics, including technical skills, soft skills, and company policies and procedures. It also allows employees to interact with each other and learn from each other's experiences.

### Maslow's Theory

Every person has a variety of needs, some of these needs are satisfied and others are unsatisfied. An unsatisfied need is the starting point in the motivation process. When a person has an unsatisfied need, he attempts to identify something that will satisfy the need. This is called as goal. Once a goal has been identified, he takes action to reach that goal and thereby satisfy the need. A.H. Maslow



**Figure 4.2: Hierarchies of needs**

(1) *Physiological needs*: These are the basic needs for sustaining human life itself, such as food, water, shelter and sleep. Maslow took the position that until these needs are satisfied to the reasonable degree necessary to maintain life, other needs will not motivate people.

(2) *Security or safety needs*: People want to be free of physical danger and of the fear of losing job, property or shelter.

(3) *Social needs*: Since people are social being, they need to belong, to be accepted by others.

(4) *Esteem needs*: Once people begin to satisfy their need to belonging, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige and status.

(5) *Self-actualization needs*: It is desire to become what one is capable of becoming to maximize one's potential and to accomplish something. According to Maslow, people attempt to satisfy their physical need first. As long as the needs are unsatisfied, they dominate behavior. As they become reasonably satisfied, they lose their motivational power and the next level i.e., security needs becomes the dominant motivational force. This process continues up the need hierarchy.

### What is controlling? Why controlling is essential in management?"

Controlling is the fourth and final function of management. It is the process of ensuring that organizational activities are consistent with organizational goals. Controlling involves setting standards, measuring performance, comparing actual performance to standards, and taking corrective action as needed.

Controlling is essential in management because it helps organizations to:

- Achieve their goals: Controlling helps organizations to stay on track and achieve their goals by identifying and correcting any deviations from the plan.
- Use resources efficiently: Controlling helps organizations to use their resources efficiently by identifying and eliminating waste.
- Protect organizational assets: Controlling helps organizations to protect their assets from fraud, theft, and other losses.
- Promote order and discipline: Controlling helps to promote order and discipline in the organization by setting clear expectations and holding employees accountable for their performance.

### Line and Staff Organization

In order to reap the advantages of both line organization and functional organization, a new type of organization is developed i.e., line and staff organization. In line and staff organization, the line authority remains the same as it does in the line organization. Authority flows from top to bottom. In addition, the specialists are attached to line managers to advise them on important matters. These specialists stand ready with their speciality to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carryout their activity better. The staff officials do not have any power of command in the organization as they are employed to provide expert advice to the line manager. In most of the organization, staff investigates and supplies information and recommendations to managers who takes decision.

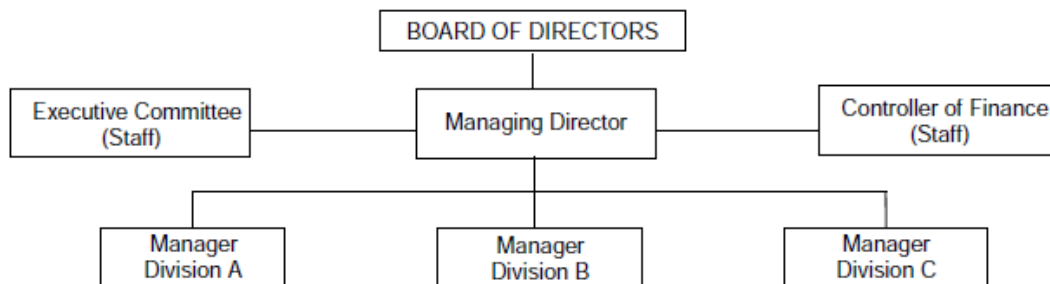


Fig. 3.6: Line and staff organization

#### Advantages

- (1) Specialized knowledge
- (2) Reduction of burden on line managers.
- (3) Better decisions, as staff specialists help the line managers
- (4) Unity of command
- (5) Flexible when compared to functional organization.

#### Disadvantages

- (1) Allocation of duties between line and staff is not clear.
- (2) There is generally conflict between line and staff executives Since staff is not accountable, they may not be performing well.
- (4) Difference between orientations of line and staff. Line executive's deals with in problem in a more practical manner while staff, tend to be more theoretical.

## ESSENTIALS OF A SOUND CONTROL SYSTEM

The essentials of a sound control system are as follows:

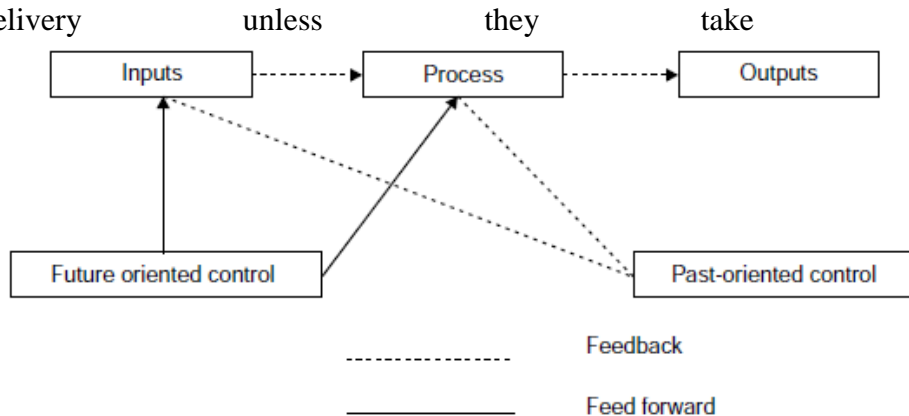
- (1) *Suitable*: The control system should be appropriate to the nature and needs of the activity. For example, a machine based method of production requires control system which is different from the system that is used in labour intensive methods of production. Thus every enterprise should develop such a control system it would serve its purpose.
- (2) *Timely and forward looking*: The control system should be directed towards future. It should report all the deviations from the standards quickly in order to safeguard the future. The feedback system should be as short and as quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations.
- (3) *Objective and comprehensible*: The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for the argument by the employees. They provide employees with direct access to any additional information which they may need to perform their task. Employees are not made to go up and down the hierarchy to get the information.
- (4) *Flexible*: Control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. It should be adoptable to new developments including the failure of the control system itself.
- (5) *Economical*: Another requirement of a good control system is economy. The benefits derived from the control system should be more than the cost involved in implementing it.
- (6) *Control by exceptions*: This is also known as “management by exception” according to this principle, only significant deviations from standards, whether positive or negative requirement management as they constitute exceptions. An attempt to go through all deviations tends to increase unnecessary work and decrease attention on important problems.
- (7) *Prescriptive and operational*: A control system in order to be effective and adequate, must not only detect deviations, but should also provide solutions to the problems that cause deviations. In other words, the system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them and what should be done about them. It must focus more on action than on information.
- (8) *Acceptable to organization members*: The system should be acceptable to organization members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards of unreasonable or unrealistic. They may then refuse to meet them.
- (9) *Motivation*: A good control system should be employee centered. The control system is designed to secure positive reactions from employees. If large deviations are found, the employees will be properly directed and guided instead of being punished. The very purpose of a control is prevention and not punishing.

## CONTROL METHODS

Control methods are broadly classified into two types namely past-oriented controls and future oriented controls.

*Past-oriented controls:* Past-oriented control measure results after the process. These are also known as post action controls. They examine what has happened in the past for a particular period. Examples of past-oriented controls are accounting records, school grade reports etc. These controls are used to plan future behaviour in the light of post errors or successes. They can also be used for rewarding, disciplining, training or promoting individuals.

*Future-oriented controls:* These are also known as feed-forward controls or steering controls. These controls are designed to measure results during the process, so that action can be taken before the job is done or the period is over. Feed-forward control serve as warning-posts principally to direct attention rather than to evaluate examples of such controls are cash flow and funds flow analysis, network planning etc which help managers to see that they will have problems in such areas of cash or on time delivery unless they take prior action.



**Fig. 4.6:** Comparison of past-oriented and future-oriented controls

These two types of controls are not alternatives to each other. Organizations use both these types. Future-oriented controls are important because the information feedback in them is at the input side of the system, so that correction can be made before the system output is affected as shown in figure 4.6 even with the use of past-oriented controls, a manager would still want to measure final system output since nothing can be expected to work perfectly enough to give the confidence that the final output will always be exactly as is desired.

### **Nature and importance of Staffing:**

- (i) It helps in discovering talented and competent workers and developing them to move the organization ladder.
- (ii) Staffing is important to put the right person at right job which results in increased production.
- (iii) It avoids sudden disruption of the production due to shortage of workers, since it plans and fills the positions.
- (iv) It maintains harmony and creates healthy atmosphere in any organization by planning the promotions, training needs and additional skills required.
- (v) It plans the requirement of man power at various time and levels of a project and cater to it.

### **Hertzberg's Two Factors Theory Fredrick/Motivation-Hygiene Theory:**

- The motivation-hygiene theory, also known as the two-factor theory, was developed by psychologist Frederick Herzberg in the 1950s. The theory states that there are certain factors in the workplace that can lead to job satisfaction (motivators) and other factors that can lead to dissatisfaction (hygiene factors). ● Motivators include things like recognition, achievement, and growth opportunities. These factors are related to the actual job itself and can lead to increased engagement and motivation.
- Hygiene factors, on the other hand, include things like salary, working conditions, and company policies. These factors are not directly related to the job itself, but they can affect an employee's overall perception of the job. If these factors are not met, it can lead to dissatisfaction, but if they are met, it does not necessarily lead to satisfaction.
- According to Herzberg, to increase job satisfaction, employers should focus on providing opportunities for growth and recognition, while also addressing hygiene factors to prevent dissatisfaction.

## Unit 3

**Synectics** is a creative problem-solving method that uses analogies and metaphors to help people think differently about a problem. It encourages people to look at a problem from a new perspective and to find solutions that might not be immediately obvious. It combines the techniques of brainstorming and lateral thinking to generate creative ideas and solutions

### CONCEPT OF ENTREPRENEUR

entrepreneur can be defined as a person who tries to create something new, organizes production and undertakes risks and handles economic uncertainty involved in enterprise.

*Entrepreneur as risk bearer:* Richard Cantillon defined entrepreneur as an agent who buys factors as production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays contractual incomes, which are certain to land owners and laborers, and sells at prices that are 'uncertain'. He includes merchants also who make certain payments in expectation of uncertain receipts. Hence both of them are risk-bearing agents of production. combines the land of one, the labor of another and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to laborers and what remains is his/her profit". Say made distinction between the role of capitalist as a financier and the entrepreneur as an organizer. This concept of entrepreneur is associated with the functions of coordination, organisation and supervision.

*Entrepreneur as an innovator:* Joseph A Schumpeter in 1934 assigned a crucial role of 'innovation' to the entrepreneur. He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production, i.e. innovations. The introduction of new combination according to him, may occur in any of the following forms.

- (a) Introduction of new product in the market.
- (b) Use of new method of production, which is not yet tested.
- (c) Opening of new market.
- (d) Discovery of new source of raw materials.
- (e) Bringing out of new form of organisation.

### FUNCTIONS OF AN ENTREPRENEUR

An Entrepreneur has to perform a number of functions right from the generation of idea up to the establishment of an enterprise. He also has to perform functions for successful running of his enterprise. Entrepreneur has to perceive business opportunities and mobilize resources like man, money, machines, materials and methods. The following are the main functions of an Entrepreneur.

1. *Idea generation:* The first and the most important function of an Entrepreneur is idea generation. Idea generation implies product selection and project identification. Idea generation is possible through vision, insight, keen observation, education, experience and exposure. This needs scanning of



business environment and market survey.

2. *Determination of business objectives*: Entrepreneur has to state and lay down the business objectives. Objectives should be spelt out in clear terms. The Entrepreneur must be clear about the nature and type of business, i.e. whether manufacturing concern or service oriented unit or a trading business so that he can very well carry on the venture in accordance with the objectives determined by him.

3. *Rising of funds*: All the activities of the business depend upon the finance and hence fund rising is an important function of an Entrepreneur. An Entrepreneur can raise the fund from internal source as well as external source. He should be aware of different sources of funds. He should also have complete knowledge of government sponsored schemes such as PMRY, SASY, REAP etc. in which he can get government assistance in the form of seed capital, fixed and working capital for his business.

4. *Procurement of machines and materials*: Another important function of an Entrepreneur is to procure raw materials and machines. Entrepreneur has to identify cheap and regular sources of raw materials which will help him to reduce the cost of production and face competition boldly. While procuring machineries he should specify the technical details and the capacity. He should consider the warranty, after sales service facilities etc before procuring machineries.

5. *Market research*: Market research is the systematic collection of data regarding the product which the Entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently to know the details of the intending product, i.e. the demand for the product, size of the market/customers, the supply of the product, competition, the price of the product etc.

6. *Determining form of enterprise*: Entrepreneur has to determine form of enterprise depending upon the nature of the product, volume of investment etc. The forms of ownership are sole proprietorship, partnership, Joint Stock Company, co-operative society etc. Determination of ownership right is essential

on the part of the entrepreneur to acquire legal title to assets.

7. *Recruitment of manpower*: To carry out this function an Entrepreneur has to perform the following activities.

- (a) Estimating man power requirement for short term and long term.
- (b) Laying down the selection procedure.
- (c) Designing scheme of compensation.
- (d) Laying down the service rules.
- (e) Designing mechanism for training and development.

8. *Implementation of the project*: Entrepreneur has to develop schedule and action plan for the implementation of the project. The project must be implemented in a time bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun. He has to organize various resources and coordinate various activities. This implementation of the project is an important function of the Entrepreneur.

## TYPES OF ENTREPRENEUR

Today various types of Entrepreneurs are found engaged in different types of activities, not only in industrial activities but also in agriculture and commercial activities. Today we can recognize Entrepreneur in industry, service and business sectors which are technically called as ISB sectors. Entrepreneurs are classified in a number of ways as discussed below *Innovative entrepreneur*: This category of Entrepreneur is characterized by smell of innovativeness. This type of Entrepreneur, sense the opportunities for introduction of new ideas, new technology, discovering of new markets and creating new organizations. Such Entrepreneur can work only when certain level of development is already achieved and people look forward to change and improve. Such Entrepreneur are very much helpful for their country because they bring about a transformation in life style.

2. *Adoptive or imitative entrepreneur*: Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner. Instead of innovation, may just adopt the technology and methods innovated by others.

Such types of entrepreneur are particularly suitable for under-developed countries for imitating the new combination of production already available in developed countries.

3. *Fabian entrepreneurs*: Fabian entrepreneurs are characterized by great caution and skepticism, in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises.

4. *Drone entrepreneurs*: Such entrepreneurs are conservative or orthodox in outlook. They always feel comfortable with their old fashioned technology of production even though technologies have changed. They never like to get rid of their traditional business, traditional machineries and traditional system of business even at the cost of reduced returns. *Solo operators*: These are the entrepreneurs who essentially work alone, introduce their own capital and if essential employ very few employees. In the beginning most of the entrepreneurs start their enterprises like them.

*Active partners*: Such entrepreneurs jointly put their efforts and resources. They actively participate in managing the daily routine of the business concern. Entrepreneurs who only contribute their funds but not actively participate in the business are called simply 'Partners'

*Inventors*: Such entrepreneurs are creative in character and feel happy in inventing new products, technologies and methods of production. Their basic interest lies in research and innovative activities.

*Challenge*: According to such entrepreneurs, if there is no challenge in life, there is no charm in life. Such entrepreneurs plunge into industry/business because of the challenge it presents. When one challenge seems to be met, they begin to look for new challenges. They convert odds and adversities into opportunities and make profit.

*Buyers*: These are the entrepreneurs who do not like to face the hassles of building infrastructure and other facilities. They simply purchase the existing one and by using their experience and expertise try to run the enterprise successfully.

*Life timers*: Such entrepreneurs take business as an integral point of their life. Family enterprises, which mainly depend on exercise of personal skill, fall in this

category.

*Industrial entrepreneurs:* Such entrepreneurs engage in manufacturing and selling products.

*Service entrepreneurs:* Such entrepreneurs engage in service activities like repair, consultancy, beauty parlor etc where entrepreneurs provide service to people.

*Business entrepreneurs:* They are also called as trading entrepreneurs which buy and sell goods.

*Agricultural entrepreneurs:* They engage themselves in agricultural activities like horticulture, floriculture, animal husbandry, poultry etc.

*Corporate entrepreneurs:* Corporate entrepreneurs undertake their business activities under legally registered company or trust.

*Rural entrepreneurs:* Entrepreneur's selecting rural-based industrial opportunity in either khadi or village industries sector or in farm entrepreneurship are regarded as rural entrepreneurs. According to khadi and village industry commission (KVIC) Village or rural industry means any industry located in rural area, population of which do not exceed 10,000 which produces any goods or services in which fixed investment of an artisan or a worker does not exceed one thousand rupees.

*Women entrepreneurs:* According to government of India an entrepreneurs is defined as an enterprise owned and controlled by 16 a woman and having minimum financial interests of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women. Women entrepreneurs play an important role in economy especially in rural areas.

case study on any small start-up on the basis of creativity with new ideas, Also suggest the features it has towards good business opportunities

Case Study: Warby Parker Warby Parker is a small start-up that has revolutionized the eyeglass industry with its creative new ideas. Founded in 2010, Warby Parker offers high-quality, stylish eyeglasses at a fraction of the cost of traditional retailers. The company's innovative business model has made it one of the fastest-growing start-ups in recent history. One of the key features that makes Warby Parker so successful is its focus on creativity and new ideas. The company has broken from the traditional eyeglass industry by offering a wide range of stylish and affordable frames, as well as a unique customer experience. For example, Warby Parker allows customers to try on five frames at home for free before they buy them. This has made it much easier and more convenient for people to shop for eyeglasses..:

- Creative new ideas: Warby Parker has disrupted the eyeglass industry with its innovative business model and its focus on stylish and affordable frames.

- Focus on customer experience: Warby Parker's unique customer experience, such as allowing customers to try on frames at home for free, has made it easier and more convenient for people to shop for eyeglasses.

- Strong brand identity: Warby Parker has built a strong brand identity through its focus on social media and its commitment to giving back to the community.

barriers for Entrepreneurship? Relate Entrepreneurship Development with Intellectual property rights and elaborate all its concerns

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. The greatest barrier to entrepreneurship is the failure of success. Karl. H. Vesper has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know how
6. Complacency—lack of motivation
7. Social stigma
8. Time presence and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents

#### Entrepreneurship Development and Intellectual Property Rights

Intellectual property (IP) rights are the legal rights that creators have over their inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These rights are important for entrepreneurs because they can help them to:

- ☐ Protect their innovations: IP rights can prevent others from copying or using their inventions, designs, and other creative works without permission. This allows entrepreneurs to maintain a competitive advantage and attract investors.
- ☐ Generate revenue: IP rights can be used to generate revenue through licensing, franchising, and other commercial arrangements. This can help entrepreneurs to grow their businesses and create jobs.
- ☐ Increase brand value: Strong IP rights can help entrepreneurs to build strong brands and reputations. This can make their businesses more attractive to customers and investors.

Entrepreneurship development is the process of supporting and promoting entrepreneurship. This can be done through a variety of initiatives, such as providing access to finance, training, and mentorship. IP rights can play an important role in entrepreneurship development by helping entrepreneurs to protect their innovations, generate revenue, and increase brand value. There are a number of concerns about the relationship between IP rights and entrepreneurship development. One concern is that IP rights can be complex and expensive to obtain and maintain. This can make it difficult for small and medium-sized enterprises (SMEs) to protect their IP rights. Another concern is that IP rights can be used to stifle innovation. For example, a large company with a strong patent portfolio may be able to prevent smaller companies from developing and commercializing new products and services. Finally, there is a concern that IP rights can be used to exploit consumers. For example, a company with a monopoly on a particular technology may be able to charge high prices for its products and services.

### Characteristics Of Successful Entrepreneurs

#### Passion & Motivation :

Is there something you can work on over and over again without getting bored?

Is there something that keeps you awake because you have not finished it yet?

Is there something you have built and want to continue to improve upon, again and again?

Is there something you enjoy the most and want to continue doing to the rest of your life?

Risk Taking :

Successful entrepreneurs are willing to risk time and money on an uncertain future, but also keep resources and make plans to deal with unknown problems.

Is the risk worth the cost of your career, time and money?

What will you do if this venture does not pay off?

Self-belief and Hard Work : Successful entrepreneurs believe in themselves and enjoy what they do. • Can you focus and have faith in your ideas? • Can you demonstrate discipline and dedication despite detractors?

Adaptability & Flexibility : Successful entrepreneurs welcome all suggestions for optimization or customization that enhances their offering and satisfies market and customer needs. • Can you be flexible in adapting to dynamic markets and changing customer needs?

Understand the Market : Successful entrepreneurs know their market and their product inside and out. • Can you stay aware of changing market needs, competitor moves, and other external factors to avert failure?

Money Management : Successful entrepreneurs realize money management is mandatory and plan for present and future obligations. • Can you handle keeping sufficient cash flows after becoming operational?

Planning : Successful entrepreneurs make plans as much as possible but maintain a mindset and temperament for dealing with unforeseen possibilities. • What are your time and money targets? Are they feasible?

Networking Abilities: build networks to seek valuable advice. • Can you create a network to tap for solutions?

Being Prepared to Take the Exit : Not every attempt ends in success. Successful entrepreneurs know when to cut their losses and try something different rather than continue to lose money in a failing venture. • Can you leave a venture if it fails?

Self-doubt, but not too much : Successful entrepreneurs do gut checks. • Can you do this? • Do you want this?

- Creative problem solving methods

Heuristics

Brainstorming

- Derived from ancient Greek = find or discover
- Any approach to problem solving, learning or a discovery.
- Employs a practical method not guaranteed to be optimal or perfect but sufficient for immediate goals.
- Derived from previous experiences with similar problems.
- Most fundamental is trial and error.

Examples : rule of thumb, an educated guess, stereotyping, profiling or a common sense.

Brainstorming The best way how to have a good idea is to have many ideas“

- Alex F. Osborne, 1939
    - method of thinking up solutions, concepts, ideas in problem solving
    - using the *brain* to *storm* new ideas in groups
    - “*It is easier to tone down a wild idea than to think up a new one.*”
  - Why & When ??? the creative process is not always easy (problems of fear, criticism, no existing solutions yet)
  - one person has a limited capacity
  - people tend to judge new ideas immediately (a change is difficult for a human being)
  - How does it work ? in a group of people
  - free associations to the topic given
  - relaxed and friendly atmosphere
  - deferred judgements – release the human mind, lateral thinking
1. Key rules relaxed atmosphere - completely free
  2. no criticism or judgements
  3. quantity matters
  4. all ideas legitimate
  5. all ideas put on the sheet of paper
  6. evaluation only after the session
- Benefits Wider picture

- Fun
- Cheap
- Quick
- Team building
- Greater acceptance

### What is creativity? List the different steps in the creative process."

Creativity is the ability to generate new and original ideas. It is a complex process that involves a variety of cognitive skills, including imagination, problem-solving, and critical thinking.

The following are the different steps in the creative process:

1. Preparation: This is the stage where you gather information and define the problem you are trying to solve.
2. Incubation: This is the stage where you allow your ideas to develop and marinate. It is often helpful to take a break from the problem and come back to it later with fresh eyes.
3. Illumination: This is the "aha!" moment when you come up with a creative solution to the problem.
4. Evaluation: This is the stage where you evaluate your idea and assess its feasibility.
5. Implementation: This is the stage where you put your idea into action and bring it to life.

The creative process is not always linear. It is often iterative, with you moving back and forth between the different stages as needed.

### Stages of Entrepreneurial Process

An Entrepreneur is an individual who has the capacity & willingness to develop, organize & manage a business venture.

The stages of the Entrepreneurial Process are:

**Identification of Opportunity:** Before starting any enterprise, individuals should search for good opportunities or any ideas. The idea can be their own or by friends, relatives, etc. Consumers are the best source of ideas for new ventures.



**Evaluation of Opportunity:** After identifying the opportunity, the individual has to evaluate or assess the idea or opportunity in terms of its length, span, profit, generation, expenditure, etc.

SWOT (Strength Weakness Opportunity & Threat) analysis is one of the important tools for evaluation.

**Development of Business Plan:** After evaluation of opportunity and selecting the specific idea, individuals should start business planning which includes the future of the project, staffing, technical & financial plan, etc.

**Determination & Organizing of Resources:** This process starts with an assessment of present resources. Individuals should list out raw materials required for the production of goods, machines, measurement instruments, etc.

**Management of the Enterprise:** After establishing an organization, the individual should look for the smooth run of the organization which needs management functions like planning, staffing, directing, and control. The management should be able to manage the operational problems of a growing enterprise.

## **2. Define creativity and innovation, list & explain the sources of new ideas for Entrepreneurs**

**Creativity** It is the phenomenon of the creation of something new & valuable.

**Innovation** is the implementation of new ideas at an individual, group, or organizational level. The sources of new ideas for Entrepreneurs are:

**Past Experience:** When an individual works in a company for a few years, they get important work experience and industry standards knowledge and can identify where changes can be brought.

**Consumers:** The consumers are the best idea providers as they are actual users or end-users. They give ideas or feedbacks in terms of materials & processes to be used to develop a product.

**Technical Consultants:** Technical consultants through the internet or web provide good information about the availability of technology, & other facilities required for business.

**Friends, Family, Colleagues:** Consulting friends and family can be a great idea to look for business ideas, as some of them might even have also thought of starting a business.

**R&D Units:** There are many R&D organizations developing new technologies & providing them commercially through regional research labs. Ideas may also be obtained through business publications magazines. Publications provide current trends in the industry, best practices, legal issues, etc.

## **Significance of IPR**

IPR stands for Intellectual Property Rights. Its significance is as follows:

It creates and supports high-paying jobs.

It drives economic growth and competitiveness.

It protects consumers and families by educating them about the safety, reliability, and effectiveness of the purchases.

It provides solutions to global challenges such as pharmacy, agriculture, etc.

It encourages innovation and rewards entrepreneurs.

## **Unit 4**

### **Role of MSME**

The following are the major roles of MSME

Elimination of economic backwardness in rural and underdeveloped regions

Self-reliance

Reducing regional imbalances

Creation of greater employment opportunities

Increased standard of living & income

Improves production & export of cottage industries

Development of economy & the country

Mobilization of resources

It generates immediate and large scale employment opportunities with relatively low investment

It ensures equal distribution of national income

### **KIADB & NSIC role**

#### **NSIC - National Small Industries Corporation**

It is an ISO-certified company started in 1955 working to promote small-scale industries in India. NSIC has many financial schemes and also marketing & technology support and credit facility. It facilitates buyer-seller meets. Helps in the export of products and import of materials. It also provides:

Material testing facilities

Help in product design

Energy service

Practical training to workers

#### **KIADB - Karnataka Industrial Area Development Board**

KIADB acquires and provides developed land suited to start industry by drawing well-developed plots with different sizes & needs for different industries. It promotes rapid & orderly establishment for the development of industries. It also provides additional amenities like banks,

post offices, fire stations, security, police department, roads, drainage, electricity, water, etc to start an industry. It also provides water treatment plants and waste disposal plants.

### **Discuss in detail the impact of liberalization, privatization, and globalization on MSME**

#### **Liberalization**

Liberalization had made the import of scarce and non-available raw material easy. This had led to many new openings, New entrepreneurs have started many SSIs (Small Scale Industries) which are otherwise not possible due to the non-availability of certain raw materials and resources. Liberalization helped get them from abroad and use them.

#### **Privatization**

Privatization also helped the growth of SSIs in a big way. Earlier certain products were produced only by government organizations & no competition existed. With privatization, it gave an open platform to many challenging entrepreneurs to produce similar goods and services at a much competitive size and of better quality.

#### **Globalization**

Globalization has helped in setting many SSIs. It made it possible to export goods produced in small-scale industries and service providers are going global from India. Indian entrepreneurs in the pharma sector, IT sector, steel sector have gone to many countries to start ventures.

### **Explain how NSIC and SIDO promote MSME units throughout the country.**

The National Small Industries Corporation (NSIC) and the Small Industries Development Organisation (SIDO) are two important government organizations that promote MSME units throughout the country. They do this through a variety of programs and services, including: Providing financial assistance: NSIC and SIDO offer a variety of financial assistance schemes to MSMEs, including loans, subsidies, and guarantees. This helps MSMEs to access the capital they need to start and grow their businesses.

□ Providing technical assistance: NSIC and SIDO provide MSMEs with technical assistance in areas such as product development, process improvement, and quality control. This helps MSMEs to improve the quality and productivity of their products and services.

□ Providing marketing assistance: NSIC and SIDO help MSMEs to market their products and services both domestically and internationally. They do this through a variety of programs, such as trade fairs, exhibitions, and buyer-seller meets.

- Providing infrastructure support: NSIC and SIDO develop and provide industrial estates and other infrastructure facilities to MSMEs. This helps MSMEs to set up and operate their businesses more efficiently and effectively.
- Promoting entrepreneurship: NSIC and SIDO promote entrepreneurship among the youth and other disadvantaged groups. They do this through a variety of programs, such as entrepreneurship development training and mentoring.

Elaborate various government policies towards development of MSMEs

### Government policies towards MSME's

Government of India has started various programmes for the development of MSME's. Government has announced several objectives and intentions towards MSME's through IPR's (Industrial Policy Resolutions).

IPR 1948 :- Importance of SSI in overall industrial development of the Country was accepted for first time in IPR 1948.

- The main thrust was to provide protection to SSIs.

IPR 1956 :- Aimed to ensure that decentralised sector gained enough self support.

- About 128 items were reserved for exclusive production in small sector.

- IPR 1956 for SSIs aimed at "protection and development" & initiated the modern SSI in India.

IPR 1977 : - main thrust was on effective promotion of Cottage & SSI's widely spread in rural & Urban areas.

IPR 1980 : It was defined as facilitating an increase in Industrial production through optimum utilization of installed Capacity & expansion of industries.

- Emphasized on the promotion of village & small industries to generate economy in the villages.

IPR 1990 : It gave lot of scope and importance for SSI's to generate wage and self-employment based opportunities in the country.

- SIDBI was established in 1990

- Emphasis to establish Special Cell in SIDO for developing & training women entrepreneurs



**Describe the role of KSFCs and KSSIDC in developing Village industries and Small industries**

KSFC : [Karnataka State Financial Corporation]  
KSFC is one of the fast track term lending financial institutions in the country with assistance to over 1,71,414 units amounting to nearly Rs. 15,276 crore over the last 58 years in the state of Karnataka. KSFC is one of the robust and professionally managed state financial corporation. KSFC is an ISO 9001-2000 certified.

KSFC give preference to the projects which are

- (i) Promoted by technician entrepreneur.
- (ii) In the small-scale sector.
- (iii) Located in growth centers and developing areas of the state;
- (iv) (iv) Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- (v) Characterized by high employment potential.
- (vi) (vi) Capable of utilizing local resources;
- (vii) In tune with the declared national priorities.



KSSIDC : [Karnataka state small Industries Development Corporation].

It is the industrial and investment promotion agency of the Government of Karnataka. The growth of small scale industries in our country since independence is rightly regarded as one of the most significant features of planned economic development.

- The Corporation's principal objective is to promote and develop small industries in the state.

- Construction and utilisation of infrastructure, especially in backward areas, procurement ~~of~~ marketing of raw materials, technical support and assistance are means to reach the goals.

- A concern for results, emphasis on quality and timely work and

### **KIADB - Karnataka Industrial Area Development Board**

KIADB acquires and provides developed land suited to start industry by drawing well-developed plots with different sizes & needs for different industries. It promotes rapid & orderly establishment for the development of industries. It also provides additional amenities like banks, post offices, fire stations, security, police department, roads, drainage, electricity, water, etc to start an industry. It also provides water treatment plants and waste disposal plants

## Characteristics of Entrepreneurs

- Is there something you can work on over and over again without getting bored?
- Is there something that keeps you awake because you have not finished it yet?
- Is there something you have built and want to continue to improve upon, again and again?
- Is there something you enjoy the most and want to continue doing to the rest of your life?
- Successful entrepreneurs are willing to risk time and money on an uncertain future, but also keep resources and make plans to deal with unknown problems.
- Is the risk worth the cost of your career, time and money?
- What will you do if this venture does not pay off?

### 1. **Passion & Motivation :**

### 2. **Risk Taking :**

3. **Self-belief and Hard Work :** Successful entrepreneurs believe in themselves and enjoy what they do. • Can you focus and have faith in your ideas? • Can you demonstrate discipline and dedication despite detractors?

4 **Adaptability & Flexibility :** Successful entrepreneurs welcome all suggestions for optimization or customization that enhances their offering and satisfies market and customer needs. • Can you be flexible in adapting to dynamic markets and changing customer needs?

5. **Understand the Market :** Successful entrepreneurs know their market and their product inside and out. • Can you stay aware of changing market needs, competitor moves, and other external factors to avert failure?

6.**Money Management :** Successful entrepreneurs realize money management is mandatory and plan for present and future obligations. • Can you handle keeping sufficient cash flows after becoming operational?

7 **Planning :** Successful entrepreneurs make plans as much as possible but maintain a mindset and temperament for dealing with unforeseen possibilities. • What are your time and money targets? Are they feasible?

8. **Networking Abilities:** build networks to seek valuable advice. • Can you create a network to tap for solutions?

9. **Being Prepared to Take the Exit :** Not every attempt ends in success. Successful entrepreneurs know when to cut their losses and try something different rather than continue to lose money in a failing venture. • Can you leave a venture if it fails?

10. **Self-doubt, but not too much :** Successful entrepreneurs do gut checks. • Can you do this? • Do you want this?

## **Define the terms L P G and their impact on MSME**

**Liberalisation:** Has made Import of scarce and non available raw materials easy. This has led many new openings .New entrepreneurs have started many SSI's which otherwise was not possible due to non availability of certain raw materials of resources. liberalisation helped getting them from abroad and use them. The best example for effective liberalisation is Electronic and computer industries that have seen tremendous growth in past two decades.

**Privatisation** also helped the growth of SSI's in a big way. earlier certain products or services were produced only by government organisation and no competition existed. With privatisation it threw open to many challenging entrepreneurs to produce similar goods and service at much competitive price and of better quality. One example of privatisation was production of telephone. Bangalore based Indian Telephone Industries was producing the telephone . With the privatisation many players had entered the arena producing better good looking phones with additional facilities. The Other important development due to privatisation is the Life Insurance sector which was earlier monopolised by LIC now there are many private Agencies offering Life Insurance.

**Globalisation:** has helped in setting up many small scale industries. It made possible the export of goods produced in SSI. Industries and service providers are going Global from India. Indian entrepreneurs in the Pharma sector, IT sector, Steel sector have gone to many countries to start new Ventures. Indian entrepreneurs have used globalization for the growth of service sectors. Accordingly, investments and quality levels in service sectors have increased. The spectacular growth is observed in the business process outsourcing BPO, transport, repair services, entertainment and hospitality sectors There has been a big growth of entrepreneur activities in rural India in the areas like food processing, ready to eat, packed food export of food products like fish, meat prawns etc due to LPG.

## **SIDO(Small Industries Development Org.)**

SIDO is created for development of various small scale units in different areas. SIDO is a subordinate office of department of SSI and ARI. It is a nodal agency for identifying the needs of SSI units coordinating and monitoring the policies and programmes for promotion of the small industries. The activities of SIDO are divided into three categories as follows:

### **1) Coordination activities of SIDO:**

- a) To coordinate various programmes and policies of various state governments pertaining to small industries.
- b) To maintain relation with central industry ministry, planning commission, state level industries ministry and financial institutions.
- c) Implement and coordinate in the development of industrial estates.

### **2) Industrial development activities of SIDO:**

- a) Develop import substitutions for components and products based on the data available for various volume-wise and value-wise imports.
- b) To give essential support and guidance for the development of ancillary units.
- c) To provide guidance to SSI units in terms of costing market competition and to encourage them to participate in the government stores and purchase tenders.
- d) To recommend the central government for reserving certain items to produce at SSI level only.

### **3) Management activities of SIDO:**

- a) To provide training, development and consultancy services to SSI to develop their competitive strength.
- b) To provide marketing assistance to various SSI units.
- c) To assist SSI units in selection of plant and machinery, location, layout design and appropriate process.
- d) To help them get updated in various information related to the small-scale industries activities.

## **TECSOK**

TECSOK (Technical Consultancy Services Organization of Karnataka) is an organization that provides technical consultancy services to small and medium-sized enterprises (SMEs) and micro, small and medium-sized enterprises (MSMEs) in the state of Karnataka, India. Some key points about TECSOK include:

- TECSOK is an initiative of the Government of Karnataka to promote entrepreneurship and industrial development in the state.
- TECSOK provides technical consultancy services to SMEs and MSMEs in various sectors such as food processing, engineering, textiles, leather, and chemicals.
- Services offered by TECSOK include project formulation, preparation of project reports, market research, technology transfer, and quality control .
- TECSOK aims to help SMEs and MSMEs improve their competitiveness and productivity through technical consultancy services.
- TECSOK provides services through a network of experienced consultants, who have expertise in various sectors and technologies.
- TECSOK also provides training programs and workshops to help SMEs and MSMEs improve their skills and knowledge.
- TECSOK works with various government agencies and organizations to provide its services to SMEs and MSMEs in the state.

- TECSOK helps in diversifying the economy by promoting the development of new products and services.
- TECSOK also helps in providing access to finance and other resources to help SMEs and MSMEs grow and thrive.



# Unit 5

## CONTENTS OF A PROJECT REPORT

The significance of project report as discussed above makes it clear that there is no substitution for business plan or project report and there are no shortcuts to prepare it. The more concrete and complete project report not only serves as road map but also earns the respect of outsiders who support in making and running an enterprise. Hence project report should be prepared with great care and consideration. A good project report should contain the following.

- (1) **General information:** Information on product profile and product details.
  - (2) **Promoter:** His/her educational qualification, work experience, project related experience.
  - (3) **Location:** exact location of the project, lease or freehold, location advantages.
  - (4) **Land and building:** land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
  - (5) **Plant and machinery:** Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.
  - (6) **Production process:** Description of production process, process chart, technical know how, technology alternatives available, production programme.
  - (7) **Utilities:** Water, power, steam, compressed air requirements, cost estimates sources of utilities.
  - (8) **Transport and communication:** Mode, possibility of getting costs.
- Raw material:** List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any for procurement of raw material, alternative raw material, if any.
- (10) **Man power:** Man power requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement for training and its cost.
  - (11) **Products:** Product mix, estimated sales distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.
  - (12) **Market:** End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, proposed marketresearch.
  - (13) **Requirement of working capital:** Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.
  - (14) **Requirement of funds:** Break-up project cost in terms of costs of land, building machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.
  - (15) **Cost of production and profitability of first ten years.**

(16) *Break-even analysis.*

(17) *Schedule of implementation.*

**Write a note on Supply Chain Management.**

- Supply Chain Management (SCM) is the management of the flow of goods, information, and financial transactions from the sourcing of raw materials to the delivery of the final product to the customer.
- SCM includes the coordination and management of activities involved in the production and delivery of a product or service.
- SCM involves the optimization of processes and relationships across all parts of the supply chain, including suppliers, manufacturers, distributors, retailers, and customers.
- The goal of SCM is to increase efficiency and reduce costs while maintaining high levels of customer service and product quality .
- Effective SCM can help to improve inventory management, reduce lead times, increase flexibility, and improve overall supply chain visibility.
- Key components of SCM include demand forecasting, supply planning, procurement, production planning, inventory management, warehousing and logistics, and delivery.
- Supply Chain Management is crucial for companies of all sizes and across all industries, as it can have a significant impact on a company's bottom line .
- SCM can be achieved through various practices such as implementing advanced technologies like Artificial intelligence, blockchain, and IoT .
- The adoption of industry standards and best practices, such as those provided by organizations like APICS and the Supply Chain Council, can also help to improve SCM.
- SCM also includes managing relationships with suppliers and vendors , ensuring compliance with legal and ethical standards, and implementing sustainability practices throughout the supply chain .



**Define the term Project. Discuss various ways of identifying suitable project.**

Meaning :- The general or dictionary meaning of Project is "Scheme or design or proposal".

Project can be defined as "Scientifically evolved work plan which is devised to achieve a specific objectives within a specific period of time".

Identification of a single or multiple project ideas is crucial for the purpose of converting the Entrepreneurial urge into a recognizable form. Identification of viable projects or search for Project ideas is a beginning – an **Ice Breaker**. It is the first & most important step in the actual entrepreneurial journey. **Well begun is half done**. So, the success or failure of an enterprise is built to an extent on a suitable Project Identification & Selection.

Therefore, establishing yourself as a successful entrepreneur depends to a great extent upon choosing a **Good Project or Idea**. That idea must not only be good for the Market but also be good for the Project & good for the Entrepreneur. **Most important, the idea should give satisfying results**. Choosing an idea is **quite difficult** & the Entrepreneur has to weigh objectively his intrinsic capabilities in finalizing an idea. The **Project Ideas can be discovered from various internal & external sources. These may include :**

- a) Knowledge of Potential Customer Needs.
- b) Watching Emerging Trends in Demand for certain Products / Services & their market size & potential.
- c) Scope for producing substitute products which is economical & having better features.
- d) Going thro various Professional Magazines / Journals catering to specific interests like Computers, Electronics & Telecommunication, Mech, Electrical, Metalurgical, Chemicals, Drugs etc. etc.
- e) Success Stories of Known Entrepreneurs or friends or relative
- f) Visiting National & International Trade Fairs & Exhibitions displaying New Products & Services.
- g) Meeting Technical / Industrial Consultants.
- h) New Product(s) introduced by other enterprises etc etc.... All of these Sources put together may give a few Ideas about the possible projects to be examined as the Final Project. This Process of identifying Project Ideas is referred to as "**Opportunity Scanning & Identification**."

### **Project Selection :**

After deciding on a few Project ideas, the Entrepreneur has to ***finally*** select, One Project Idea most suited depending on the following criteria. A tool generally used for this purpose is called as “***SWOT***” Analysis is done. The Intending Entrepreneur analyses his Strengths & Weaknesses, as well as Opportunities / Competitive Advantages & Threats / Challenges offered by each of the Project Ideas. On the basis of this Analysis, the Most Suitable Project Idea is finally selected to convert it into an Enterprise. This Process is also called as a “***Zeroing In Process.***”

### **Investment Size :**

This is a very important criterion to decide success or failure of the Project. The Entrepreneur should assess the Economical Size of the Plant & the Total Investment reqd & should assess his Financial Capability to pool in at least about 25 % of the Investment required for the Project. Entrepreneur therefore, ***should select only such Projects which are within his financial resources.*** You cannot establish an Enterprise only on borrowed funds & this may lead to severe financial problems in the Initial Stages of the Project Implementation itself.

### **Location :**

Location chosen should have Good Infrastructural Facilities like Good Approach Road , Transportation Facilities, Communication Facilities, Availability of Power, Water & reqd Labor. Also, Location chosen should have good proximity to the Raw Materials as well as to the Market. Entrepreneurs should also examine the Concessions & Incentives offered for a Particular Location as per the Govt Industrial Policy. It is also advisable to select a location nearer to bigger cities or Industrially Forward Areas rather than setting up an Enterprise in Remote rural or Backward Areas just for the sake of getting better or higher incentives offered by the Govt.

### **Technology :**

The Project chosen should not be for a Product which requires sophisticated technology, necessitating Foreign Technical Collaboration. It is better to go in for a Product with a proven technology that is ***Indigenously*** available & where the Entrepreneur himself is well versed with the reqd technology.

### **Plant & Machineries :**

When deciding on a Project, the Entrepreneur should assess the availability of High Quality Plant & Machineries ***indigenously***. As far as possible, a New First Project by the Entrepreneur should not be planned on Imported Plant & Machineries because of the problems & delays invariably associated with Imports. This may lead to Cost Escalation of the Project, & may affect the implementation schedule of the Project. One should remember that one should not compromise on the Quality of the Equipment even if there are little expensive in the beginning , as they will pay back in the Long Run due to uninterrupted working. Cheap Poor Quality equipment leads to frequent breakdowns.

**Marketing** :The Success of any Enterprise finally depends on Marketing Capability of ones Goods / Products / Services. It is not advisable to get into a Project ***particularly the first***, which would

mean survival amidst Cut Throat Competition involving Direct Selling to a large number of Ultimate Customers. One should go in for Products with a Limited Number (say 10 or 15) of established Industrial Customers.

### **Classification of Projects:**

**(1) Quantifiable and Non-Quantifiable Projects** Quantifiable projects are those in which possible quantitative assessment of benefits can be made. Non-quantifiable projects are those where such assessment is not possible. Projects concerned with industrial development, power generation, mineral development fall in the first category while projects involving health, education and defense fall in the second category.

#### **(2) Sectional Projects**

- Agriculture and allied sector
- Irrigation and power sector
- Industry and mining sector
- Transport and communication sector
- Information technology sector
- Miscellaneous

#### **(3) Techno-Economic Projects**

Classification of projects based on techno-economic characteristic fall in this category. This type of classification includes factors intensity-oriented classification, causation oriented classification as discussed below.

**(a) Factor intensity-oriented classification:** Based on this projects may be classified as capital intensive or labor intensive if large investment is made in plant and machinery the project will be termed as capital intensive. On the other hand project involving large number of human resources will be termed as “labor intensive”.

**(b) Causation-oriented classification:** On the basis of causation, projects can be classified as demand based and raw material based projects. The availability of certain raw materials, skills or other inputs makes the project raw-material based and the very existence of demand for certain goods or services make the project demand-based.

**(c) Magnitude-oriented classification :** This is based on the size of investment involved in the projects, accordingly project are classified into large scale, medium-scale or small-scale projects

## What is ERP.

Enterprise Resource Planning (ERP) ERP stands for **Enterprise Resource Planning**. It is a software system that helps **organizations to manage and automate various business processes**, such as **financial management, supply chain management, manufacturing, human resources, and customer relationship management**. Financial Management: This area includes modules for financial accounting, accounts payable, accounts receivable, and general ledger. **Functional areas related to ERP. CBSE SHIPP**

- **Customer Service and Support** : This area includes modules for customer service, warranty management, and field service management.
- **Business Intelligence and Analytics** : This area includes modules for **data mining, reporting, and analytics**.
- **Sales and Marketing Management** : This area includes modules for **customer relationship management, sales order management, and marketing automation**.
- **E-commerce and Collaboration** : This area includes modules for **e-commerce, web portal, and collaboration**.
- **Supply Chain Management**: This area includes modules for logistics, transportation, and warehouse management.
- **Human Resources Management** : This area includes modules for **human resources management, payroll, and benefits administration**.
- **Inventory and Procurement Management** : This area includes modules for inventory management, purchasing, and supply chain management.
- **Production and Manufacturing Management** : This area includes modules for production planning, scheduling, and quality control.
- **Project Management** : This area includes modules for project planning, scheduling, and resource allocation.

## Fields of implementation of ERP

**Manufacturing** : ERP systems can help **manufacturers manage production, inventory, and supply chain operations**. They can also be used to track and analyze data **on production costs, quality, and efficiency**.

**Retail** : Retail businesses can use ERP systems to **manage inventory, sales, and customer relationships**. They can also be used to track and **analyze data** on sales trends, customer behavior, and **inventory levels**.

**Healthcare** : Healthcare organizations can use ERP systems to manage patient records, billing, and insurance claims. They can also be used to track and analyze data on patient outcomes, costs, and revenue.

**Construction** : Construction companies can use ERP systems to manage project management, cost control, and resource management. They can also be used to track and analyze data on project budgets, schedules, and progress.

**Banking and Financial** services: Banks and financial institutions can use ERP systems to manage financial accounting and operations, customer relationships and risk management.

**Public sector** : Government organizations can use ERP systems to manage public services, budgets, and human resources.

### Uses of ERP:

- Automating business processes
- Improving data visibility and access
- Enhancing supply chain management
- Facilitating communication and collaboration
- Improving customer service and support
- Supporting compliance and regulatory requirements
- Improving financial management
- Improving human resources management
- Enhancing business intelligence and analytics

### Business Plan

A business plan is a document that outlines the strategy, goals, and financial projections of a company. It is used to present the company's vision, mission and objectives, as well as to secure funding from investors or lenders.

#### Contents of Business Plan:

- **Raising capital** : A business plan is often used to secure funding from investors or lenders, as it presents a clear and detailed picture of the company's financial projections and growth potential.
- **Establishing goals and objectives** : A business plan helps to define the company's mission, vision, and objectives, and serves as a roadmap for achieving those goals.

- **Identifying target market and competition** : A business plan includes market research and analysis that helps to identify the target market, as well as the competition.
- **Developing strategies and tactics** : A business plan includes a detailed description of the company's marketing and sales strategies, as well as its production and operations plans.
- **Measuring and monitoring performance** : A business plan includes financial projections and performance metrics, which can be used to measure and monitor the company's progress over time.
- **Communicating with stakeholders** : A business plan is an effective tool for communicating the company's strategy, vision, and goals to stakeholders, including investors, employees, customers, and partners.
- **Making informed decisions** : A business plan helps management to make informed decisions by providing a comprehensive overview of the company's current position, future potential, and the potential risks and opportunities.
- **Identifying and managing risks** : A business plan helps to identify and mitigate potential risks, such as market fluctuations, economic downturns, and changes in consumer demand.
- **Benchmarking** : A business plan helps to establish benchmarks and targets for the company's performance, and it provides a basis for tracking progress and making adjustments as needed.