

MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY (Effective from the academic year 2018 -2019) SEMESTER – V			
Course Code	18CS51	CIE Marks	40
Number of Contact Hours/Week	2:2:0	SEE Marks	60
Total Number of Contact Hours	40	Exam Hours	03
CREDITS – 03			
Course Learning Objectives: This course (18CS51) will enable students to:			
<ul style="list-style-type: none"> • Explain the principles of management, organization and entrepreneur. • Discuss on planning, staffing, ERP and their importance • Infer the importance of intellectual property rights and relate the institutional support 			
Module – 1			Contact Hours
Introduction - Meaning, nature and characteristics of management, scope and Functional areas of management, goals of management, levels of management, brief overview of evolution of management theories,. Planning - Nature, importance, types of plans, steps in planning, Organizing - nature and purpose, types of Organization, Staffing - meaning, process of recruitment and selection RBT: L1, L2			08
Module – 2			
Directing and controlling - meaning and nature of directing, leadership styles, motivation Theories, Communication - Meaning and importance, Coordination - meaning and importance, Controlling - meaning, steps in controlling, methods of establishing control. RBT: L1, L2			08
Module – 3			
Entrepreneur – meaning of entrepreneur, characteristics of entrepreneurs, classification and types of entrepreneurs, various stages in entrepreneurial process, role of entrepreneurs in economic development, entrepreneurship in India and barriers to entrepreneurship. Identification of business opportunities, market feasibility study, technical feasibility study, financial feasibility study and social feasibility study. RBT: L1, L2			08
Module – 4			
Preparation of project and ERP - meaning of project, project identification, project selection, project report, need and significance of project report, contents, formulation, guidelines by planning commission for project report, Enterprise Resource Planning: Meaning and Importance - ERP and Functional areas of Management – Marketing / Sales- Supply Chain Management – Finance and Accounting – Human Resources – Types of reports and methods of report generation RBT: L1, L2			08
Module – 5			
Micro and Small Enterprises: Definition of micro and small enterprises, characteristics and advantages of micro and small enterprises, steps in establishing micro and small enterprises, Government of India industrial policy 2007 on micro and small enterprises, case study (Microsoft), Case study(Captain G R Gopinath),case study (N R Narayana Murthy & Infosys), Institutional support: MSME-DI, NSIC, SIDBI, KIADB, KSSIDC, TECSOK, KSFC, DIC and District level single window agency, Introduction to IPR.			08

RBT: L1, L2

Course outcomes: The students should be able to:

- Define management, organization, entrepreneur, planning, staffing, ERP and outline their importance in entrepreneurship
- Utilize the resources available effectively through ERP
- Make use of IPRs and institutional support in entrepreneurship

Question Paper Pattern:

- The question paper will have ten questions.
- Each full Question consisting of 20 marks
- There will be 2 full questions (with a maximum of four sub questions) from each module.
- Each full question will have sub questions covering all the topics under a module.
- The students will have to answer 5 full questions, selecting one full question from each module.

Textbooks:

1. Principles of Management -P. C. Tripathi, P. N. Reddy; Tata McGraw Hill, 4th / 6th Edition, 2010.
2. Dynamics of Entrepreneurial Development & Management -Vasant Desai Himalaya Publishing House.
3. Entrepreneurship Development -Small Business Enterprises -Poornima M Charantimath Pearson Education – 2006.
4. Management and Entrepreneurship - Kanishka Bedi- Oxford University Press-2017

Reference Books:

1. Management Fundamentals -Concepts, Application, Skill Development Robert Lusier – Thomson.
2. Entrepreneurship Development -S S Khanka -S Chand & Co.
3. Management -Stephen Robbins -Pearson Education /PHI -17th Edition, 2003

MODULE 1

INTRODUCTION

Introduction

Meaning, nature and characteristics of management, scope and Functional areas of management, goals of management, levels of management, brief overview of evolution of management theories,. Planning- Nature, importance, types of plans, steps in planning, Organizing- nature and purpose, types of Organization, Staffing- meaning, process of recruitment and selection

RBT: L1, L2

MEANING

- Management is one of the important activities of human life.
- It applies in all kinds of organization
- Example – Government, military, social and educational institutions.

DEFINITION

- Management is the art of getting things done through people.
- It is the process consisting of Planning, Organizing, actuating and controlling, performed to determine and accomplish the objectives by use of people and resources.

NATURE OF MANAGEMENT

The principles, concepts and techniques of management have changed over the period of time. Various contributions to the field of management have changed its nature. The nature of management can be described as follows:

- (1) **Multidisciplinary:** Management is multidisciplinary. It draws ideas and concepts from the disciplines like economics, sociology, psychology, statistics, operations research etc. Management integrates the ideas taken from various disciplines.
- (2) **Relative not absolute principles:** Management principles are relative and not absolute. They must be applied according to the need of the organization. Each organization is different from other.
- (3) **Management – science or art:** Under science one can normally learn the “**why of a phenomenon**”, under art one learns the “**how of it**”.
- (4) **Management is goal-oriented:** - Management aims to achieve economic and social objective. It exists to achieve some definite goals or objectives.
- (5) **Management is a social process:** - Management is getting thing through others. This involves dealing with people. The efforts of the human beings have to be directed, co-ordinate and regulated by management in order to achieve the desired results.
- (6) **Management is a dynamic function:** - Management is a dynamic function and it has to be performed continuously. It is constantly engaged in the molding of the enterprise in an over charging business environment.

Effective co-ordination, communication network, innovation of new ideas and techniques, constant evaluation, monitoring and control, good leadership is necessary for good Management.

CHARACTERSTICS

- It should be stable
- It should be applicable to all kinds of organization
- It is transparent
- Its approaches are to be clear and objective oriented
- It should be simple yet effective
- It should provide conducive atmosphere of work
- It should have well defined goals and effective means to accomplish that.
- It should have good functional areas of management.
- It should be responsive to many external elements like economic, social, technological, political and ethical factors that affect the areas of operation.

SCOPE OF MANAGEMENT

- The management is a must for every organization.
- The existence of management ensures proper running of an enterprise.
- Management plans the activities, coordinates and utilizes the available recourses effectively and efficiently at minimum cost.
- Scope of management is not limited only to business organization , but it is extended to business establishment, hospitals, educational institutions, Govt offices, Service organizations, security organizations etc

Management scope can be extended to the following areas of life –

1. Developing Management
2. Financial Management
3. Marketing Management
4. Transport Management
5. Purchase Management
6. Sales Management
7. Distribution management
8. Personal management.
9. Office management
10. Business management (Like Hospital, hotel, education and stores)

FUNCTIONAL AREAS

There are 5 essential functions of Management –

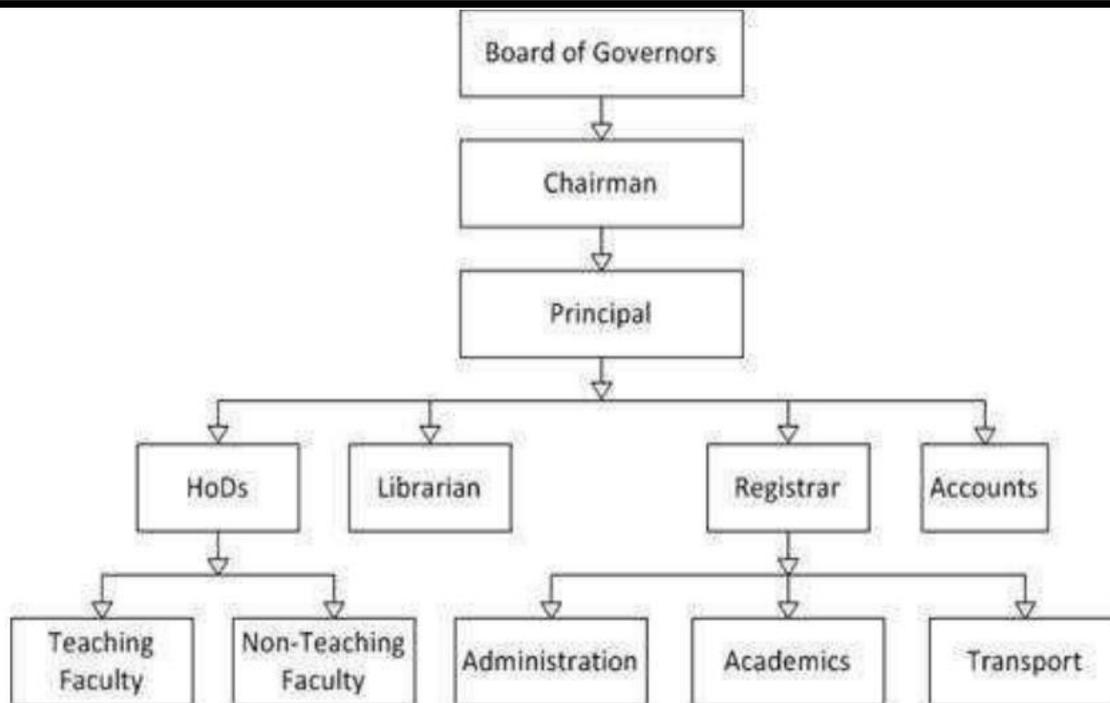
1. Planning
2. Organizing
3. Staffing
4. Directing(Leading)
5. Controlling

1. PLANNING

- Planning is an executive function that is referred to as decision making.
- It involves setting short and long term goal for organization
- Selecting objectives , strategies and policies for accomplishing the planned goals
- Deciding in advance what to do, how to do, to do, when to do, where to do.
- Planning bridges the gap from where we are, where we want to be in future.

2. ORGANISING

- It is a part of management that involves in establishing a structure of roles for people to fill in an organization.
- It Involves determination of activities required to achieve objectives.
- Grouping these activities into departments
- Assigning such groups of activities to managers.
- Making provision for coordination of activities.



3. STAFFING

- Staffing is an important function which makes provision for man power to fill different positions.
- It involves finding the right person for right job
- Placement, Training and developing new for present and future jobs.
- Creating new positions
- Apprising the staff and planning their promotion etc



4. DIRECTING (LEADING)

□ Directing involves three sub functions are –

1. Communication

2. Leadership

3. Motivation



5. CONTROLLING

□ Controlling is measuring and correcting of activities of subordinates to make sure that the work is going on as per the plan.

□ It involves

-Establishing standards of performance

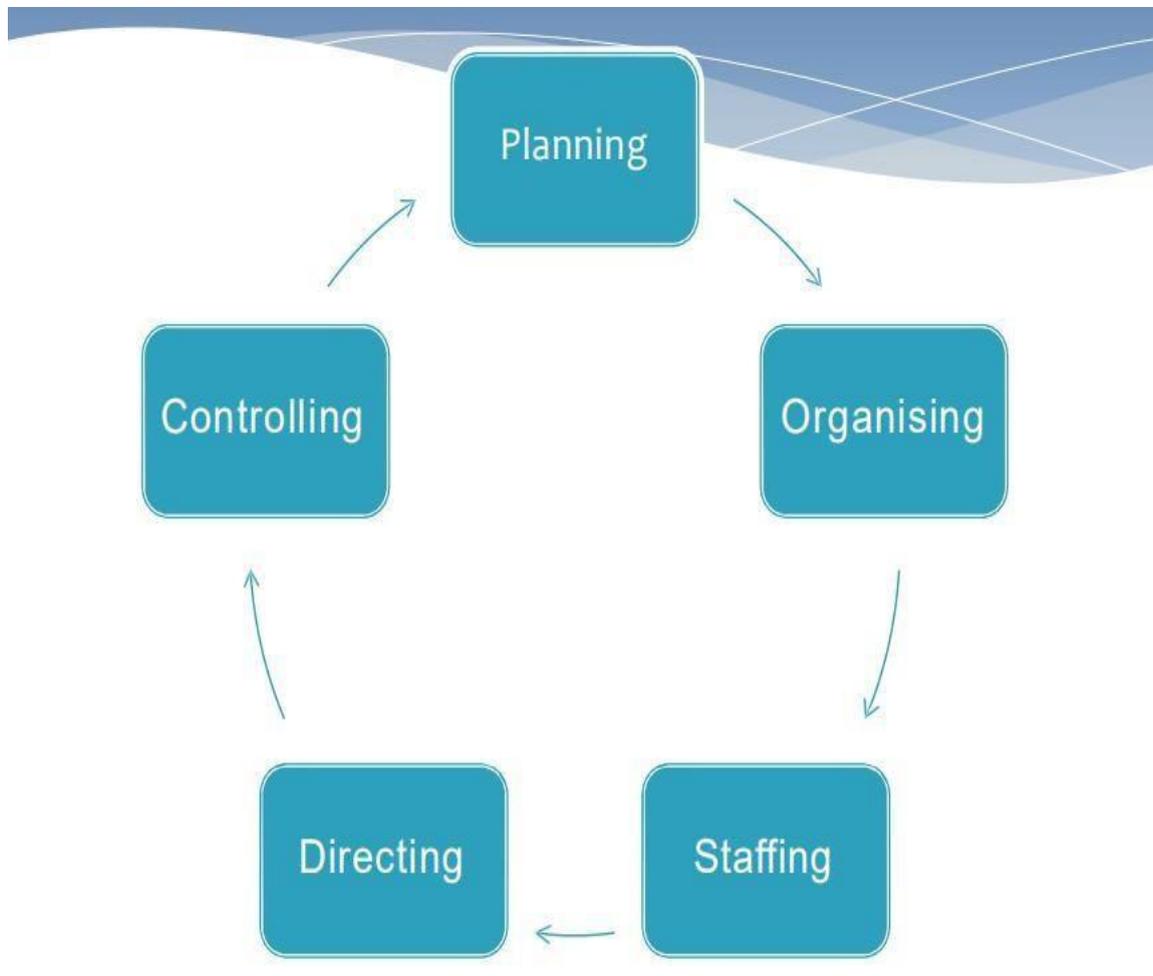
-Measuring of actual performance

-Comparing actual performance with standards

-Taking necessary corrective action to meet standards.



MANAGEMENT CYCLE



GOALS (ROLES) OF MANAGEMENT

Manager plays variety of roles responding to a particular situation.

There are 3 important roles –

1. Interpersonal Roles
2. Decision Roles
3. Information Roles



INTERPERSONAL

Role	Description	Identifiable Activity
Figurehead	Manager serves as an official representative of the organization or unit	Greeting visitors; signing legal documents
Leader	Manager guides and motivates staff and acts as a positive influence in the workplace	Staffing, training
Liaison	Manager interacts with people outside the organization to gain information	Acknowledging mail/email; serving on boards; performing activities that involve outsiders



INFORMATIONAL

Role	Description	Identifiable Activity
Monitor	Manager receives and collects information	Reading magazines and reports; maintaining personal contacts
Communication (Disseminator)	Manager distributes information within the organization	Meetings; making phone calls to relay information; email/memos
Spokesperson	Manager distributes information outside the organization	Board meetings; giving information to the media

DECISIONAL



Role	Description	Identifiable Activity
Entrepreneur	Manager initiates change	Organizing sessions to develop new programs; supervises design of projects
Disturbance Handler	Manager decides how conflicts between subordinates should be resolved	Steps in when an employee suddenly leaves or an important customer is lost
Resource Allocator	Manager decides how the organization will use its resources	Scheduling; requesting authorization; budgeting
Negotiator	Manager decides to negotiate major contracts with other organizations or individuals	Participating in contract negotiations or in those with suppliers

LEVELS OF MANAGEMENT



Managers at all these levels perform different functions and possess different skills. The role of manager's at all three levels is as

1. **Top level Management:** As shown in the figure, the top most level consists of chairman, Director, CEO etc.ultimate source of authority lie in the hands of these people. It includes people who make goals and polices for the company. They bring change in organization such as culture, environment etc.
2. **Middle Level Management:** It consists of General Managers, Regional Managers, etc.They are responsible to the top management for functioning of their department. The middle managers are responsible in allotting the duties for good strategy implementation, resources, etc.
3. **Low Level Management:** It is also known as supervisory/operative level of management. It consists of supervisors, foreman, team leader, group facilitator etc. Supervisory management is concerned with efficiency in using resources of the organization. Supervisors are one step above the workers.

MANAGEMENT AS SCIENCE, AN ART OR A PROFESSION

Management as Science:

- ❖ A discipline that can be called as science it must involve the use of laboratory and lab coat-**No.**
- ❖ We can call a discipline scientific if its
 - Methods of enquiry are systematic and empirical
 - Information can be ordered and analyzed
 - Results are cumulative (represents the sum of item) and communicable (can be conveyed)
- ❖ Systematic and empirical: being systematic means order and unbiased, empirical means based on experiment not on theory.
- ❖ All the information collected first as a raw is ordered and analyzed with help of statistical tools.
- ❖ Cumulative: what is discovered is added to that which has been found before. We can learn from past mistake and go in a right direction in future.
- ❖ Science is used to denote two types of systematic knowledge: Natural or exact and Inexact or behavioral

Management as an Art:

- ❖ Under science one can normally learn the “**why of a phenomenon**”, under art one learns the “**how of it**”.
- ❖ Art is concerned with the understanding of how a particular work can be accomplished. Management is an art of getting things done through the people.
- ❖ Musician, painter and cricketer etc they can achieve the desired effect with musical instrument, colour and practice. We can conclude that management includes both elements science and art. While certain aspects of management make it a science and other aspect involve skill make it an art.

Management as Profession:

- ❖ Nowadays to become a good manager it is necessary to have management degree or training in management.
- ❖ Due to this there is a increased demand for managers with MBA degree. This makes the establishment of huge number of MBA colleges (Business Schools) in India.
- ❖ This leads to loosing of good and skilled manager who do not have required degree.
- ❖ Best example of efficient manager without management degree are Ford (ford motors), Jemshedji Tata (TATA Group), Dhiru Bhai Ambani (Reliance group), Bill gates (Google) etc.
- ❖ But nowadays management becomes a profession than art or science.

EVOLUTION OF MANAGEMENT

The evaluation of management can be classified into three parts namely.

- Early Classical approaches
 - 1) Scientific management
 - 2) Administrative management
 - 3) Bureaucracy
- Neo classical approaches
 - 1) Human relations movement.
 - 2) Behavioral approach
- Modern management approaches
 - 1) Quantitative/management science approach
 - 2) Systems approach
 - 3) Contingency approach

EARLY CLASSICAL APPROACHES SCIENTIFIC MANAGEMENT (1856 – 1915)

1) Contribution of Scientific management by F.W.Taylor(Fresderick Winslow Taylor)

- 1) **Time and motion study:** Under this, each motion of a job was timed with the help of a stopwatch shorter and fewer motions were developed. This replaced the rule of thumb knowledge of workman.
- 2) **Differential payment:** Taylor introduced a new payment plan called the differential piece work, in which he linked incentives (something courage action or effort) with production. Under this plan, a worker received low rate if he produced standard number of pieces, and high rate if he surpassed the standard. Taylor thought that attraction of high price rate would motivate the workers to increase the production.
- 3) **Reorganization of supervision:** Taylor suggested 2 new concepts
 - a) Separation of planning and doing
 - b) Functional foremanshipTaylor suggested that the work should be planned by a Foreman and not by a worker.
- 4) **Recruitment and training:** Taylor emphasized the need for scientific selection and development of the workers. Management should develop and train each worker to bring out the best faculties.
- 5) **Friendly working environment:** Taylor argued that both the management and the workers both should try to increase production rather than quarrel over profits which would increase the profits.

Limitations of SCIENTIFIC MANAGEMENT

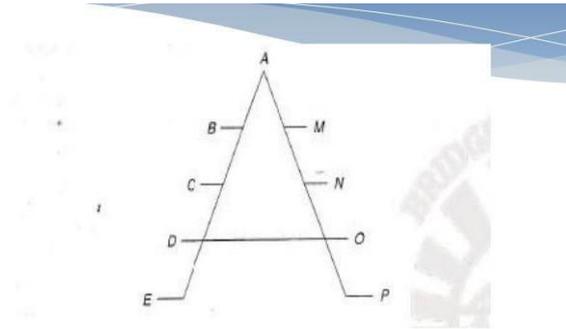
- Motivating financial way – no man is entirely ‘Economic man’
- Time and motion study was universally accepted.
- More supervisors were a problem.
- Advancements in method and tools made some persons loose jobs

Administrative Management (1841–1925)

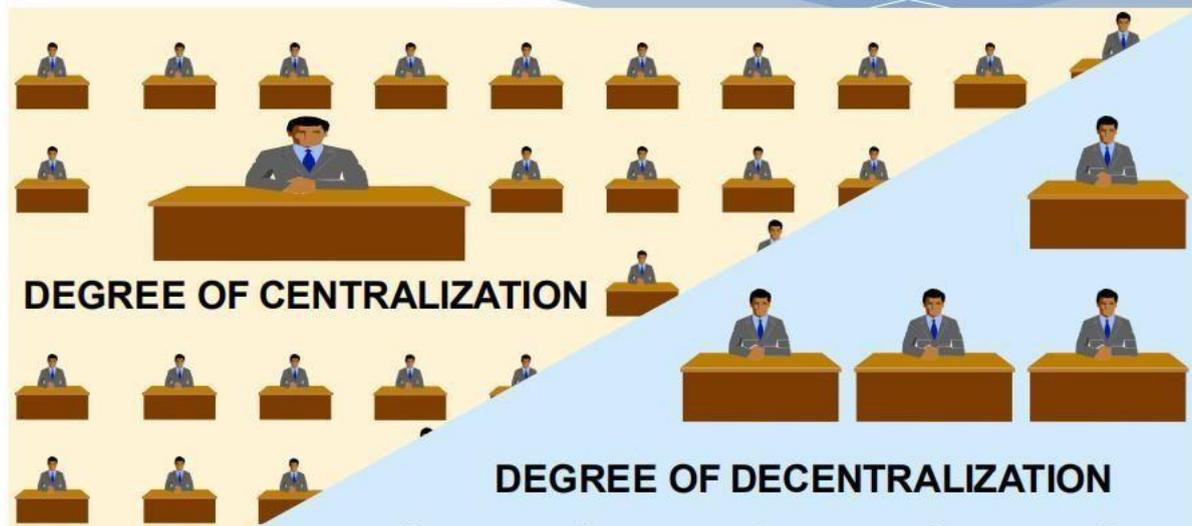
2) Henry Fayol's is considered as father of administrative Management and his principles of management

- 1. Division of work:** Various functions of management like planning, organizing, staffing, directing and controlling cannot be done by a single person. Hence must be entrusted to specialists in related fields.
- 2. Authority and responsibility:** As management consists of getting the work done through others, it implies that manager should have the right to give orders and power to exact obedience.
- 3. Discipline:** Discipline is essential for running a business smoothly.
 - a) Obedience to authority
 - b) Observance of the rules of service and norms of performance
 - c) Respect for agreements
 - d) sincere efforts to complete the jobs
- 4. Unity of command:** This principle requires that each employee should receive instructions from one boss only.
- 5. Unity of direction:** There should be complete identify between individual and organizational goals on one hand between department goals interest on the other.
- 6. Subordination of individual interest to general interest:** In a business concern, the individual interest is more money, status, recognition etc, while the organizational interests are more production.
- 7. Remuneration (pay or reward for services):** The remuneration paid for individual must be fair. Fair remuneration creates workers efficiency and fosters good reactions between them and the management.
- 8. Centralization**
- 9. Scalar chair**
- 10. Order**
- 11. Equity**
- 12. Stability of tenure of personnel**
- 13. Initiative**
- 14. Esprit de corps:** Fayol here emphasizes the need for teamwork and the importance of communication in obtaining it. (Team Spirit - “Union is strength”)

Gang Plank – Scalar chain



Centralization and Decentralization



Contributions of ADMINISTRATIVE MANAGEMENT

- There should be clear line of authority
- Proper communication of authority and responsibility
- Each individual should perform one function only.
- Span of control should never exceed six
- Authority can be delegated but not responsibility.

Limitations of ADMINISTRATIVE MANAGEMENT

- Principles were based on few cases and have not test empirically.
- Principles are sometimes or often stated as unconditional statements.
- Principles form mechanistic organization which is insensitive.
- Principles are based on assumptions that system is closed system.

3) Bureaucracy

Max Weber – Father of Bureaucracy 3 different type of administration

1. Leader Oriented
2. Tradition oriented
3. Bureaucracy – Person ability to hold the position

Important Features

- There is insistence in following standard rules.
- There is a systematic division of work.
- Principle of hierarchy is followed
- Should have knowledge and training
- Administrative acts, decisions and rules are recorded in writing
- Rational personnel administration Contributions
- It can be viewed as logical extension of management
- When it becomes impossible for one person to fulfill all management functions.
- Specialized staff

Limitations

- Over conformity of rules.
- Buck passing.
- Displacement of goals.
- No real right of appeal.
- Neglect of Informal groups.
- Rigid structure.
- Inability to satisfy the needs of mature individuals.
- Neo classical approaches
- Human Relations Approach
- Elton Mayo is generally recognized as father of Human Relations School.

Neo classical approaches

- 1) **Human Relations Approach:** The human rationalists (also known as neo-classicists) focused as human aspect of industry. They emphasize that organization is a social system and the human factor is the most important element within it.

The human relationists, proposed the following points as a result of Hawthorne experiments.

Social system: The social system defines individual roles and establishes norms that may differ from those of formal organization.

Social Environment: The Social environment of the job affects the workers and is also affected.

Informal Organization: It does also exist within the frame work of formal organization and it affects and is affected by the formal organization.

Group Dynamics: The group plays an important role in determining the attitudes and performance of individual workers.

Informal Leader: There is an emergence of informal leadership as against formal leadership and the informal leader sets and enforces group norms.

Non-economic reward: Money is only one of the motivators, but not the sole motivator of human behavior.

Limitations – Human Relations Movement

1. They saw only human variable and forgot to include task, structure variables.
2. Management can't find a solution which makes all workers happy every time.
3. Making informal groups is only for personal satisfaction and it will not help in increasing production.
4. This is actually production oriented instead of employee oriented.
5. The leisurely process of decision making can't work in emergency situations.
6. This approach is based on wrong assumption that satisfied workers are more productive workers.

2) Behavioral approach

- The behavioral approach recognizes the practical and situational constraints on human rationality for making decision. They also support democratic leadership styles. They consider organizations as group of individuals with certain goals.
- Some of the Important Behavioral theories Motivation theory, leadership, communication and employee motivation and development

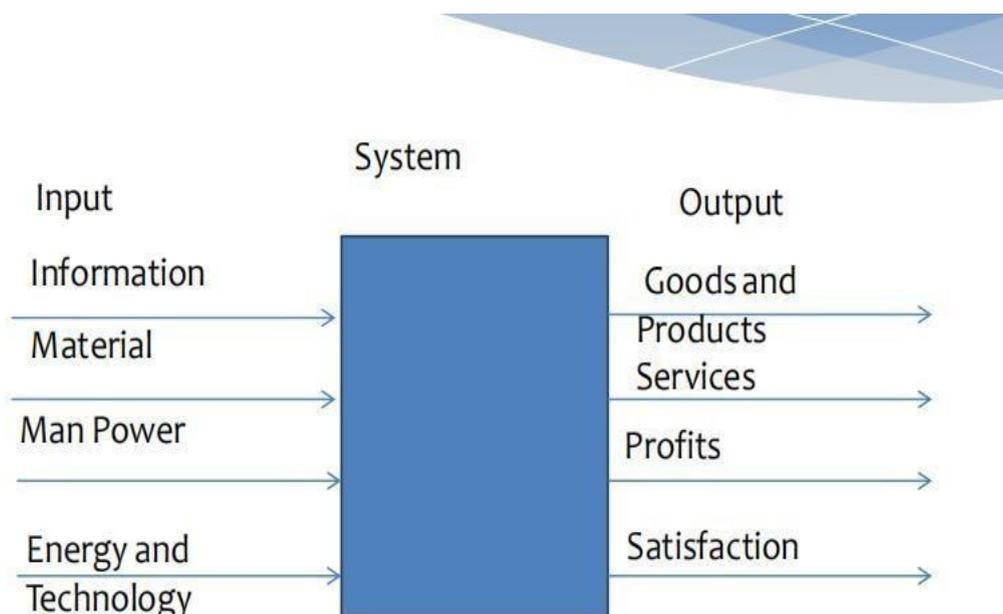
□ MODERN MANAGEMENT APPROACHES

1) QUANTITATIVE APPROACH

- Also known as management science approach.
- Developed during 2nd world war to solve complex problems in war fare.
- As a result quantitative approach called “operations research” was developed.
- Qualitative analysis is the scientific study of data that can be observed, but not measured. It is concerned with cataloguing the qualities of what is studied.
- Quantitative analysis is the study of data that can be measured, the quantities of a category of data.

2) SYSTEM APPROACH

- A System is defined as a set of independent parts together form a unitary whole that perform a defined task.
- A system interacts with outside environment is called open system and a system works in closed boundary is called closed system.



Important Key concepts

- A system is a set of interdependent parts:
- 4 parts –Task, structure, people and technology.
- A system can be open or closed.
- Every system has a boundary.
- System approach, a problem is studied both at the level of sub system (micro level) and total system (Macrolevel). So a generalized solution will come into part

3) CONTINGENCY APPROACH

- According to this approach, management principles and concepts have no general and universal application under all conditions. There is no one best way of doing things under all conditions in all organizations. This approach suggests that the task of managers is to identify which technique in a situation best contribute to the attainment of goals. Task of manager is to identify the correct techniques that will suit particular situation.

PLANNING

NATURE OF PLANNING: Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.

It bridges the gap from where we are and to where we want to go.

Planning involves 4 essential qualities

1. It must contribute to accomplish purpose and objectives.
2. It must be considered as parent exercise in all processes.
3. It must spread through all functions.
4. It must be efficient to achieve goals.

IMPORTANCE OF PLANNING

- **It overcomes uncertainty and change and minimizes the risk:** planning provides logic and procedure to manager for making decision. In developing country like India with rapidly change in social and economic condition planning helps the manager to cope up with uncertainty and risk.
- **It facilitates Effective control:** planning sets the goals, objective and target of an organization and helps to accomplish those goals and objectives. Thus good plans help effective control on the activities.
- **It must give more attention and concentrate on the objectives of the enterprise:** planning helps the manager to focus attention on the goals and activities of organization. This makes the entire organization to walk towards the goals and create a co-ordination in accomplishing the goals.
- **Economic operation and lead to success:** Planning does not ensure success, planning leads to success. This is because if the work is planned in advance, there will be no confusion and things will happen as per the plan and we can achieve desired goals. This result in economical operation and reduces the unnecessary expenditure.
- **Bridges between present and future:** There is a vast gap between where we are today and where we want to be in future. A proper and systematic plan forms the bridge between these two. Without plans it is very difficult to accomplish the goals. Hence planning is very important for success of any organization.

TYPES OF PLANNING

- Based on nature it is divided into
- Strategic planning and
- Tactical (logical) planning.

STRATEGIC PLANNING	TACTICAL PLANNING
It is long term	It is short term.
It is based on long term goal and is more uncertain	It is generally based on performance and is less uncertain.
It decides major goals and policies of allocation of resources to achieve these goals.	It decides the detailed use of resources for achieving these goals
Done at higher levels of management.	It is done at lower levels of management
It is less detailed because it is not involved with the day to day operations of the organization	It is more detailed because it is involved with the day-to-day operations of the organization

SINGLE USE PLANS:

Single use plans are developed to achieve specific goals. After reaching the target, these plans become useless.

Ex: budget, construction of bridge, dam and shopping complex. Single use plans consists of: Programmes and budgets

Programmes: Programmes are definite steps in proper sequence which need to be taken to complete a given task or programme is a planning series of future events or performance. Consider an enterprise have a programme of opening five branches in different parts of the country. Thus programme for opening five branches an enterprise must have money and time for providing necessary accommodation, recruiting the people for managing the branches and arranging the goods to be sold through the branches

Budgets:

Budget is the plan for future period of time containing statement of expected result in numerical values i.e. money, man-hour etc. The important budgets are sales budget, revenue budgets, cash budget and expense budget. Budget is useful for an enterprise, budget help in identifying and removing the unwanted expenditure. Sales budget: shows the expected sales of finished goods for a period cash budget: shoes the expected flow of cash for a period in advance. Revenue and expense budget: shows the revenue and expense for a period of time.

Standing plans

- * Policies
- * Procedure
- * Rules
- * Method

Policies

- * Setting up boundaries (Framework) limits.
- * It is in general guidelines for decision making
- * Classified based on sources like
- * Original, applied, implied and external policies
- * Based on level of organisation
- * Top level, Department level and shop level Policy.

Procedure

- * Detailed guidelines used to carry out the policies.
- * Procedure may exist for conducting meetings for directors, stakeholders, issuing materials.

Policy	Procedure
General guidelines of organization	General guidelines at action level
Top level activity	Department level activity
Fulfills the objectives	Guides the way to achieve policies
Made without any study or analysis	Made through proper study

Rules and Methods

Rule: are detailed and recorded instructions that have specified action.

Ex: Reporting time, lunch time.

Method: Prescribed way in which procedure is carried out

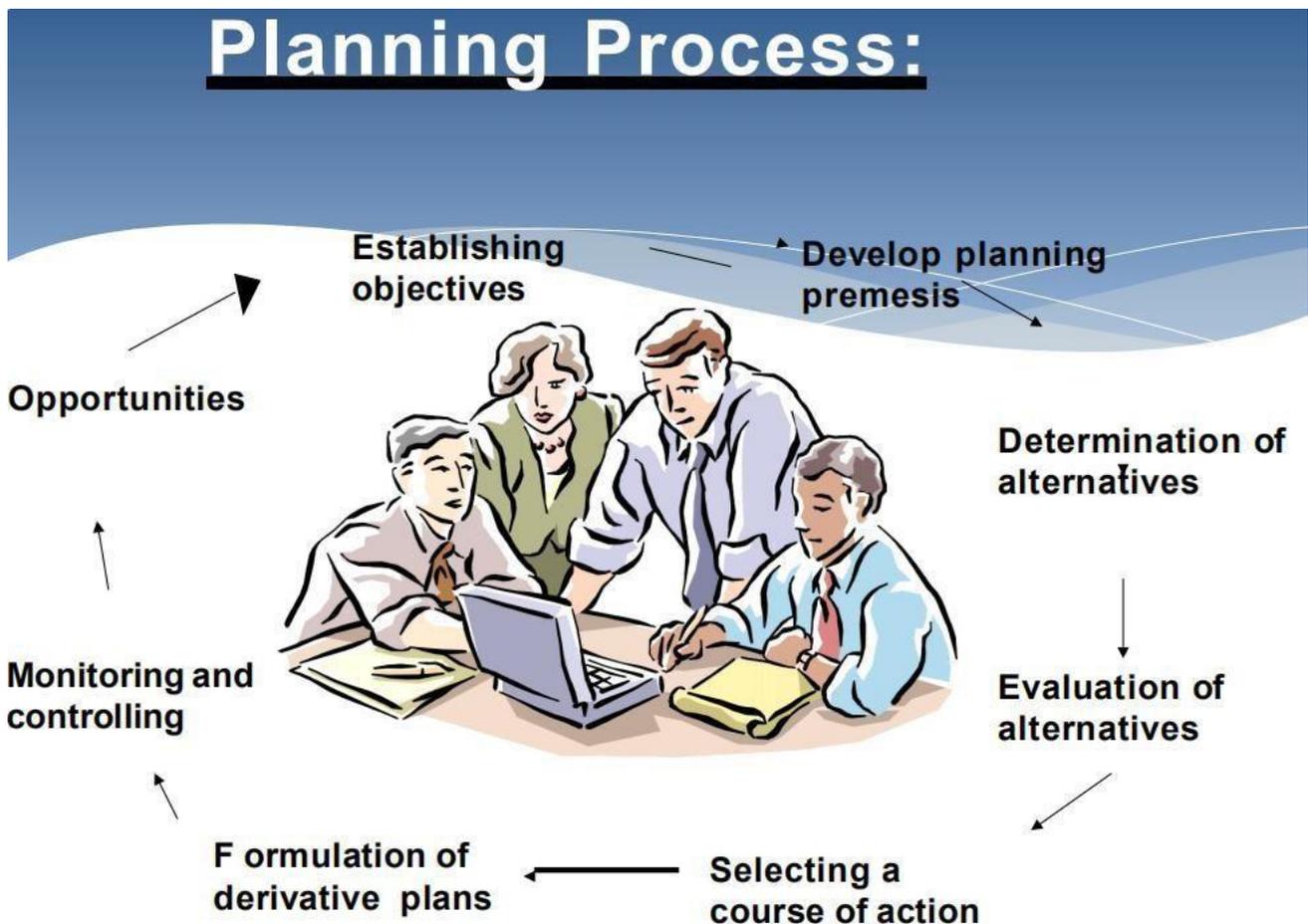
Procedure has number of steps; each step has number of methods.

STEPS IN PLANNING

1. Being aware of opportunities.
2. Establishing objectives
3. Developing planning premises
4. Determination of alternative course.
5. Evaluating and selecting the best course
6. Formulating derivative planning.
7. Monitoring and controlling the plan

1) **Opportunities:** we should be aware of it only then we can think of setting realistic objectives.

Establishing goals/objectives: The second step in planning process is to determine the enterprise Objectives.



2) Developing planning premises: This is the third step in planning which involves establishing planning premises that is the conditions under which planning activities will be undertaken

- Three types of planning premises
- Internal and external premises
- Ex: Policies, funds Ex: Government policies, Population
- Tangible premises are those which can be quantitatively measured. And Intangible premises are those which being qualitative in character and cannot be measured.
- Ex: population, investment Ex: Technology, business environment
- Controllable: some of the planning premises are controllable and uncontrollable premises: some of the planning premises are no controllable.
- Ex: Manpower, machinery Ex: strikes, socio changes.

3) Identification of alternatives: particular objective can be achieved through various actions. For example an organization's objective is to grow further which can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organization

4) Evaluation and selection of alternative: evaluate the alternatives in the light of the premises and goals and to select the best course or courses of action. Software packages are available for evaluating alternatives.

5) Formulating derivative plans: Selected plans must be translated into programs.

6) Monitoring and controlling the process: process of controlling is a part of any plan. Managers need to check the progress of their plans made so that-Take whatever remedial action is necessary to make the plan, Change the original plan if there is uncertainty.

Hierarchy of plans



ORGANIZATION

- 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.
- Organization helps in identifying the various tasks to be performed
- It delegates authority to the managers with commensurate responsibility
- It also aides in achieving financial, physical material and human resources.
- It helps in nurturing and growing special skills and talents by the virtue of division of labor
- It facilities seamless communication Nature type
- **Formal organizations** :are officially formed with definite structure which describes authority and responsibility, relationship and behavior of organizational members
- **Informal organization**: do not have any official recognition and they are formed due to the social interaction needs of the people resulting in different types of social networks.
- Found in all formal organizations where people come together and form social groups for various reasons like common interests, friendship or affiliation, satisfaction of emotional needs
- Establishes the pattern of relationships.

- Provides the authority, responsibility of a individual or group.
- It tells manager about the members of the group
- Provides adequate communication
- Coordinates and controls the activities of individual or group to achieve common objective.

NATURE AND PURPOSE OF ORGANIZATION

Organization means a form of human association for the attainment of common objectives. An industrial organization denotes a type of association ship of persons in relationship to some economic activities. Obviously, the better the organization the fuller would be the achievement of common objectives. Similarly, a loose organization implies an unhappy and dangerous state of affairs. Organization is essential for the following purposes:

- (1) **To facilitate pattern of communication:** Organization structure provide pattern of communication and coordination. By grouping activities and people, structure facilitates communication between people centered on their job activities. People who have joint problem often need to share information to solve the problem.
- (2) **To allocate authority and responsibility:** Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps the organization members to know what his role is and how it relates to others role.
- (3) **To locate decision centers:** Organization structure determines the location of decision making in the organization. For example, a departmental store may leave pricing decision to the lower level manager while in oil refinery pricing decision is at top level.
- (4) **To create proper balance:** Organization structure creates the proper balance and emphasis of activities. Those more critical to the enterprises success might be placed higher in the organization. For example R&D in pharmaceutical company might be singled out for reporting to the managing director. Activity of comparable importance might be placed at the lower level.
- (5) **To stimulate creativity:** Sound organization stimulates independent, creative thinking and initiative by providing well-defined areas of work with broad attitude of the development of new and improved ways of doing things.
- (6) **To encourage growth:** The organization structure provide framework within which an enterprise functions. If the organization structure is flexible, it will help in meeting challenges and creating opportunities for growth.

(7) **To make use of technological improvements:** A sound organization structure which is adoptable to changes can make the best possible use of latest technology. It can modify the existing pattern of authority-responsibility relationships in the wake of technological improvements.

PRINCIPLES OF ORGANIZATION

1) **Objectives:** The objectives of the enterprise influence the organization structure and hence the objectives of the enterprise should first be clearly defined. Then every part of the organization should be geared to the achievement of these objectives.

2) **Specialization:** Effective organization must promote specialization. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.

3) **Span of control:** As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum. That means, an executive should be asked to supervise a reasonable number of subordinates only.

4) **Exception:** As the executives at the higher levels have limited time, only exceptionally complex problems should be referred and routine matters should be dealt with by the subordinates at lower levels. This will enable the executives at higher levels to devote time to more important and crucial issues.

5) **Scalar Principle:** This Principle is sometimes known as the "chain of command". The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.

6) **Unity of command:** Each subordinate should have only one superior whose command he has to obey. Multiple-subordination must be avoided for it causes uneasiness, disorder, indiscipline and undermining of authority.

7) **Delegation:** Proper authority should be delegated at the lower levels of manager of the organization also. The authority delegated should be equal to responsibility. That is each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activity.

8) **Responsibility:** The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates.

9) **Authority:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.

10) **Efficiency:** The organization structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.

11) **Simplicity:** The organization structure should be as simple as possible and the organization levels should as far as possible, be minimum. A large number of levels of organization mean difficulty of effective communication and coordination. Too many committees and excessive procedures also unduly complicate the structure.

12) **Flexibility:** The organization should be adaptable to changing circumstances and permit correction of demonstrated deficiencies in the existing structure without dislocation and disruption of the basic design.

13) **Balance:** There should be a reasonable balance in the size of various departments, between centralization and decentralization, between the principle of span of control and the short chain of command, and among all types of factors such as human, technical and financial.

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

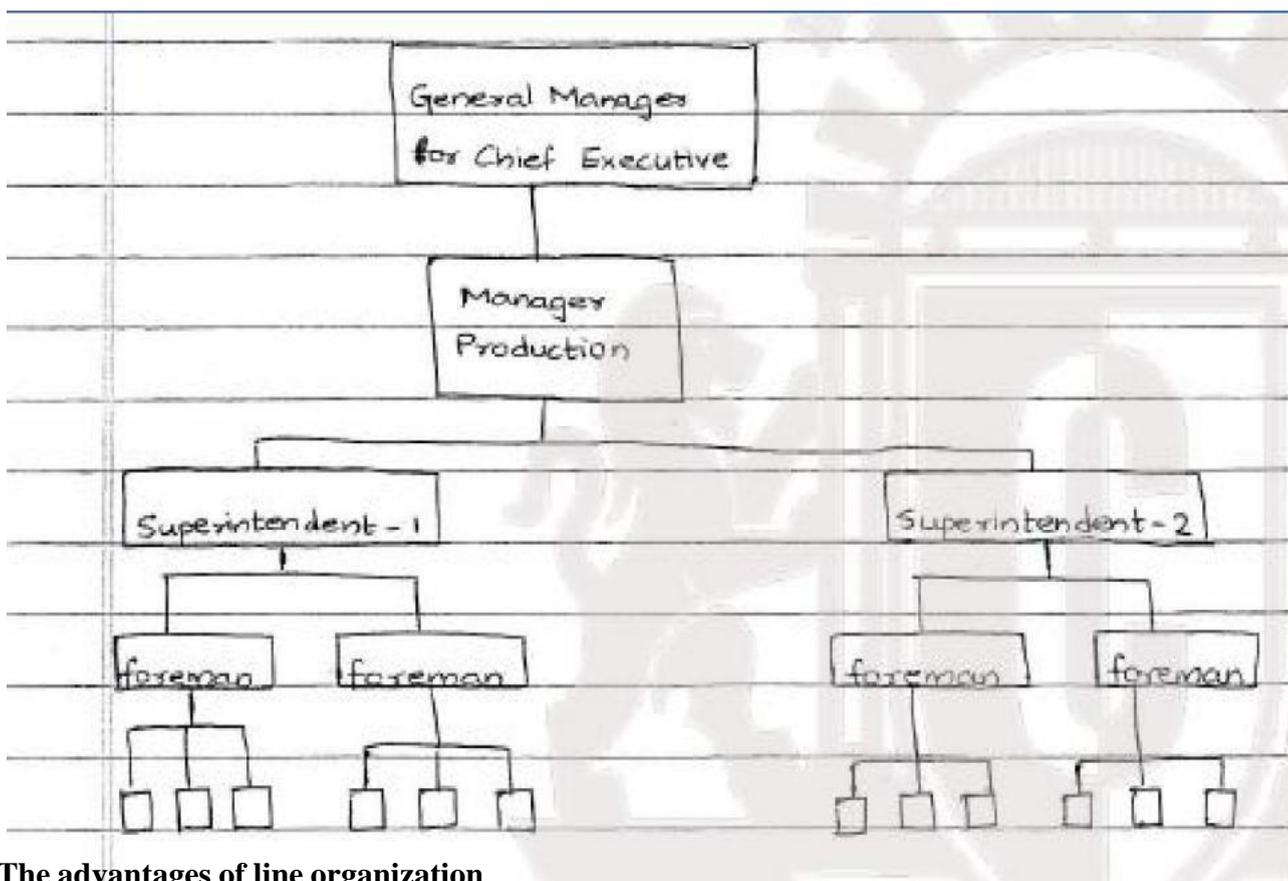
15) **Personal Ability:** As people constitute an organization, there is need for proper selection, placement and training of staff. Further the organization structure must ensure optimum use of human resources and encourage management development programmes.

TYPES OF ORGANIZATION

- Line organization
- Functional or staff organization
- Line and staff organization
- Committee organization
- Matrix organization

Line, Military or Scalar Organization

- Line organization is the simple and oldest type of organization and is also known of scalar or military Organization. The line organization represents the structure in a direct vertical relationship through which authority flows. The line of authority flows vertically downward from top to bottom throughout the organization.
- The quantum of authority is highest at the top and reduces at each successive level
- The superior communicates his decision and orders to his subordinates.
- The subordinates, in turn, can communicate them to those who are immediately under them.
- This type of organization is followed in military.



The advantages of line organization

- Simplicity
- Quick decision and speed of action.
- Unity of control.
- Clear division of authority and responsibility.
- Discipline and better coordination
- Direct communication.

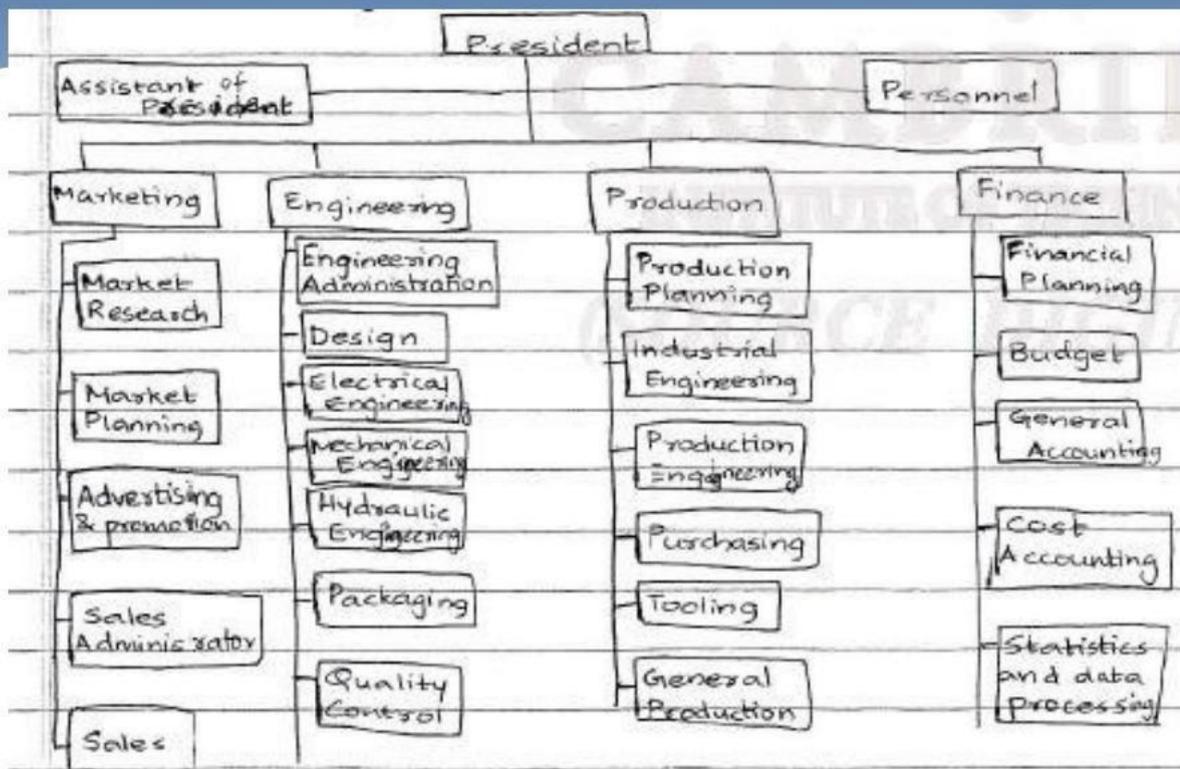
Disadvantages of Line Organization

- The organization is rigid and inflexible
- Being an autocratic system, managers may become dictators and not leaders.
- There is scope of favor-ism and nepotism.
- Red-tape and bureaucracy.
- Lack of specialization.

Functional Organization

- A functional in charge directs the subordinates throughout the organization in his particular area of business operation.
- That means that subordinates receives orders and instructions not from one superior but from several functional specialists.

Functional Organization



Advantages

- Specialization
- Reduces the burden on top executives.
- Offers greater scope for expansion
- Functional manager is required to have expertise in one function only. This makes it easy for executive development.

Disadvantages

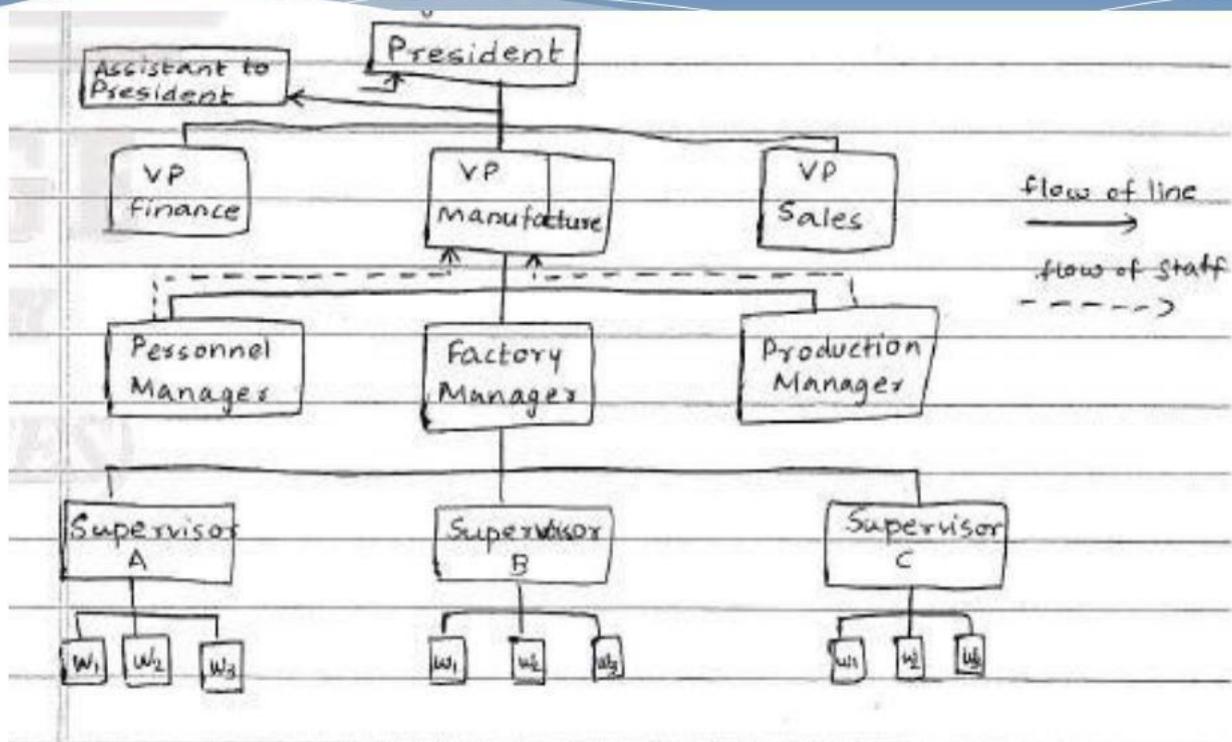
- Violates principles of unity of command.
- The operation of functional organization is too complicated.

- It develops specialists rather than generalists.
- Lack of coordination among functional executives which delays decision making.

Line and Staff Organization

- In line and staff organization, the line authority remains the same as it does in the line organization.
- Authority flows from top to bottom.
- In addition, the specialists are attached to line managers to advise them on important matters.
- These specialists stand ready with their specialty to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carry out their activity better.

Line and Staff Organization



Advantages

- Specialized knowledge
- Reduction of burden on line managers.
- Better decisions, as staff specialists help the line managers
- Unity of command
- Flexible when compared to functional organization.

Disadvantages

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

Committee Organization

- A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it. A committee is a group of persons performing a group task with the object of solving certain problems”.

Advantages of Committees

- Committees provide a forum for the pooling of knowledge and experience of many persons of different skills, ages and backgrounds.
- Committees are excellent means of transmitting information and ideas both upward and downward. Committees are impersonal in action and hence their decisions are generally unbiased and are based on facts.
- When departmental heads are members of committee, people get an opportunity to understand each other's problems and hence improve coordination.

Disadvantages of Committees

- In case a wrong decision is taken by committee, no one is held responsible which may results in irresponsibility among members. Committees delay action.
- Committees are expensive form of organization. Decisions are generally arrived at on the basis of compromise and hence they are not best decision. As committee consists of large number of persons, it is difficult to maintain secrecy.

Matrix Organization

- There are several departments under matrix organization. Each department is assigned with a task, also the available resources with the best co ordination along with other departments. Matrix organization has different patterns. This type of organization is best suited for large number of small projects.
- Matrix organization function effectively with the following condition:
- Scalar chain of command is not followed.
- Project manager will give report to several superiors
- The physical, financial and human resources are shared between different projects.
- Sharing the resources may lead to conflict if it is not understood properly.

Advantages

- It combines both line and functional organization.
- It ensures achievements with technical specialization.
- It ensures effective utilization of available resources.
- It is easily adapted for external changes.
- Highly flexible.
- Motivation can be effectively applied.
- Makes room for training and development of people.

Disadvantages

- It doesn't follow scalar chain of command.
- Since too many supervisors, controlling is difficult and work may be delayed.
- Sometimes resources are unavailable because of priority

STAFFING

- Earlier staffing was considered to be a part of organization function of management.
- It is now recognized as a separate management function.
- The staffing function performs the following sub functions:
 - Manpower planning.
 - Recruitment
- Selection of the best qualified from those who seeks job

- Training and Development.
- Performance appraisal and compensation

NATURE AND IMPORTANCE OF STAFFING

- Increasing size of organization
- Right person for right job
- Plans for requirement of man power
- Avoids sudden disruption of production due to shortage of workers
- Healthy atmosphere.

ELEMENTS OF STAFFING

- Proper placement of people.
- Selection and recruitment
- Proper positioning and fixing salaries
- Providing necessary training
- Providing policies and schemes

RECRUITMENT

- Recruitment is the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs. It is a linking activity that brings together those offering jobs and those seeking jobs. Recruitment refers to the attempt of getting interested applicants and providing a pool of prospective employees so that the management can select the right person for the right job from this pool.

- The various sources of recruitment are divided into two categories:

(1) Internal Sources.

(2) External Sources.

Internal sources involve transfer and promotion.

- Transfer involves the shifting of an employee from one job to another.
- Many companies follow the practice of filling higher jobs by promoting employees who are considered fit for such positions.
- Filling higher positions by promotion motivates employees, boosts employee's morale.
- Internal Recruitment

Advantages

- Sense of security
- Loyal
- Extra Training
- Lower rank people are encouraged
- Labor turnover is reduced
- Relationship between employee and employer will be good.

Disadvantages

- Limits the choice of selection
- Favorism

External Sources

- Direct recruitment:** An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise by specifying the details of the jobs available. This is also known as recruitment at factory gate.

- Unsolicited applications:** Many qualified persons apply for employment to reputed companies on their own initiative. Such applications are known as unsolicited applications.

- Advertising**

Large enterprises particularly when the vacancy is for higher post or there are large number of applications use this source where advertisements are made in local and national level newspapers.

This helps in informing the candidates spread over different parts of the country.

The advertisement contains information about the company, job description, and job specialization etc.

- Employment agencies:**

This is the good source of recruitment for unskilled and semiskilled jobs.

In some cases, compulsory notification of vacancies of employment exchange is required by the law.

The employment exchanges bring job givers in contact with job seekers.

Educational institutions:

Many jobs in business and industries have become increasingly varied and complex which need a degree in that particular area. That is why many big organizations maintain a close liaison with the colleges, vocational institutes and management institutions for recruitment of various jobs.

Labor contractor:

Often unskilled and semiskilled workers are recruited through labour contractors.

Recommendations:

Applicants introduced by friends, relatives and employees of the organization may prove to be a good source of recruitment. Many employers prefer to take such persons because something about their background is known.

External Recruitment

Advantages

- New blood, new ideas, new ones become more dynamic.
- Field of choice becomes very wide.

Disadvantages

- Sometimes employee may feel frustrated.
- Greater turnover of Labor.

PROCESS OF SELECTION

1. **Preliminary Screening:** Preliminary screening helps the Manager eliminate unqualified or unit jobseekers based on the information supplied in the application forms.

2. Selection Tests:

(a) **Intelligence Tests:** This is one of the important psychological tests used to measure the level of intelligence quotient (IQ) of an individual. It is an indicator of a person's learning ability or the ability to make decisions and judgments.

(b) **Aptitude Test:** It is a measure of individual's potential for learning new skills. It indicates the person's capacity to develop.

(c) **Personality Tests:** It provides clues to a person's emotions, her reactions, maturity and value system etc.

(d) **Interest Test:** Every individual has fascination for some job than the other. Interest is used to know the pattern of interests or involvement of a person.

3. **Employment Interview:** Interview is a formal, in depth conversation conducted to evaluate the applicant's suitability for the job.

The role of the interviewer is to seek information and that of the interviewee is to provide the same, in present times, the interviewee also seeks information from interviewer.

4. Reference and Background Checks:

Many employers request names, addresses and telephone numbers of references for verifying information and gaining additional information on an applicant. Previous employers, known persons, teachers and university professors can act as references.

5. Selection Decision: The final decision must be made from among the candidates who pass the tests, interview and reference checks. The views of the concerned manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee.

6. Medical Examination: After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test. The job offer is given to the candidate is being declared after the medical examination.

7. Job offer: The next step in the selection process is job offer to those applicants who have passed all the previous hurdles. Job offer is made through a letter of appointment/confirm his acceptance. Such a letter generally contains a date by which the appointee must report on duty.

Module 1-Questions

- 1) Define Management. Explain the characteristics of management.
- 2) Explain the different roles of manager in an organization.
- 3) Explain the contributions made by F W Taylor (Frederick Winslow Taylor) under Scientific Management.
- 4) With neat diagram, explain the hierarchy of planning.
- 5) Explain the general principles of administrative management theory as laid down by Henri Fayol.
- 6) Explain any two types of organization highlighting its advantages and disadvantages.
- 7) Define planning. Explain the general steps involved in planning and mention the importance and purpose of planning process.
- 8) What is selection? Explain in detail process of selection.
- 9) What is Recruitment? Explain the sources of Recruitment.
- 10) Explain in brief the nature and importance of staffing.
- 11) Explain in brief standing and single use plans.
- 12) Discuss the functional areas of management.
- 13) Explain Nature and Purpose of Organization.

Module 2

Directing and Controlling

- Meaning and nature of directing, leadership styles, motivation
- Theories, Communication- Meaning and importance,
- Coordination meaning and importance Controlling- meaning,
- Steps in controlling, methods of establishing control.

DIRECTING

- Directing consists of process and techniques utilized in issuing instruction which is carried out as originally planned.
- Directing is the process of guiding and supervising employees, often one on-one, while they work.



MEANING AND NATURE

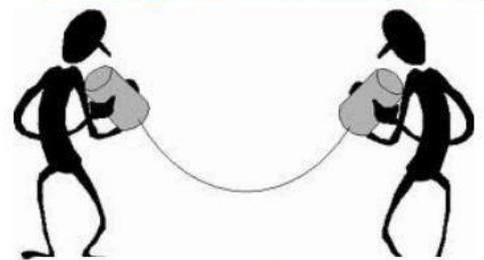
- Directing means issue of orders, leadership and motivation.
- It had two major activities
- Giving orders to employees
- Leading and motivating to accomplish goals.

PRINCIPLES OF DIRECTING

- 1. Harmony of objectives:** Manager should direct the subordinates to the goal of the organization. It is possible to make him work hard by giving an additional bonus or promotion.
- 2. Unit direction of command:** Subordinates should follow superior instructions and order. Violation of this principle may give different result. Boss knows nature of his subordinates and directing technicians.
- 3. Efficiency:** It is working ability of the employee
- 4. Direct supervision:** Direct Supervision will take the subordinates to right directions to achieve the goal of the organization.
- 5. Effective communication:** Communication is tool for direction. Through communication superior gives order, allocates job, explain duties and measures performance, follow manager should monitor all subordinates task and make them to correct mistakes.
- 6. Effective control:** Effectively controlling the project and the employees.

Elements of Directing

- } Leadership
- } Motivation
- } Communication
- } Coordination



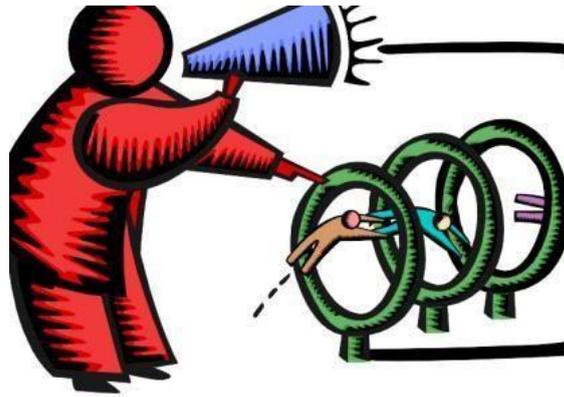
Leading



- **Leading (Influencing)** means guiding the activities of the organization members in appropriate directions. Objective is to improve productivity.

LEADING

Getting others to perform the necessary tasks by motivating them to achieve the organization's objectives
Crucial element in all functions



Leadership

“Management is doing things right,
leadership is doing the right things”



DEFINITION

- The ability to positively influence people and systems to have a meaningful impact and achieve results.
- Leading People
- Influencing People
- Commanding People
- Guiding People

LEADERSHIP TYPES

1. **Traits Approach (A particular character that can produce particular type of behavior – Qualities by birth)**

Drawbacks

- It fails to identify traits required for effective leadership.
- A leader who is successful in area may be failure in different area.
- Inbuilt qualities – Efficiency - without training leads to failure.

2. Behavioral approach

There are several theories based on leadership behavioral and styles

- ❖ Leadership (Style) based on authority.
- ❖ Likert's 4 system of management.
- ❖ Managerial Grid.
- ❖ Leadership involving variety of styles , use of power and influence.
- ❖ Contingency approach to leadership.

Style based authority

Types of leadership style

} Autocratic leadership style

} Democratic leadership style

} Free Rein leadership style

AUTOCRATIC LEADERSHIP

- A leadership style where the leader makes all decisions independently or without consulting with others
- **Advantages:** good in certain circumstances, such as urgent tasks or military actions
- **Disadvantages:** poor decisions, poor level of employee motivation

Who are Autocratic Leaders?



DEMOCRATIC LEADERSHIP

- A leadership style where a leader encourages employee participation in decision-making
- Type of consultative
- **Advantages:** better decisions, employee motivation
- **Disadvantages:** delayed decision, long consultation

FREE-REIGN LEADERSHIP

- A leadership style where employees are encouraged to make their own decisions.
- Advantages: more freedom for employees
- Disadvantages: few guidelines, little incentive, poor motivation, maybe a mess

Leadership Styles

Autocratic leadership—boss makes decisions on their own without consulting employees

Democratic leadership—involves subordinates in making decisions

Free-reign leadership—leader believes in minimal supervision, leaving most decisions to subordinates

Comparison of leadership styles

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

Likert's 4 system of management

4 systems are

System 1 - Exploitive Authoritative

- Manager are highly autocratic, have little trust on subordinates.
- They motivate people through fear and punishment. Only occasional rewards.

System 2: Benevolent Authoritative

- Manager trust on subordinates, motivate them, provide rewards,
- Some fear and punishments are allowed. Few decisions from them is accepted.

System 3: Consultive Management.

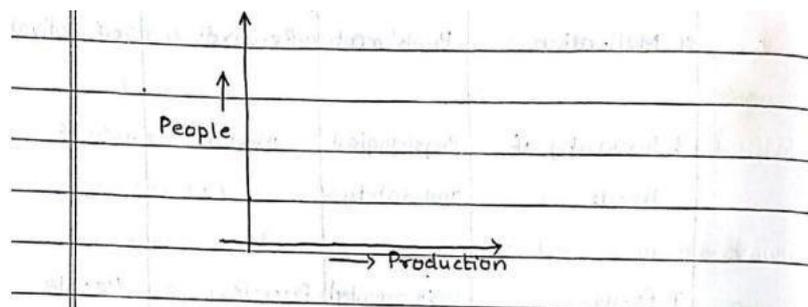
- Manager does not have complete confidence on subordinates. Try to use the ideas and opinions of subordinates.
- They act like consultant between top and subordinates.

System 4: Participative group

- These managers have complete trust and confidence on subordinates. They provide rewards.

MANAGERIAL GRID

- Managerial Grid Developed by Robert Blake and Jame.
- Manager concerned with both people and production.
- They are devised with two dimensions grid based on people and production.



- X- Axis of grid includes production like policies, decisions, procedures, efficiencies etc.
- Y – Axis of grid includes people. The elements are goal achievement, maintenance and responsibilities.

LEADERSHIP INVOLVING IN VARIETY OF STYLES

- This style varies with the degree of freedom.
- Either boss centered or subordinate centered.

CONTINGENCY APPROACH OF LEADERSHIP

- This behavioral approach suggests best style of leadership which combines both autocratic and democratic styles.
- There is no best leadership; it all depends on situation which best suits for environment.

Motivation



Definition

“Motivation means a process of stimulating people to action to accomplished desired objectives”



IMPORTANCE OF MOTIVATION

- Helps in satisfying needs of the Employees
- Change the negative attitude to Positive attitude
- Helps in introducing changes
- Improves level of efficiency of employees
- Creating friendly and supportive relationship

Types of motivation

Positive motivation



Negative motivation



Monetary motivation



Non-Monetary motivation



POSITIVE MOTIVATION

- Positive motivation induces people to do work in the best possible manner and to improve their performance.
- An example of Positive motivation: when a Boss tells his subordinate, "If you achieve the target on the time I will give you promotion."

NEGATIVE MOTIVATION

- Negative motivation is generally resorted to when positive incentive does not work and psychological set back has to be given to employees.
- An example of Positive motivation :When a Boss tells his subordinate , "if you do not achieve the target on the time I will give you demotion"

MONETARY INCENTIVE

- Those incentives which satisfy the subordinates by providing them rewards in terms of rupees.
- Money has been recognized as a chief source of satisfying the needs of people.
- Money is also helpful to satisfy the social needs by possessing various material items.

NON-MONETARY INCENTIVE

- Besides the monetary incentives, there are certain non-financial
- Incentives which can satisfy the ego and self- actualization needs of employees.
- The incentives which cannot be measured in terms of money are under the category of "Non-Monetary incentives"

- Non- financial incentives can be of the following types:-
 - Security of service
 - Praise or recognition
 - Promotion opportunities

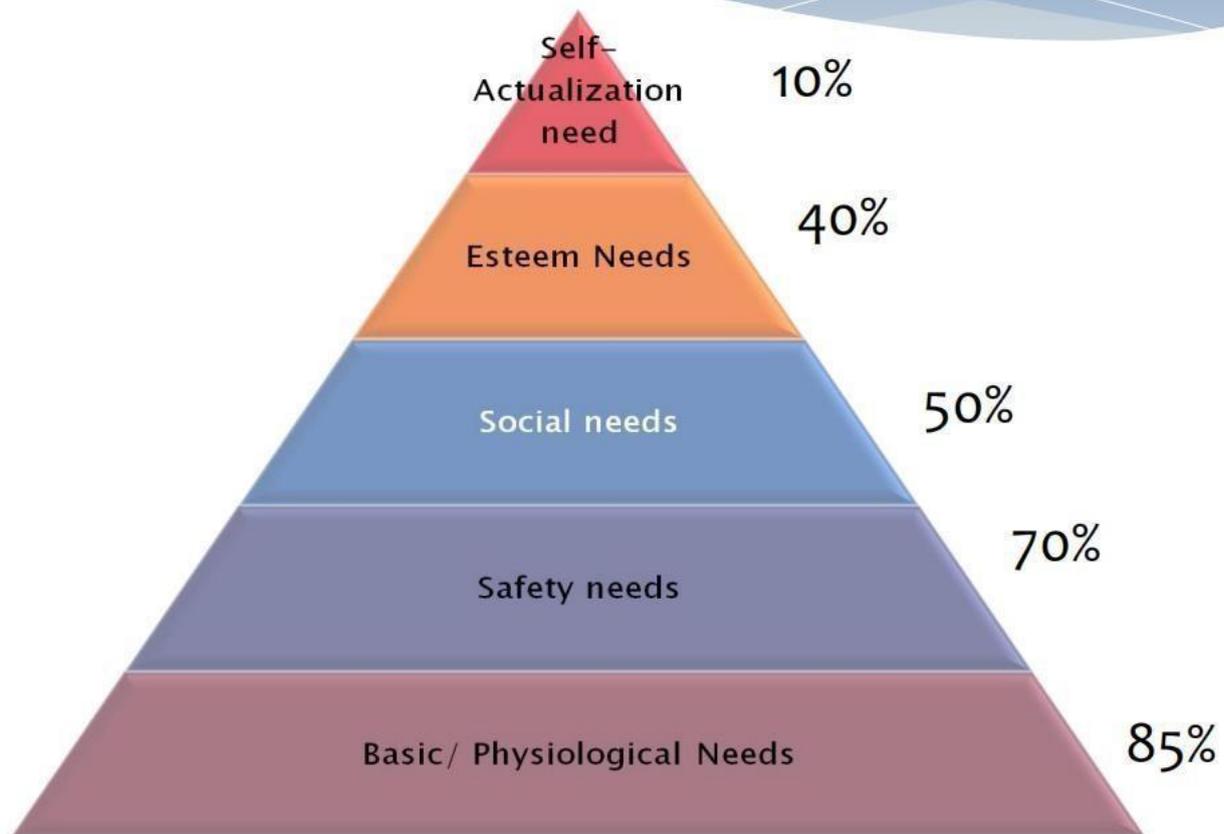
MASLOW'S THEORY OF MOTIVATION

- Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943.
- Maslow was of the view that needs have priority, i.e., needs are satisfied in an order.
- As soon as the lower level needs are satisfied. Those on the next higher level emerge.
- Thus, he considered an individual's motivation behavior as a predetermined order of needs



Abraham Maslow

Hierarchy of Needs Theory



Psychological Needs:

- Food,
- water,
- clothing,
- shelter.

Safety Needs: Needs for protection against danger or loss of psychological needs.

Social Needs: Third level in the hierarchy depends on love, friendship, affection, association, and acceptance.

Esteem needs: 2 sub sets

- First subset includes achievements, strength and freedom.
- Second subset includes status, recognition and prestige.

Self actualization needs: Fifth and final

The desire to become more and more of what one is and what one is capable of becoming. This is also called self realization.

Theory X and Theory Y

Theory X

- Theory x was assumed that most people are not willing to take responsibility. They have no interest to work and they like to be directed.
- Based on Maslow' hierarchy of needs, he concluded theory x is wrong.

Theory Y

- Theory y assumed people are not lazy by nature. The work is natural and people can work naturally.
- The idea of theory x manager is usually direct and controlling people.
- Theory y manager is directly opposite

Theory X

- Work is distasteful.
- Most people are not ambitious, that is having little desire.
- Most people have little creativity in solving problems.
- Most people are closely controlled.
- Motivation occurs only in physiological and safety level.

Theory y

- Work is natural.
- Self controlled in taking up responsibility.
- Capacity of creativity is more.
- People can be self directed.

MOTIVATION – HYGIENE THEORY

- This theory was developed by Frederick Herzberg of the University of Utah.
- It was the basis of effective utilization of human resources.
- He began collecting information on job attitude from over 200
- engineers and accountants from various industries
- In analyzing the data he came to conclusion that people can be divided in to two categories

-Satisfied and Dissatisfied

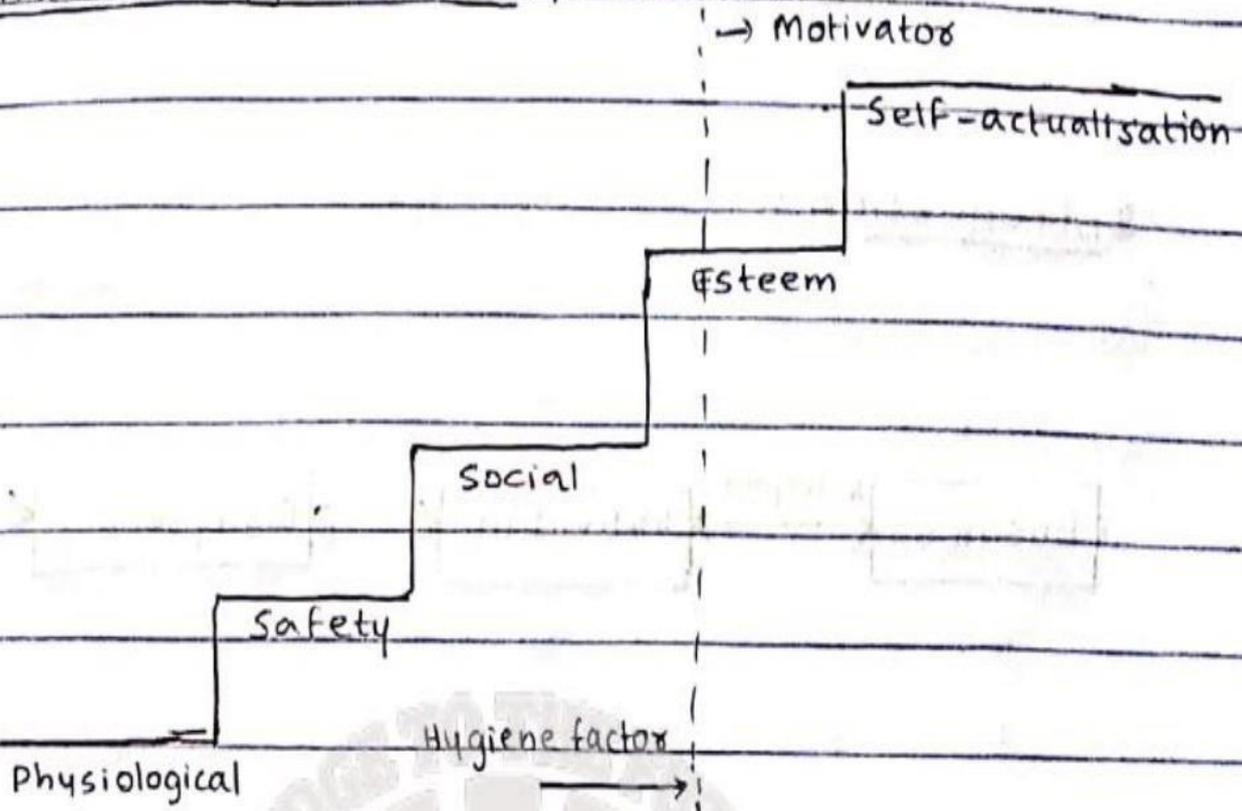
- When People are satisfied they are concerned with work itself, this is called motivation factor.
- When they are dissatisfied, they were concern about the environment in which they were working, this is called hygiene factor.

Hygiene factors:

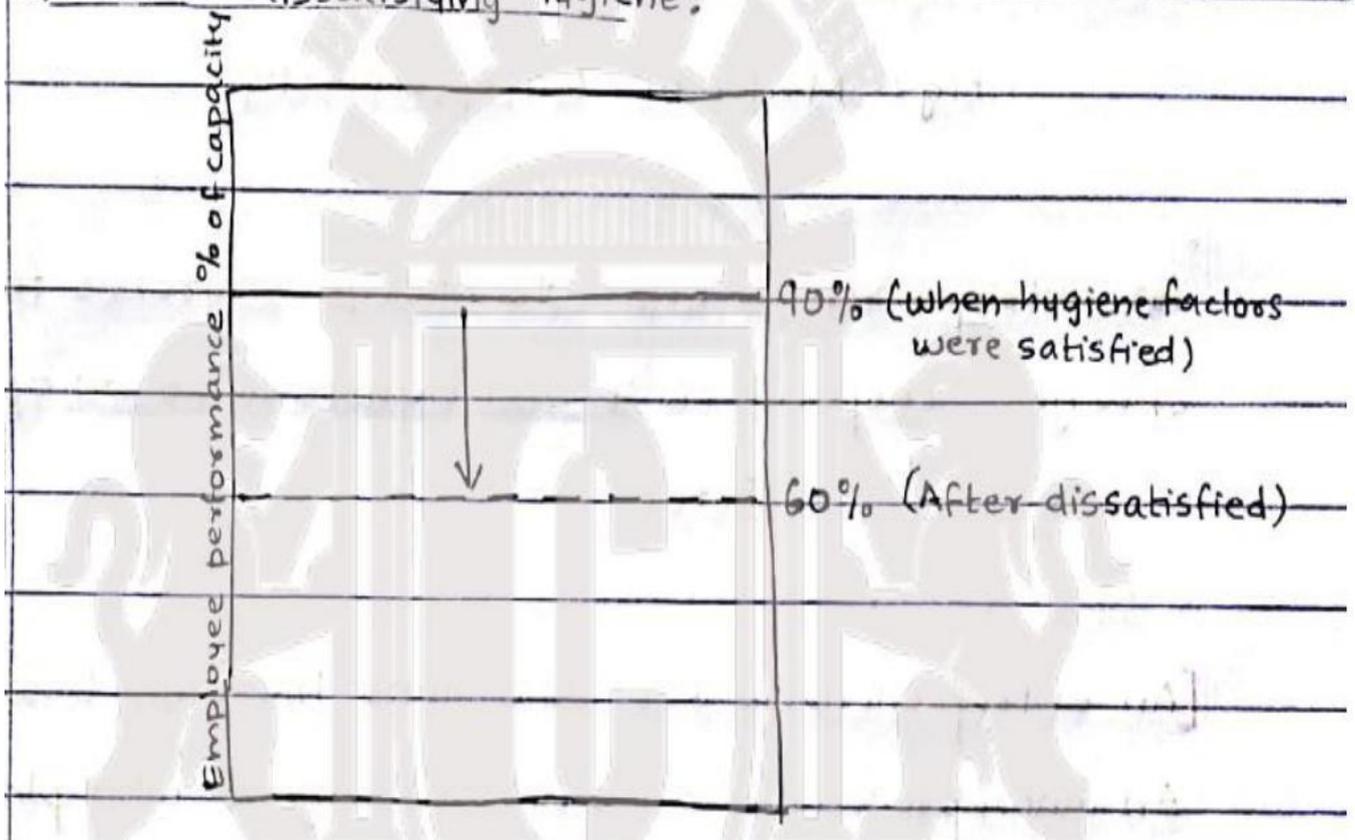
- Company policies,
- administration supervision,
- money status,
- security etc.,

Hygiene factors	Motivating factors
Environment	The job itself
Policies and administration	Achievement
Supervision	Recognition for accomplishment
Working conditions	Challenging conditions
Money, status, security	Growth and development.

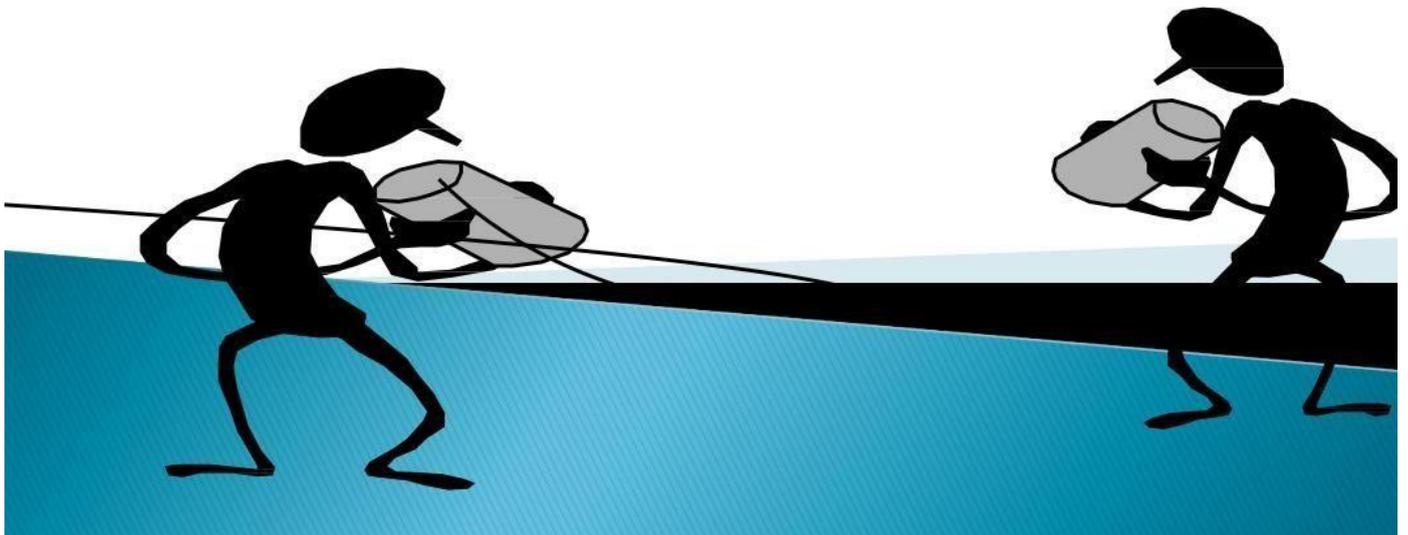
Motivation hygiene theory



Effects of dissatisfying hygiene:



Communication



- Communication is the process by which two or more persons come together to exchange ideas and understanding amongst themselves.’ •Communication is a basic organizational function, which refers to the process by which a person(known as sender) transmits information or messages to another person

Modes of Communication

Types

Examples

Usefulness

Written



Letters, Memos, Reports, etc.

It is relatively permanent and accessible.

Oral



Conversations, Interviews, Phone calls, Speeches, etc.

It is the easiest when one needs to communicate urgently.

Expression



Facial expressions, Actions, Tone

Body unconsciously does 90% of communication.

FORMAL COMMUNICATION

- Communication takes place through the formal channels of the organization structure along the lines of authority established by the management. Such communications are generally in writing and may take any of the forms; policy; manuals: Procedures and rule books; official meetings; reports, etc.

INFORMAL COMMUNICATION

- Communication arising out of all those channels of communication that fall outside the formal channels is known as informal communication. Informal communication does not flow lines of authority as is the case of formal communication. It arises due to the personal needs of the members of the organization. At times, in informal communication, it is difficult to fix responsibility about accuracy of information. Such communication is usually oral and may be covered even by simple glance or smile or silence

How to be effective in communication



Who to communicate



When to communicate



Whom to communicate



What to communicate



Media for communication

Importance of Communication

- Communication helps employees to understand their role clearly and perform effectively.
- Communication improves managerial efficiency and ensures cooperation of the staff.
- Effective communication helps in molding attitudes and building up employees' morale



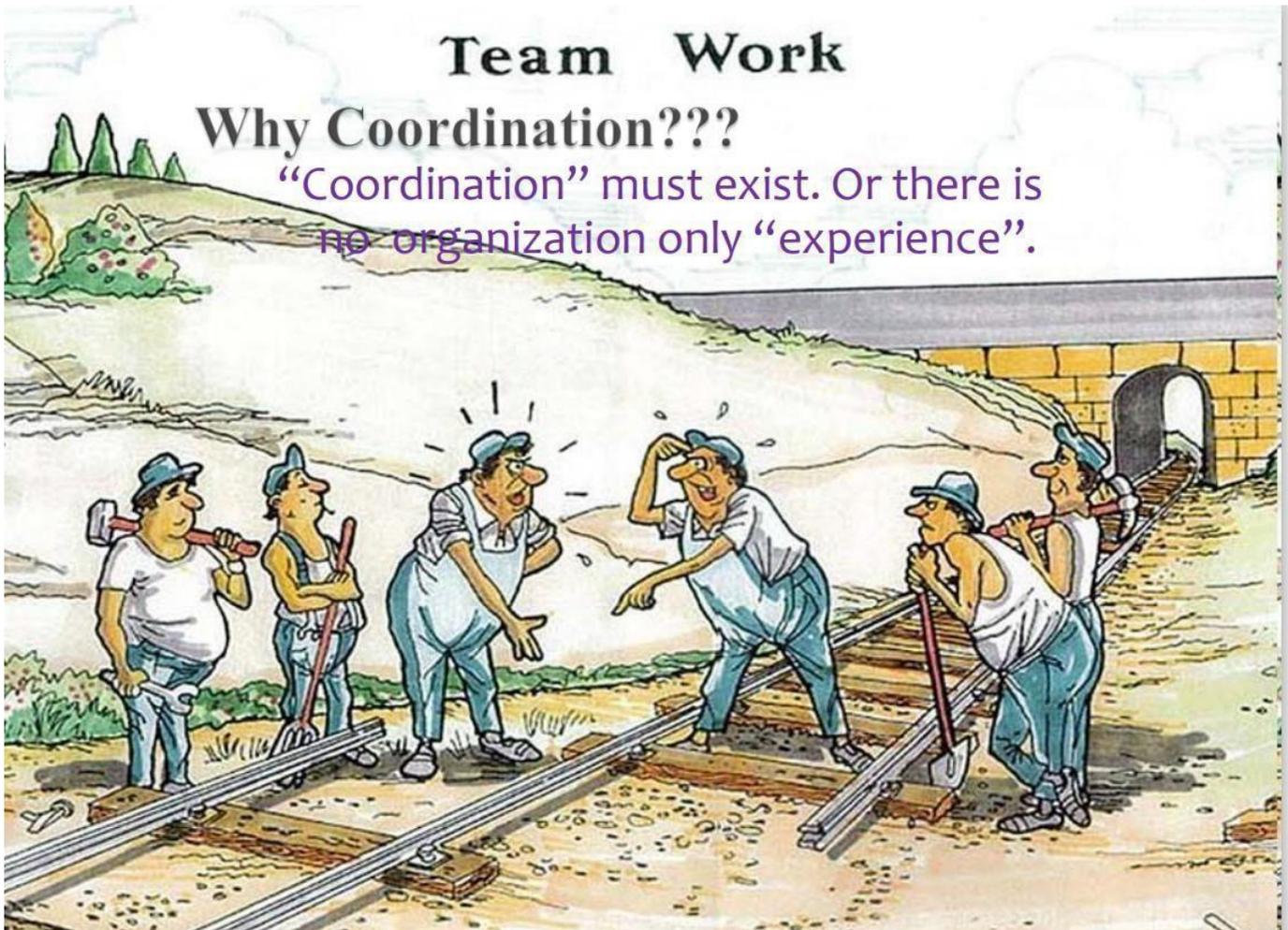
Coordination

If everyone is moving forward together then the success takes care of itself.

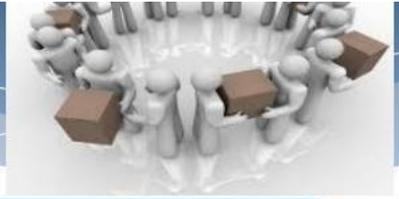
Team Work

Why Coordination???

“Coordination” must exist. Or there is no organization only “experience”.



Definition



Co-ordination is the orderly synchronization of efforts to provide the proper amount, timing, and directing of execution in unified actions to a stated objective.

Coordination is the management of interdependence in work situations.

Coordination is the ability to perform smooth, accurate and controlled movements.

Requirement of a group activity

If there is teamwork with no coordination, there will be no success

One should coordinate the whole team for success



NATURE AND CHARACTERISTICS OF CO-ORDINATION

- Co-ordination is not a distinct function but the very essence of management. It is a basic responsibility of management.
- Co-ordination does not arise spontaneously or by force.
- Heart of co-ordination is the unity of purpose.
- Co-ordination is a continuous or an ongoing process.
- Co-ordination is required in group efforts not in individual effort.
- Co-ordination is the responsibility of each and every manager.

IMPORTATION OF CO-ORDINATION

Efficiency and Effectiveness

- Coordination helps to improve the efficiency of operations by avoiding overlapping efforts and duplication of work. Quality of coordination determines the effectiveness of organized efforts.

Unity of direction

- Coordination helps to ensure unity of action in the face of disruptive forces. It helps unity of action and helps to avoid conflicts between line and staff elements

Human relation

- Coordination helps to improve team spirit and morale of employees. In a well coordinated organization

Essence of management

- Coordination is all inclusive concepts and the end result of management process.
- Coordination helps in the accomplishment of organizational objectives.

Lack of Coordination in an Organization

Delay

Duplication

Lost data

Inflexibility

TECHNIQUES OF COORDINATION

1) Sound Planning

- Planning is the ideal stage for coordination. Clear cut objectives, policies and unified procedures and rules ensure uniformity of action.

2) Simplified Organisation

- A simple and sound organization is an important means of coordination. Clear cut authority relationships help to reduce conflicts and to hold people responsible.
- Modification of functioning of department in such a way that each department coordinates with other departments, it can be done by horizontal communication.

3) Self Coordination

4) Effective Communication

- Open and regular communication is the key to coordination. Effective interchange of opinions and Information helps in resolving difference and in creation mutual understanding.

5) Effective leadership and supervision

- Effective leadership ensures coordination both at the planning and the execution stage. Sound leadership can influence subordinates to have identity of interest and too adopt a common outlook.

6) Chain of command

- Authority is the supreme coordinating power in an organization. Exercise of authority through the chain of command or hierarchy is the traditional means of coordination.

CONTROLLING



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



STEPS IN CONTROLLING

1) ESTABLISH OBJECTIVES AND STANDARDS

- The control process begins with planning and the establishment of performance objectives. There are two types of standards:
 - Output Standards - measures performance results in terms of quantity, quality, cost, or time.
 - Input Standards - measures work efforts that go into a performance task.

2) MEASURING THE ACTUAL PERFORMANCE

- Measurements must be accurate enough to spot deviations or variances between what really occurs and what is most desired. Without measurement, effective control is not possible.

3) COMPARING RESULTS WITH OBJECTIVES AND STANDARDS

Accurate standards and accurate measurement of actual performance are very important for clear revelation of variations.

- Required standards achieved:
 - No further managerial action is necessary.
 - Control process is complete.
- Required standards not achieved:
 - Extent of variation may differ from case to case, depends upon the type of activity.

4) TAKING CORRECTIVE ACTIONS

- Actions should be taken to maintain the desired degree of control in the system or operation.
- Control actions: Review of plans and objectives and change there on the basis of such review. Change in the assignment of tasks. Change in existing techniques of direction. Change in the organization structure. Provision for new facilities.

METHODS OF ESTABLISHING CONTROL

1) Personal observation: Personal observation enables the manager to collect first hand information. It also creates a psychological pressure on the employees to perform well as they are aware that they are being observed personally on their job.

2) Budgeting: Budgeting is a technique of managerial control in which all operations are planned in advance in the form of budgets and actual results are compared with budgetary standards.

3) Statistical reports: Statistical analysis in the form of averages, percentages, ratios, correlation, etc, present useful information to the managers regarding performance of the organization in various areas.

4) Break – even analysis: Breakeven analysis is a technique used by managers to study the relationship between costs, volume and profits. It determines the probable profit and losses at different levels of activity.

5) Return on Investment: ROI is a useful technique which provides the basic yardstick for measuring whether or not invested capital has been used effectively for generating reasonable amount or return.
Methods of establishing control

6) Ratio analysis: Ratio Analysis refers to analysis of financial statements through computation of ratios.

7) Responsibility accounting: It is a system of accounting in which different sections, divisions and departments of an organisation are set up as 'Responsibility Centres'.

8) Management audit: Management audit refers to systematic of the overall performance of the management of an organisation.

9) PERT and CPM: PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method) are important network techniques useful in planning and controlling.

10) Management information system: MIS is a computer based information system that provides information and support for effective managerial decision –making.

Module-2-Questions

1. Explain types of leaders or leadership styles.

or

Explain the leadership styles in detail with its advantages and disadvantages

or

Define leadership. Explain the various leadership styles.

or

Write a note on Autocratic and Democratic leadership styles with its merits and demerits

2. What is motivation? Explain Maslow's need hierarchy theory of motivation

3. What is motivation? Explain Herzberg's motivation hygiene theory or the two factor theory.

4. Explain how Maslow's hierarchy of need help a manager to motivate his subordinates.

4. Explain the steps in controlling process.

5. Define coordination. Explain the importance of coordination.

6. Define control. Explain the different methods of establishing control.

7. Explain the importance of communication.

Module 3

Entrepreneur

Meaning of entrepreneur, characteristics of entrepreneurs, classification and types of entrepreneurs, various stages in entrepreneurial process, role of entrepreneurs in economic development, entrepreneurship in India and barriers to entrepreneurship. Identification of business opportunities, market feasibility study, technical feasibility study, financial feasibility study and social feasibility study.

Who is an Entrepreneur?

A person who takes the risk of converting a new idea into reality.

**I SACRIFICE.
I WORK HARD.
I WORK SMART.
I AM A PROFESSIONAL.
I AM BUILDING MY EMPIRE.
I AM THE MASTER OF MY DESTINY.
I AM AN
ENTREPRENEUR.**

Introduction to Entrepreneur:

One who creates a new business in the face of risk or uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the resources to capitalize on those opportunities.

Introduction Entrepreneurship

The word entrepreneur is derived from 'enterprendre' the French word means "to undertake"

- ❖ The concept of entrepreneurship was first established in the 1700s.
- ❖ Many simply equate it with starting one's own business.
- ❖ Most economists believe it is more than that.

Entrepreneur

- "An entrepreneur is one who always searches for changes responds to it and exploits it as an opportunity"
- An entrepreneur is a highly task oriented, enthusiastic and energetic individual.

Functions of an Entrepreneur



Qualities of Entrepreneur

- Success and achievement
- Risk Bearer – he accepts risk, understand and manage risks
- Opportunity explorer – He always identifies opportunity and explores them
- Planner – He is a good planner, he plans and follows the plans sincerely to achieve objectives.

- Stress taker – He should accept and bear any amount of stresses that may evolve in the business
- Facing uncertainties – They should face the uncertainty and unexpected outcomes and accept them
- Independent – He is an independent person and likes to be his own master, he is a job given and not jobseeker.
- Motivator – He initiates and influences people, motivates the people to accomplish the objectives.
- Flexible – He is an open minded person, flexible to adapt to demanding situational changes

Characteristics of Entrepreneur

- Action oriented, highly motivated and ready to take risk at all levels to achieve the objective
- Should have commitment
- Creativeness and result oriented, hardworking
- Accepts responsibilities with enthusiasm
- Self confident, dedicated and self disciplined
- Intelligent, imaginative and self directed

Entrepreneur

Self employed



Manager

Salaried person



One Man



Team



- As a Entrepreneur he sets the Objectives & goal
- As a manager he implies that Objectives & goal



TYPES OF ENTREPRENEUR

1. ACCORDING TO TYPE OF BUSINESS

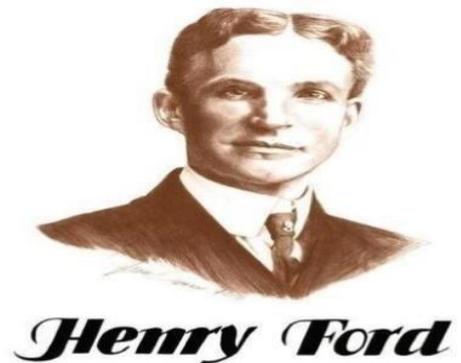
a. **Business Entrepreneurs:** Conceive an idea for a new product/service and then create business to materialize idea in reality. Tap both production and material resources to develop new business opportunity. Often small business entrepreneurs with small business units eg. Printing press, advertising agency, textile processing house, readymade garments

b. **Trading entrepreneur:** Trading Activities not manufacturing work Identifies potential markets, stimulates demand and creates interest and demand among buyers to go in his product. Can be engaged in both domestic & overseas trade. Whole sale trade, retail trade, Mall trading, exporters, importers, stock trading, real estate.

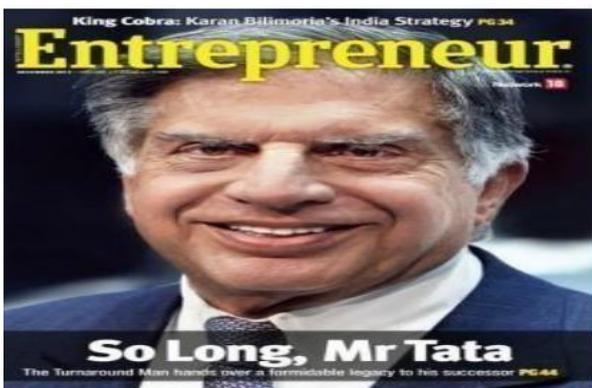
C.Industrial Entrepreneur: Ability to convert economic resources and technology into profitable venture.

Industrial Entrepreneur

Ability to convert economic resources and technology into profitable venture
Essentially a manufacturer, identifies potential needs and starts industrial units for new products.



D. Corporate Entrepreneur: Individual, who plans, develops & manages a corporate body. Corporate body is a form of business organization, one body of many individuals, large corporations, which are registered as separate legal entity under some statute or act eg. Company regd under companies act, or trust under trust act.



e. Agricultural entrepreneur: Agricultural activities such as raising & marketing of crops, fertilizers and other inputs of agriculture. Motivated to raise the productivity through mechanization and technology. Plantation, horticulture, dairy, forestry, floriculture, animal husbandry, poultry, seeds.

2. ACCORDING TO USE OF TECHNOLOGY

a. Technical Entrepreneur:

- Concentrates more on production than marketing.
- Introduction techniques, innovations for production.

b. Non-technical Entrepreneur:

- Not concerned with technical aspect of production, but developing alternative distribution strategies to promote their business.

C. Professional Entrepreneur:

- Interested in establishing a business but does not have interest in managing or operating once it established. Professional entrepreneur sells out running business and starts another venture with the sales proceeds. Such an Entrepreneur is dynamic who conceives new ideas to develop new projects.

3. ACCORDING TO MOTIVATION:



a. **Pure Entrepreneur:** These are those entrepreneurs which are only aim to earn money. Motivated by economic rewards. Undertakes entrepreneurial activities for personal; satisfaction in work, ego or status.

b. **Induced Entrepreneur:** Induced to take entrepreneurship due to policy measures of the government that provides assistance, incentives, concessions and overhead facilities to start ventures. Sometimes prospective entrepreneurs are induced or even forced by their special circumstance, such as loss of job or inability to find a suitable job according to their talent and merit to adapt to entrepreneurship.

4. ACCORDING TO STAGE OF DEVELOPMENT

a. First-generation Entrepreneur:

- One who starts not from family business

- Innovator, combining different skills and technologies to produce marketable products or service.

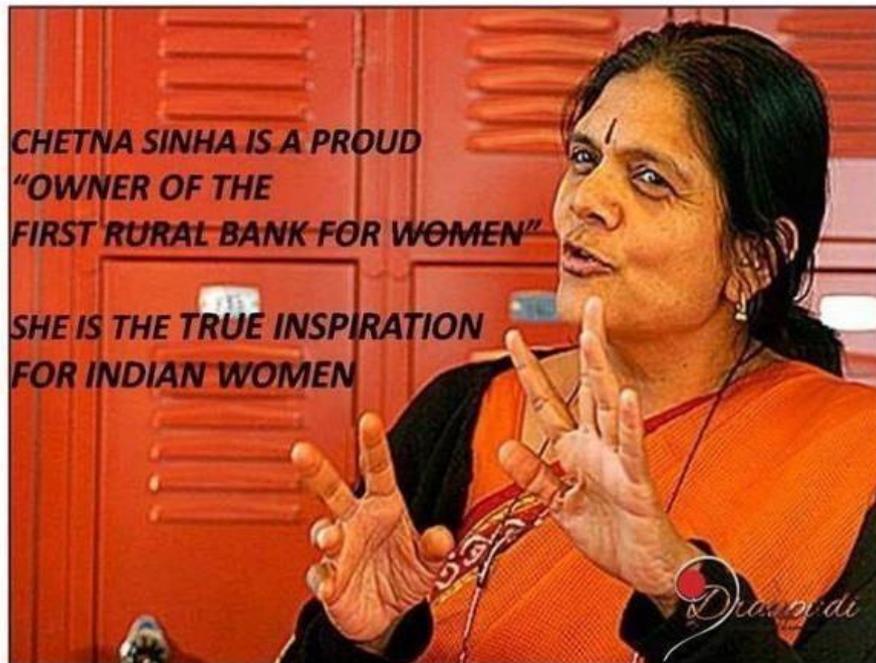
b. Modern Entrepreneur:

- One who undertakes those ventures which go well along with changing demand and suit in the current marketing needs.

C.Social Entrepreneur:

Social entrepreneur is one who recognizes the part of society which is stuck and provides new ways to get it unstuck.

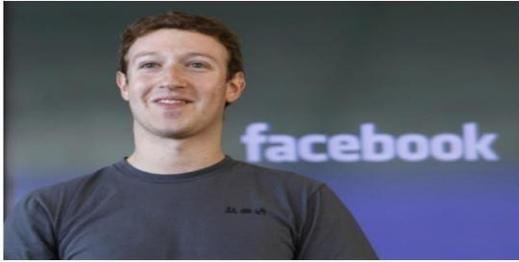
- Chetna Sinha founded chairperson, Mann Deshi Mahila Sahkari Bank, a micro finance bank which lends to women in rural areas.



d. IT Finance Entrepreneurs

- An **Internet entrepreneur** is an entrepreneur, an owner, founder or manager of an Internet based business enterprise who makes money through risk.
- **Mark Elliot Zuckerberg** (born May 14, 1984) is an American computer programmer, Internet entrepreneur, He is best known as one of five cofounders of the social networking website Facebook.
- **Jeffrey Preston "Jeff" Bezos** born January 12, 1964 is an American Internet entrepreneur and investor. He is a technology entrepreneur who has played a key role in the growth of e-commerce as the

Founder and CEO of Amazon.com, an online merchant of books and later of a wide variety of products.



5. Gender & age

- Man entrepreneur
- Woman entrepreneur
- Young entrepreneur
- Old entrepreneur



6. Scale

- Large scale industry entrepreneur
- Medium scale industry entrepreneur
- Small scale industry entrepreneur
- Tiny industry entrepreneur

Stages in the Entrepreneurial Process

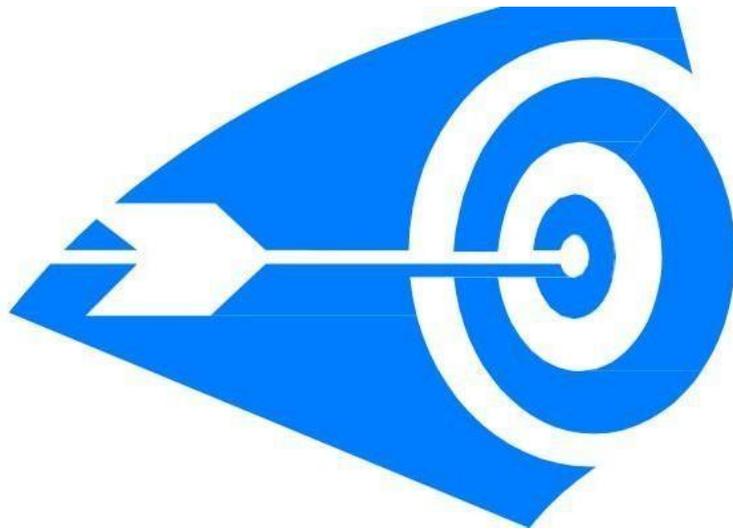
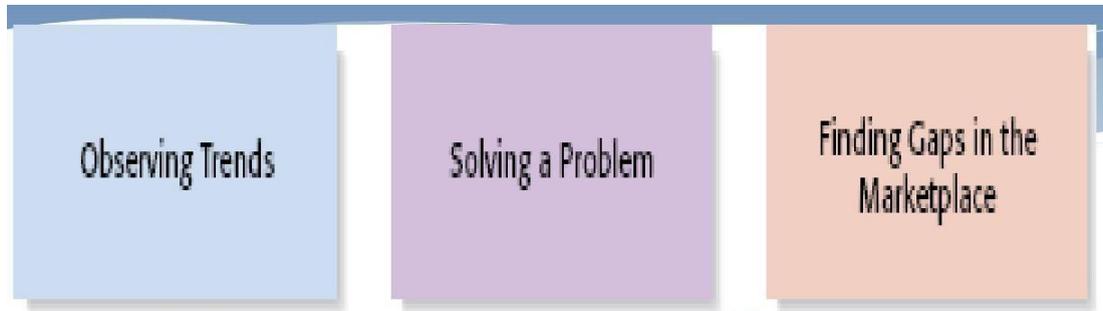
1. Identification of an opportunity
2. Evaluation of the opportunity
3. Preparation of business plan
4. Determination and organizing resources
5. Management of the enterprise

Steps in the Entrepreneurial Process

1. Identification of an opportunity:

The stage in which the entrepreneur generates ideas, recognizes opportunities, and studies the market Idea.

Three Ways to Identify an Opportunity



2. Evaluation of opportunity

Most critical element of the process .It involves looking at length of the opportunity, its real value, its risks, returns, goals SWOT (Strength, weakness, opportunities and threats) analysis. This plan includes

- Description of product
- Agreement of opportunity.
- Assessment of Entrepreneur and his team.
- Resources needed. Source capital, rewards and profit expected.

3. Development of Business Plan

- A business plan is a document that outlines your plan for initiating and operating a business
- The plan should contain the following in order
- Title of project, table of contents and executive summary
- Description of business and industry
- Technology plan
- Financial and organization plan.
- Production, marketing and distribution plan.
- Summary of plan.

4. Determination and organizing Resourcing



Identify potential investors

Apply for loans, grants and assistance



Hire

5. Management of Enterprise

Implement the business plan Operational problems of growing enterprise must also be examined. This calls for a management with all 5 functional areas of management.

ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

1. Create employment opportunities: Unemployment is major problem faced by developing and under developing countries around the world. As small scale industries are labor intensive in nature they generate more employment opportunities rather than large scale industries in country.

2. Inspire others towards entrepreneurship: Team created by entrepreneurship provides opportunity for employee team mates to have first hand experience in process of setting up a venture creating possibility for team mate to come up with his own SSI in future. Role of Entrepreneurs in Economic Development.

- Capital formation.
- Generation of employment.
- Improvement in income.
- Reduces concentration of wealth.
- Balanced regional development.
- Resource mobilization.
- Improvement in standard of living.

Role of Entrepreneurship in Economic Development

- ✓ Optimum utilization of Resources
- ✓ Employment opportunities
- ✓ Standard of living
- ✓ Economy- Strong & Stable
- ✓ Increases GDP
- ✓ Adequate distribution of Wealth
- ✓ Generates foreign Exchange
- ✓ Up-lift of Regions

Entrepreneurship in India: PAST

- Entrepreneurship in India is the effort of great people as well as professionals.
 - It started with family business around 1850 with the starting of cotton mill in Bombay
 - From then Entrepreneurship had grown in all directions from cotton mill to electronic goods, health care, IT, Transport, space technology, education etc...
- Business community was involved in trade and commerce.

It involves following

- Manufacture and supply was based on demand. All family members were involved in the business.

-Industrial activity was controlled by cast system Ex- Weavers used to weave cloths, formers used to produce food products. Skill of any entrepreneur was inherited from ancestors. Dependant on caste system.

Present

- ❖ Tremendous growth of industries and services over last 50 –60years.
- ❖ Banking, automobiles, software development, are some of the major modern entrepreneurship areas where lot of inventions took place.
- ❖ Some of the highly talented entrepreneurs of India are–
- ❖ J.R.D.Tata , AdityaBirla,
- ❖ Azim premji ofWipro
- ❖ Narayana Murthy of Infosys
- ❖ Dhirubai Ambani ofReliance
- ❖ K.Patel of Nirma



Barriers to Entrepreneurship

Personal Barrier

- Lack of **confidence, Motivation, Patience.**
- Dependability.

Environmental Barrier

- Raw Materials, Labours, Machinery, Land and Building, etc.
- **Financial Barriers.**
- Other infrastructure requirements.

Societal Barrier

- Need to overcome **External pressures.**
- Graduates prefer to **"get a real Job"**.
- Need to raise **awareness of the option of starting a business.**

Barriers of Entrepreneurship

The process could not be taken up due to several reasons–

1. Lack of Capital
2. Non availability of raw material and resources
3. Government regulations
4. Lack of technology or idea
5. Unstable and unpredicted market
6. Globalization and entry of foreign goods
7. Risk
8. Lack of Technical Knowledge

Identification of business opportunities

- Business opportunities can be obtained from various magazines, financial institutions, government, commercial organizations, friends, relatives, competitors etc.,
- Choosing of best business opportunity from the information collected requires skill and foresight of entrepreneur.
- He has to identify and select the most rewarding opportunity from available ones.
- For this he has to evaluate following
 1. Study of government rules and regulations regarding different business opportunities.
 2. Study of investment opportunity.
 3. SWOT analysis of business.
 4. Market feasibility study.

5. Technical feasibility study.
6. Financial feasibility study.
7. Social feasibility study.

Social business ideas

1. Unfulfilled demand.
2. Social and economic trends.
3. Magazines/ journals / Research publications.
4. Government agencies.
5. Emerging new technology and scientific know how.
6. Changes In consumer needs.
7. Exhibitions.
8. Own idea.

FEASIBILITY STUDY

It helps avoid risk and answers questions, like:

Will it work?

How will it work?

What is needed? When is the best time?

How much investment is needed?

What will the return be?

DEFINITION

❖ A feasibility study is a detailed work of collection of data analysis and concludes the feasibility of that operation.

❖ It tells two main things:

Will the idea work?

Should you proceed with it?

TYPES OF FEASIBILITY STUDY

Any successful project, company, factory, individual based on three main factors

- Technical Feasibility study
- Finance Feasibility study
- Marketing Feasibility study
- Social Feasibility study

MARKETING FEASIBILITY STUDY

It will assess whether the product has good market. It needs to study the following.

Nature of market: The nature of market in terms of monopolistic or perfect competition is to be studied.

Cost of production: It is essential to study and control cost of production. Cost of production decides the selling price.

Selling price and profit: Selling price plays a vital role in profit. In price sensitive goods like cosmetics, one should be careful in fixing the price.

Demand: Present demand and demand forecast are prepared and studied. This will decide the facility planning.

Market share: Estimated market share is to be made. Comparison is made with share of similar products.

Target market: Study is made about the target market and market segmentation.

TECHNICAL FEASIBILITY STUDY

In this following points are studied

Location of project: The data regarding the location of project is very important. It may be in rural, urban or semi-urban areas.

Construction of factory, building and its size: The construction details, the nature/type of building and its size for the project are to be analyzed.

Availability of raw materials: The study of availability of raw materials, sources of supply, alternate sources, its quality and specifications cost etc ..,are to be studied.

Selection of machinery: The selection of machinery required to produce the intended product is to be carried out. The specification is capacity, cost, sources of supply, technology evaluation of various makes of the machine, their good and bad etc.., are studied.

Utilities: The detailed about availability of utilities like water, gas, electricity, petrol, diesel etc.., are to be studied.

Production capacity: Establishment of production capacity and utilization of production capacity are analyzed.

Staff requirement: study and analysis of requirement of workers, technical staff and officers etc.., is to be made.

FINANCE FEASIBILITY STUDY

Aspects involved in this are

Total capital cost: It is very essential to study the total cost of project. This includes fixed capital, working capital and interest factor.

Sources of capital: The study of main sources is made. If capital is borrowed, interest burden is to be studied in detail.

Subsidiary sources for additional finance: After study of main sources of capital, subsidiary sources of capital are to be identified and studied.

Financing for future development of business: Finance requirement for future development of business are to be studied. Working capital requirement for at least three months running of enterprise are to be estimated.

Break even Analysis (BEA): BEA is to be carried out to see at what level of production/sales will make the organization no loss/no profit situation. BEA is very useful to identify the level of production that makes profit.

Estimation of cash and fund flow: It is very essential to make a study of estimation of cash and fund flow in the business.

Return on Investment (ROI): It is to be calculated to see the amount of return on investment for the investors/shareholders and how much they get.

Cost of labor and Technology: The cost of employees (salaries etc...) is to be estimated and studied. If technology is not available then it must be purchased from any R & D institution.

SOCIAL FEASIBILITY STUDY

This study is important in social environment

Location: The location is in such a place that it should not have objection from the neighbors.

Social problem: The enterprise should not create any nuisance to the public.

Pollution: There should not have any sort of noise or other pollution objectionable society. Suitable measures are to be taken for controlling pollution.

Difference between Entrepreneur and Intrapreneur

Sl. no	Difference	Entrepreneur	Intrapreneur
1	Dependency	An entrepreneur is independent in his operations	But, an intrapreneur is dependent on the entrepreneur
2	Raising of Funds	An entrepreneur himself raises funds required for the enterprise	Funds are not raised by intrapreneur
3	Risk	An entrepreneur solely bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in enterprise
4	Operation	An entrepreneur operates from outside	Intrapreneur operates from within the organization itself.

QUESTIONS

- 1) Define Entrepreneur. Explain the characteristics of an entrepreneur.
- 2) Explain the classification of entrepreneurs.
- 3) Explain various stages in entrepreneurial process.
- 4) Explain the role of entrepreneurs in economic development in India.
- 5) What are the Barriers to entrepreneurship?
- 6) Explain in detail identification of business opportunities with various types of feasibility study.
- 7) Explain Technical and Financial feasibility study.
- 8) Differentiate between entrepreneur, Intrapreneur.

MODULE 4

PREPARATION OF PROJECT

4.1 MEANING OF PROJECT

- The very foundation of an enterprise is the Project. Hence, the Success or Failure of an enterprise largely depends upon the Project.
- In Simple Words, a Project is an Idea or a Plan that is intended to be carried out.
- Few other definitions of “Project.”

Definition1: The World Bank has defined Project as an approval for a capital investment to develop facilities to provide Goods & Services.

Definition2: A Project is an appraisal for Investment with the definite aim of producing a flow of Output over a specified period of time.

Definition3: A Project is defined as the whole complex of activities involved in using resources to gain benefits.

Definition4: A Project can be defined as a scientifically evolved work plan devised to achieve a specific objective within a specified period of time etc.

However projects partake of the following three basic attributes:

- (i) A course of action
- (ii) Specific objectives and
- (iii) Definite time perspectives.

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

4.2 PROJECT IDENTIFICATION

Often indenting entrepreneurs always are in search of project having a good market but how without knowing the product cost 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:

- (i) Knowledge of potential customer needs.
- (ii) Personal observation of emerging trends in demand for certain products.
- (iii) Scope for producing substitute product.
- (iv) Trade and professional magazines which provide a very fertile source of project ideas.
- (v) Departmental publications of various departments of the government.
- (vi) Success stories of known entrepreneurs or friends or relatives.
- (vii) A new product introduced by the competitor.
- (viii) 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.

4.3 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”.

S (Strengths)	W (Weaknesses)
O (Opportunities)	T (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.*

4.4 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.

4.5 FORMULATION OF PROJECTREPORT

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:

(i) **Power:** Requirement of power, load sanctioned, availability of power

(ii) **Fuel:** Requirement of fuel items such as coal, coke, oil or gas, state of their availability and supply position.

(iii) **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.

- (i) Employment Generation
- (ii) Import Substitution
- (iii) Ancillaration
- (iv) Exports
- (v) Local Resource Utilization
- (vi) 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.

4.6 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.

4.7 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 frost or course at action what the entrepreneur hopes to achieve in his businessandhowishegoingtoachieveit.Aprojectreportserveslikeakindofbigroadmapto

reach the destination determined by 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 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

4.8 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:

- ***Manufacturing:*** Engineering, bills of material, scheduling, capacity, workflow management, quality control, cost management, manufacturing process, manufacturing projects, manufacturing flow.
- ***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.
- ***Financials:*** General ledger, cash management, accounts payable, accounts receivable, fixed assets.
- ***Project management:*** Costing, billing, time and expense, performance units, activity management.
- ***Human resources:*** Human resources, payroll, training, time and attendance, roistering, benefits.
- ***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.
- ***Access control:*** user privilege as per authority levels for process execution. Customization to meet the extension, addition, changes in process flow.

4.9 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
Business functions	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

- Functional areas are interdependent
 - Each requires data from the others
- Better integration of functional areas leads to improvements in communication, workflow, and success of company.
- Information system (IS): Computers, people, procedures, and software that store, organize, and deliver information.
- 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
- 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 credit

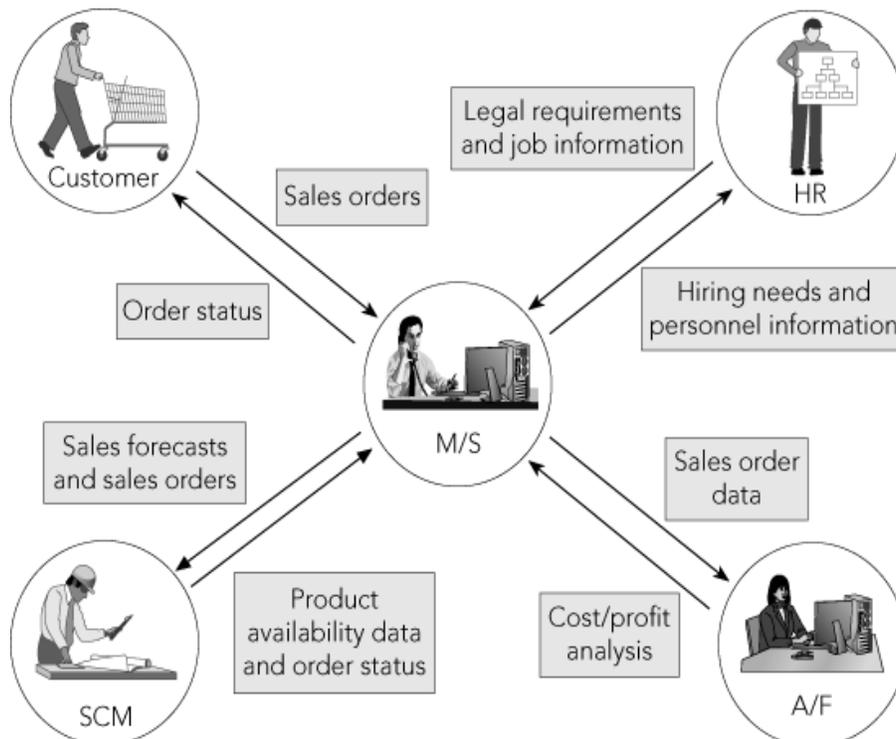


Figure: The Marketing and Sales functional area exchanges data with customers and with the Human Resources, Accounting and Finance, and Supply Chain Management functional areas

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

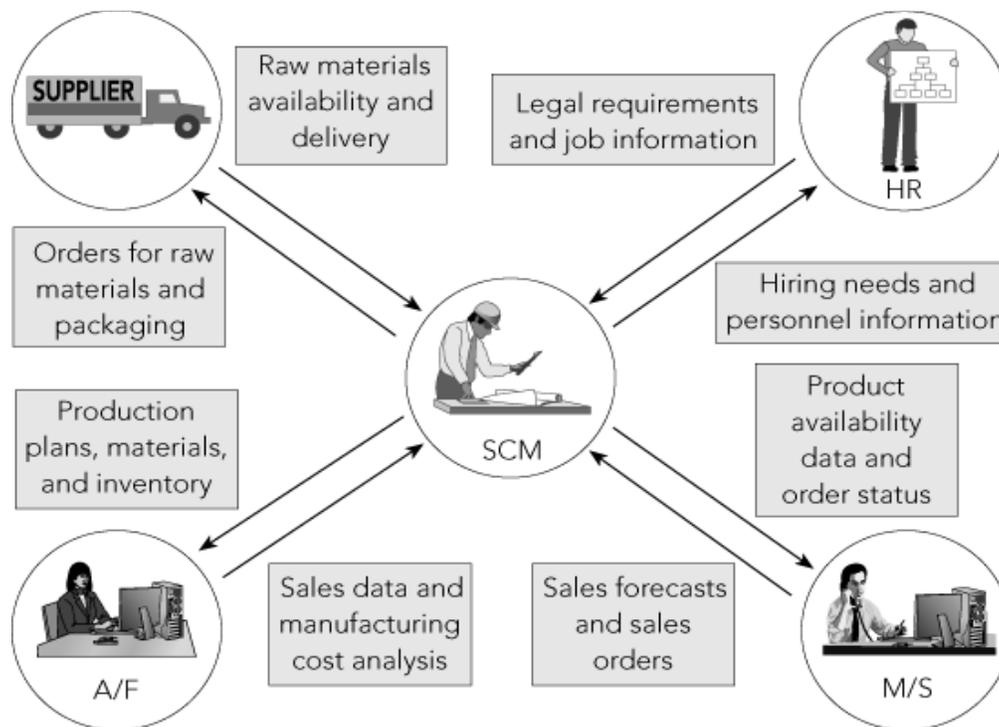


Figure: The Supply Chain Management functional area exchanges data with suppliers and with the Human Resources, Marketing and Sales, and Accounting and Finance functional areas

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

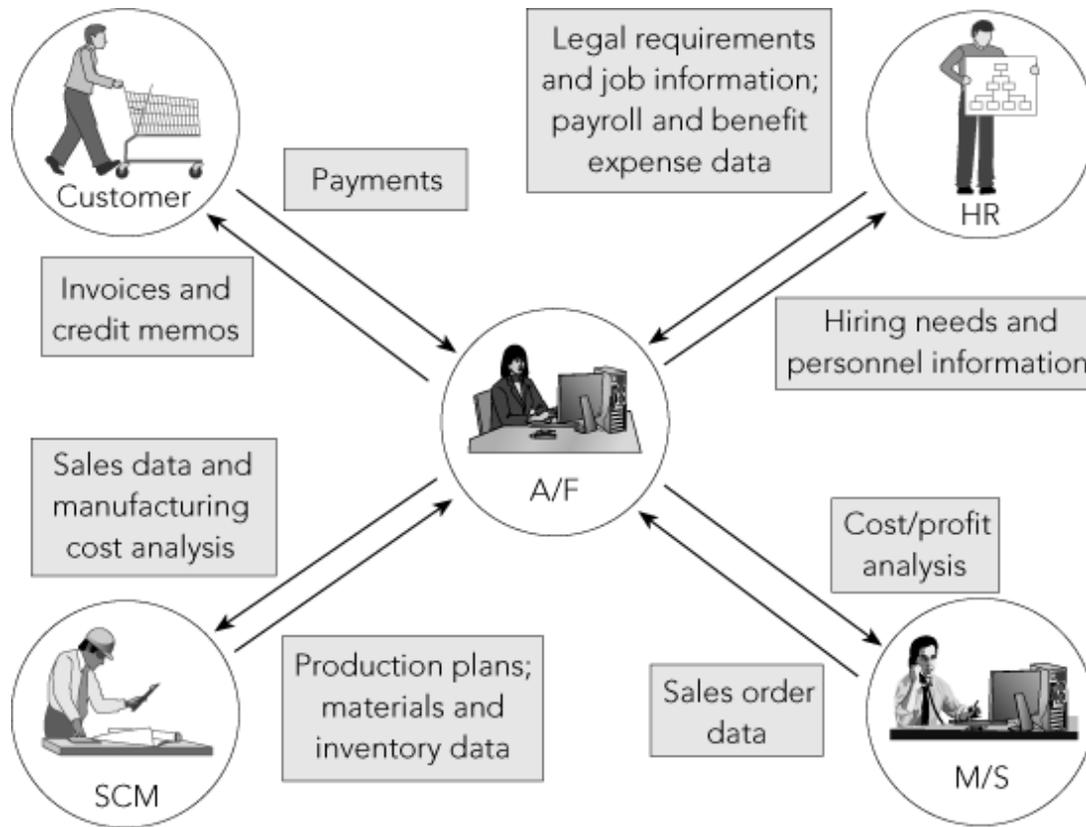


Figure: The Accounting and Finance functional area exchanges data with customers and with the Human Resources, Marketing and Sales, and Supply Chain Management functional areas

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.

1. 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.

2 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.

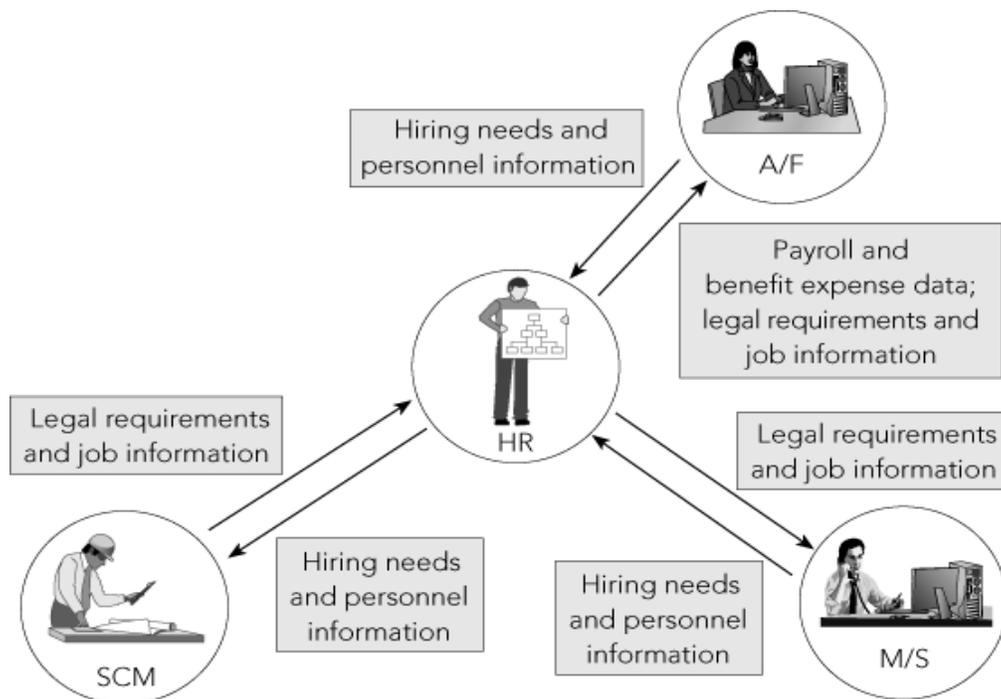


Figure: The Human Resources functional area exchanges data with the Accounting and Finance, Marketing and Sales, and Supply Chain Management functional areas

4.10 TYPES OF PROJECT REPORT

1. 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.

2. 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.

3. 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 smart phones 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.

4. 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.

Questions

- 1) Explain the need and significance of project report.
- 2) What is project report? Explain the guidelines provided by planning commission for preparation of project report.
- 3) Write a note on project identification.
- 4) Explain the content of project report.
- 5) Explain the different criteria to be used for project selection.
- 6) Explain the phases of project identification with its sources.
- 7) Explain the supply chain management in detail
- 8) Explain in detail, Human resource management.
- 9) What is ERP? Explain its importance.
- 10) Explain the objective of market research
- 11) Give the meaning of Project Appraisal.

MODULE 5

MICRO AND SMALL ENTERPRISES

- The Micro- Small and Medium Enterprises (MSMEs) are small sized entities, defined in terms of their size of investment.
- They are contributing significantly to output, employment export etc. in the economy.
- They perform a critical role in the economy by providing employment to a large number of unskilled and semi- skilled people, contributing to exports, raising manufacturing sector production and extending support to bigger industries by supplying raw material, basic goods, finished parts and components, etc.
- In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:
- **Manufacturing Enterprises**-the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.
- **Service Enterprises**:-The enterprises engaged in providing or rendering of services

MANUFACTURING ENTERPRISES

- (i) Micro Manufacturing Enterprises:
 - The investment in plant and machinery does not exceed Rs.25 lakhs (Rupees twenty five lakhs only).
- (ii) Small Manufacturing Enterprises:
 - The investment in plant and machinery is more than twenty five lakh rupees but does not exceed rupees 5 crores (Rupees five crores only).
- (iii) Medium Manufacturing Enterprises:
 - The investment in plant and machinery is more than rupees 5 crores but not exceeding Rs.10 crores (Rupees ten crores only).

SERVICE ENTERPRISES

- (i) Micro Service Enterprises:
 - The investment in equipment does not exceed rupees 10 lakhs.
- (ii) Small Service Industries:
 - The investment in equipment is more than 10 (Ten lakh rupees) but does not exceeds rupees 2 crores.
- (iii) Medium Service Enterprises:
 - The investment in equipment is more than rupees 2 crores but does not exceed rupees 5 crores.

CASE STUDY

1) MICROSOFT

2) N R NARAYANA MURTHY AND INFOSYS

3) CAPTAIN G R GOPINATH

STEPS TO START AN SSI

1) Project selection: entrepreneur is the most important person for the success of a project. To setup a small enterprise, the entrepreneurs must decide or choose a suitable project

The project selection and the preliminary activities involve the following:

- a) Product or service selection
- b) Location selection
- c) Project feasibility study
- d) Preparation of project profile
- e) Business plan preparation

2) Decide on the constitution: to start any enterprise the promoters have to decide on the constitution of the unit. There are 3 major alternatives:

- a) Proprietary b) partnership c) company.

This is above mentioned alternatives must be decided at the initial stages of the project & necessary formalities should be completed by the time of application for provisional registration certificate (PRC) is made to DIC (DISTRICT INDUSTRY CENTRE)

3) Obtaining SSI registration: entrepreneur desiring to start a small enterprise have to initially obtain a PRC. 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 reqd to start Micro & small enterprises.

Some of them are given below:

- a) Agriculture Land Conversion into Non - Agriculture Land (NA Conversion).
- b) Building Plan Approved by the labour Authorities.
- c) Factories Act & Labour Dept.
- d) Trade License from the Local Authorities.
- e) Pollution Control Board Clearances.
- f) Food Adulteration Act License.
- g) BIS Certificate wherever applicable etc.

5) Land of Shed Selection:

For any Industries Project, suitable industries site or a ready industries shed is reqd. The Promoters of the unit could consider taking an industries site & constructing a shed as their requirement, alternatively, could consider taking a ready Industrial Shed on Ownership Basis also.

6) Plant & Machinery: This requirement for a project could be purchased from recognized manufacture's /dealers. This could be also taken to be on Hire Basis operated by National Small Industries Shed of Ownership Limited.

7) Infrastructure Facilities: for micro or small enterprises the main infrastructure facilities are Land or Shed for the project, Power connection, water supply & Telephone & Internet facility. District level signal window Agency Assist the Entrepreneur in getting all the above facilities.

8) Project Report: for any new project or enterprises to be set up, proper planning is necessary.

9) Finance: Finance for such projects are under two main categories:

- a) Term Loan.
- b) Working Capital Loan.

10) Implementation of the project:

The entrepreneur 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.

- a) Construct shed.
- b) Order for machinery.
- c) Arrange for raw materials.
- d) Marketing
- e) Erection and commission.
- f) Obtain final clearances.

Advantages of SSI.

1. It is essential to study and Small scale enterprises can be started as per convenience of the owner in terms of space, finance, product and manpower.
2. 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.
3. 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.
4. Wherever high technology involved the parent company executives will help. Alternatively, consultants can be hired to sort out technology related problems.
5. 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.

Characteristics of SSI

1. A small-scale unit is generally a one man show. Even in the small units which are run by a partnership firm or company, the activities are mainly carried out by one of the partners or directors.
2. Compared to large units, a small scale industrial unit has a lesser developmental period.
3. The scope of operation of small industrial undertakings is generally localized to the local and regional demands.
4. Small units are indigenous resources and therefore, can be located anywhere subject to the availability of these resource like raw materials, labour, etc.
5. In small-scale industries, the owner himself/herself is a manager.

Institutional support

Institutional aiding SSI is classified into 3 categories:

- 1. Advisory bodies:** Development commissioner for small scale, State small industrial board, Directorate of industries, Export promotional council, SSI associations.
- 2. Government institutions:** National small industrial corporation, Commodity boards, small industries service institute.
- 3. Corporate institutions:** State trading corporation, MMTC, ISI, IDBI, Central institute of Tool design.

Different schemes and types of help:

Small industrial 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 Was established in April 2, 1990.
- Head office is at Lucknow.

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. 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.
5. Mahila Udyam Nidhi and Mahila Vikas Nidhi and seed capital schemes.
6. It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
7. It provides services like factoring, leasing, etc. to small units
8. Extending financial support to SSIDC.
9. Providing leasing support to NSCI.
10. Discounting and Rediscounting of their bills.

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, technical support and assistance
 2. Rapid development of SSI in state.
 3. Construction and utilization of infrastructure, especially in backward areas.
 4. To promote and develop SSI in state.

□ **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.
8. Provide laboratory facilities in coordination with the Indian Standard Institute.

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 which fall outside the purview of industrial Finance Corporation and public sector banks.

Activities/Functions of SFC's

- KSFC give preference to the projects which are
 1. Promoted by technician entrepreneur.
 2. In the small-scale sector.
 3. Located in growth centers and developing areas of the state
 4. Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
 5. Characterized by high employment potential.

6. Capable of utilizing local resources; and
7. In tune with the declared national priorities.

Problems of SFCs are

- Since SFC are stated by respective state government the state government related problems are generated such as state bureaucracy of procedures, delays, castism and favouritism do occur.
- In case of repayments very strict rules is adhered and the units are sealed.

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 carry out 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 brief project report.
- Details of constitution of the company
- Provisional registration certificate
- 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.

1. 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.
2. 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 infrastructures 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

□ **Objective**

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.

Non-Financial Assistance Institutes Small Industries Service Institutes(SISI)

It was set by Ministry of Industry, Gov .of india.It is under the control of development Commissioner SSI(DCSSI). There are 58 SISIs all over country including one in each state capital.

Objectives

- To provide consultancy and training to small entrepreneurs both existing and prospective.
- To serve as an interface between Central and state government.
- To initiate the entrepreneurial promotion programs.

FUNCTIONS

- To serve as interface between central and state GOV.
- To render technical support services.
- To conduct EDP
- To initiate promotional programmes.
- Collect trade and market informations and share it with entrepreneurs.
- Coordinating the activities of ancillary industries in state.

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 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.

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

1. To promote cottage & SSI in rural area/small towns.
2. To help entrepreneur with all information under 1 roof.
3. 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.

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 socioeconomic 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:
1. To provide reliable consultancy support for entrepreneurs to startup self employment
 2. 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.

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. **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 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.

The main forms of Intellectual property rights are:

Patent

- A patent is an exclusive right granted for an invention – a product or process that provides a new way of doing something, or that offers a new technical solution to a problem.
- A patent provides patent owners with protection for their inventions.
- Protection is granted for a limited period, generally 20 years.

Trademark

- A trademark is a distinctive sign that identifies certain goods or services produced or provided by an individual or a company.

- Its origin dates back to ancient times when craftsmen reproduced their signatures, or “marks”, on their artistic works or products of a functional or practical nature.
- The system helps consumers to identify and purchase a product or service based on whether its specific characteristics and quality – as indicated by its unique trademark – meet their needs.

Copyright

- Copyright is a type of intellectual property that gives its owner the exclusive right to make copies of a creative work, usually for a limited time.
- The creative work may be in a literary, artistic, educational, or musical form.
- Copyright is intended to protect the original expression of an idea in the form of a creative work, but not the idea itself.

Trade Secret

- A trade secret is any practice or process of a company that is generally not known outside of the company.
- Information considered a trade secret gives the company an economic advantage over its competitors and is often a product of internal research and development.
- Trade secrets are secret practices and processes that give a company an economic advantage over its competitors.
- Trade secrets may differ across jurisdictions but have three common traits: not being public, offering some economic benefit, and being actively protected.

Examples of trade secrets include:

- KFC’s secret blend of 11 herbs and spices.
- Coca-Cola’s recipe for their signature drink.
- Google’s search algorithm.
- McDonald’s Big Mac “special sauce.”
- Secret client lists at any company.

QUESTIONS

1) Explain the following:

(i) NSIC (ii) DIC (iii) NIMSMIET (iv) NIESBUD (v) KSFC

2) Justify WTO and its impact on Small Scale Industries in India

3) What is TECSOK? Explain the service offered by TECSOK

4) Explain the aims and objectives of KIADB

5) What are the different types of patents? Explain.

6) Briefly explain about trademarks in IPR

7) Write a note on N.R.Narayana Murthy and Infosys

8) Discuss the case study of Microsoft.

9) Explain the steps in establishing micro and small enterprises