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**Subject Name : MANAGEMENT & ENTREPRENEURSHIP  
FOR IT INDUSTRY**

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## MODULE-1

### **Definition of Management**

According to Marry Follet —Management is the art of getting things done through people.

**According to Koontz and O'Donnel** —Management is the direction and maintenance of an internal environment in an enterprise where individuals working in groups can perform efficiently and effectively towards the attainment of group goals.

**According to F.W. Taylor** —Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

**According to Donald J Clough** —Management is the art and science of decision making and leadership.

**According to George R Terry** - Process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources

### **Nature of Management**

All the managers carry out the managerial functions of planning, organizing, staffing, leading and controlling.

Management applies to any kind of organization.

It applies to all organizational levels.

**Characteristics of Management**

The critical analysis of the above definitions, the following characteristics of management evolve.

1) Management is a continuous process: The process of management consists of planning, organizing, directing and controlling the resources to ensure that resources are used to the best advantages of the organization. A single function alone cannot produce the desired results. Management involves continuous planning, organizing, directing and controlling.

2) Management is an art as well as science: Management is an art in the sense of possessing managing skill by a person. Management is science because certain principles, laws are developed which are applicable in place where group activities are coordinated. This will be discussed in detail later in this chapter.

3) Management aims at achieving predetermined objectives: All organizations have objectives that are laid down. Every managerial activity results in achievement of these predetermined objectives.

4) Management is a factor of production: An enterprise produce goods or services using resources like land, labour, capital, machines etc. These resources themselves cannot realize the organizations goals. The goals are achieved when these are effectively coordinated by the entrepreneur. In case of small enterprises an individual can do such type of job where as in large enterprises the coordination job is done by management. Therefore, management is a factor of production.

5) Management is decision-making: Decision-making is selecting the best among alternative courses. Decision-making is an important function of a manager. Whatever a manager does, he

does it by making decisions. The success or failure of an organization depends upon the quality of decision. A manager must make a right decision at right time.

6) Universal application: The principles and concepts of management are applicable to every type of industry. The practice of management is different from one organization to another according to their nature.

7) Management is needed at all levels: The functions of management are common to all levels of organization. The functions of planning, organizing, directing, controlling, decision-making are performed by top level as well as lower level supervisors.

8) Management aims at maximum profit: The resources are properly utilized to maximize profit. Maximizing the profit is the economic function of a manager.

9) Dynamic: Management is not static. Over a period of time new principles, concepts and techniques are developed and adopted by management. Management is changed accordingly to the social change.

10) Management as 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.

11) Management is a profession: Management is a profession because it possesses the qualities of a profession. The knowledge is imported and transferred. The established principles of management are applied in practice.

12) Management is a discipline: Discipline refers to the field of study having well defined concepts and principles. Classifying management as disciplines 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.

**Functional Areas of Management**



**Planning** is a function that determines in advance what should be done which is looking ahead and preparing for the future. It is a process of determining the objectives and charting out the methods of attaining those objectives. It is determination of what, where and how it is to be done and how the results are to be evaluated. It is done for the organization as a whole but every division, department or subunit of the organisation. It is a function which is performed by the managers at all levels-top (which may be as long as five years), middle (shorter may be week) and supervisory.

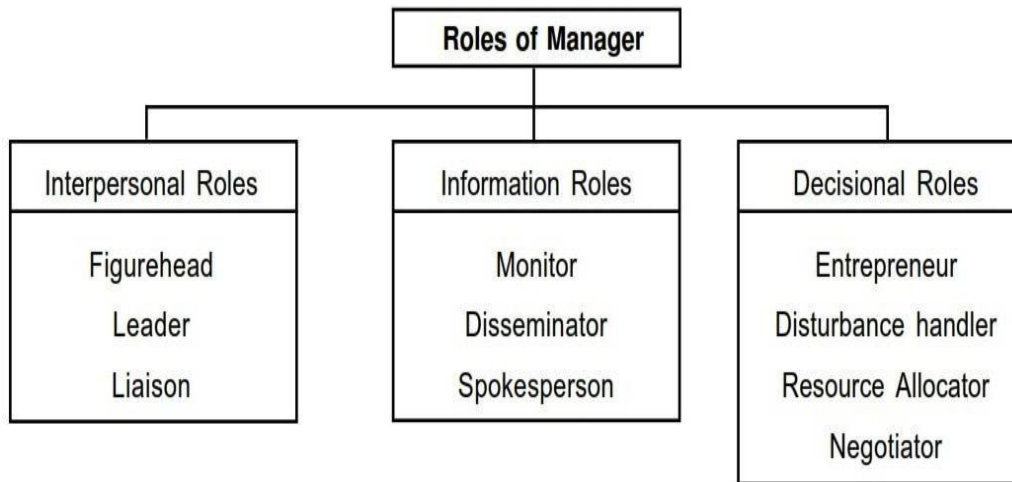
**Organizing and staffing** is a function which may be divided into two main sections namely the human organization and material organization. Once the plans have been developed and the objectives established they must design and develop a human organization to carry out plans successfully. It may be defined as a structure which results from identifying and grouping work, defining and delegating responsibility and authority and establishing the relationships. Staffing is also considered an important function in building the human organization involves building the right person for the right job. Fixes responsibility for a manager to find the right person for the right job and ensures enough manpower for the various positions needed for the organization which involves selection and training of future managers and suitable system of compensation. Different objectives require different kinds of organizations.

**Directing** is the next step after planning, organizing and staffing. Involves three sub-functions namely communication, leadership, and motivation. Communication is the process of passing information from one person to another. Leadership is the process of guiding and influencing the work of his subordinates by the manager. Motivation is the arousing the desire in the minds of the workers to give their best to their enterprise. To pull out the weight effectively, to be loyal to their enterprise and carry out the task effectively. Has two types of motivation: financial and nonfinancial. Financial: takes the form of salary, bonus, profit-sharing etc. Nonfinancial: takes the form of job security, opportunity of advancement, recognition, praise etc.

**Controlling** is a function which ensures everything occurs in conformity with plans adopted and involves three elements:

1. establishing the standards of performance
2. Measuring current performance and comparing it against the established standards.
3. taking action to correct any performance that does not meet the standards, management process

**Roles of a manager**



- I) **Interpersonal roles**
- II) **Informational roles**
- III) **Decisional roles**

**Interpersonal roles**

- (i) Figure head: performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.
- (ii) Leader: every manager must motivate and encourage their employees, try to reconcile their individual needs with the goals of the organization.
- (iii) Liaison: in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.

**Informational roles**

Monitor: must perpetually scan his environment for information interrogate his liaison and subordinates to get any solicited information useful for the organization.

Disseminator: manager passes the privileged information directly to the subordinates who otherwise would not have access to it.

Spokesman: may require spending a part of the time in representing the organization before various outside groups having some stake in the organization such as government officials, labour unions, and financial institutions.

**Decisional roles**

(i) Entrepreneur: in this role the manager proactively looks out for innovation to improve the organization by means of means creating new ideas, development of new products or services or finding new uses for the old ones.

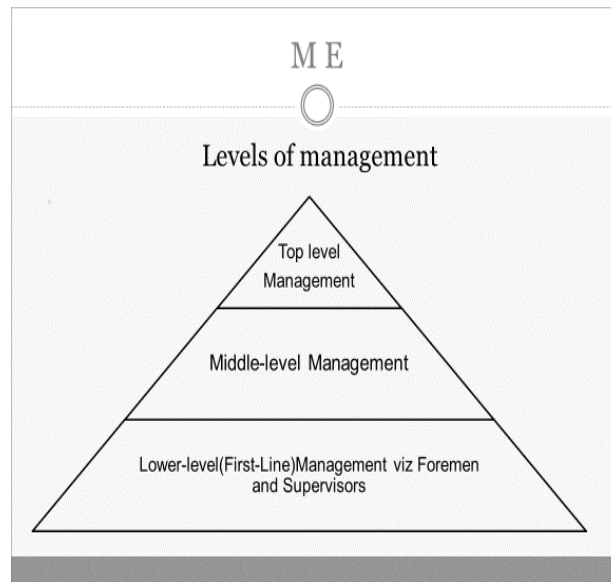
(ii) Disturbance handler: must act like a firefighter to seek solutions to various unanticipated problems

(iii) Resource allocator: must divide work and delegate authority among his subordinates.

(iv) Negotiator: must spend considerable time in negotiations. Example: the foreman negotiating with the workers for the grievance problems



## Levels of management



In any organization, there are three levels of management the first-line, middle and top level managers.

First-line management: is made up of foreman and white collared supervisors.

Middle management: consists of vast and diversified group consisting plant managers, personnel managers and department heads.

Top management: consists of board chairman, the company presidents, and the executive vice presidents.

Managerial skills:

The manager is required to possess three major skills: Conceptual skill which deals with ideas, human relations skill which deals with people and technical skill which deals with things.

- (i) Conceptual skill: deals with the ability of manager to take a broad and farsighted view of organization and its future, ability to think in abstract ability to analyse the forces working in a particular situation.
- (ii) Technical skill: are managers understanding of the nature of the job that people under him have to perform. Refers to the person's knowledge and proficiency in any type of process or technique.

- (iii) Human relations skill: is the ability to interact effectively with people at all levels and the manager sufficient ability to
  - a) to recognize the feelings and sentiments of others.
  - b) to judge the possible reactions to and the outcomes of various courses of action
  - c) to examine his own concepts and values which may enable to more useful attitudes and about himself.

## **Evolution of management**

### **1. Early management approaches**

- i. Scientific Management
- ii. Administrative Management Theory
- iii. Human Relations Movement.

### **2. Modern management approaches**

- i. Behavioural Approach
- ii. Quantitative Management-Science Approach
- iii. Systems Approach
- iv. Contingency Approach.

#### **i. Scientific Management,**

Father of scientific management is said to be Frederick Winslow Taylor.

His contributions are classified as under:

- a. **Time and Motion Study:** This was undertaken to find the best way of doing a job in optimum time and to decide the optimum level of job outputs for each worker per shift. He found the best way of doing different jobs.
- b. **Differential Payment:** Here production linked incentive system was introduced.
- c. **Drastic Reorganisation of Supervision:** Taylor introduced two new concepts:
  - 1. Separation of planning and doing and
  - 2. Functional foremanship

Taylor suggested that work should be planned by a foreman and not by the worker.

- d. **Scientific Recruitment and Training:** The worker has to be scientifically selected and given subsequent training to bring out the best skills in him.

**e. Intimate Friendly Co-operation between the Management and Workers**

Gantt felt that Taylor's incentive scheme lacked motivational aspect which was key in improving productivity.

He introduced two new features in Taylor's incentive scheme.

- i. Every worker would get 50 percent bonus for the day when he completed his day's assigned work load.
- ii. The foreman too was to earn a bonus for each worker who achieved the day's assigned workload, plus an extra bonus, if all the workers under him achieved the day's target. He introduced the "**Gnatt Chart**" which reflects each worker's daily performance with reference to the standard set for the worker.

Frank and Lillian Gilbreth developed their outstanding work on "**motion and fatigue study**".

He classified all movements used in industrial work into 17 basic types called "**Therbligs**".

**ii. Administrative Management Theory**

Fayol presented 14 principles of management:

1. **Division of work**
2. **Authority and Responsibility**
3. **Discipline:** The best means of achieving discipline are (i) good foremen and supervisors at all levels, (ii) clear and fair agreement between the workers union and the management, (iii) judicious levying of penalties.
4. **Unity of Command:** This is to avoid difficulty to pinpoint responsibility to him.
5. **Unity of Direction**
6. **Subordination of Individual Interest to General Interest**
7. **Remuneration**
8. **Centralisation:** The management should decide the degree of centralisation and decentralisation for achieving highest efficiency.
9. **Scalar Chain:** The orders should pass through proper channels of authority along the scalar chain
10. **Order:** The management should strictly follow the principle of “right place for everything and for everyman”.
11. **Equity**
12. **Stability of tenure personnel**
13. **Initiative:** Innovation is possible only when employees are encouraged and given freedom to take initiative and this will give greater satisfaction.
14. **Esprit de Corps:** To achieve team spirit, Fayol suggests two things: (i) the motto of divide and rule should be avoided and (ii) verbal communication should be used for removing misunderstandings.

### **Human Relations Movement**

The following four experiments were carried out:

1. **Illumination Experiments:** The belief that productivity is positively correlated with illumination was tested. Results were erratic. It was found that illumination affected production only marginally.
2. **Relay Assembly Test Room:** The effect of working conditions on productivity was tested. It was found that the production of the group had no relation with working conditions.
3. **Interviewing Programme:** The researchers wanted to know as to what were the basic factors responsible for human behaviour at work place. It revealed that the worker's social relations inside the organisation had a profound influence on their attitudes and behaviours.
4. **Bank Wiring Observation Room:** The effect of informal group norms and formal economic incentives on productivity was determined. It was found that the group evolved its own production norms for each individual worker, which were much lower than those set by the management.

### **Modern Management Approaches**

#### **Behavioral Approach**

1. Behaviourists prefer more flexible organisation structures built around the capabilities of average employees against the classical organisation structures which are built around the traditional concepts of hierarchical authority.
2. Due to the complex nature of the business problems, it attaches importance to participative and group decision-making instead of individuals.
3. This approach stresses on the humanising of administration of the control process and encouraging the process of self-direction and control instead of imposed control.

4. They favour participation in the establishment, measurement and evaluation of standards of performance, prompt information feedback to those whose performance is below the mark, etc.

### **Quantitative Approach**

Also referred to as the management science approach.

Operations Research works in the following manner. A mixed team of specialists from relevant disciplines is called in to analyse the industrial problem and to propose a course of action to the management.

The team develops a mathematical model to stimulate the problem.

The model shows, in symbolic terms, all the relevant factors that have the bearing on the problem and also their interrelationship.

This approach facilitates disciplined thinking and establishes relationships among the variables involved.

The special feature is precision and perfection which is achieved by expressing relationships and facts in quantitative terms.

This approach is being widely used in planning and control activities where problems can be accurately identified and defined in quantitative terms.

### **Systems Approach**

Key concepts of this approach are:

1. A system is a set of interdependent parts which together form a unitary whole that performs some function. An organisation is also a system consisting of four interdependent parts, namely, task, structure, people and technology.
2. No part of the system can be accurately analysed and understood apart from the whole system. Alternatively, the whole system cannot be accurately perceived without understanding all its parts.

### **Contingency Approach**

Here management principles and concepts of various schools have no general and universal applicability under all conditions.

It suggests that the task of managers is to try to identify which technique will, in a particular situation best contribute to the attainment of management goals.

Managers have, therefore, to develop a sort of situational sensitivity and practical selectivity.

It is employed in the following areas:

1. Designing organisational structure,
2. Deciding the degree of decentralisation,
3. Planning information decision systems,
4. Resolving conflicts.

## **Planning**

### Meaning of Planning

Planning is an intellectual process which requires manager to think before acting. It is thinking in advance. It is planning that managers of organization decide what is to be done, when it is to be done, how it is to be done, and how has to do it. Decision making is an integral part of planning. It is the process of choosing among alternatives. Obviously, decision making will occur at many points in the planning process.

Planning is a continuous process like a navigator constantly checks where his ship is going in the vast ocean, a manager must constantly watch his plans must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans.

### Importance of planning

1) Minimizes risk and uncertainty By providing a more rational, fact-based procedure for making decisions, planning allows managers and organizations to minimize risk and uncertainty.

Planning does not deal with future decisions, but in futurity of present decisions.

2) Leads to success: Planning does not guarantee success but studies have shown that, often things being equal, companies which plan not only outperform the non-planners but also their past results. This may be because when a businessman's actions are not random arising as mere reaction to the market place Planning leads to success by doing beyond mere adaption to market fluctuations. With the help of a sound plan, management can act proactively and not simply react. It involves to attempt to shape the environment on the belief that business is not just the creation of environment but its creator as well.

3) Focus attention on the organizations goals: Planning helps the manger to focus attention on the organizations goals and activities. This makes it easier to apply and coordinate the resources of the organization more economically. The whole organization is forced to embrace identical goals and collaborate in achieving them. It enables the manager to chalk out in advance an orderly sequence of steps for the realization of organizations goals and to avoid needless overlapping of activities.

4) Facilitates control: In planning, the manager sets goals and develops plans and to accomplish these goals. These goals and plans then become standards against which performance can be measured.

The function of control is to ensure that activities conform to the plans. Thus control can be exercised only if there are plans.

5) Trains executives: Planning is also an excellent means for training executives. They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.



**Forms of planning**

There are many forms and styles of planning, and planning practices are likely to vary from organization to organization. One useful way of classifying them is to distinguish between strategic planning and tactical planning. About Strategic planning involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals and depends on the data collect in the outside the organization such as market analysis, estimates of costs, technological developments and so on and if the data being mostly imprecise make strategic planning less certain. About Tactical planning involves deciding specifically how the resources of the organization will be used to help the organization achieve these strategic goals. for example if the organization has prepared a ten- year strategic plan which envisages a profit rate of 25% on capital employed in the tenth year, it also necessary to prepare a more detailed tactical plan for the next year, with a specific target of 10% on the capital employed.

**Strategic Vs Tactical Planning**

<u>Strategic Planning</u>	<u>Tactical Planning</u>
→ Decides goals and policies to achieve goals	→ Decides use of resources to achieve these goals
→ Done at higher levels of management	→ Done at lower levels of management
→ Long term	→ Short term
→ Based on long-term forecasts about technology, political environment, etc.	→ Based on past performance of organization
→ More uncertain	→ Less uncertain
→ Less detailed as not involved in day to day operations of organization	→ More detailed as involved in day to day operations of organization

## TYPES OF PLAN

### Types of Plans



Plans are arranged in a hierarchy within the organization. At the top of this hierarchy stand objectives.

Objectives are the broad ends of the organization which are achieved by means of strategies.

Strategies in their turn are carried out by means of the two major groups of plans. Single use plans and standing plans.

Single use plans are developed to achieve a specific end and when the end is reached the plan is dissolved.

The two major types of plans are single use plans are programmers and budgets. Standing plans on the other hand are designed for situations that recur often to justify the standardized approach.

For example, it would be inefficient for a bank to develop a single use plan for processing a loan application for each new client.

instead it uses one standing plan that anticipates in advance whether to approve or turn down the request based on the information furnished, credit rating, etc. the major types of plans are policies, procedures methods and rules.

**Objectives:**

Are the goals of the organization which the management wishes the organization to achieve?

These are the end points or pole-star towards which all business activities like organizing, staffing, directing and controlling are directed.

Only after having defined these end points the can determine the kind of organization the kind of personnel and their qualifications, the kind of motivation, supervision and direction and the control techniques which he must employ to reach these points.

Objectives are the specific targets to be reached by an organization.

They are the translation of the organization's mission into concrete terms against which the results can be measured.

Example: 1) university decision to admit a certain number of students or the hospitals decision to admit a certain number of indoor patients.

Characteristics of the objectives:

Some of the important characteristics of the objectives are:

1) Objectives are multiple in numbers:

Implies that every business enterprise has a package of objectives set out in various key areas.

There are eight key areas in which objectives of performance and results are set which are

- (I) market standing
- (II) innovation
- (III) productivity
- (IV) physical and financial resources
- (V) profitability
- (VI) Manager performance and development
- (VII) worker performance
- (VIII) attitude and public responsibility.

2) Objectives are either tangible or intangible:

For some objectives such as in the areas of market standing, productivity, and physical and financial resources) there are quantifiable values available.

Other areas of objectives are not readily quantifiable and are intangible, such as manager's performance, workers morale, public responsibility etc.

3) Objectives have priority:

Implies that at one particular given point of time, the accomplishment of one objective is relatively more important than others.

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

For example, the survival of organization is necessary condition for the realization of other goals.

4) Objectives are generally arranged in a hierarchy:

This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives.

Objectives at all levels serve as an end and as a means.

5) Objectives sometimes clash with each other:

The process of breaking down the enterprise into units requires that objectives be assigned to each unit.

Each unit is given the responsibility of attaining an assigned objective.

The process of allocating objectives among various units creates the problem of potential goal conflict and sub optimization on, where in achieving the goals of one unit may put in risk of achieving the goals of the other.

#### **Requirements of sound objectives:**

- (i) Objectives must be clear and acceptable: The objectives must be clear and understandable amongst people which could be achieved

by unambiguous communication, should be compatible with their individual goals.

- (i) Objectives must support one another: Objectives could interlock or interfere with one another which require the need for coordination and balancing the activities of the entire organization, otherwise its members may pursue different paths making it difficult for the manager to achieve the company's overall objectives.
  
- (ii) Objectives must be precise and measurable: An objective must be spelled out in precise, measurable terms the reasons for which being
  - (1) The more precise and measurable the goal, the easier it is to decide the way of achieving it.
  - (2) Precise and measurable goals are better motivators of people than general goals.
  - (3) Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals.
  - (4) It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.
  
- (iv) Objectives should always remain valid: Means that the manager should constantly review, reassess and adjust them according to the changed conditions.

### **Strategies:**

A corporate strategy is a plan which takes these factors into account and provides optimal match between the firm and the environment.

Two important activities are involved in strategy formulation

(i) environmental appraisal

(ii) corporate appraisal

### **Environmental appraisal**

It's a analysis of relevant environment for the identification of threats and opportunities.

Some key factors need to be studied:

1. Political and legal factors
2. Economic factors
3. Competitive factors
4. Social and cultural factors

### **Corporate Appraisal**

This involves an analysis of companies strength and weakness. Companies strength may lie in outstanding leadership . Efficient distribution , personal relationship with customers ,efficient transportation and logistics etc.

### **Operational Plans**

These plans act as means of implementing the organization's strategy. They provide the details of how the strategy will be accomplished.

Two types of strategies

1. Standing plans
2. Single-use plans

### **Standing plans**

These plans are designed for situations that often repeat and which is used again and again.

Eg. New plans for bank loan.

The major types of standing plans are

- Policies
- Procedures
- Methods
- Rules

Types of policies

- 1. Classification on the basis of sources**
- 2. Classification on the basis of function**
- 3. Classification on the basis of organisational level**

**Classification on the basis of sources**



(a) Originated policies:

Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own.

These policies are set out in print and embodied in manual.

(b) Appealed policies:

Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.

(c) Implied policies:

Are also policies which are stated neither in writing nor verbally.

Such policies are called implied policies.

Only by watching the actual behavior of the various superiors in specific situations can the presence of implied policy is ascertained.

(d) Externally imposed policies:

Are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions.

Example: policy dictated by the government law.

### **Classification on the basis of function**

On the basis of business functions, policies may be classified into production, sales, finance, and Personnel policies.

Every one of these functions has number of policies. For example:

Sales function may have policies relating to market.

Production function: may policies relating to the method of production, output, inventory, research.

Finance function: may have policies relating to capital structure, working capital, internal financing etc.

Personal function: may have policies relating to recruitment, training, working activities, welfare activities etc.

### **Classification on the basis of organizational level**

On this basis range from major company policies through major departmental policies to minor or derivative policies applicable to the smallest element of organization.

### **Procedures**

- Policies are carried out by means of more detailed guidelines called procedures.
- Procedures are used in almost all functional areas of management.
- Procedures provides basis for uniform performance.

### **Methods**

- These are sub-units of procedure and explain how a particular step of a procedure is to be performed.
- Methods helps in increasing effectiveness and usefulness of procedure.
- By improving the methods better productivity and lower costs can be achieved.

### **Rules**

- Rules are detailed and recorded instructions that a specific action must or must not be performed in a given situation.
- Rules make sure that a job is done in the same manner every time bringing uniformity in efforts and results.

- Rules help organization in establishing discipline.

### **Single-use Plans**

It is developed to achieve a specific end; when the end is achieved, the plan is dissolved.

It includes

- 1) Programmes
- 2) Budgets

### **Programmes**

- Two important entities of programme are time phasing and budgeting.
- Single step in a programme can be considered as a project.

Thus a programme for the opening of five branches must earmark money and specific time periods for:

1. Securing the necessary accommodation.
2. Recruiting personnel to manage the branches.
3. Arranging the supply of goods which are to be sold through the branches.

### **Budgets**

- These are plans for using resources.
- Budget serve as a tool for planning and controlling.
- Budgets establishes standards for control.
- Budgets are prepared for sales , purchase, materials , labour etc.

### **Steps in planning**

1. Establishing verifiable goals or set of goals to be achieved - The first step in planning is to determine the enterprise objectives which are often set up by the upper level or top managers, usually after number of possible objectives have been carefully considered. There are many types of objectives managers may select: desired sales volume or growth rate, the development of a new product or service or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on a number of factors: the basic mission of the organization, the value its managers hold and the actual and the potential abilities of the organization.
2. Establishing planning premises - It is the second step in planning to establish planning premises which is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, general economic conditions, production costs and prices, probable competitive behavior, capital and material availability and government control and so on.

Planning can be variously classified as under

- a. internal and external premises
- b. tangible and intangible premises
- c. controllable and non controllable premises

(a) Internal and external premises Premises may exist within and outside company. Internal premises include sales forecasts, policies and programmes of the organization, capital investment in plant and equipment, competence of management, skill of labor, etc. External pre mises can be classified into three different groups Business environment, factors which influence the demand for the product, and the factors which affect the resources available to the enterprise.

(b) Tangible and non-tangible premises: Tangible premises: those which can be quantitatively measured while Intangible premises are those which being qualitative in character and cannot be measured. Tangible examples: population growth, industry demand, capital and resources invested in the organization are all tangible. Intangible:

political stability, sociological factors, business and economic environment are all tangible.

(c) Controllable and non controllable pre mises: Some of the planning premises are controllable and some are non-controllable and because of the non-controllable factors there is need for the organization to revise the plans periodically in accordance with the current development. Examples of uncontrollable factors: strikes, wars, natural calamities, emergency, legislation etc. Examples of controllable factors: company's advertising agency, competence of management member's skill of the labour force, availability of resources in terms of capital and labour, attitude and behavior of the owner's of the organization.

3. **Deciding the planning period** - It is the next task once the upper level managers have selected the basic long term goals and the planning premises. Business plans are made in some instances once for a year and plans are made for decades based on some logic and future thinking. The factors which affect the choice of period are:
  - (a) Lead time in development and commercialization of new product.
  - (b) The time required to recover capital investments or the pay-back period and
  - (c) Length of the commitments which are already made.
  
4. **Finding alternative course of action** - The fourth step of planning is to find the alternate courses of action.  
Example: securing the technical knowhow by engaging a foreign technician or by training staff abroad
  
5. **Evaluating and selecting a course of action** - After selecting the alternate courses selection the best course or course of action with the help of quantitative techniques and operations research.
  
6. **Developing derivative plans** - Once plan formulated, its broad goals must be translated on day to day operations of organization Middle level managers must draw up

the appropriate plans, programmes and budgets for their sub-units which are described as derivative plans.

7. Measuring and controlling the progress - Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

## **ORGANIZING:**

### **Definition:**

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

An organization can also be defined as the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the **purpose** of enabling people to work most effectively together in the **accomplishment** of their objectives.

### Nature of organization

1. An organization basically consists of **group of people** who form the dynamic human element of the organization
2. Organization helps in **identifying** the various tasks to be performed which are assigned to the individuals to perform to **achieve** the **common objectives** or common purpose of the organization.
3. It ensures to achieve **coordination** amongst the people working in various departments of the organization and ensures **integrated efforts** to achieve organizational objectives or goals.
4. It **delegates authority** to the managers with commensurate responsibility and accountability for the discharge of their duties and also amongst different

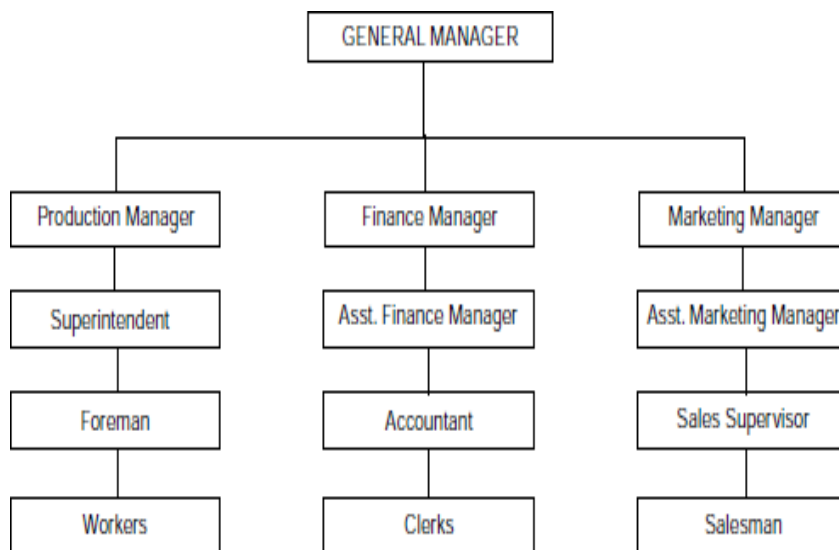
hierarchical levels in an organization.

- 5. It also aides in **achieving financial, physical material and human resources.**
- 6. Organizations are part of the larger environment and hence they are **influenced** by the **external environment.**

### Types of Organization

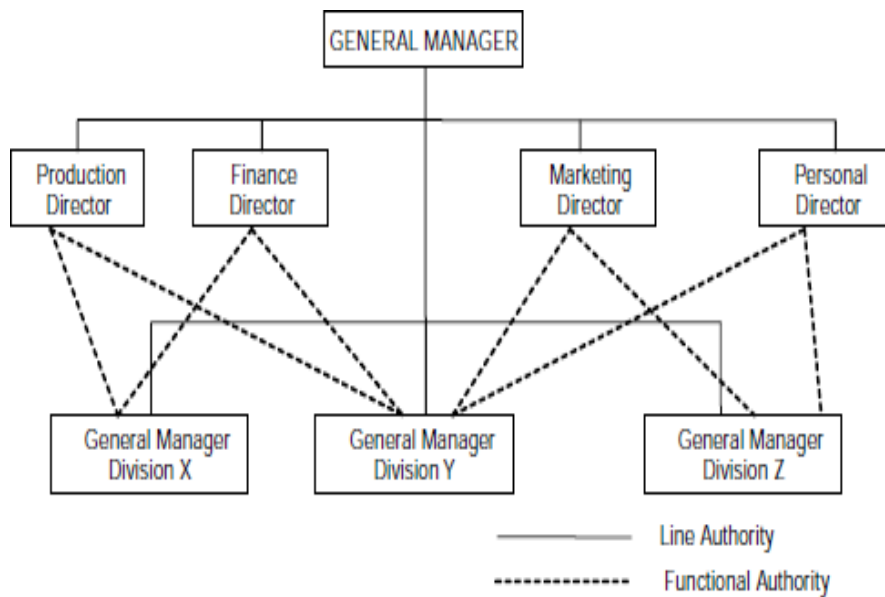
- 1. Line Organization
- 2. Functional or staff Organization
- 3. Line and Staff Organization
- 4. Committee Organization
- 5. Matrix Organization

### **Line organization**



- The line of authority flows vertically downward from top to bottom throughout the organization.
- Command should be given to subordinate through the immediate superior. There should be no skipping of levels in chain of command

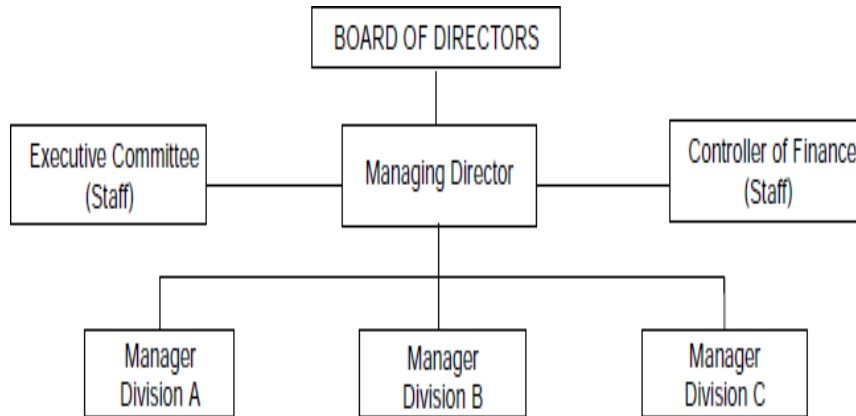
**Functional Organization**



- The line organization does not provide specialists in the structure.
- Many jobs require specialized knowledge to perform them. In functional organization the specialists are made available in the top positions throughout the enterprise.
- Workers consult specialists in various areas to carry out their work instead of referring to only boss.

**Line and staff organization**





- In order to take 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.
- In addition, the specialists are attached to line managers to advise them on important matters.
- They were known as ‘staff’ as they were recruited to perform staff or specialist function.

**Committee Organization**

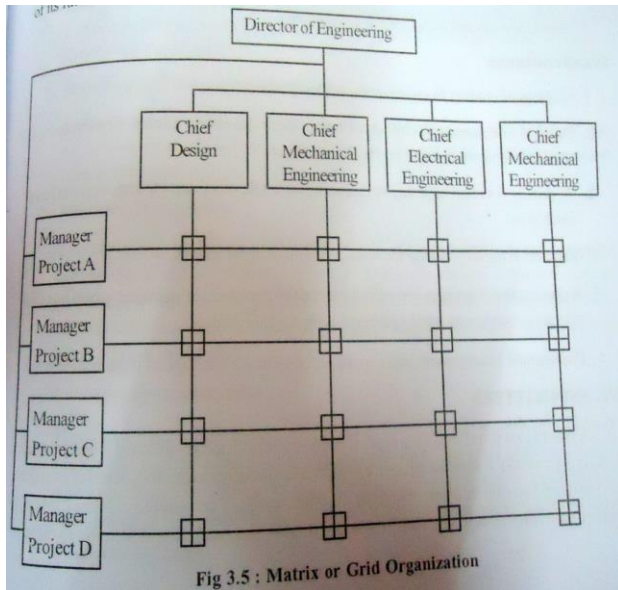
- Some of the administrative tasks cannot be performed by a single person alone.
- Such situation may call for two or more person to perform such tasks. This calls for a committee organization.
- “A committee is a group of persons performing a group task with the object of solving certain problems”.

Types of committee

- 1) Adhoc committee
- 2) Permanent or standing committee

- 3) Advisory committee
- 4) Educational Committee

**Matrix organization**



- There are several departments under matrix organization.
- Each department is assigned with a specific task or project.
- Matrix organization is used when an organization has to handle different projects but all using same set of resources.
- This type of organization is best suited where large number of small project are to be managed.

**Staffing**

“Staffing is the process of attracting , developing, motivating and retaining human resources of the organization”

**Process of Recruitment and Selection**

- Once the requirement of manpower is known, the process of recruitment starts.
- “The process of identifying the sources for candidates and stimulate them to apply for the jobs”.

**Sources of Recruitment**

There are two categories

- Internal-Selecting individuals from the existing employees of the company.
- External- Selecting the employee from outside

**External Sources includes**

1. Re-employing former employees.
2. Friends and relatives of present employees.
3. Applicants at the gate.
4. College and technical Institutions.
5. Advertising the vacancy.

**Selection**

“Manager compares the qualification of a person with the requirement of job and appoints them or eliminates all those who do not stand up to this comparison”.

**Steps in selection procedure**

- In order to be able to determine the qualification needed to meet the requirement of jobs, the company must first of all to analyse the jobs, write job description and prepare job specification.
- It includes
  1. Job Analysis
  2. Job Description
  3. Job Specification
  4. Application Bank
  5. Initial Interview of the candidate
  6. Employment tests
  7. Checking references
  8. Physical or medical examination
  9. Final Interview

**MODULE – 2****Directing and Controlling****Definition of Direction**

“Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long term”

Or

“Directing telling people what to do and seeing that they do it to the best of their ability.”

**Meaning and Nature of Directing**

1. Directing means issuing of orders leading and motivating subordinates as they go about executing orders.
2. Direction is a function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organizational mission and objectives.
3. There are three elements of direction, namely communication leadership and motivation.
4. Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objectives.
5. Directing consists of the process and techniques utilized in issuing instructions and making certain that operations carried on of originally planned.

### **Principles of Directing**

While directing a manager should understand the needs, motives and attitudes of his subordinates. The following principles of directing may be useful to a manager.

1. Harmony of objectives – Individuals and organization have their own objectives. The management should coordinate the individual objectives with the organizational objectives. Directions can integrate their objectives with organizational objectives.
2. Unity of direction or command – An employee should receive orders and instructions only from one superior. If not so, there may be indiscipline and confusion among subordinates and disorder will ensue.
3. Direct supervision – Managers should have direct relationship with their subordinates. Face to face communication and personal touch with the subordinates will ensure successful direction.
4. Effective communication – The superior must ensure that plans, policies, responsibilities and orders are fully understood by the subordinates in the right direction.
5. Follow through – Direction is a continuous process. Mere issuing orders or instructions are not an end itself. Follow is necessary, so the management should watch whether subordinates follow the orders and whether they face difficulties in carrying out the orders or instructions.
6. Effective Control - Direction is a continuous process. Mere issuing orders or instructions are not an end itself. Follow is necessary, so the management should watch whether subordinates follow the orders and whether they face difficulties in carrying out the orders or instructions.

## **Leadership Styles**

**Definition** - Leadership is the art of process of influencing people so that they will strive willingly towards the achievement of group goals.

There are 3 widely used Leadership Styles /Leadership Approaches.

1. Traits Approach
2. Behavioural Approach
3. Contingency Approach

### **1) Traits Approach**

Trait is basically a character and early notions about leadership dealt with personal abilities. It was believed that some people have leadership qualities by birth or god's gift. The traits that associate with leadership are identified as: Mental and Physical Energy, Emotional Stability, Knowledge of Human Relation, Personal Motivation, Communication Skills, Teaching Ability, Intelligence etc.

Drawbacks – Trait Approach

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

### **2) Behavioural Approach**

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

1. Leadership based on the use of authority.

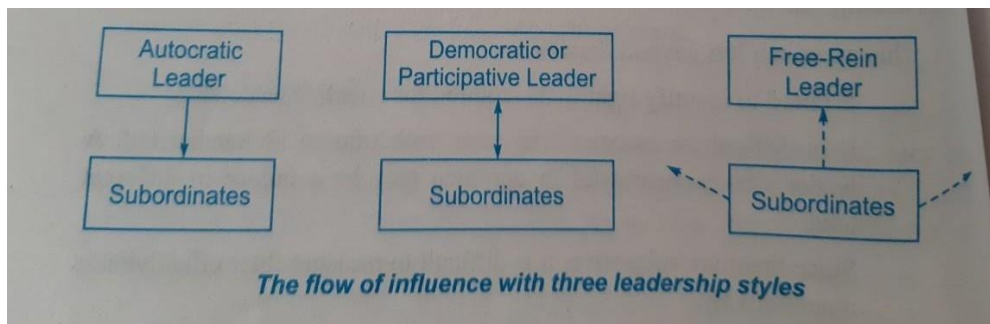
- 2. Likert’s four systems and managing.
- 3. The managerial grid and
- 4. Leadership involving a variety of styles and level of use of power and influence.

**Leadership based on the use of authority**

The first is “autocratic leader” who commands and expects compliance, is dogmatic and positive, and leads by the ability to withhold or give rewards and punishment.

The second is “democratic or participative leader” who consults with subordinates on proposed actions and decisions and encourages participation from them. This type of leaders include the person who does not take action without the concurrence of subordinates and who makes decision but consult with subordinates before doing so.

The third type is “free-rein” leader who uses his power very little and gives a high degree of independence to his subordinates to carryout their work. Such leaders depend largely on subordinates to set their own goals and means to achieve.



Comparison of Leadership styles



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

There are some variations within this simple classification of leadership styles. Some democratic leader may consult and listen to their followers ideas and concerns, but when decision is to be made, they make their own decision.

A participative leader is the person who is supportive. They consult with their subordinates and take their opinions, feelings and suggestions before making decision.

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

**Likert’s four systems and managing**

1. System 1 – Exploitive- authoritative

2. System 2 – Benevolent authoritative
3. System 3 – Consultive
4. System 4 – Participative- group

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

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

System 3 – Consultive. Managers in this system have substantial but not complete confidence in subordinates. They usually try to make use of the ideas and opinions of subordinates, rewards for motivation, occasional punishments, engage in communication in both up and down and act like a consultant to both top and subordinates.

System 4 – Participative- group. These managers have complete trust and confidence in subordinates in all matters. This always get ideas and opinions from subordinates in all matters. This always get ideas and opinions from subordinates and use them for constructive purpose. They give monetary rewards, encourage decision making and work with subordinates as a group.

### **Managerial Grid**

A well-known approach to defining leadership styles is the managerial grid developed by Robert- Blake and Jane Mouton. Building on previous history which dealt with managers concerned with both people and production, they devised a two-dimensional grid based on people and production. “concern for production” on x- axis of grid includes the attitudes of a supervisor towards a variety of things such as quality of policy decisions, procedures,

creativeness, staff services, work efficiency etc. “concern for people” is taken on y-axis of grid. This includes elements like degree of personal commitment towards good achievement, maintenance of self-esteem of workers, placement of responsibility on the basis of trust rather than obedience, provision of goal working conditions and maintenance of satisfying interpersonal relations.

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

### **Leadership involving a variety of styles**

The style varies with the degree of freedom a leader or manager grants to his subordinates. Thus, instead of suggesting a choice between two extreme styles of leadership autocratic and democratic, this approach offers a range of styles with no suggestion of what is right and wrong. This theory recognizes that which type of leadership is appropriate depends on the leader, the subordinates and the situation.

### **3) Contingency approach to leadership**

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

## **Motivation**

Definition – Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward.

Motivation is derived from ‘motive’. Motive means any idea, need, emotion or organic state that prompts a man to an action. Motivation is the process of challenging a person’s inner drives so that he wants to accomplish the goals of the organization.

“Ability to put other people into motion, in the right direction”.

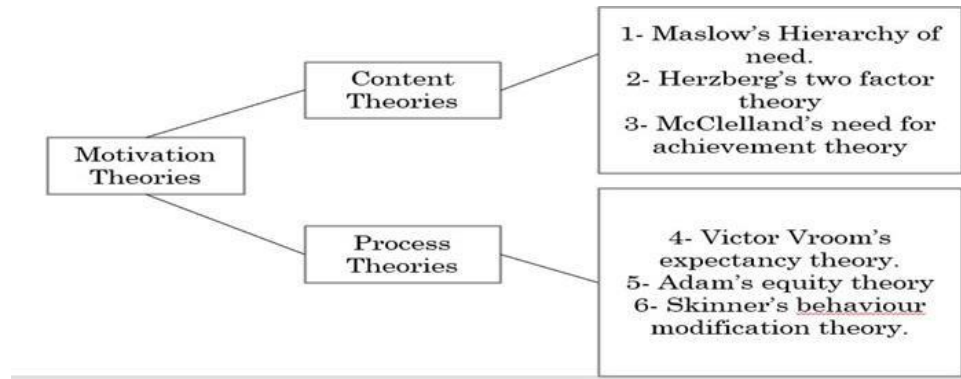
The success or failure of a business organization depends on the performance of people working for it. Generally, performance is determined by three factors – ability, knowledge and motivation which are all related by a widely acknowledged formula:

Performance = (ability + knowledge) × motivation

### **Nature of Motivation**

1. Motivation is a unending process – it is an unending process so the process of motivation is also unending to induce the person to satisfy his innumerable wants.
2. Motivation is a psychological concept – motivation should come from inside each individual. There are two desiring factors, in motivation: First is regarding the fundamental needs such as food, clothes and shelter. Second is regarding ego-satisfaction including self-esteem.
3. Motivation is Goal Oriented – Motivation should be directed towards the achievement of stated goals and objectives. Motivation causes goal-directed behavior, feeling of need by the person causes him to behave in such a way that he tries to satisfy himself. From the viewpoint of the organization, the goal is to achieve high productivity through better job performance.
4. Intrinsic and Extrinsic Motivation – As an individual can be motivated either by intrinsic factors or extrinsic factors. The intrinsic factors include recognition, social status, self-esteem and self-actualization needs which are related to inner aspects of an individual. On the other hand, the extrinsic factors are physiological and social needs such as food, shelter, health, education, salary, and benefits etc.
5. Positive and Negative Motivation – By the term motivation, we mean positive motivation which is related to the process of stimulating employees for good performance. But it is not necessary that all the time motivation must be positive, rather sometimes it can be negative also. The negative motivation is also known as punishment which is not desired by the employees.

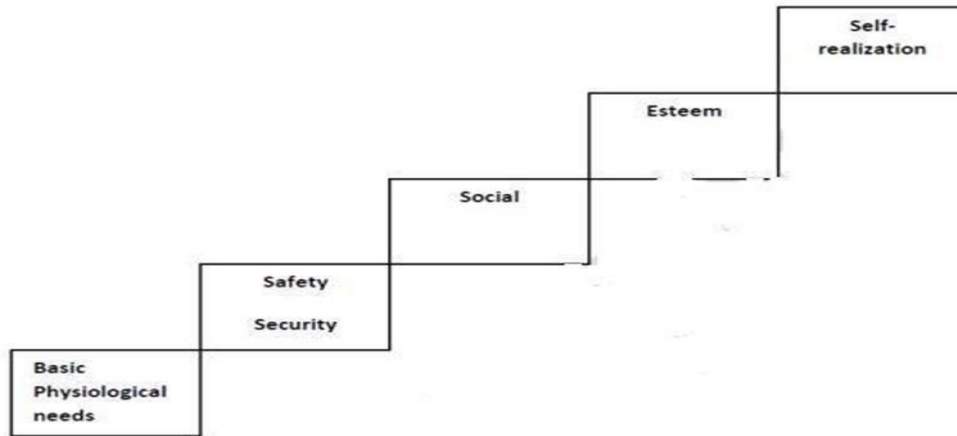
**Motivation Theories**



1. Maslow’s need hierarchy theory
2. Herzberg’s two factor theory
3. McClelland’s achievement theory
4. Victor Vroom’s Expectancy theory
5. Adams equity theory
6. Skinners behaviour modification theory

**Maslow’s need hierarchy theory**

An unsatisfied need is the basis for the motivation process and the starting point and begins the chain of events leading to behaviour as shown in the figure below.



Order of priority of human needs begins with the person's unsatisfied need at the lowest level-identification of the need develops in the form of as goal which leads to the fulfilment of the need to achieve the goal.

These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.

1. Physiological needs: Arise of the basic physiology of life like the need for food, water, air, etc which must be at least satisfied partially for continued survival.
2. Security needs: Needs to feel free from economic threat and physical harm which need protection from arbitrary lay-off and dismissal, disaster and avoidance of the unexpected.
3. Egoistic needs: are the needs which relate to respect and prestige the need for dominance for example. Can be classified as self-esteem and esteem from others. Self-esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy.
4. Self-fulfilment needs: are the needs to realize one's potential that is realizing one's own capabilities to the fullest-for accomplishing what one is capable of to the fullest. example a musician must make music etc.

According to Maslow, people attempt satisfy their physical needs first. as long as the needs are unsatisfied, they dominate and after they become reasonably satisfied and progress to the next level and so on.

### **Herzberg's two factor theory**

Original study based on the research by Fredrick and Herzberg who interviewed 200 engineers and accountants and were asked about the good times and bad times they think about their jobs.

Out of these interviews two factors emerged called the

1. First Maintenance factors
2. Second Motivators or satisfiers.

First Maintenance factors (Factor 1)

1. Fair company polices and administration
2. A supervisor who knows the work
3. A good relationship with ones supervisor.
4. A good relationship with one's peers.
5. A good relationship with ones subordinates.
6. A fair salary
7. Job security
8. Personal life
9. Good working conditions
10. Status

Second Motivators or satisfiers (Factor 2)

1. Opportunity to accomplish something significant

2. Recognition for significant achievements
3. Chance for advancement
4. Opportunity to grow and develop on the job
5. Chance for increased responsibility
6. The job itself.

Some facts about the two factors:

1. Motivators are job centered
2. Maintenance factors are related working conditions and environmental conditions.
3. These two groups of factors are also known as intrinsic and extrinsic rewards.
4. These two sets of factors are unidirectional.

### **McClelland's achievement theory**

According to McClelland there are three important needs

1. Need for affiliation: Reflects desire to interact socially with people Concerned about the quality of an important personal relationship.
2. The need for power: Person having high need for power tries to exercise the power and authority Concerned with influencing others and winning arguments.
3. The need for achievement (n Ach): Has three distinct characteristics
  - preference in setting moderately difficult but potentially achievable goals.
  - Doing most things himself rather than getting them done by others and willing to take personal responsibility for his success or failure and does not want to hold responsible for it.
  - Seeking situations where concrete feedback is possible.

### **Victor Vroom's Expectancy theory**



Works under conditions of free choice where an individual is motivated towards activity which he is most capable of rendering and which he believes has the highest probability of leading to his most preferred goal. The basic concepts of this theory are

1. First and second level outcomes: Job related goals before an individual such as promotion, increase in salary, recognition, and praise and so on are called second level outcomes. Each second level outcome can be associated with a value called valence for each individual. The valence can be positive, negative or zero.  
Valence positive – Individual wants to attain promotion  
Valence negative: does not want to attain promotion.  
Valence zero – outcome towards which he is indifferent  
Second level outcomes can be achieved in different ways:  
promotion by leaving the organization, by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.
2. Instrumentality: All first level outcomes have equal probability of leading the individual to the second level outcome the individual has subjective estimates of these probabilities ranging from - 1 to +1 which are called instrumentalities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome. These instrumentalities are helpful in determining the valence of each first-level outcome The valence of each first-level outcome is the summation of all products arrived by multiplying its instrumentalities with the related valences of the second level outcomes.
3. Expectancy: It is the probability estimate which joins the individual's efforts to first level outcome Expectancy values are always positive ranging from 0 to 1.

4. Motivation: Motivation is the multiplicative function of the valence of each first- level outcome (V1) And they believed expectancy (E) that given effort will be followed by a particular first level outcome, That is  $M=f(V1 * E)$

### **Adams equity theory**

In this theory, Equity is defined as the ratio between The individual's job inputs (such as effort, skill, experience, education and seniority) to the job re wards (such as pay or promotion) it is believed that the individuals motivation, performance and satisfaction will depend on his on his or her subjective evaluation o f his or her effort/reward ratio and the effort/reward ratio of others in similar situations.

### **Skinner's behaviour modification theory**

The theory developed by researches done by B.F Skinner.

The theory is believed and based on the behavior of the past circumstances which they have learnt that the certain behaviors associated with pleasant outcomes and certain other behaviors are associated with unpleasant outcomes.

Example: Obedience to authority leads to praise and disobedience leads to punishment.

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

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

1. Overemphasis of extrinsic rewards ignores the fact tha t people are better motivated by intrinsic rewards.
2. The theory is unethical no manager has a right to manipulate and control his employees behavior life.

## **Communication**

Communication is a way to make interaction between people. Entrepreneurs always try to improve their communication skills because it will assist them in sharing their ideas and presenting them clearly and to constantly work in a better way with their staff, team members, clients and colleagues. They understand the role of communication in entrepreneurship and they furnish themselves with some best tips to make their regular interactions effective. Having good communication skills will also help an entrepreneur at the time of project explanation, elevator pitches, presentation, training as well as many other areas where a person has face-a-face talk with people.

## **Importance of Communication**

1. Communication is needed in recruitment process – to persuade potential employees of the merits of working for the enterprise. The recruits are told about the company's organisation structure, its policies and practices.
2. It is needed in area of orientation – to make people acquainted with peers, superiors and with the company rules and regulation.
3. It is needed to enable the employees to perform function effectively – employees need to know their job's relationship and importance to the overall operation. This knowledge makes it easy for them to identify with the organizational mission.
4. It is needed for evaluation – of their contribution to enterprise activity. It is a matter of some motivational importance for the subordinates to know from their superior how they stand and what the future may hold for them.
5. It is needed to teach employees about personal safety on the job – this is essential to reduce accidents, to lower compensation and legal costs and to decrease recruitment and training cost for replacements.
6. It is needed for decision process – there is a spate of varied information produced in an enterprise. The manager must make a choice of useful and essential information which should reach him.

7. It helps in achieving coordination – in a large organisation, working on the basis of division of labour and specialisation, there is need for coordination among its components parts. This can be achieved only through communication.
8. It promotes cooperation and industrial peace – most of the disputes in an enterprise take place because of either lack of communication or improper communication.  
Communication helps the management to tell the subordinates about the objectives of the business and how they can help in achieving them.
9. It increases managerial efficiency – it is said the world of modern management is the world of communication and the success of a manager in the performance of his duties depends on his ability to communicate.
10. It helps in projecting the image of an enterprise in the society – the amount of support which an enterprise receives from its social environment is affected by the information which elite groups and the wider public have acquired about its goals, activities and accomplishments.

### **Coordination**

Is the orderly synchronization or fitting together of the interdependent efforts of individuals to attain a common goal. For example, in hospital the proper synchronization of the activities of the nurses, doctors, wards attendants and lab technicians to give a good care to the patient. Can be considered as an essential part of all managerial functions of planning, organizing, directing and directing if the manager performs these functions efficiently and expertly coordination is automatically generated and there remains no need for special coordination.

Coordination is required at every level of all managerial functions

1. In planning: performs his function of planning by coordination of the interrelating the plans of various departments
2. In organizing: coordination is required in grouping and various activities to subordinates and in creating departments

3. In directing: coordination is required to take effect of his particular action will have on other departments and executives
4. In controlling: coordination is required manger evaluates operations and checks whether performance is in conformity with the desired results.

Techniques of coordination:

The following are the **important techniques of coordination**

1. Rules procedures and policies: Helps in coordinating the subunits in the performance of their Repetitive activities. Standard policies, procedures and policies are laid down to cover all possible situations. If the breakdown of the above occurs more rules, regulations are required to be framed to take care of the breakdown
2. Planning: Ensures coordinated effort and targets of each department dovetail with the targets of all other departments. Example: fixing the targets of the 10000 units of additional production and consequently the sales requires the coordination of the two departments respectively to meet the demands and achieve the target.
3. Hierarchy: Is the simplest device of achieving coordination by hierarchy or chain of command by putting together independent units under one boss some coordination among their activities is achieved. Sometimes defective because makes individuals dependent upon, passive towards and subordinates to the leader.
4. Direct contact: Used to solve the problems created at the lower levels which affects the employees can be resolved by formal informal contacts to prevent overloading to top executives.
5. Task force: Temporary group made up of representatives from the same departments facing problems and exists as long as the problems lasts and each participant returns to normal tasks once the solution is reached.
6. Committees: Arise due the fact when certain decisions consistently become permanent. These groups are labelled committees. This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding, of ideas,

encourages the acceptance of commitment to policies and makes implantation more effective.

7. Induction: Of a new employee is a social setting of his work is also a coordinating mechanism. The device familiarizes the new employee with organizations rules and regulations dominant norms and behaviour, values and beliefs and integrates his personal goals with organizational goals.
8. Incentives: providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.
9. Liaison departments: evolved to handle transactions and typically occurs between the sales and production departments.
10. Workflow: is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment which is largely shaped by the technological, economic and social considerations and helps them in coordination.

## Controlling

### **Definition of Controlling**

A process of monitoring the performance and taking action to ensure desired results. It sees to it that the right things happen, in the right ways, and at the right time.

### **Steps in Controlling**

There are three steps in control process

1. Establishing standards
2. Measuring and comparing actual results against standards.
3. Taking corrective action.

Establishing 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:

- Physical standards such as units of production per hour.
- Cost standards, such as direct and indirect cost per unit.
- Revenue standards such as sales per customer.

- Capital standards such as rate of return of capital invested.
- Intangible standards such as competency of managers and employees.

Measuring and comparing actual results against 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.

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 replanning 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.



### **Methods of Establishing Control**

1. Personal observation – this is the oldest and simple method of control. The manager personally observes the operations in the work places. Any deviations observed are corrected immediately then and there itself. However, this is a time-consuming technique and may not be liked to be observed by workers.
2. Budgeting – a budget is a statement of anticipated results during a designated time period expressed in financial and non-financial term. The budgeting process typically involves the use of cost standards.
3. Cost accounting and cost control – profit of any business depends upon the cost incurred to run the business. Profits are increased by reducing costs. Hence, much importance is given for cost accounting and cost control.
4. Break-even analysis – the point at which sales is equal to the total cost is known as break-even point (BEP). At this point there will be no loss or no profit. The total cost is the sum of fixed cost + variable cost. Fixed cost is fixed irrespective of production but variable cost changes according to the volume of production. This analysis helps in determining the volume of production or sales and the total cost which is equal to the revenue.
5. Standard costing – standard costing is used to control the cost. The objective of standard costing is the same as budgetary control.
6. Return on investment – ratio of net profit to the total investment or capital employed in the business is termed as return on investment.
7. Responsibility accounting – it is defined as the system of accounting under which each departmental head is made responsible for the performance of his department.
8. Management audit – management audit is an independent process that aims at pointing out the inefficiency in the performance of functions of management such as planning, organizing, staffing, directing, controlling.
9. Statistical control reports – this type of reports are prepared and used by large organizations. They are quantitative in nature. These reports are very useful in sales, production, etc.

10. Production control – production control technique is necessary for smooth functioning of an organizations. Production control involves forecasting and planning of production, inventory control, selection of process.

## **MODULE – 3**

### **Entrepreneur**

#### **Meaning and Definition of an Entrepreneur**

Entrepreneur is a person who undertakes an enterprise. The process of creation is called entrepreneurship. An entrepreneur can be considered as a person who bears the risk of operating a business in the face of uncertainty about the future conditions. Who innovates and introduces something new in the economy Who shifts resources out of an area of lower and into an area of productivity and greater yield Who plays a critical role in economic development and an integral part of economic transformation.

To conclude an entrepreneur can be considered as an agent who buys the four factors of production at certain prices in order to combine them into product with a view to selling it at uncertain prices in future.

Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises.

Peter F. Drucker defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

International Labour Organization (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.

## **Functions**

Functions of Entrepreneur Performs functions such as planning, organizing, managing, risk bearing and decision making.

1. **Planning of the project:** He is the organizer to conceive the idea of launching the project and to Program to structure of the business.
2. **Management:** The entrepreneur is also responsible for the management of business. He tries to have a least cost combination of factors of production.
3. **To Face Risks:** He faces uncertainly and bears risks in his business uncertainly comprising those risks against which it is not possible to insure. He also faces the risk of other producers may enter the market.
4. **Distribution of Rewards:** He is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself.
5. **Sale of Products:** An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.
6. **Scale of Production:** He decided the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.
7. **Joint stock Organization:** In a partnership, the entrepreneurial functions are divided between the partners. But in public limited company, the board of directors takes this responsibility with nationalized enterprise; the entrepreneurial decisions are left to the government or a body to which government has delegated Its Powers.

## **Characteristics of Entrepreneurs**

Entrepreneur needs to possess competencies to perform entrepreneur activities.

**Risk assumption** - Ability to tolerate ambiguity and uncertain situations and make sound decisions in this situation, while being able to control own emotions.

**Autonomy / self-determination** - Capacity for making independent decisions based on a clear understanding of the possibilities and the responsibility that it entails.

**Search and analysis of information** - Ability to find and share useful business information for problem-solving using the full potential of the company.

**Quality of work** - Ability to work intensively and tenaciously to achieve the objectives, seeking continuous improvement.

**Communication** - Ability to listen, ask questions, express ideas and concepts effectively

**Self- confidence** - Ability to address new challenges with an attitude of confidence in their own possibilities, decisions or views.

**Develop social networks/ generation of support networks** - Ability to create and maintain a network of contacts with agents that are or will be useful in achieving the goals

**Dynamism** - Ability to work hard and continuously in changing situations, with many different partners.

**Change management** - Ability to adapt to different contexts, situations, people and media quickly and appropriately.

**Initiative** - Willingness to take action, create opportunities and improve outcomes without an external requirement.

**Innovation** - Ability to produce an original, unexpected and appropriate (timely, useful) new work according to the needs of the context.

**Integrity** - Ability to act in accordance with what is said or considered important.

**Leadership**- Ability to guide the action of human groups in a certain direction by creating an atmosphere of energy and commitment, setting goals, following up these goals and giving feedback that integrates the views of others.

**Self-control** - Ability to regulate themselves and know their own limitations.

**Results orientation** - Ability to promote, guide and select behavior in order to achieve the goals.



**Types of Entrepreneur**

There are Different Types of Entrepreneurs & so also the Important Classifications of Entrepreneurs. Some of the Important Classifications of Entrepreneurs & Different Types of Entrepreneur in each Classification are enumerated below:

**1. According to the type of business:**

- a. Business Entrepreneurs – Business Entrepreneurs are individuals who conceive an idea for a new product or service leading to new business. He deals with product development, marketing and sales.
- b. Trading Entrepreneurs – is one who undertakes trading activities and is not concerned with the manufacturing work.
- c. Industrial entrepreneurs – is generally a manufacturer who identifies the potential needs of customers and tailors a product or service to meet the marketing needs.
- d. Corporate entrepreneurs – demonstrates his innovative skill in organizing and managing corporate undertaking.
- e. Agricultural entrepreneur – undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They cover a broad spectrum of the agriculture sector and includes its related areas.

**2. According to the use of technology:**

- a. Technical entrepreneur – technical entrepreneur also called as “craftsman”, develops improved quality goods. His concentration is oriented towards manufacture than marketing and selling. His aim is to develop quality goods using his innovative ideas and craftsmanship.
- b. Non-technical entrepreneur – is not concerned with technical aspects of a product. They are mainly concerned with development of alternative marketing and distribution strategies to promote their business.
- c. Professional entrepreneurs – is a person whose interest is to establish a business but does not deal with its management and organizing it. Generally speaking a professional entrepreneur sells out the established business and starts another venture. He is very dynamic who keeps on conceiving and venturing new ideas.

**3. Entrepreneurs according to motivation:**

- a. Pure entrepreneur – is a person who gets motivated by psychological and not by economic rewards. He works for his own satisfaction or for his own status.
  - b. Induced entrepreneur – is one who is induced to take up a task due to policy measures that provide assistance, incentives, and concessions etc., to start an enterprise. Many small scale industries are started by people because government and institutions are giving support and lots of concessions.
  - c. Motivated entrepreneur – new entrepreneurs are motivated by the desire for self-fulfillment. They come into existence because of the possibility of making and marketing some new product.
  - d. Spontaneous entrepreneur – this type of entrepreneur starts their business by natural talents inherent in them. They possess traits like initiative, boldness and self confidence which motivate them to take up entrepreneurship.
4. **According to growth:** growth of an enterprise may be termed as low, medium, high or super high growth. The development of a new venture leads to a chance of growth. Growth entrepreneurs are those who take up an industry with substantial growth prospects. On the other hand, super growth entrepreneurs are those who take up an industry with substantial growth prospects. On the other hand, super growth entrepreneurs show enormous growth performance in any venture they take up.
5. **According to stages of development:**
- a. First generation entrepreneur – is a one who starts an industrial unit by his own innovative ideas and skills.
  - b. Modern entrepreneur – is a one who undertakes those projects that are well needed and suited for changing demands.
  - c. Classical entrepreneur – is one who is concerned with the customers and marketing needs while developing a new venture.

**6. Others:**

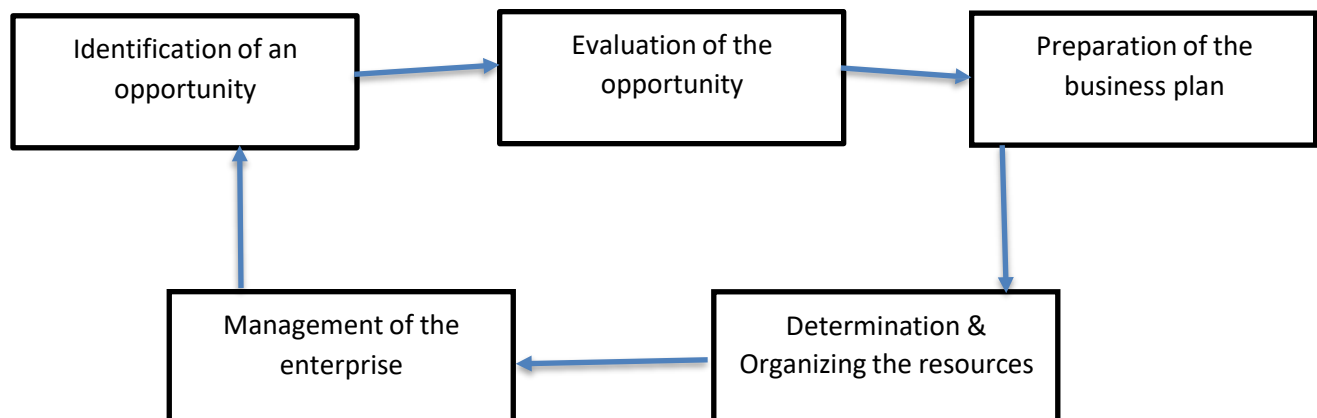


- a. Innovative entrepreneur – is one who sees the opportunity for introducing a new technique of production process or a new product or a new market or a new service using his innovative ideas.
- b. Initiative entrepreneur – are revolutionary and take lot of initiative in any work. He can set in motion the chain reaction which leads to cumulative progress. He is more an organizer of factors of production than a creator.

### Various stages in entrepreneurial process

The process of starting a new venture is the main theme of entrepreneurial process which involves more than just problem solving in any typical management position. An entrepreneur must find, evaluate and develop an opportunity by overcoming the problem that arise in developing. This has five important stages:

- 1) Identification of an opportunity
- 2) Evaluation of the opportunity
- 3) Preparation of the business plan
- 4) Determination and organizing the resources
- 5) Management of the enterprise.



- i. **Identification of opportunity** - Consumers & business association, members of distribution system, independent technical organizations consult entry etc. government organizations & R&D centers also provide new ideas
- ii. **Evaluation of the opportunity** - It involves length of opportunity, its real perceived value its risks & resources, with personal skills goals of entrepreneur & its uniqueness or differential advantages in its competitive environment. Description of product, Agreement of opportunity, Assessment of the entrepreneur, Resources needed, Amount & sources of capital, Profit expected.
- iii. **Preparation of the business plan** - a business plan is nothing but a description of the future direction of the business. A good business plan is very essential to develop the opportunity and to determine the resources received. It formulates all plans i.e Description of business & industry, Technology plan, Financial plan, Organization plan, Production & operation plan, Marketing & distribution plan, Summary.
- iv. **Determination and organizing the resources** - an Entrepreneur should have good idea of the various resources required with respect to quality, quantity, prices and sources. the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.
- v. **Management of the enterprise** - Creating the enterprise - an entrepreneur decides on the future prospects of the business, i.e. its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations is undertaken accordingly, by an entrepreneur. The operational problems of the growing enterprise must be examined. Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.

### **Role of entrepreneurs in economic development**

Economic development essentially means a process of upward change whereby the real per capita income of a country increases for a long period of time. The crucial role played by the entrepreneurs in the western countries has made the people of underdeveloped countries conscious of the significance of entrepreneurship in economic development. The Importance of Entrepreneurial Resource as a Crucial Input in the Process of Economic development has now been widely recognized by eminent scholars, economists & policy makers. With Growing Emphasis on the Role of Small Scale & Medium Scale Enterprises in view of their contributions to employment generation, regional development & overall economic growth, a wide range of schemes & programs aimed at accelerating the tempo of new activities in the decentralized sector has been devised in many developing countries. India is a Developing Economy aiming at Decentralized Industrial Structure to overcome Regional Imbalances in levels of Economic Development. Small Scale Entrepreneurs in such Industrial Structure play a very vital role to achieve Balanced Regional Development. It is a well established fact that Small Scale Enterprises provide immediate Large Scale Employment ensuring a more equitable distribution of National Income, Generate Large Scale Indirect Employment opportunities in support organizations around the Industrial Clusters / Estates, Improve Living Standards of People & also most important, facilitate an effective resource mobilization of capital & skills which might otherwise remain idle.

The important role that an entrepreneur plays in the economic development of a country can be summarized as follows:

- 1) Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
- 2) Entrepreneurship provides immediate large-scale employment thereby reducing the unemployment problem in the country.
- 3) Entrepreneurship promotes balanced regional development.
- 4) Entrepreneurship helps reduce the concentration of the economic power.
- 5) Entrepreneurship stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
- 6) Entrepreneurship encourages effective resource mobilization of capital and skill which otherwise would remain unutilized and idle.

- 7) Entrepreneurship also induces backward and forward linkages which stimulate the process of economic development in the country.
- 8) Entrepreneurship promotes export trade which is an important ingredient for economic development.

### **Entrepreneurship in India and barriers to entrepreneurship**

Entrepreneurship is regarded as closely associated with the Economic History of India. This is traced way back to even as early as Rig Veda, when Metal Handicrafts manufacturing cottage & small enterprises existed in the Country. It has passed through several Ups & Downs. The important ones include the Decline of Indian Handicrafts Industry towards the end of the 18th Century, entry of the East India Company of the British's in India's Business Activities. The Swadeshi Campaign for Indian Manufactured Goods, the First World War, Emergence of the Indian Managing Agency Systems by promoting Joint Stock Companies, the Second World War, Partition of Undivided India & undertaking planned development of Entrepreneurship in the Country by Govt of India after Independence in 1947. For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time. The Govt of India in order to promote, assist & develop industries in the National Interest has taken the following Three Important Resolutions in the Industrial Resolutions:

- 1) To maintain a proper distribution of economic power between Private & Public Sector.
- 2) To encourage Rapid Industrialization by moving the concept of Entrepreneurship from existing centers to other cities, towns & rural areas.
- 3) To disseminate the Entrepreneurship acumen concentrated in a few dominant communities to a large number of Industrially Potential People of varied Social Background.

To achieve these Objectives the Govt accorded emphasis on the Development of Small Scale Industries in the Country. Since the 3rd Five Year Plan, the Govt announced various Incentives &

Concessions in the form of Capital, Technical Know How, Reservation of Certain Items for Exclusive Manufacture in Small Scale Sector Tax Concessions, Provision of Infrastructural Facilities like Developed Land, Sheds, Roads, Communication etc for Promotion of Enterprises in the Country etc. This has helped in Speedy Economic Development in all the States in the Country & to a great extent has minimized regional imbalances. National Common Minimum Programme (NCMP) describes Small Scale Enterprises as the Most Employment Intensive Segment. At the beginning of the 10th Plan, (2002 – 2003), the Segment provided gainful employment to 24.9 Million People in the Rural & Urban Areas of the Country thro 10.5 Million Units, engaged in Manufacturing & providing a Wide Range of Goods & Services. If the Units in Khadi Village Industries are also taken into account, the Employment would rise to 332 Million. Thus this is rightly called as the segment which provides employment next only to Agriculture. The Contribution of Small Enterprises Segment to the Economic Development of the Country is very significant. Nearly 39% of the Gross Manufacturing Output & 34% of the Exports of India arise from these Enterprises. Yet a large number of Entrepreneurs are facing lots of Challenges. In order to assist them to fully harness their potential by availing of the increasing opportunities generated by Trade Liberalization, it is necessary to not only build an enabling Policy Environment but also supplement the former with a specific set of measures to address the continuing challenges. Therefore Ministry of Micro, Small & Medium Enterprises, Govt of India has announced a package for Promoting such enterprises in Feb 07 to provide full support in the Areas of Credit, Technological Up gradation, Marketing & Infrastructural Up gradation in Major Industrial Infrastructure etc.

### **Barriers to entrepreneurship:**

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
- 12) Enfold regulations
- 13) Obsolescence of technology or idea
- 14) Unstable & unpredictable markers
- 15) Globalization & entry of foreign goods
16. Risk all scale units generally use local resources although the market for its products can be far

### **Identification of business opportunities**

The reason for anyone to think of establishing an SSI unit can be summarized in single word—opportunity. The opportunity to be your own boss, to implement your own ideas, to earn for himself or herself is reason to think of starting an SSI unit. Starting an SSI needs a lot of courage. To be successful, to stay in the business an entrepreneur needs combination of hard work, skill and perseverance. Entrepreneur who starts their own business can be grouped into two broad categories. The first category consists of people who know exactly what they want to do and are merely looking for the opportunity or resources to do it. These people may Preparation of Project already developed many of skills necessary to succeed in their chosen field and are also likely to be familiar with industry customs and practices, which can help during the start-up phase of a new business. The second group consists of people who want to start their own business, but do not have definite ideas about what may would like to do. They may have developed skills during their education or in the course of their previous employment, but many have not be interested in opening a business in the same field of endeavor. Project

identification is concerned with the collection, complication and analysis of data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities. Opportunities, according to Drucker, are of three kinds: additive, complimentary and break-through. Additive opportunities are those opportunities which enable the decision maker to better utilize the existing resources without in any way involving a change in the character of business. Complementary opportunities involve the introduction of new ideas and as such do lead to certain amount of change in the existing structure.

Breakthrough opportunities on the other hand, involve fundamental changes in both the structure and character of business. Additive opportunities involve the least amount of disturbance to the existing state of affairs and hence the least amount of risk. The element of risk is more in other two opportunities. Project identification cannot be complete without identifying the characteristics of the project. Every project has three elements—inputs, outputs and social costs and benefits. The input characteristics define what the project will consume in terms of raw material, energy, manpower, finance and organizational setup. The nature and magnitude of these inputs must be determined in order to make the input characteristics explicit. The output characteristics of a project define what the project will generate in the form of goods and services, employment, revenue etc. The quantity and quality of all these outputs should be clearly specified. In addition, every project will have impact on society. It inevitably affects the current equilibriums of demand and supply in the economy. It is necessary to evaluate carefully the sacrifice which the society will be required to make and the benefits will not accrue to the society from a given project.

### **Feasibility study**

Project feasibility analysis is carried out to ensure viability of project. The important project feasibility study is

- 1) Market feasibility
- 2) Technical feasibility
- 3) Financial feasibility

## 4) Social feasibility

1) **Market feasibility** - Market feasibility is concerned with two aspects the aggregate demand for the proposed product/service, the market share of the project under consideration. For this market analysis requires variety of information and appropriate forecasting methods. The kind of information required is

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

2) **Technical feasibility** - Technical analysis seeks to determine whether prerequisites for successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and so on. The important questions raised in technical analysis are:

- a. Location of the project – the data regarding the location of project is very important. It may be located in rural, urban, or semi-urban areas.
- b. Construction of factory, building and its size – the construction details, the nature/type of building and its size for the project are to be analyzed.
- c. Availability of raw materials – the study of availability of raw materials, sources of supply, alternate sources, its quality and specifications cost etc., are to be studied.



- d. Selection of machinery – is required to produced the intended product is to be carried out. The specifications are capacity, cost, sources of supply, technology evaluation of various makes of the machine, their good and bad etc., are studied.
  - e. Utilities – the detailed about availability of utilities like water, gas, electricity, petrol etc. are to be studied.
  - f. Production capacity – establishment off production capacity and utilization of production capacity are analysed.
  - g. Staff requirement – study and analysis of requirement of workers, technical staff and officers etc. is to be made.
  - h. Technical viability - the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems.
- 3) **Financial feasibility** - Financial analysis is necessary as ascertain whether the propose project is financially viable in the sense of being able to meet the burden of servicing dept and whether the propose project will satisfy the return expectations of those who provide the capital. The aspects to be looked into while conducting financial appraisal are as follows.
- a. Total capital cost of project – it is very essential to study the total cost of project. This includes fixed capital, working capital and interest factor.
  - b. Sources of capital – the study of main sources of capital is to be made. If capital is borrowed, interest burden is to be studied in detail.
  - c. Subsidiary sources for additional finance – after study of main sources of capital, subsidiary sources of capital are to be identified and studied.
  - d. Financing for future development of business – for future development of business are to be studied. Working capital requirement for at least three months running of enterprise are to be estimated.
  - e. Break even analysis (BEA) – BEA is to be carried out to see at what level of production/sales will make the organization no loss/no profit situation. BEA is very useful to identify the level of production that makes profit.
  - f. Estimation of cash and fund flow – it is essential to make a study of estimation of cash and fund flow in the business.

- g. Return on investment (ROI) – ROI is to be calculated to see the amount of return on investment for the investors/share holders and how much they get.
  - h. Proposed balance sheet – is made showing liabilities and assets, depreciation, interest burden, profits expected etc.
  - i. Cost of labour and technology – the cost of employees (salaries) is to be estimated and studied. If technology is not available then it has to be purchased from any R & D institution or by way of foreign collaboration.
- 4) **Social feasibility** - This is concerned with judging a project from the larger social point of view, where in the focus is on social costs and benefits of a project, which may often be different from its monetary costs and benefits.
- a. Location – the location is in such a place that it should not have objection from the neighbors.
  - b. Social problem – the enterprise should not create any nuisance to the public.
  - c. Pollution – there should not have any sort of noise or other pollution objectionable society. Suitable measures are to be taken for controlling pollution.
  - d. Other problem – any other problem related to the society and people are to be studied.

**MODULE – 4****Preparation of Project and ERP****Meaning of Project**

An entrepreneur takes numerous decisions to convert his business idea into a running concern. His/her decision making process starts with project/product selection. The project selection is the first corner stone to be laid down in setting up an enterprise. The success or failure of an enterprise largely depends upon the project. The popular English proverb “well began is half done” applies to project selection also indicates the significant of good beginning.

The dictionary meaning of project is that is a scheme, design a proposal of something intended or devised to be achieved. Newman and his associates define that “a project has typically has a distinct mission that it is designed to achieve and clear termination point, the achievement of the mission. Gillinger defines project “as a whole complex of activities involved in using resources to gain benefits”. According to Encyclopaedia of management, “a project is an organized unit dedicated to the attainment of goal—the successful completion of a development project on time, within budget, in conformance with predetermined programme specifications.” Now, a project can be defined as a scientifically evolved work plan devised to achieve a specific objective within a specified period of time. Project can differ in their size, nature of objectives, time duration and complexity.

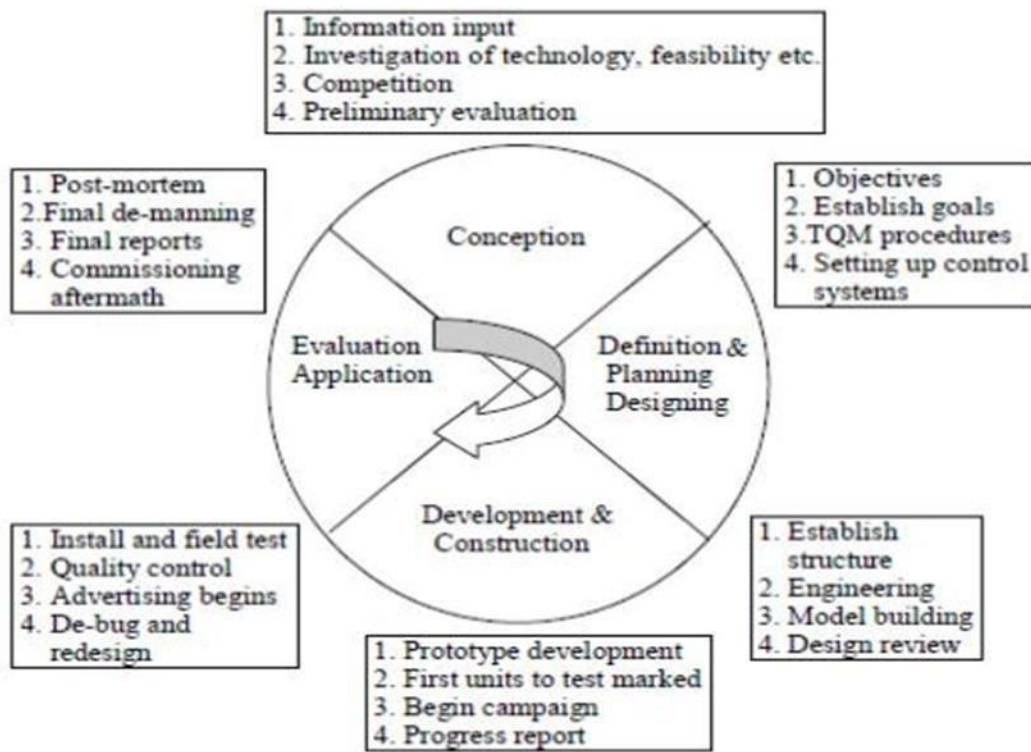
However projects partake of the following three basic attributes:

1. A course of action

- 2. Specific objectives and
- 3. Definite time perspectives.

Every project has starting point, an end point with specific objectives.

**Project Life Cycle**



**Project Identification**

Often indenting entrepreneurs always are in search of project having a good market but how without knowing the product coat they determine market whose market they find out without knowing the item i.e. product? Idea generation about a few projects provides a way to come out of the above tangle.

**Idea Generation**

The process of project selection starts with idea generation. In order to select most promising and profitable project, the entrepreneur has to generate large number of ideas about the possible projects he can take. The project ideas can be discovered from various internal and external sources. These may include:

1. Knowledge of potential customer needs.
2. Personal observation of emerging trends in demand for certain products.
3. Scope for producing substitute product.
4. Trade and professional magazines which provide a very fertile source of project ideas.
5. Departmental publications of various departments of the government.
6. Success stories of known entrepreneurs or friends or relatives.
7. A new product introduced by the competitor.
8. Ideas given by knowledgeable persons.

All these sources putting together may give few ideas about the possible projects to be examined among which the project must be selected. After going through these sources if an entrepreneur has been able to get six project ideas, one project idea will be finally selected going through the following selection process.

### **Project Selection**

Project selection starts once the entrepreneur has generated few ideas of project. After having some ideas, these project ideas are analyzed in the light of existing economic conditions, market conditions, and the government policy and so on. For this purpose a tool is generated used what is called SWOT analysis. The intending entrepreneur analyses his strengths and weaknesses as well as opportunities/competitive advantages and threats/challenges offered by each of the project ideas. In addition the entrepreneur needs to analyze other related aspects also like raw material, potential market, labour, capital, location and forms of ownerships etc. Each of these aspects has to be evaluated independently and in relation to each of these aspects. On the basis of this analysis,

the most suitable idea is finally selected to convert it into an enterprise. The process involved in selecting a project out of few projects is also termed as “Zeroing in Process”.

<b>S</b> (Strengths)	<b>W</b> (Weaknesses)
<b>O</b> (Opportunities)	<b>T</b> (Threats)

A few Important Criteria for selection are given below:

**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 required & 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, and Water & required 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 required 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.

This also means that there is a Time Interval involved in between Projects Identification & Final Projects Selection.

### **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.
9. 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, and proposed market research.
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.

### **Formulation of Project Report**

A project report is like a road map. It is an operating document. What information and how much information it contain depends upon the size of the enterprise, as well as nature of production. For example small-scale enterprises do not include technology which is used for preparing project reports of large-scale enterprises. Within small-scale enterprises too, all information may not be homogeneous for all units. Vinod Gupta has given a general set of information in his study



“Formation of a project report.” According to Gupta, project formulation divides the process of project development into eight distinct and sequential stages as below:

- (1) General information
- (2) Project description
- (3) Market potential
- (4) Capital costs and sources of finance
- (5) Assessment of working capital requirements
- (6) Other financial aspects
- (7) Economical and social variables
- (8) Project implementation

The nature of formation to be collected and furnished under each of these stages has been given below.

#### 1. General Information

The information of general nature given in the project report includes the following:

**Bio-data of promoter:** Name and address, qualifications, experience and other capabilities of the entrepreneur. Similar information of each partner if any.

**Industry profile:** A reference analysis of industry to which the project belongs, e.g., past performance; present status, its organization, its problems etc.

**Constitution and organization:** The constitution and organization structure of the enterprise; in case of partnership firm its registration with registrar of firms, certification from the Directorate of Industries /District Industry Centre.

Product details: Product utility, product range, product design, advantage to be offered by the product over its substitutes if any.

## 2. Project Description

A brief description of the project covering the following aspects should be made in the project report.

Site: Location of the unit; owned, rented or leasehold land; industrial area; no objection certificate from municipal authorities if the enterprise location falls in the residential area.

Physical Infrastructure: Availability of the following items of infrastructure should be mentioned in the project report.

- a) Raw material: Requirement of raw material, whether inland or imported, sources of raw material supply.
- b) Skilled labour: Availability of skilled labour in the area i.e., arrangements for training labourers in various skills.
- c) Utilities: These include:
  - Power: Requirement of power, load sanctioned, availability of power
  - Fuel: Requirement of fuel items such as coal, coke, oil or gas, state of their availability and supply position.
  - Water: The sources of water, quality and quantity available.
- d) Pollution control: The aspects like scope of dumps, sewage system, sewage treatment plant, infiltration facility etc., should be mentioned.
- e) Communication and transportation facility: The availability of communication facilities, e.g., telephone, fax, telex, internet etc., should be indicated. Requirements for transport, mode of transport, potential means of transport, approximate distance to be covered, bottlenecks etc., should be stated in the business plan.
- f) Production process: A mention should be made for process involved in production and period of conversion from raw material into finished goods.

- g) Machinery and equipment: A complete list of machines and equipment required indicating their size, type, cost and sources of their supply should be enclosed with the project report.
- h) Capacity of the plant: The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report.
- i) Technology selected: The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.
- j) Other common facilities: Availability of common facilities like machine shops, welding shops and electrical repair shops etc should be stated in the project report.
- k) Research and development: A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

### 3. Market Potential

While preparing a project report, the following aspects relating to market potential of the product of the product should be stated in the report.

- a) Demand and supply position: State the total expected demand for the product and present supply position, what is the gap between demand and supply and how much gap will fill up by the proposed unit.
- b) Expected price: Expected price of the product to be realized should also be mentioned.
- c) Marketing strategy: Arrangements made for selling the product should be clearly stated in the project report.
- d) After sales service: Depending upon the nature of the product, provisions made for after-sales should normally be stated in the project report.

### 4. Capital Costs and Sources of Finance

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin of working capital should be given in the project report. The sources should indicate the owners funds together with funds raised from financial institutions and banks.

### 5. Assessment of Working Capital

The requirement for working capital and its sources of supply should clearly be mentioned. It is preferred to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will reduce the objections from banker's side.

#### 6. Other Financial Aspects

To adjudge the profitability of the project to be set up, a projected profit and loss account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected balance sheet and cash flow statement should also be prepared to indicate the financial position and requirements at various stages of the project. In addition to this, the break-even analysis should also be presented. Break-even point is the level of production at which the enterprise shall earn neither profit nor incur loss. Breakdown level indicates the gestation period and the likely moratorium required for repayment of the loans. Break-even point is calculated as

$$\text{Break-Even Point (BEP)} = F/S - V$$

Where F = Fixed Cost S = Selling Price/Unit V = Variable Cost/Unit

The break-even point indicates at what level of output the enterprise will break even.

#### 7. Economical and Social Variables

Every enterprise has social responsibility. In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangements made for treating the effluents and emissions should also be mentioned in the report. In addition the following socio-economic benefits should also be stated in the report.

- Employment Generation
- Import Substitution
- Ancillaration
- Exports

- Local Resource Utilization
- Development of the Area

#### 8. Project Implementation

Every entrepreneur should draw an implementation scheme or a time-table for his project to the timely completion of all activities involved in setting up an enterprise. If there is delay in implementation project cost overrun. Delay in project implementation jeopardizes the financial viability of the project, on one hand, and props up the entrepreneur to drop the idea to set up an enterprise, on the other. Hence there is need to draw up an implementation schedule for the project and then to adhere to it.

### **Planning Commission Guidelines**

In order to process investment proposals and arrive at investment decisions, the planning Commission has issued guidelines for preparing/formulating industrial projects. The guidelines have been summarized as follows:

1. General information: The feasibility report should include an analysis of the industry to which the project belongs. It should deal with the past performance of the industry. The description of the type of industry should also be given, i.e., the priority of the industry, increase in production, role of the public sector, allocation of investment of funds, choice of technique, etc. This should contain information about the enterprise submitting the feasibility report.
2. Preliminary analysis of alternatives: This should contain present data on the gap between demand and supply for the outputs which are to be produced, data on the capacity that would be available from projects that are in production or under implementation at the time the report is prepared, a complete list of all existing plants in the industry, giving their capacity and their level of production actually attained, a list of all projects for which letters of intent licenses have been issued and a list of proposed projects. All options that are technically feasible should be considered at this preliminary stage. The location of the

project and its implications should also be looked into. An account of the foreign exchange requirement should be taken. The profitability of different options should also be looked into. An account of the foreign exchange requirement should be taken. The profitability of different options should also be given. The rate of return on investment should be calculated and presented in the report. Alternative cost calculations vis-à-vis return should be presented.

3. **Project description:** The feasibility report should provide a brief description of the technology/process chosen for the project. Information relevant for determining the optimality of the location chosen should also be included. To assist in the assessment of the environmental effects of a project every feasibility report must present the information on specific points, i.e., population, water, land, air, flora, fauna, effects arising out of the project's pollution, other environmental destruction, etc. The report should contain a list of important items of capital equipment and also the list of the operational requirements of the plant, requirements of water and power, requirements of personnel, organizational structure envisaged, transport costs, activity wise phasing of construction and factors affecting it.
4. **Marketing plan:** It should contain the following items: Data on the marketing plan, demand and prospective supply in each of the areas to be served. The methods and the data used for making estimates of domestic supply and selection of the market areas should be presented. Estimates of the degree of price sensitivity should be presented. It should contain an analysis of past trends in prices.
5. **Capital requirements and cost:** The estimates should be reasonably complete and properly estimated. Information on all items of costs should be carefully collected and presented.
6. **Operating requirements and costs:** Operating costs are essentially those costs which are incurred after the commencement of commercial production. Information about all items of operating cost should be collected. Operating costs relate to cost of raw, materials and intermediaries, fuel, utilities, labour, repair and maintenance, selling expenses and other expenses.

7. Financial analysis: The purpose of this analysis is to present some measures to assess the financial viability of the project. A Performa balance sheet for the project data should be presented. Depreciation should be allowed for on the basis specified by the Bureau of Public Enterprises. Foreign exchange requirements should be cleared by the Department of Economic Affairs. The feasibility report should take into account income tax rebates for priority industries, incentives for backward areas, accelerated depreciation, etc. The sensitivity analysis should also be presented. The report must analyze the sensitivity of the rate of return on the level and pattern of product prices.
8. Economic analysis: Social profitability analysis needs some adjustments in the data relating to the costs and return to the enterprise. One important type of adjustment involves a correction in input and cost, to reflect the true value of foreign exchange, labour and capital. The enterprise should try to assess the impact of its operations on foreign trade. Indirect costs and benefits should also be included in the report. If they cannot be quantified they should be analyzed and their importance emphasized.

### **Meaning and Significance of Project Report (Need and Significance)**

A project report or a business plan is a written statement of what an entrepreneur proposes to take up. It is a kind of guide or course of action that the entrepreneur hopes to achieve in his business and how he is going to achieve it. A project report serves like a kind of big road map to reach the destination determined by the entrepreneur. Hence a project report can be defined as a well evolved course of action devised to achieve the specified objectives within a specified period of time. It is like an operating document. The preparation of a project report is of great significance for an entrepreneur. The project report serves two essential purposes.

The first is the project report is like a road map it describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there. In addition it enables the entrepreneur to know that he is proceeding in the right direction. Dan Steinhoff and John F. Burgess hold the view that without well spelled out goals and operational methods, most businesses flounder on the rocks of hard times.

The second purpose of the project report is to attract lenders and investors. The preparation of project report is beneficial for those small scale enterprises which apply for financial assistance from the financial institutions and commercial banks. On the basis of this project report the financial institutes make appraisal and decide whether financial assistance should be given or not. If yes how much. Other organizations which provide various assistance like work shed/land, raw material etc, also make decision on the basis of this project report.

Project report includes information on following aspects:

- Economic Aspects
- Technical Aspects
- Financial Aspects
- Production Aspects
- Managerial Aspects



## **Enterprise Resource Planning**

### **Definition:**

Enterprise resource planning system is a fully integrated business management system covering functional areas of an enterprise like Logistics, Production, Finance, Accounting and Human Resources. It organizes and integrates operation processes and information flows to make optimum use of resources such as men, material, money and machine.

### **Importance of ERP**

ERP delivers a single database that contains all data for the software modules, which would include:

1. Manufacturing: Engineering, bills of material, scheduling, capacity, workflow management, quality control, cost management, manufacturing process, manufacturing projects, manufacturing flow.
2. Supply chain management: Order to cash, inventory, order entry, purchasing, product configuration, supply chain planning, supplier scheduling, and inspection of goods, claim processing, and commission calculation.
3. Financials: General ledger, cash management, accounts payable, accounts receivable, fixed assets
4. Project management: Costing, billing, time and expense, performance units, activity management.
5. Human resources: Human resources, payroll, training, time and attendance, roistering, benefits.
6. Customer relationship management: Sales and marketing, commissions, service, customer contact and call center support, Data warehouse and various self-service interfaces for customers, suppliers, and employees.
7. Access control: user privilege as per authority levels for process execution. Customization - to meet the extension, addition, change in process flow.

**Functional areas of Operation/Functional areas of management of ERP**

1. Marketing and Sales (M/S)
2. Supply Chain Management (SCM)
3. Accounting and Finance (A/F)
4. Human Resources (HR)

Business functions: Activities specific to a functional area of operation

Functional area of operation	Marketing and Sales	Supply Chain Management	Accounting and Finance	Human Resources
<b>Business functions</b>	Marketing a product	Purchasing goods and raw materials	Financial accounting of payments from customers and to suppliers	Recruiting and hiring
	Taking sales orders	Receiving goods and raw materials	Cost allocation and control	Training
	Customer support	Transportation and logistics	Planning and budgeting	Payroll
	Customer relationship management	Scheduling production runs	Cash-flow management	Benefits
	Sales forecasting	Manufacturing goods		Government compliance
	Advertising	Plant maintenance		

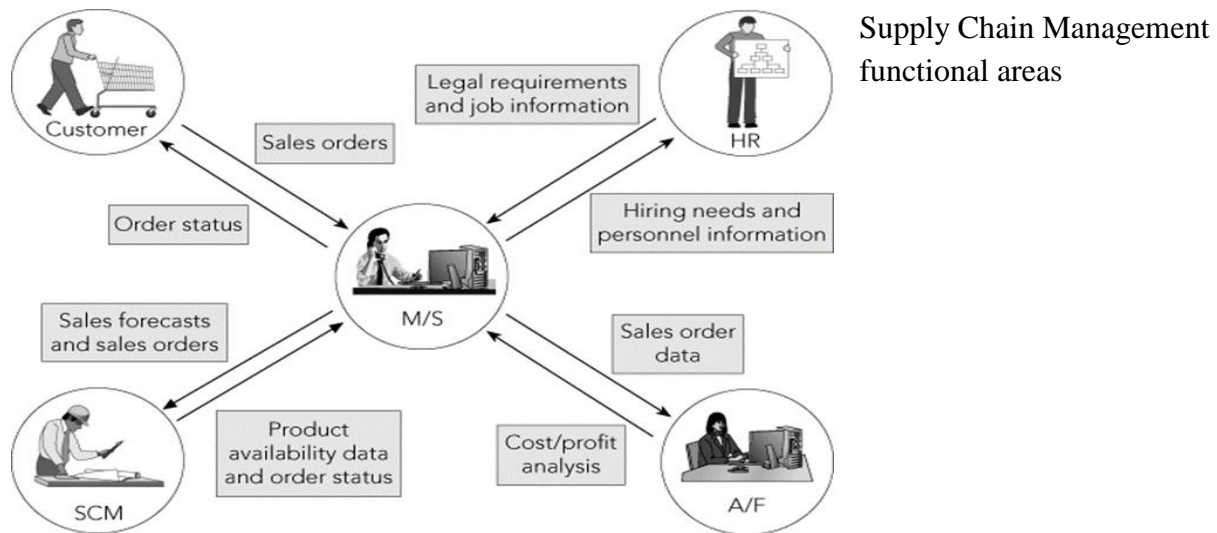
Figure: Examples of functional areas of operation and their business functions

1. Functional areas are interdependent
  - Each requires data from the others
2. Better integration of functional areas leads to improvements in communication, workflow, and success of company

3. Information system (IS): Computers, people, procedures, and software that store, organize, and deliver information
  4. Collection of activities that takes one or more kinds of input and creates an output that is of value to customer
    - Customer can be traditional external customer or internal customer
  5. Thinking in terms of business processes helps managers to look at their organization from the customer's perspective
    - Example: A fictitious coffee shop
    - Examine business processes of the coffee shop
    - See why coordination of functional areas helps achieve efficient and effective business processes
    - Look at how integration of the information system improves the business
- 1) Marketing and sales
    - Functions of Marketing and Sales
    - Developing products Determining pricing
    - Promoting products to customers
    - Taking customers' orders
    - Helping create a sales forecast

#### Marketing and Sales tasks for the coffee shop

- Formal record keeping not required
- Need to keep track of customers
- Product development can be done informally
- Good repeat customers allowed to charge purchases—up to a point
  - Records must show how much each customer owes and his or her available
  - Figure: The Marketing and Sales functional area exchanges data with customers and with the Human Resources, Accounting and Finance, and



2) Supply Chain Management

- Supply chain management (SCM) is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage.
- It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible.
- Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.
- Needs information from various functional areas
- Production plans based on information about product sales (actual and projected) that comes from Marketing and Sales
- With accurate data about required production levels:
  - Raw material and packaging can be ordered as needed
  - Inventory levels can be kept low, saving money
- Functions within Supply Chain Management
  - Making the coffee (manufacturing/production)
  - Buying raw materials (purchasing)
- Production planning requires sales forecasts from M/S functional area

- Sales forecasts: Analyses that attempt to predict the future sales of a product
- Production plans used to develop requirements for raw materials and packaging
  - Raw materials: Bottled spring water, fresh lemons, artificial sweetener, raw sugar
  - Packaging: Cups, straws, napkins
- SCM and M/S must choose a recipe for each coffee product sold

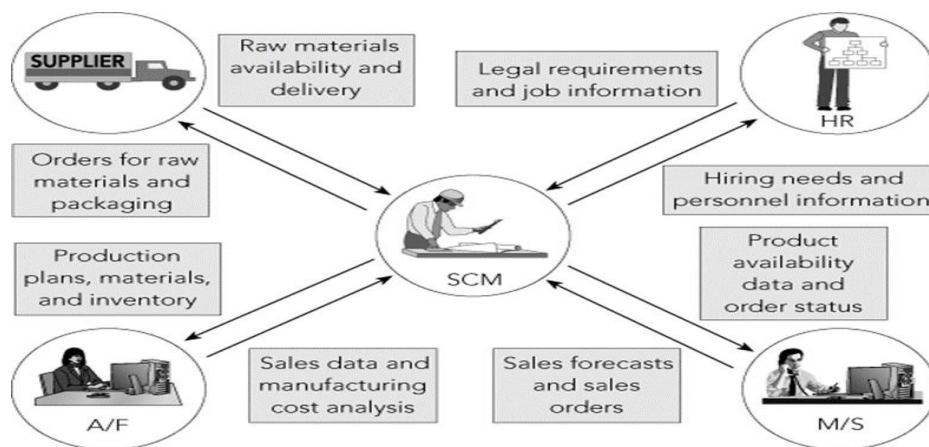


Figure: The Supply Chain Management functional area exchanges data with suppliers and with the Human Resources, Marketing and Sales, and Accounting and Finance functional areas

### 3) Accounting and Finance

- Functions within Accounting and Finance
  - Recording raw data about transactions (including sales), raw material purchases, payroll, and receipt of cash from customers
- Raw data: Numbers collected from sales, manufacturing and other operations, without any manipulation, calculation, or arrangement for presentation
- Data from Accounting and Finance used by Marketing and Sales and Supply Chain Management
  - Sales records are important component of sales forecast
  - Sales forecast is used in making staffing decisions and in production planning
  - Records from accounts receivable used to monitor the overall credit-granting policy of the coffee shop

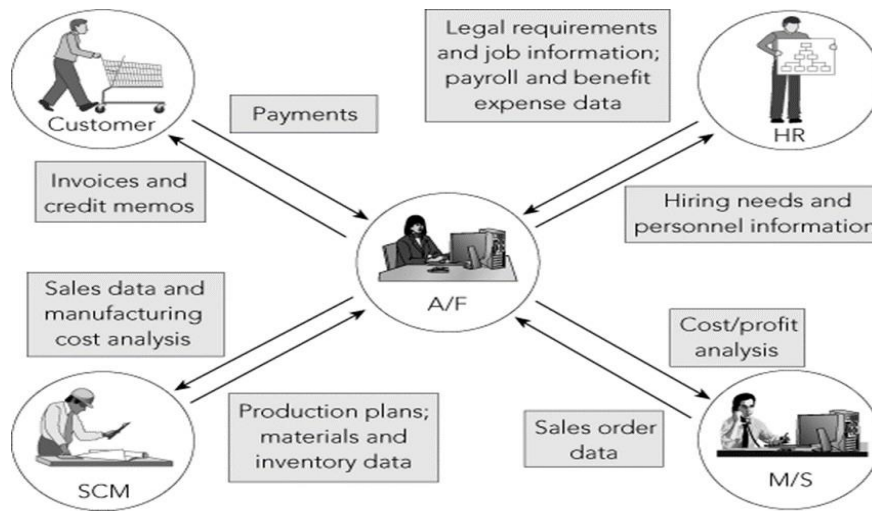


Figure: The Accounting and Finance functional area exchanges data with customers and with the Human Resources, Marketing and Sales, and Supply Chain Management functional areas.

4) Human Resources

The basic function of HR is to ensure the availability of competent employees to work positively towards the realization of organizational objectives. The functions of HR can be classified into managerial functions and operative functions.

- a. **Managerial functions:** The five important functions of HR in an organization are planning, organizing, staffing, directing and controlling. Planning is a course of action required to achieve organizational objectives. For an HR manager planning involves forecasting the quantity and quality of the workplace required. Organizing refers to developing an organizational structure , defining, and allocating roles and responsibilities, delegating authority and making the workforce accountable as when required. Staffing involves filling up the existing vacancies with the right quantity and the right quality of people at the right time. Directing function refers to leading, guiding and motivating the employees of organization for achieving organization objectives. The controlling function refers to reviewing organizational plans to identify deviations and to take corrective and preventive measures to overcome deviations.

- b. Operative Functions: The operative functions of HR are: Human resource planning (HRP), recruitment and selection, placement and induction, training and development ,compensation, performance appraisal, health and safety, industrial relations and managing exit.



Figure: The Human Resources functional area exchanges data with the Accounting and Finance, Marketing and Sales, and Supply Chain Management functional areas.

**Types of Project Report**

- a. Status Report

This is the most common type of project report and the one that you probably find yourself working on most regularly. You can produce status reports weekly or monthly – and on one project recently you ended up producing daily status reports during the implementation phase. The frequency depends on where you are in the project and how much there is to say. There’s not much point reporting daily if your tasks all take over a week, as you won’t have any progress to report from day to day. As you will spend a fair amount of time producing status reports, it is worth considering ways to make it faster to write them. Better yet, automate as much reporting as possible. Create a standard status report template or use the one that

comes with your project management software (you can check out the reporting features of our tool here as an example), and use the data in your scheduling tool to populate the project progress. Even if you have to amend it afterwards, having some of the fields completed for you will still save you a lot of time.

b. Risk Report

The report is normally the output that comes after a risk review meeting. Of course, you can update your risk log at any time, and you should be encouraging all your project team members to contribute risks to the log whenever they feel something needs recording. The risk report should include a summary of the risk profile of the project, but how you present this is up to you. A good approach would be to only include the detail for the risks that have the potential to create the most problems for your project. Then include a statement on the lower-level risks, perhaps summarizing how you are managing all of these. You will also want the possibility of producing a report about all your risks, regardless of how significant they are. It's probably easiest to do this as an automated download from your project management software, or if you keep your risk log in another format like a spreadsheet, by issuing a complete copy of that document.

c. Board/ Executive Report:

Reports need to be tailored to the people who are going to read them. So the report you produce for the project board will have a different level of detail in it to the weekly status update that goes to your project team and key business stakeholders. For the project board reports, think high level. They will want to read about things that are important to them, like issues they can help resolve, a summary of the budget position, and whether or not you are on track to hit key milestones. Make sure that your board report is in a format that they can easily read. For example, if your executives are always on the road and use their smartphones to check emails, don't produce your report in the form of a complicated spreadsheet that won't



display correctly, or include loads of large graphics that will take ages to download. A pdf will render across devices if you're emailing a static report. Or you can grant licenses for board members or senior leadership so they can see real-time dashboard reports on the go.

#### d. Resource Report

The resource report will show you the breakdown of which project team member is allocated to which task on which day. They can also be used to pinpoint over allocation problems – where a team member is allocated to more than one task. Obviously they can't work on two things at once, so if you don't pick up these problems you'll find that your project plan slips behind schedule. Use the resource report to ensure that you haven't got clashes for individuals and reschedule those tasks as necessary. Resource reports can also be useful for scheduling more than one person. You'll be able to see when someone becomes available, and that is a good sign that they can be given more project tasks at that point. If you compare the resource availability to the project's timeline you can also plan more efficiently. As one task done by one person ends, you can make sure that someone else is available to pick up the next thing that needs to be done, so that tasks don't stop halfway through waiting for the next person to become available. Overall, resource reports are one of the most useful types of project reports to be had as a project manager, although they can be a bit difficult to interpret at first. It really is worth spending the time getting to know how to read the reports so that you can make changes to your project schedule as appropriate. The right software is going to help you as a project manager. We developed the project reporting and dashboard features of ProjectManager.com to help project managers simplify this fundamental task. The template reports of our software will provide a needed head start on monitoring your projects.

**MODULE – 5****Micro and Small Enterprises****Introduction**

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

**Definition of Micro and Small Enterprises**

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

1. Manufacturing Enterprises
2. Service Enterprises.

**Manufacturing Enterprises** – The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries or employing plant and machinery in the process of values addition to the final product have a distinct name or character or use. The manufacturing enterprises are defined in terms of investment in plant & machinery.

**Service Enterprises** – The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

Manufacturing Sector	
Enterprise Category	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprise Category	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

### **Characteristics and Advantages**

A small unit is generally a one-man show. Even if SSI is run on partnership or company, the activities are carried by one of the partners or directors; the others are as sleeping partners.

In case of SSI, the owner himself or herself is a manager also and hence an SSI is managed in a personalized fashion. The owner takes effective participation in all matters of business decision making.

The scope of operation of SSI is generally localized, catering to the local and regional demands.

The gestation period i.e., the period after which return on investment starts is relatively lower when compared to large units.

SSI's are fairly labor intensive with comparatively smaller capital investment.

Small units use indigenous resources and therefore, can be located anywhere subject to the availability of these resources like raw materials, labor etc.

Using local resources Small Units are decentralized and dispersed to rural areas. Thus, small units promote balanced regional development and prevent the influx of job seekers from rural areas to cities.

Small scale units are more change susceptible and highly reactive and receptive to socio-economic conditions. They are more flexible to adopt changes like introduction of new products, new method of production, new materials, new markets and new form of organization etc.

### **Advantages**

Small scale enterprises can be started as per convenience of the owner in terms of space, finance, product and manpower.

The setting up of the unit and starting of production requires a small gestation period of only 2 to 6 months and layout can be made as per convenience.

Locally available skilled and semi-skilled people can be appointed at short notice and at a much lower wages compared to the medium and large industries.

Wherever high technology involved the parent company executives will help. Alternatively, consultants can be hired to sort out technology related problems.

It is one of the best forms of self-employment as well as giving employment opportunities to own kith and kin, friends and relatives etc.

In case of rural sector the SSI units will be able to have cheaper labour especially in off seasons.

In developing countries the SSI units are a necessity to assist bigger industries and new projects. Thus, they not only contribute to the economy of the nation but also create employment opportunities

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to people around the project sites.

In case of SSI units started by experienced and talented executives, there is abundant scope to develop high technology components for MNCs and also to organize exports.

Due to increase in population there has been increase in production of consumer goods and Fast-Moving Consumer Goods (FMCG). In view of this there is a bigger role for small industries to take up components production and even manufacture the product itself.

The small units are exempted from excise duty up to 75 lakhs per annum turnover. In case of industries in the backward districts, waiver or concession is given for various statutory taxes. Thus lot of paper work and formalities are avoided.

Since employees are recruited based on contacts or relations there will be loyalty to the owner and hence there will be no trade union activity.

### **Steps to Start an SSI**

It has been observed that a lot of people that wants to start a private business usually do not know how to go about the starting. Naturally, in the world of business, there are basic steps to be followed when anyone wants to start or own a business. Here, the steps are examined from the perspective of micro and small scale businesses and are presented as follows:

1. Project Selection: Entrepreneur is the Most Important person for the Success of a Project. In order to set up a Small Enterprise, the Entrepreneur has to decide or choose a suitable project. The Entrepreneur has also to decide on a suitable location for the project. Based on these selections, a project feasibility study has to be conducted & then a brief project profile has to be prepared for the proposed project. The Project Selection & the Preliminary Activities involve the following:

- a) Product or Service Selection: This is the first & most important step in setting up a small enterprise. The further prospects, actions & efforts in setting up the small enterprise & commencing its commercial activities successfully depend on this decision. Therefore, the Entrepreneur has to be very careful in the choice or selection of the Project. The main factors to be considered in deciding a suitable project are as follows:

Background & Experience of Entrepreneurs

Availability of the Right Technology & Know – How for the Project.

Marketability of the Product / Service

Investment Capacity (i.e., Financial Resources)

Availability of Plant & Machinery, Indigenous or Imported

Availability of Raw Materials

Availability of Proper Infrastructural Facilities i.e. Land/Shed, Power, Water, Communication, Transport etc...

Availability of right kind of Labor i.e. Skilled, Semi – Skilled & Unskilled  
Considering all above aspects & taking the help of Governmental Support

Organizations like TECSOK, KIADB, KSSIDC etc & even private consultants, the Entrepreneur has to choose & decide the project for implementation.

- b) **Product or Service Selection:** This is the first & most important step in setting up a small enterprise. The further prospects, actions & efforts in setting up the small enterprise & commencing its commercial activities successfully depend on this decision. Therefore, the Entrepreneur has to be very careful in the choice or selection of the Project.

c) Location Selection: After deciding on the Project, the next important decision an Entrepreneur has to make is about the Location of the Project. There are a Few factors associated with the same:

- 1) Availability of Raw Materials
- 2) Nearness or Proximity to Market
- 3) Availability of Transformation & Communication Facilities
- 4) Availability of Govt Incentives / Concessions
- 5) Govt Industrial Policy
- 6) Availability of suitable Infrastructural facilities
- 7) Availability of Labor
- 8) Convenience for the Entrepreneur's

d) Project Feasibility Study: The important facets of Project Feasibility Study are as follows:

Market Analysis is carried out to find out the aggregate demand of the proposed Product / Service & what would be the Market Share of the proposed project.

Technical Analysis seeks to determine whether the prerequisites for the successful commissioning of the Project have been considered & reasonably good choices have been made with respect to Location, Size, Process & so on.

Financial Analysis seeks to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of Servicing Debt & Satisfy the return on Investment Expectations of the Promoter's.

Economic Analysis: (Social Cost – Benefit Analysis) is concerned judging a Project from the larger, social point of view. In such an evaluation, the focus is on the Social Costs & Benefits of the Project.

- e) Project Profile: This gives a Bird's Eye View of the Proposed Project. This may be used for obtaining Provisional Registration Certificate (PRC) from the District Industries Centre & for making an Application to KIADB for allotment of Land or to KSSIDC for allotment of Shed & other Infrastructures.
- f) Business Plan Preparation: This is a Document where the Entrepreneur plans his Business to have an Organized & effective response to a situation which may arise in future. A Business Plan is used to make Crucial Start Up Decisions to reassure Lenders, Investors, to measure Operational Progress; to Test Planning Assumptions; to Adjust Forecasts; & to set the standard for good Operational Management.

2. Decide on the Constitution : To start any Enterprise, the Promoter's have to decide on the Constitution of the Unit. There are 3 Major Alternatives:

- Proprietary Enterprise: A Single Individual is the Owner of such an Enterprise. The Proprietor may proceed to obtain PRC from the DIC.
- Partnership Enterprise (Firm): This is an Association of Two or more Persons, subject to a Maximum of 20 Persons. They are governed by the Indian Partnership Act, 1932 & rules framed there under the State Govt. It is advisable to have a Partnership Deed Agreement on Stamp Paper of Appropriate Value.

- Company: This may be a Private or Public Limited Company. A Private Limited Company can be formed with a minimum of 2 Persons & a Maximum of 50 Persons. A Public Limited Company can be formed with a Minimum of 7 Persons & Maximum number of Persons is unlimited. Company is governed by the Companies Act, 1956.



- In fact, this has to be decided at the initial stages of the Project & necessary formalities should be completed by the time the application for Provisional Registration Certificate (PRC) is made to DIC (District Industries Centre).

3. Obtaining SSI Registration: Entrepreneurs desiring to start a Small Enterprise have to initially obtain a PRC (Provisional Registration Certificate). Once the Unit goes into Production, the PRC has to be converted into a Permanent Registration Certificate (PMT).

4. Specific Clearances: There are a number of Statutory Clearances required to start Micro & Small Enterprises. Some of them are given below:

- Agricultural Land Conversion into Non – Agricultural Land (NA Conversion).
- Building Plan approved by the Local Authorities.
- Factories Act & Labor Dept.
- Trade License from the Local Authorities.
- Pollution Control Board Clearances.
- Food Adulteration Act License. Etc..

5. Land or Shed Selection : For any Industrial Project, suitable Industrial Site or a ready Industrial shed is reqd. The Promoters of the Unit could consider taking an Industrial Site & constructing a shed as per their requirement, alternatively, could consider taking a ready Industrial Shed on Ownership Basis also.

Whom to approach:

- KIADB for Land.
- KSSIDC for Shed requirement.
- Alternatively, the Entrepreneur can also approach directly the Jt. Director, DIC in the particular District also for requirement of Land / Shed for the proposed Enterprise.

6. Plant & Machinery: This requirement for a Particular Project could be purchased from recognized manufacturers / dealers. This could also be taken on Hire Basis operated by National Small Industries Corporation Limited (NSIC). This is a Govt of India promoted Corporation.

7. Infrastructure Facilities: For Micro or Small Enterprises the main infrastructure facilities are Land or Shed for the Project, Power Connection, and Water Supply & Telephone & Internet Facility. As said earlier, for Land or Shed , the Entrepreneur can approach either KIADB or KSSIDC as the case may be. For the requirement of Power, an application may be made to the local electricity company in the region. For Telephone connection & Internet facilities, Entrepreneur has to approach BSNL or other operators. District level Single Window Agency (SWA) assists the Entrepreneur in getting all the above facilities. Hence, the Entrepreneur can forward an Application on a plain paper to the Jt. Director , District Industries Centre of the District giving his requirement of various infrastructural facilities for speedy approval & sanction

8. Project Report: For any New Project or Enterprise to be set up, Proper Planning is necessary. A detailed Project Report provides such a plan for the Project. The Report is useful to the Entrepreneur for Planning & Implementing the Project. This is essential for Obtaining Finance & other clearances for the Project. In fact, the Project Report gives a detailed insight of the Techno – Economic Viability of the Project.

9. Finance: Finance for such Projects are under 2 main categories:

- Term Loan: For starting a Small Enterprise, Term Loan Finance for the Fixed Assets like Land, Building, Plant & Machinery etc., can be availed. This Loan can be availed from Karnataka State Financial Corporation (KSFC) & or from the Commercial Banks.
  - Working Capital Loan: It is always preferable to approach Commercial banks for Working Capital Loan. All Commercial Banks finance up to 75 % of the Working Capital Loan & the remaining 25 % has to be pooled in by the Promoters.
10. Implementation of the Project: The Entrepreneurs will have to take necessary steps to physically implement the Project after obtaining the various Licenses, Clearances, Infrastructural Facilities etc. Following are the Major Activities that the Entrepreneurs have to undertake for implementing the Project. Construct Shed, Order for Machinery, etc.

### **Government of India Industrial Policy 2007 on Micro and Small Enterprises**

It provides the first-ever legal framework for recognition of the concept of “enterprise” (comprising both manufacturing and services) and integrating the three tiers of these enterprises namely, micro, small and medium.

Under the Act, enterprises have been categorized broadly into those engaged in manufacturing and providing/rendering of services. Both categories have been further classified into micro, small and medium enterprises, based on their investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services) as under:

Manufacturing Enterprises - Micro Enterprises Does not exceed twenty five lakh rupees  
Small Enterprises More than twenty five lakh rupees but does not exceed five crore rupees  
Medium Enterprises More than five crore rupees but does not exceed ten crore rupees

Service Enterprises - Micro Enterprises Does not exceed ten lakh rupees  
Small Enterprises More than ten lakh rupees but does not exceed two crore rupees  
Medium Enterprises More than two crore rupees but does not exceed five crore rupees.

The act provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions, and an advisory committee to assist the board and the central/state governments.

The features of MSME

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole

5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.

### **Case Study on Microsoft**

- Bill Gates is the founder of Microsoft
- Co founder of Microsoft is Paul Allen.
- Founded in April 4, 1975.
- Their first product was Basic Computer.
- Their main intention was to produce Personal Computer.
- In 1983, Paul Allen resigned,
- From 1983, Jon Shirley became the vice president and started developing Mouse and DOS.
- In 1985, Bill Gates became top Billionaire (31 years).
- Bill Gates was an Investor, Writer, Philanthropist apart from being the founder of Microsoft
- In 1986, SQL servers were introduced.
- In 1990, Jon Shirley retires and Michael became the Vice president.
- In 1992, Microsoft introduced Windows 3.1
- In 1994, Microsoft released Windows NT
- In 1995, Microsoft launched Windows 95
- In 1997, anti-trust cases were filed against Microsoft.
- In 2001, developed Windows XP.

### **Case Study on G R Gopinath**

Gorur Ramaswamy Iyenger Gopinath.

- Born on November 13, 1951, Gorur, Hassan.
- NDA-National Defence Academy.
- 1971, Bangladesh Liberation War
- 1971, he took retirement
- In 1997, Deccan Aviation –cofounder
- In 2007, sold for King Fisher

–a low cost airline

In 2009,Deccan 360

Awards:

1. 1996,Ralex Award
  2. 2005,Rajyotsava Award
  3. He wrote a book “simply fly” in 2010-Cellins business
- He was an author ,ex-politician apart from being an eneterpreneur.
  - He was a Loksaba candidate from 2009 and 2014.

### **Case Study on N R Narayana Murthy & INFOSYS)**

Nagavara Ramarao Narayana Murthy, popularly known as N.R.Narayana Murthy Chairman of Infosys Technologies Ltd. Comes from middle class background. He is son of a teacher, a member of a large family of eight children (Three brothers and five sisters). Like an ordinary middle class boy ,he studied well and qualified for the prestigious IIT. He could not afford it and therefore, went to NIE, Mysore- a local college for a degree in electrical engineering. Murthy completed his post-graduation in electrical engineering at IIT Kanpur in 1969 and took up a job. The only thing is, he did seemingly the very same things, but obviously differently. He always took risks. Following are the exemplary instances of his risk- taking decisions. First, Murthy pursued a career in computer science when there were not too many jobs in this field. The Indian industry / business were very much into mortarbricks business and had just about started appreciating the role of computers. Second, next risk he undertook was to turn down attractive offers from large companies such as Telco,HMT, ECIL, and Air India; instead, he joined as a system programmer at IIM Ahmedabad. IIMA was atthat time in the process of installing a Hawlett Packard minicomputer and was foregoing ahead to become the second business school after Stanford to have a time-sharing operating system. The thrill of such a pioneering job, thus, gave him a great learning opportunity and was the main reason that Murthy joined the team at IIM under J.G.Krishnaya, Professor of information systems. Murthy received a salary of Rs.800/- a month. He says,”It was the best decision of my life. There were many 20-hour work days but I loved being a pioneer of working at the cutting edge of computer technology those days.” Third, a chance came from Sesa, a french software company, to build an operating system to handle air cargo at the Charless de Gaulle airport in Paris. What is worth nothing here is that at around the same time, murthy also had received Scholarships to purse a Ph.D. In the USA and Israel. But, Murthy did not take these soft options. He instead, went to Paries, Which also meant mastering another language French. After the successful execution of this project, murthy came back to Pune in 1974 to join his mentor professor J.G krishnanyya who was setting up the systems research institute (SRI, a non-profit organization). Having worked for some time in SRI, Murthy became somewhat frustrated with the work at SRI (getting the usual bureaucratic treatment of seldom implementing the sincere suggestions). Then, he took up a job in Patni Computer Systems (PCS), a Mumbai-based Company. At PCS, he was head ofthe software group and it was here that he met some of the would-be founder parents of Infosys. He did his usual, unusual, quit the job and started his Software service firm along with his partners. This was the firm which was to become the giant that Infosys today. Out of his six founders partners, there were rookies-PCS was the first job

of Nandan Nilekani, S. Gopi Krishnan and Ashok Arora. Only k. Dinesh (NGEF, Bangalore), N. S. Ragavan (union Carbide), and S. D. Shibhulal (BEST, Mumbai) had some prior experience elsewhere. Not that these Murthy + sis had any money. They all were middle class backgrounds and pooled in Rs. 10,000 capital borrowed from their better halves. In. In this way, Infosys Consultants was born in July 1981 in one bedroom of two-bedroom apartment in Pune.



## **Institutional Support**

### **MSME-DI**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last six decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector. Office of the Development Commissioner (Micro, Small & Medium Enterprises) provides a wide range of services & schemes for the promotion and development of MSME sector through 30 Micro, Small and Medium Enterprises-Development Institutes (MSME-DIs); 28 Branch MSME-DIs located across the country. MSME-Development Institute, Bangalore was set up during 1956-57. This Institute assists MSMEs financially through the schemes and improve their technical skills through skill upgradation / training programmes. This institute also focuses on creating young entrepreneurs through various Industrial motivation & Entrepreneurship development programmes.

### **Our AIM**

To Impart greater vitality and growth impetus to the small, tiny and village enterprises, in terms of output, employment, exports and installing a competitive culture based on heightened techno-managerial awareness.

To Popularize entrepreneurship among our youth & to motivate them to adopt it as their carrier then searching for employment.

To impart confidence to individuals in managing their ventures.

### **Main Activities**

Assistance/Consultancy rendered to existing units

Preparation of State Industrial Profiles

Preparation/Updation of District Industrial Potential Surveys

Conducting Market Surveys

Collection of Production Index Statistics

Preparation of Project Profiles

Organizing industrial awareness cum motivational Campaigns

Organizing Skill Development Programmes

**National Small Industries Corporation (NSIC)**

The National Small Industries Corporation (NSIC), an enterprise under the union ministry of industries was set up in 1955 in New Delhi to promote aid and facilitate the growth of small scale industries in the country. This enterprise under Union Ministry of Industries, Provides wide range

of services, predominantly promotional in character to SSI

*Nature of support:* Wide ranging industrial input

***Objectives***

1. To promote, aid foster the growth of SSIs in country with a focus on commercial aspects.
2. To enable the SSI to gain competitive advantage & to contribute effectively to the development of the economy.
3. To evolve special schemes to meet the needs of handicapped, SC & ST entrepreneurs.

***Functions***

1. To provide machinery on hire purchase Scheme to SSIs
2. To promote govt orders for SSI
3. To develop SSIs as ancillaries to large units
4. To import & distribute scarce & rare raw material
5. To undertake construction of industrial estates
6. To help exporting products of SSIs
7. To develop prototype of machineries & equipment

NSIC offers a package of assistance for the benefit of small-scale enterprises.

1. Single point registration: Registration under this scheme for participating in government and public sector undertaking tenders.
2. Information service: NSIC continuously gets updated with the latest specific information on business leads, technology and policy issues.
3. Raw material assistance: NSIC fulfils raw material requirements of small-scale industries and provides raw material on convenient and flexible terms.
4. Meeting credit needs of SSI: NSIC facilitate sanctions of term loan and working capital credit limit of small enterprise from banks.
5. Performance and credit rating: NSIC gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.
6. Marketing assistance programme: NSIC participates in government tenders on behalf of small enterprises to procure orders for them.

### **Small Industries Development Bank of India (SIDBI)**

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector. Has structural linkage with Ministry of Finance and Ministry of SSI. It is a Subsidiary of IDBI. Head office is at Lucknow.

*Nature of Support:* Financial Service

#### ***Objectives***

1. Promote finance & develop small scale sector
2. Coordinating Functions of institutions engaged in similar activities
3. Finance Infrastructure projects

#### ***Functions***

1. Provide financial assistance to new project
2. It refines loans and advances provided by the existing lending institutions to the small-scale units.
3. It discounts and rediscounts bills arising from sale of machinery to and manufactured by small-scale industrial units.
4. It extends seed capital/soft loan assistance under National Equity Fund, Mahila Udyam Nidhi and Mahila Vikas Nidhi and seed capital schemes.
5. It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
6. It provides services like factoring, leasing, etc. to small units.
7. It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
8. It provides financial support to National Small Industries Corporation for providing; leasing, hire purchase and marketing help to the small-scale units.

In 1992-93 it has introduced two new schemes. The first is equipment finance scheme for providing direct finance to existing well-run small-scale units taking up technology up gradation/modernization and refinance for resettlement of voluntarily retired workers of NTC. The other new scheme was venture capital fund exclusively for small-scale units, with an initial corpus of Rs 10 crore. SIDBI also provides financial support to national small industries corporation (NSIC) for providing leasing, hire-purchase and marketing support to the industrial units in the small scale sector.

### **Karnataka Industrial Areas Development Board (KIADB)**

The Karnataka industrial areas development board is statutory board constituted under the Karnataka industrial area development act of 1996. Since then it is in the business of apportioning land for industries and gearing up facilities to carryout operations. The KIADB now acquires and provides developed land suited for industrialization, by drawing up well laid-out plots of varying sizes to suit different industries with requisite infrastructure facilities. The facilities include roads, drainage, water supply etc. The amenities such as banks, post offices, fire stations, police outposts, ESI dispensaries etc are also provided. It also plans to initiate the provision of common effluent treatment plants wherever necessary.

Application forms for the allotment of land may be obtained from the executive member, KIADB Bangalore or general manager DIC of concerned district or from the Zonal office of KIADB. Applications duly filled must be accompanied by:

- a) A brief project report.
- b) Details of constitution of the company
- c) Provisional registration certificate
- d) EMD of Rs 500/- per acre, subject to a maximum of Rs 10,000/- along with 20%, 15% and 5% of the land cost for various districts.

On receipt of applications for all districts other than Bangalore, a discussion with the promoters regarding the project will be held in the concerned district headquarters. The district level allotment committee will take a decision on allotment of land to the SSI units.

#### ***Objectives***

1. To establish industrial area
2. To provide infrastructural facilities
3. To assist implementation of government policies.
4. To function on „No profit No loss basis

#### ***Functions***

1. Acquire land & build industrial area
2. Provide all infrastructure to such industrial area
3. Acquire land for Single Unit Complexes
4. Acquire land for Government agencies for their schemes & infrastructure

### **Karnataka State Small Industries Development Corporation Ltd (KSSIDC)**

KSSIDC established on 29th April 1960. The registered office of the Company started functioning at Bangalore in the State of Karnataka.

The Corporation's principle objective is the promotion and development of Small Industries in the State. Construction and utilisation of infrastructure, especially in backward areas, procurement and 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 willingness to understand the problems of entrepreneurs-are the staff creed, and KSSIDC constantly strive for this end. An Industrially prosperous Karnataka is the vision.

***Nature of support:*** Infrastructure & Industrial Inputs

#### ***Objectives***

1. To assist SSI in procurement of raw material
2. Rapid development of SSI

#### ***Functions***

1. Establishment and Management of Industrial Estates.
2. Procurement and distribution of raw materials.
3. Assistance towards marketing.
4. Dissemination of information by participating in the internal and international exhibitions.
5. Supply of machinery under Hire Purchase Scheme.
6. Providing Guidance to SSI Entrepreneurs.
7. Providing Technical Library facilities.

#### ***List of Major Projects Handled by KSSIDC***

1. Government Tool Room Training Centre (GTTC) was established at Industrial Estate Rajajinagar.
2. An exclusive garment complex has been established at Rajajinagar
3. Multi-storied complexes were established at Electronic City industrial estate Bommasandra to accommodate electronic industries and Software Technology units.
4. ISI Complex at peenya established to test and certify the product manufactured by SSI units.
5. Multi-storied Commercial Complex established at Industrial Estate Shimoga Multi-storied Commercial Complex was established at Industrial Estate Gulbarga.
6. Power loom sheds for KSPDC at Siguli was established.
7. Morarji Desai Residential School Complexes at five places in Karnataka was established.

### **Technical Consultancy Services Organization of Karnataka (TECSOK)**

TECSOK is a professional industrial technical and management consultancy organization promoted by the government of Karnataka and other state level development institutions way back in 1976. It is a leading investor-friendly professional consultancy organization in Karnataka. Its various activities are investment advice, procedural guidance, management consulting, mergers and acquisition, process reengineering studies, valuation of assets for takeovers, impact assessment of socio- economic schemes, critical infrastructure balancing; IT related studies, detailed feasibility studies and reports. TECSOK with its pool of expertise in varied areas can work with new entrepreneur to identify a product or project. In addition to this TECSOK sharpens the project ideas through feasibility studies, project reports, market surveys, and sources of finance, selection of machinery, technology, costing and also providing turnkey assistance. To help entrepreneurs to face the global competition TECSOK facilitates global exposures, updated technology, market strategies, financial restructuring and growth to improve profitability of an industry. TECSOK can identify sickness in existing industry and facilitate its turn around. TECSOK has expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government and financial institutions.

#### ***Nature of support:***

- Multi disciplinary technical, industrial & management consultancy

#### ***Objectives:***

- To provide reliable consultancy support for entrepreneurs to startup self employment
- To provide consultancy services to various Departments & Agencies of State & Central Government.

#### ***TECSOK activities:***

1. Guidance in product selection and project identification.
2. Market survey and market development advice.
3. Consultancy for agro-based industries of a nodal agency of the government of India.
4. Diagnostic studies and rehabilitation of sick industries.
5. Environment impact assessment studies environment management plans & propagation of cleaner production techniques.
6. Energy management and audit.
7. Valuation of assets for mergers and takeovers.
8. Infrastructure development project reports.
9. Port tariff study and related areas.
10. System study and software development.
11. Management studies, company formation, corporate plan, enterprise restructuring etc.
12. Designing and organizing training programme.

### **Karnataka State Financial Corporation (KSFC)**

The KSFC was established by the government of Karnataka in 1956 under the state financial corporation act 1951 for extending financial assistance to set up tiny, small and medium scale industrial units in Karnataka. Since 1956 it is working as a regional industrial development bank of Karnataka. KSFC has a branch office in each district; some districts have more than one branch. KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipment/transport vehicles. KSFC has merchant banking department which takes up the management of public issues underwriting at shores, project report preparation, deferred payment guarantee, and syndication of loans, bill discounting and Similar tasks.

#### ***Objectives***

1. Cater to financial requirements of small Scale units
2. To extend medium & long term credits to units

KSFC give preference to the projects which are

- a. Promoted by technician entrepreneur.
- b. In the small-scale sector.
- c. Located in growth centers and developing areas of the state;
- d. Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- e. Characterized by high employment potential.
- f. Capable of utilizing local resources; and
- g. In tune with the declared national priorities.

The eligible industrial concerns for financial assistance from KSFC are those engaged/to be engaged in manufacture, preservation, processing of goods, mining, power generation transport, industrial estate, hotels, R & D of any product or process of industrial concern, weigh bridge facilities, power laundries, photocopying, hiring of heavy material handling equipment, cranes and other earth moving equipments, hospitals, nursing homes, medical stores, computers, tourism related activities, construction of roads, tissue and horticulture software development, software parks, block board vehicles, office construction, go down and warehouse construction, mobile canteens, commercial complexes, training institutes, office automation and so on.

#### ***Loan Schemes of KSFC***

KSFC has evolved loan schemes for extending financial assistance to industrial concerns promoted by rural artisans, weaker sections of society, disabled entrepreneurs, exservicemen, women entrepreneurs and others.



*The various loan schemes of KSFC are given below:*

1. Composite loan scheme
2. Disabled entrepreneurs loan scheme.
3. Scheduled cast and scheduled tribe's loan scheme.
4. Ex-service men loan scheme.
5. National equity fund scheme.
6. Mahila Udyama nidhi loan scheme.
7. Single window loan scheme.
8. Transport loan scheme.
9. Computer loan scheme.
10. Modernization loan scheme.
11. Diesel generator loan scheme.
12. Equipment finance loan scheme.
13. Tourism related activities loan scheme.
14. Hospital/nursing / medical store loan scheme.
15. Electro-medical equipment loan scheme.
16. Assistance for acquiring indigenous or imported second-hand machinery.
17. Qualified professionals loan scheme.
18. Scheme of assistance for acquisition of ISO 9000 series of certification.
19. Hotel /mobile canteen loan scheme.
20. Industrial estate loan scheme.
21. Loan scheme for office automation.
22. Loan scheme for training institution.
23. Loan scheme for private software technology parks.
24. Loan scheme for commercial complexes.

### **DIC Single Window Agency**

The District Industries Centers (DIC's) programme was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. The organizational structure of DICS consists of General Manager, Functional Managers and Project Managers to provide technical services in the areas relevant to the needs of the district concerned. Management of DIC is done by the state government.

***Nature of Support:*** Information & Consultancy Services, Industrial Inputs

#### ***Objectives***

- a. To promote cottage & SSI in rural area/small towns.
- b. To help entrepreneur with all information under 1 roof.
- c. To serve as an integrated administrative framework at district level for industrial development.

***Functions***

1. To prepare and keep model project profiles for reference of the entrepreneurs.
2. To prepare action plan to implement the schemes effectively already identified.

3. To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e., industrial sector, service sector and business sector.
4. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for importing machineries.
5. To provide guidance for appropriate loan amount and documentation.
6. To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixtures.
7. To appraise the worthiness of the project-proposals received from entrepreneurs.
8. To help the entrepreneurs in obtaining required licenses/permits/clearance.
9. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
10. To conduct product development work appropriate to small industry.
11. To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.
12. To conduct artisan training programme.
13. To act as the nodal agency for the district for implementing PMRY (Prime Minister Rojgar Yojana).
14. To function as the technical consultant of DRDA in administering IRDP and TRYSEM programme.
15. To help the specialized training organizations to conduct Entrepreneur development programmes.

### **What is Intellectual Property?**

- Intellectual property refers to creations of the mind: inventions; literary and artistic works; and symbols, names and images used in commerce.
- Intellectual property is divided into two categories:
  - Industrial Property: includes patents for inventions, trademarks, industrial designs and geographical indications.
  - Copy Right: covers literary works (such as novels, poems and plays), films, music, artistic works (e.g., drawings, paintings, photographs and sculptures) and architectural design. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programs.

### **What are intellectual property rights?**

- Intellectual property rights are like any other property right. They allow creators, or owners, of patents, trademarks or copyrighted works to benefit from their own work or investment in a creation.
- These rights are outlined in Article 27 of the Universal Declaration of Human Rights, which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions.

### **Why promote and protect intellectual property?**



- An efficient and equitable intellectual property system can help all countries to realize intellectual property's potential as a catalyst for economic development and social and cultural well-being.
- The intellectual property system helps strike a balance between the interests of innovators and the public interest, providing an environment in which creativity and invention can flourish, for the benefit of all.
- First, the progress and well-being of humanity rest on its capacity to create and invent new works in the areas of technology and culture.
- Second, the legal protection of new creations encourages the commitment of additional resources for further innovation.
- Third, the promotion and protection of intellectual property spurs economic growth, creates new jobs and industries, and enhances the quality and enjoyment of life.