LECTURE NOTE ON

Entrepreneurship and Management

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(Lecture in)

CIVIL ENGINEERING

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ATHAGARH, CUTTACK-29

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Unit-1 Management

Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.

Since organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to 'manage' oneself, a pre-requisite to attempting to manage others.

Theoretical scope

At first, one views management functionally, such as measuring quantity, adjusting plans, setting and meeting goals, foresighting /forecasting. This applies even in situations when planning does not take place. From this perspective, Henri Fayol (1841–1925) considers management to consist of six functions: forecasting, planning, organizing, commanding, coordinating and controlling. He was one of the most influential contributors to modern concepts of management.

Some people, however, find this definition useful but far too narrow. The phrase "management is what managers do" occurs widely, suggesting the difficulty of defining management, the shifting nature of definitions and the connection of managerial practices with the existence of a managerial cadre or class.

One habit of thought regards management as equivalent to "business administration" and thus excludes management in places outside commerce, as for example in charities and in the public sector. More realistically, however, every organization must manage its work through leading employees, people, planning, controlling and organizing processes, technology, etc. to maximize effectiveness. Nonetheless, many people refer to university departments which teach management as "business schools." Some institutions (such as the Harvard Business School) use that name

while others (such as the Yale School of Management) employ the more inclusive term "management."

English speakers may also use the term "management" or "the management" as a collective word describing the managers of an organization, for example of a corporation. Historically this use of the term was often contrasted with the term "Labor" referring to those being managed.

Nature of managerial work

In for-profit work, management has as its primary function the satisfaction of a range of stakeholders. This typically involves making a profit (for the shareholders), creating valued products at a reasonable cost (for customers) and providing rewarding employment opportunities (for employees). In nonprofit management, add the importance of keeping the faith of donors. In most models of management/governance, shareholders vote for the board of directors, and the board then hires senior management. Some organizations have experimented with other methods (such as employee-voting models) of selecting or reviewing managers; but this occurs only very rarely.

In the public sector of countries constituted as representative democracies, voters elect politicians to public office. Such politicians hire many managers and administrators, and in some countries like the United States political appointees lose their jobs on the election of a new president/governor/mayor.

Basic roles

- **Interpersonal**: roles that involve coordination and interaction with employees, networking.
- **Informational**: roles that involve handling, sharing, and analyzing information.
- **Decisional**: roles that require decision-making.

Management skills

- **Political**: used to build a power base and establish connections.
- **Conceptual**: used to analyze complex situations.

- **Interpersonal**: used to communicate, motivate, mentor and delegate.
- **Diagnostic**: the ability to visualize most appropriate response to a situation .

Formation of the business policy

- The mission of the business is the most obvious purpose—which may be, for example, to make soap.
- The vision of the business reflects its aspirations and specifies its intended direction or future destination.
- The objectives of the business refer to the ends or activity at which a certain task is aimed.
- The business's policy is a guide that stipulates rules, regulations and objectives, and may be used in the managers' decision-making. It must be flexible and easily interpreted and understood by all employees.
- The business's strategy refers to the coordinated plan of action that it is going to take, as well as the resources that it will use, to realize its vision and long-term objectives. It is a guideline to managers, stipulating how they ought to allocate and utilize the factors of production to the business's advantage. Initially, it could help the managers decide on what type of business they want to form.

Implementation of policies and strategies

- All policies and strategies must be discussed with all managerial personnel and staff.
- Managers must understand where and how they can implement their policies and strategies.
- A plan of action must be devised for each department.
- Policies and strategies must be reviewed regularly.
- Contingency plans must be devised in case the environment changes.
- Assessments of progress ought to be carried out regularly by top-level managers.
- A good environment and team spirit is required within the business.
- The missions, objectives, strengths and weaknesses of each department must be analysed to determine their roles in achieving the business's mission.
- The forecasting method develops a reliable picture of the business's future environment.

- A planning unit must be created to ensure that all plans are consistent and that policies and strategies are aimed at achieving the same mission and objectives. All policies must be discussed with all managerial personnel and staff that is required in the execution of any departmental policy.

- Organizational change is strategically achieved through the implementation of the eightstep plan of action established by John P. Kotter: Increase urgency, form a coalition, get the vision right, communicate the buy-in, empower action, create short-term wins, don't let up, and make change stick.

Policies and strategies in the planning process

- They give mid- and lower-level managers a good idea of the future plans for each department in an organization.
- A framework is created whereby plans and decisions are made.
- Mid- and lower-level management may adapt their own plans to the business's strategic ones.

Levels of management

Most organizations have three management levels: low-level, middle-level, and top-level managers.[citation needed] These managers are classified in a hierarchy of authority, and perform different tasks. In many organizations, the number of managers in every level resembles a pyramid. Each level is explained below in specifications of their different responsibilities and likely job titles.

Top-level managers

Consists of board of directors, president, vice-president, CEOs, etc. They are responsible for controlling and overseeing the entire organization. They develop goals, strategic plans, company policies, and make decisions on the direction of the business. In addition, top-level managers play a significant role in the mobilization of outside resources and are accountable to the shareholders and general public.

According to Lawrence S. Kleiman, the following skills are needed at the top managerial level.

- Broadened understanding of how: competition, world economies, politics, and social trends effect organizational effectiveness .

Middle-level managers

Consist of general managers, branch managers and department managers. They are accountable to the top management for their department's function. They devote more time to organizational and directional functions. Their roles can be emphasized as executing organizational plans in conformance with the company's policies and the objectives of the top management, they define and discuss information and policies from top management to lower management, and most importantly they inspire and provide guidance to lower level managers towards better performance. Some of their functions are as follows:

- Designing and implementing effective group and intergroup work and information systems.
- Defining and monitoring group-level performance indicators.
- Diagnosing and resolving problems within and among work groups.
- Designing and implementing reward systems supporting cooperative behavior.

low-level managers

Consist of supervisors, section leads, foremen, etc. They focus on controlling and directing. They usually have the responsibility of assigning employees tasks, guiding and supervising employees on day-to-day activities, ensuring quality and quantity production, making recommendations,

suggestions, and upchanneling employee problems, etc. First-level managers are role models for employees that provide:

- Basic supervision.

- Motivation.

- Career planning.

- Performance feedback.

- Supervising the staffs.

It's both.

ART because you have to deal with people. You have to study organization behaviour and know what motivates people and what puts people off. You have to know Maslow's hierarchy of need etc. This is more qualitative.

SCIENCE because you have to know how to be accountable. You have to count how many people are in the office, the turnover rate, profit and loss, accounting etc. It's more quantitative.

Management as an Art

Art involves the systematic application of theoretical knowledge and personal skills to achieve desired results. The function of art is to effect change and to bring about desired results through deliberate efforts. Art represents 'how' of human behavior because it is the know-how to accomplish concrete practical results.

Art is a personalized process as every artist has his own style. Art is essentially creative and the success of an artist is measured by the results he achieves. A carpenter making furniture out of wood and a goldsmith shaping gold into ornaments are examples of art.

Art prescribes how to do things and it can be improved through continuous practice. Art is result-oriented involving practical way of doing specific things.

It consists of bringing about desired results through the use of skills. Art involves practical application of theoretical knowledge.

Management is essentially an art because of the following reasons:

(a)   The process of management involves the use of knowledge and skills. Every manager has to apply certain knowhow and skills while dealing with people.

(b)   Management seeks to achieve concrete practical results, e.g., profits, service, etc. According to Prof. John F. Mee, "management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public best possible service."

(c)   Like any other art, management is creative. It brings out new situations and makes resources productive. In fact, management is one" of the most creative arts because it requires molding and welding the attitudes and behavior of people at work for the accomplishment of specific goals in a changing environment.

It is the art of securing desired response from people. Management makes things happen.

(d)   Like any other art, management is a personalized process. Every manager has his own approach and technique depending upon his perception and the environmental conditions.

(e)   As an art, management requires judgment and skills. The art of management can be refined with continuous practice of management theories and principles.

The art of management is as old as human civilization. The importance of management art has increased with rapid growth in the number size and complexity of organizations.

Management as a Science:

Science is an organized or systematized body of knowledge pertaining to a particular field of enquiry. Science is systematized in the sense that it establishes cause and effect relationship between different variables.

Such systematized body of knowledge contains concepts, principles and theories which help to explain past events and to predict the outcome of specific actions. These principles are capable of universal application, i.e., they can be applied under different situations.

They represent fundamental truths derived through empirical results. These principles or basic truths are developed through scientific methods of continuous observation, experiment and testing.

When generalizations or hypotheses are empirically verified for accuracy through continuous observation and experimentation they become principles. Science explains 'why' of human behavior.

Management is a science because it contains all the characteristics of science. Firstly, there is a systematized body of knowledge in management. Principles are now available in every function of management and these principles help to improve managerial effectiveness.

For instance, there are a number of principles which serve as guidelines for delegating authority and thereby designing an effective organization structure. Similarly, there are several techniques (ways of doing things) in the field of management.

Budgeting, cost accounting, ratio analysis, rate of return on investment, critical path method (CPM), programme evaluation and review technique (PERT) are some of these techniques which facilitate better management.

Secondly, principles of management have been developed through continuous observations and empirical verification. Thirdly, management principles are capable of universal application.

Levels of management

Exhibit 2: Flat vs. Tall Organizational Hierarchy
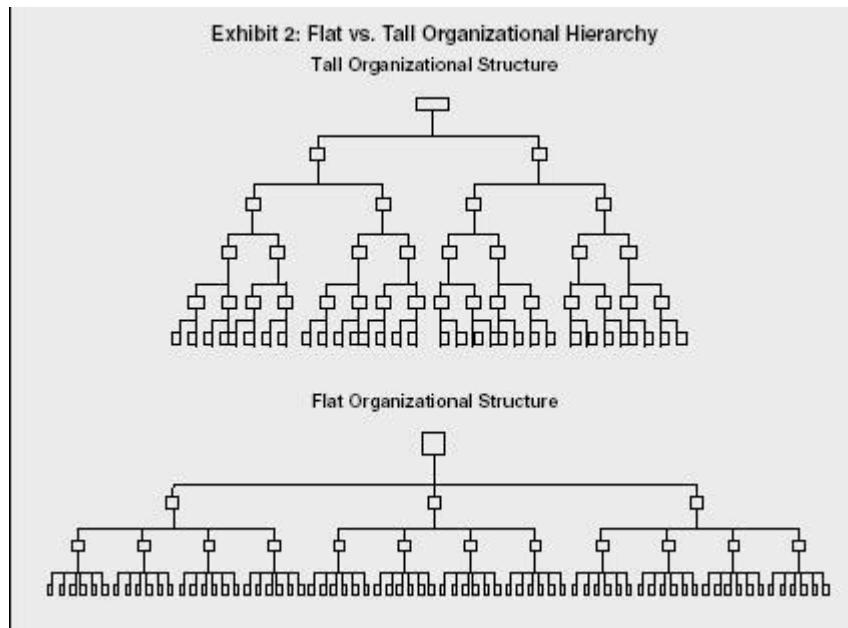
The term **—Levels of Management**' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories: -

1. **Top level / Administrative level** 2. **Middle level / Executory** 3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

LEVELS OF MANAGEMENT

Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows –

a.   Top management lays down the objectives and broad policies of the enterprise.

b.   It issues necessary instructions for preparation of department budgets, procedures, schedules etc.

c.   It prepares strategic plans & policies for the enterprise.

d.   It appoints the executive for middle level i.e. departmental managers.

e.   It controls & coordinates the activities of all the departments.

f.   It is also responsible for maintaining a contact with the outside world.

g.   It provides guidance and direction.

h.   The top management is also responsible towards the shareholders for the performance of the enterprise.

2.   Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to

organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

a.   They execute the plans of the organization in accordance with the policies and directives of the top management.

b.   They make plans for the sub-units of the organization.

c.   They participate in employment & training of lower level management.

d.   They interpret and explain policies from top level management to lower level.

e.   They are responsible for coordinating the activities within the division or department.

f.   It also sends important reports and other important data to top level management.

g.   They evaluate performance of junior managers.

h.   They are also responsible for inspiring lower level managers towards better performance.

3.   Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis,
―Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees‖. In other words, they are concerned with direction and controlling function of management. Their activities include -

a.   Assigning of jobs and tasks to various workers.

b.   They guide and instruct workers for day to day activities.

c.   They are responsible for the quality as well as quantity of production.

d.   They are also entrusted with the responsibility of maintaining good relation in the organization.

e.   They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.

f.   They help to solve the grievances of the workers.

g.   They supervise & guide the sub-ordinates.

h.   They are responsible for providing training to the workers.

i.   They arrange necessary materials, machines, tools etc for getting the things done.

j.   They prepare periodical reports about the performance of the workers.

k.   They ensure discipline in the enterprise.

l.   They motivate workers.

m.   They are the image builders of the enterprise because they are in direct contact with the workers. Modern Management approaches

A worker does not work for money only. Non-financial rewards such as affection and respect for co-workers are also important factors. The emphasis was on employee-centered, democratic and participative style of supervisory leadership as this is more effective than task centered leadership. This approach was however criticized for its emphasis on the importance of symbolic rewards and not on material rewards. The belief of this approach that an organization can turn into one big happy family where it is always possible to find solutions which satisfies everybody has also been questioned.

Behavioral Approach:

An approach that recognizes the practical and situational constraints on human rationality for making decisions

Behavioral scientists attach great importance to participative and group decision making. They are highly critical of the classical organization structures built on traditional concepts and prefer more flexible organization structures.

Two major theorists, Abraham Maslow and Douglas Mcgregor, came forward with ideas that managers found helpful.

Abraham Maslow: He developed the theory of motivation that was based on three assumptions. First, human beings have needs that are never completely satisfied. Second, human action is aimed at fulfilling the needs that are satisfied at a given point in time. Third, needs fit into a hierarchy, ranging from basic and lower level needs at the bottom to higher level needs at the top. Douglas McGregor: He developed a concept of Theory X versus Theory Y dealing with possible assumptions that managers make about workers. Theory X managers tend to assume that workers are lazy, need to be coerced, have little ambition and are focused mainly on security needs. Theory Y managers assume that workers do not inherently dislike work, are capable of self control, have capacity to be creative and innovative and generally have higher level needs. This approach helped managers develop a broader perspective on the nature of workers and new alternatives for interacting with them.

Quantitative Approach:

An approach that focuses on the use of quantitative tools for managerial decision making.

The quantitative management viewpoint focuses on the use of mathematics, statistics and information aids to supports managerial decision making and organizational effectiveness. Three main branches have evolved: operations research, operations management and management information systems.

Operations Research: Operations Research is an approach aimed at increasing decision effectiveness through the use of sophisticated mathematical models and possibilities as they can accomplish extensive calculation. Some operations research tools are linear programming, querying, waiting line, routing and distribution models.

Operations management: Operation management is a field that is responsible for managing the production and delivery function of an organization's products and services. Operations management is generally applied to manufacturing industries and uses tools such as inventory analysis, statistical quality control, networking etc.

Management Information System: Management Information System refers to the designing and implementing computer based information systems for use by the management. Such systems turn raw data into information that is required and useful to various levels of management.

Contingency Approach: A view point which believes that appropriate managerial action depends on the peculiar nature of every situation.

This approach is a viewpoint which argues that there is no best way to handle problems. Managerial action depends on the particular situation. Hence, rather than seeking universal principles that apply to every situation, this theory attempts to identify contingency principles that prescribe actions to take depending on the situation.

Systems Approach to management:

Systems theory is an approach based on the notion that organizations can be visualized as systems. A system is a set of interrelated parts that operate as a whole in pursuit of common goals. Every system has four major components:

1. Inputs are the various resources required to produce goods and services.

2. Transformation processes are the organization managerial and technological abilities that are applied to convert inputs into outputs.

3. Outputs are the products, services and other outcomes produced by the organization.

4. Feedback is information about results and organizational status relative to the environment.

Resources: (1) Human (2) Materials (3) Equipment (4) Financial (5) Informational

Managerial and Technological Abilities: (1) Planning (2) Organizing (3) Leading (4) Controlling (5) Technology

Outcomes: (1) product and services (2) Profits and losses (3) Employee growth and satisfaction.

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Unit-2 Planning

Meaning and Definition of Planning

Planning is the primary function of management. It focuses on the future course of action. It specifies the objectives to be achieved in future and selects the alternative course of action to reach defined objectives. It also involves many activities like analyzing and decision making about technical, personnel, financial, and other elements essential to implement predetermined course of action. Thus, planning is mental and paper activities which look ahead for drawing the future course of action.

In other words, planning is intellectual process which is concerned with deciding in advance what, when, why, how, and who shall do the work. Generally, manager defines goals and takes necessary steps to ensure that these goals can be achieved in efficient manner. Planning reflects vision, foresight and wisdom. Thus, it is the blue print of action and operation. Following are the important definition of planning:

―Generally speaking, planning is deciding in advance what is to be done‖ W H Newman

―Planning is that function of manner in which he decides in advance what he will do. It is a decision making process of a special kind, its essence is futurity.‖ Hayness and Massie

―Planning is deciding in advance what to do, how to do, when to do and who is to do it. Planning bridges a gap between from where we are to where we want to go‖

Harold . Koontz and O'Donnel.

― Planning is the selecting and relating of facts and the making and using of assumption regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results**"**   **George R Terry**
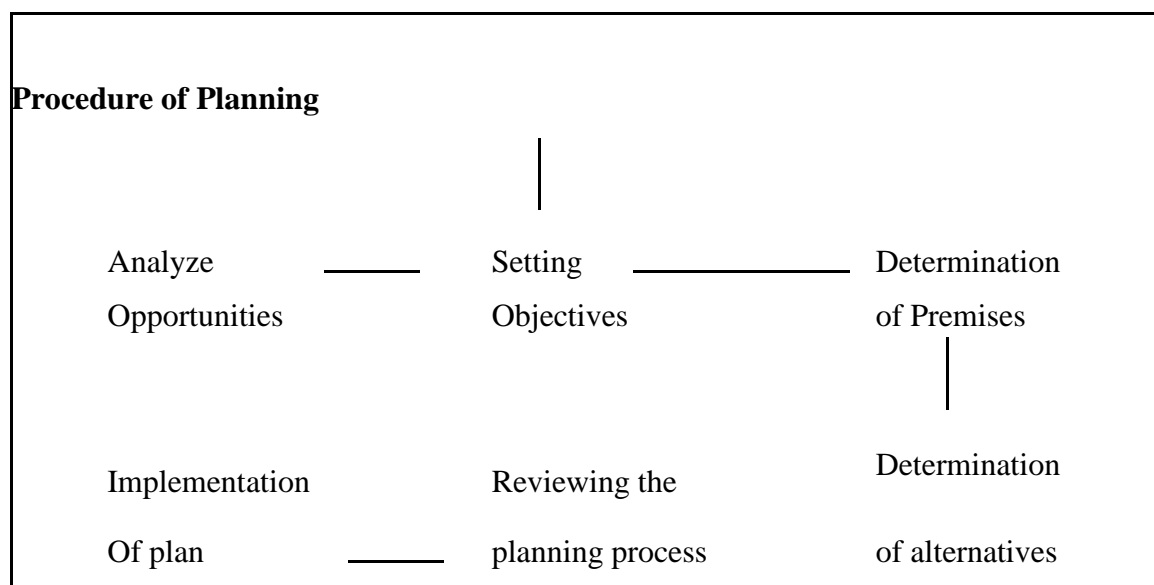
From the above definition, we may come into conclusion that planning is predetermination of objectives and intellectual course of action to be taken to achieved defined goal effectively and on time.

Generally, planning involves the following elements;

1.   Establishment of organizational objectives and policies.

2.   Identification of alternative courses of action and programs

3.   Selecting the best course of action and programme.

Procedure of Planning

For systematic approach to planning, it is essential to complete some procedures or steps. The major steps of planning are as follows:

Procedure of Planning

Analyze Opportunities	Setting Objectives	Determination of Premises
Implementation Of plan	Reviewing the planning process	Determination of alternatives

Figure: Procedure of Planning

1.**Analyze Opportunities:** Generally, this is not a step of planning. It is known as pre-step of planning. It is essential to make a successful plan. The management has to analyze strengths; weakness, opportunities and threats (SWOT) of changing environment of the business. Here, strengths   and weaknesses are internal environment of the enterprise like availability   of materials, machines, manpower, organizational structural technology etc.

In the similar manner, opportunities and threats are external environment and affected by many factors like government rules, economic condition,   competitors strategy customers

taste, social and cultural believes etc. it is essential   to make detail study about the above factors and should be pointed clearly.

2.**Setting objectives:** This is the first and real starting point of planning. The objectives must be specific, clear and practical. They should be time bound and expressed in numerical terms. They should not be idealistic or over ambitious. A minor mistake in setting objectives might affect in implementation of plan. Thus, management has to define objectives in clear manner by considering organizational resources and opportunities. After clarification of specific objective, it should be broken down into different departments, branches, sections and individuals.

3.**Determination of premises:** After setting objectives, another step of planning is to determine premises. Premises are the assumptions about the future in which the planning is implemented. They provide environment and boundaries for the implementation of plan in practical operation. The future environment will be established through forecasting. They provide present trend and future possibilities. These premises may be tangible and intangible and external.

(a)   **Tangible and intangible:** Tangible premises involve capital investment, unit of production, units sold, cost per unit, time available etc. Similarly, intangible premises involve employees moral, goodwill, motivation, managerial attitude, etc.

(b)   I**nternal and external:** Internal premises involve money, materials, Machines and managements. In the similar manner, external factors involve competitors strategy, technological change, government policy, social and cultural beliefs etc.

4.**Determination of alternatives**: The next step, after establishment of objective and premises of the planning is to discover the various alternative courses of action for the achievement of organizational objectives. For this purpose, it is essential to identify all the possible hidden alternatives. The information about alternative courses of action may be obtained from primary and secondary sources. There must be search for the best alternative. The management must develop alternatives through the support of experienced and intellectual experts in management sectors. The determination of alternative courses of action is the basis of development, and therefore, they must be up-to-date and reliable for the organization.

5. **Evaluation of alternatives:** This is another step after determination of alternative courses of action to evaluate them from their expected cost and benefits. This is the logical step to evaluate each alternative from its plus and minus points. Each alternative is studied and evaluated in terms of some common factors such as risk, responsibility, planning premises, resources, technology etc. Thus, management must implement a broad basis of requirement; it may borrow techniques of analysis from many disciplines such as mathematic, sociology, economics, psychology etc. In conclusion, evaluation techniques must be scientific and practical so that one of the best courses can be selected.

6**Selecting a course of action:** Next step of the planning after evaluation of alternative courses of action is to select a best course of action. At that time of selection of one course of action, management has to consider past experience, present situation and future contingencies of such decision. In practical sense, this is the first step in the real point of decision. Thus, it is essential to consider about the various premises and environments of an organization and their impact on future course of action. Besides, it is needed to forecast about the comparative costs and benefits factors. The evaluation of these factors will provide guidelines and suggestions in practical implementation of plan.

7**Formulation of derivative plans: This** is the next logical step after the selection of a course of action. After the selection of course of action, it is essential to formulate action plans for each step of work and to all departments of the organization. These action plans involve formulation of policies, rules, schedule and budget to complete defined objectives. Thus, formulation of derivative plans is an essential step in planning process. It is difficult to implement main plan without formulation of derivative plan without formulation plan. For example, management has decided introduce a new product in the line, for this purpose it has to prepare plans for product design, plan and equipment, staffs, production process, market strategy, budget etc. This is helpful to implement in practical field.

8**Implantation of plans:** This is one of the significant steps of planning. Without this step, other this procedure of plan will remain as paper work. This step brings all the procedure of plan into action. For implementation plan, management has to take some steps such as to communicate with subordinates who initiate to plan into action; provide necessary instruction and guidance; make arrangement of all resources like materials, machines, money, equipments etc; make timely supervision and control over subordinates.

9**Reviewing the planning process:** The planning procedure is continuous function up to the attainment of defined objectives. For this purpose, evaluation of achievement of work, according to the time, is necessary to know about actual performance. The manager can take corrective action in proper time only after evaluation of actual performance. The right decision at the right time is necessary to achieve objectives according to the plan. It is also essential to adjust with changing environment of the business.

Types of planning

Planning is the formal process and schedules to complete the work. Every organization has to prepare a plan to achieve predetermined objectives in proper time. However, the types of plan depend upon the nature and sizes of the organizations. Plan may be prepared by prepared either for short period or long period or may be prepared by top level management or operational level management. The following are the major types of plan prepared in the organization:

 I, Corporate or strategic plan
Ii Tactical or Division plan
Iii Operational or Unit plan

i. **Corporate or Strategic Plan:** This plan is prepared by the top level management by taking the long term objectives of the organization into consideration. It clearly defines the objectives of the organization and strategies to achive the defined objective. Here goal focuses on the result that an organization wants to achieve. It is the end point of planning. In the similar manner, strategies involve the clear explanation about how to achieve the defined objectives. They consist

of programs, policies and schedules to utilize properly the available resources of the service, market, competition, social responsibility, introduction of technology, public image etc. As strategies are for the long term future course of action, they are based on analysis of future opportunities and threats. Hence, there is a high degree of uncertainty in strategic plans. A minor negative impact of an environment may inverse impact on organizational performance. Thus the top level management has to modify strategic plan on the basis of time, situation and requirement.

ii   **Tactical or Division Plan:** Tactical plan is prepared by the middle level management It is consistent with corporate plan. In simple words, it is the sub-division of corporate plan to implement in practical field. Here, divisional managers identify the priorities of the works. They focus to allocate work and resources on the basis of programs. It is prepared to allocate divisional activities like production, finance, marketing, personal and others. It focuses to get the things done complete. Basically divisional plan is based on divisional strength and threats. This plays a mediator role between corporate and operational plans.

iii   **Operational or Unit Plan:** This plan is prepared by the lower level management. It is consistent with tactical plant. In simple sense, it is the action plan of each and every activity of the department. It prepares the schedule of each and every department. It prepares schedule of each unit of work and implement tactical plan in practical field. It is concentrated in the best use of available resources. For this purpose, operating level of management prepares plan and schedule of each stage of work of a unit or department. For instance, it prepares regular production schedule of a production department so that priority should be given to regular production process. In the similar manner, short term operational plan are also prepared for other units like marketing, finance, personal etc. In conclusion, this plan concentrates in best utilization of resources under the control of concerned unit.

Advantages (Benefits/Importance) of Planning

Planning is the foundation of the organization. It is the primary function of management which clearly defines the organizational objectives and line of action. The quality of planning is important for successful operation of the organization. The following points clarify the importance of planning in the organization:

Advantages of Planning

Goal Focus

Minimize Uncertainty

Improve efficiency

Facilitates to Control

Innovation and Creativity

Better Coordination

Ensures Commitment

Aid to Business Success

Brings Systematization

i.   **Goal Focus:** Planning helps to focus the attention of the managers and subordinates towards organizational objectives. It predetermines the objectives and defines line of action to complete the work. Management of any organization is formed to attain defined objectives. Thus, good management is the management by objectives. Planning facilitates to make management by objectives. It serves as the blue print of the course of action and eliminates the unnecessary and useless activities. It focuses to priorities and facilitates to take right decision at the right time.

ii.   **Minimize uncertainties:** Planning is one of the important tools to forecast and anticipate future uncertainties and risks. The management has to work in an environment which is uncertain and ever changing. The change in environment may occur due to economic, social, political and technological changes. Planning helps an enterprise to make study about future challenges and uncertainties which may arise in the future course of action. Thus, it helps management to face future which greater strength and confidence. The systematic and practical planning provides guidelines to the management to complete the work in efficient manner.

iii. **Improve efficiency:** One of the parts of planning is to select a best course of action by evaluating many alternatives. While selecting a course of action, the benefit of the organization is taken into consideration. It also provides guidelines and procedures to complete the work. It also helps for the optimum utilization of resources, avoiding wasteful efforts and money and minimizing wastage. Besides, it also avoids the concept of trial and error or hit and misses and defines a clear line of action. The selection of best cause of action, definition of clear line of action ad optimum utilization of resources contribute to improve overall working efficiency of the organization.

iv. **Facilitates to control:** Planning is the basis of control. It defines the minimum standard of work to be achieved and time to complete the job. It is helpful to compare the actual performance achieved with that of predetermined or standard fixed. The manager evaluates the actual achievement of work interval of time. This is helpful to identify the deviation, if any, between actual and planned performances. In case any deviation is there, the management can take necessary steps so that defined work can be completed in given time. Thus, planning makes control meaningful and effective.

v. **Innovation and creativity: P**lanning encourages innovative thought and creative action among the managers. An effective planning encourages managers to think about new knowledge, idea, procedures, technique and strategy for the completion of work. It also helps to create new modified course of action. This is essential for the growth and expansion of working areas of the business. It contributes to motivate and develop moral among the employees. It is also helpful to maintain up-to-date position in business operation and face business complexity. Thus, planning is the base of management. The managers innovate and create new strategy to complete the predetermined work in this ever-changing environment.

VI **Better Coordination :** Planning plays an important role to facilitate better coordination among all the authorities and units of the organization. It clearly defines in advance what, when, and by whom the work should be done. For this purpose, it clarifies the authority and responsibility of

each and every employee from top level of the organization. This is helpful to harmonize the relationship between all employees and develop feeling of team spirit or group work among them. In absence of proper planning of interrelated units, it is difficult to accomplish goal and there is possibility of wastage of resources. Thus, planning is the primary instrument to facilitate better coordination in the organization.

Vii **Ensure Commitment :** Planning ensures commitment of the management towards organizational goal. It set the feelings of responsibility of managers. It facilitates to convert individual goals to organizational objectives. It clearly defines authority and responsibility of each and every authority. No one can avoid or divert his responsibility to others. Planning also develops the sense of team spirit and group work.

Viii **Aid to Business System :** Planning is the initial tool to business success. It plays a key role for the successful operation of the business. It helps to select the best course of action among many alternatives and defines clear line of action. Besides, it brings unity in action, minimizes cost and effort and coordinates among all the members of the organization. Ultimately, it helps to develop working efficiency and to achieve predetermined goals in an effective way. Thus, planning is the best for the successful operation of business activities. It is known as the key to business activities.

Brings Systemization : Planning contributes to develop a system and uniformity in organizational performance. It clearly defines authority and responsibility of each and every employee from upper to subordinate levels. It integrates and unites all the possible efforts of the organization. It avoids random activity and the concept of trial and error. It provides order rationality to the organization. It brings maturity in decision and makes simplification on its implementation. It brings coordination to complete the work in systematic and efficient manner and ultimately helps to minimize time and cost.

Therefore, planning is essential function for the successful completion of organizational performances so that it can adjust itself in this competitive and ever changing environment of the society. It plays an important role to maintain unity in action and coordination among all the units and employees, improve productivity, maintain effective control and develop overall working efficiency of the business.

Strategy and Business policy

Strategy is meant to fill in the need of organizations for a sense of dynamic direction, focus and cohesiveness .Objectives alone do not fill in the need of organization. Strategy provides an integrated framework for the top management to search for evaluation of opportunities, to perceive and meet threats and crises to make full use of resources to make major decision.

Strategy may be defined as long range blueprint of an organization's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go.

The concept of strategy is ancient. The word itself comes from the Greek Strategeia, which means the art or science of being general. The connection that managers today make between business and strategy is a relatively recent one. Only since World War II has emerged that strategic planning and acting on those plans constitute a separate management process- the process we call Strategic management.

Strategic management provides a disciplined way for managers to make sense of the environment in which their organization operates, and then to act.

Stages in formulation of strategy

A number of framework have been developed for identification the major strategic alternatives that organization should consider when choosing their business – level strategies.

The several stages involved in formulating a strategy .

1. *Determination of corporation vision, mission, and purpose*
2. *External environmental appraisal*
3. *Internal environmental appraisal*
4. *Gap analysis*
5. *Strategic search*
6. *SWOT analysis*

Types of Strategies
1. *Stability strategy*
2. *Growth strategy*
3. *Diversification strategy*
4. *Acquisition strategy*
5. *Retreat strategy*
6. *Combination strategies*

The Importance of Planning

The importance of the planning function should have be clear to you. We can outline the importance of planning function as follows:

Provides Direction: Planning provides a clear sense of direction to the activities of the organization and to the job behavior of managers and others. It strengthens their confidence in understanding where the organization is heading and what for, how best to make the organization move along the chosen path, and when should they take what measures to achieve the goals of the organization.

Provides opportunity to analyze alternative courses of action: Another source of importance of planning is that it permits managers to examine and analyze alternative course of action with a better understanding of their likely consequences. If managers have an enhanced awareness of

the possible future effects of alternative courses of action, for making a decision or for taking any action, they will be able to exercise judgment and proceed cautiously to choose the most feasible and favorable course of action.

Reduces uncertainties: Planning forces managers to shake off their inertia and insular outlook; it induces them to look beyond those noses, beyond today and tomorrow, and beyond immediate concerns. It encourages them to probe and cut through complexities and uncertainties of the environment and to gain control over the elements of change.

Minimizes impulsive and arbitrary decisions: Planning tends to minimize the incidence of impulsive and arbitrary decisions and ad hoc actions; it obviates exclusive dependence on the mercies of luck and chance elements; it reduces the probability of major errors and failures in managerial actions. It injects a measure of discipline in managerial thinking and organizational action. It improves the capability of the organization to assume calculated risks. It increases the freedom and flexibility of managers withing well-defined limits.

King-pin function: As stated earlier, planning is a prime managerial function which provides the basis for the other managerial functions. The organizational structure of task and authority roles is built around organizational plans. The functions of motivation, supervision, leadership and communication are addressed to implementation of plans and achievement of organizational objectives. Managerial control is meaningless without managerial planning. Thus, planning is the king-pin function around which other functions are designed.

Resource Allocation: Planning is means of judicious allocation of strategic and scarce resources of the organization in the best possible manner for achieving strategic goals of the organization. The strategic resources include funds, highly competent executives, technological talent, good contacts with government, exclusive dealer network and so on. If the organization enjoys a distinct advantage in possession of such resources, a careful planning is essential to allocate them into those lines which would strengthen the overall competitive position of the organization.

Resource use efficiency: For an ongoing organization, planning contributes towards a more efficient functioning of the various work units. There is better utilization of the organization's existing assets, resources and capabilities. It prompts managers to close gaps, to plug loopholes, to rectify deficiencies, to reduce wastage and leakages of funds, materials, human efforts and skills so as to bring about an overall improvement in resource use efficiency.

Adaptive responses: Planning tends to improve the ability of the organization to effectively adapt and adjust its activities and directions in response to the changes taking place in the external environment. An adaptive behavior on the part of the organization is essential for its survival as an independent entity. For a business organization, for example, adaptive behavior is critical in technology, markets, products and so on.

Anticipative action: While adaptation is a behavior in reaction and response to some changes in the outside world, it is not enough in some situations. In recognition of this fact, planning stimulates management to act, to take hold initiatives, to anticipate crises and threats and to ward them off, to perceive and seize opportunities ahead of other competitions, and to gain a competitive lead over others. For the purpose, some enterprises establish environmental scanning mechanism as part of their planning systems. Thereby such enterprises are able to direct and control change, instead of being directed and controlled by the pervasive external forces of change.

Integration: Planning is an important process to bring about effective integration of the diverse decisions and activities of the managers not only at a point of time but also over a period of time. It is by reference to the framework provided by planning that managers make major decisions on organizational activities, in an internally consistent manner. Steps in Planning Function

Planning function of management involves following steps:-

1.Establishment of objectives

a.Planning requires a systematic approach.

b.Planning starts with the setting of goals and objectives to be achieved.

c.Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.

d.Moreover objectives focus the attention of managers on the end results to be achieved.

e.As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.

f.As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.

g.Such goals should be specified in qualitative terms.

h.Hence objectives should be practical, acceptable, workable and

achievable. 2.Establishment of Planning Premises

a.Planning premises are the assumptions about the lively shape of events in

future. b.They serve as a basis of planning.

c.Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.

d.It is to find out what obstacles are there in the way of business during the course of operations. e.Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.

f.Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio-economic, political and economical changes.

g.Internal premises are controllable whereas external are non-

controllable. 3.Choice of alternative course of action

a.When forecast are available and premises are established, a number of alternative course of actions have to be considered.

b.For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.

c.The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.

d.After objective and scientific evaluation, the best alternative is chosen.

e.The planners should take help of various quantitative techniques to judge the stability of an alternative.

4.Formulation of derivative plans

a.Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.

b.Secondary plans will flow from the basic plan. These are meant to support and expediate the achievement of basic plans.

c.These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.

d.Derivative plans indicate time schedule and sequence of accomplishing various

tasks. 5.Securing Co-operation

a.After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence. b.The purposes behind taking them into confidence are :-

a.Subordinates may feel motivated since they are involved in decision making process.

b.The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.

c.Also the employees will be more interested in the execution of these

plans. 6.Follow up/Appraisal of plans

a.After choosing a particular course of action, it is put into action.

b.After the selected plan is implemented, it is important to appraise its effectiveness.

c.This is done on the basis of feedback or information received from departments or persons concerned.

d.This enables the management to correct deviations or modify the plan.

e.This step establishes a link between planning and controlling function.

f.The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

Nature and Characteristics of Planning management

Managerial function has some unique characteristics of its own which separate it from other functions. They are:

Primacy of Planning: Planning is the first and foremost activity of Managerial function. Management starts with planning. Planning gives base for other functions like organizing, staffing, directing controlling etc. It is equally important like all other managerial functions.

Planning a Process: Planning is a process of management which starts with identification of mission and goals of the organization and ends with making arrangements for fulfilling the goal.

Ubiquity/pervasiveness of Planning: Planning is an function which exists in all levels of managerial hierarchy. Starting from the the CEO to down to the last line worker. But the content and quality of planning differ in different levels. Planning of top level executives considerably affect the function of organization. Middle and lower level managerial planning will not affect much of the function of the organization. Some examples of planing are: Production planning, Material requirement planning, financial planning, project planning etc.

Future orientation: Planning are always future oriented. It is a process which look ahead or think ahead and making provision to tackle future event. While planning for the future managers would consider the situations and events of present and past within and outside the organization.

Information base: Information is the basis of planning. Without information planning is not possible. Information about present, future and past are needed for the good planning. It will help the managers to evaluate the present and future situations and plan accordingly for the future.

Rationality: Planning is done based on reasons rather than emotions. That is why planning is said to be a purposeful and conscious managerial function and is backed by necessary information, understanding and knowledge. Planning decisions are made with the awareness of their consequences. Managers are unemotional in their approach to planning.

Formal and informal Nature: Normally planning is of formal and informal nature. Formal planning is done through investigation and analysis of various factors. It will be a step by step process to achieve the goal. Various jobs are allocated and communicated to managers of different

levels and are recorded for future reference/control and accountability. Informal planning is done by the managers and communicated them to others through the word of mouth which are flexible. Informal planning is considered as a trial and error process. ***Planning management***

Intellectual Process: Planning is a process which needs the ability to think in a logical way and understanding things. It needs the ability or skill to view the future opportunity and threats. The person who does the planning should have the ability to see the problems and analyze it and find an alternate way to solve these problems. Choosing the right course of action is the most important skill needed by the person who does the planning

Pragmatic, action-orientation: Even if it is an intellectual process, it needs practical, flexible and sensible way of action rather than a fixed ideas or theories. Think before acting and decide before doing are part of the culture of planning. Actions should be practical and implementable. Planning follows action and these actions should be discussed and confirmed in advance.

Decision making: Planning involves decision making and problem solving. It also involves identification of the issues which needs to be addressed, collection of relevant information/facts, finding out the most appropriate alternative course of action or choice. Decisions are made based on organizational policies, programs, strategies, objectives, other plans and procedures. It also involve allocation, mobilization and commitment of resources.

Dynamism: Planning is a dynamic process and it is based on the external and internal changes of environment. Delay in planning may cause huge losses. Market changes and current fashion trends are to be taken in to consideration while planning. The trend is changing every day. If the organization is not changing as per the current trend, the organization will fail to continue its existence. It is a continuous process of assessment and reassessment of goals, resources, directions opportunities and problems of the organization.

Levels and of planning: On the basis of scope there are two levels:

1. Corporate Planning covering the entire organization

2. Sub-corporate or functional Planning – within the various divisions or units.

On the basis of significance we may divide planning into
1. Strategic planning

2.   Tactical or operational planning.

On the basis of time we can divide planning into:

1.   Long term planning covering periods of more than one year.

2.   Short term planning covering a period of one year or less.

Even if we divide planning into different levels to analyze, it must be coordinated and balanced to support one another and attain the objectives of the organization.

Types of plans: Plans are categorized into two groups:

1. Single use pans – those which are designed to meet specific, non-repetitive and unique situations

2. Standing Plans – those which are fairly stable and are meant to handle a wide range of repetitive situations over a period of time.

5 essential objectives of economic planning in India

Planning without an objective is like driving without any destination. There are generally two sets of objectives for planning, namely the short-term objectives and the long-term objectives. While the short-term objectives vary from plan to plan, depending on the immediate problems faced by the economy, the process of planning is inspired by certain long term objectives. In case of our Five Year plans, the long-term objectives are:

(i)   A high rate of growth with a view to improvement in standard of living.

(ii) Economic self-reliance;

(iii) Social justice and

(iv) Modernization of the economy

(v) Economic stability

(i) High Rate of Growth

All the Indian Five Year Plans have given primary importance to higher growth of real national income. During the British rule, Indian economy was stagnant and the people were living in a state of abject poverty. The Britishers exploited the economy both through foreign trade and colonial administration. While the European industries flourished, the Indian economy was caught in a vicious circle of poverty. The pervasive poverty and misery were the most important problem that has to be tackled through Five Year Plan.

During the first three decades of planning, the rate of economic growth was not so encouraging in our economy Till 1980, the average annual growth rate of Gross Domestic Product was 3.73 percent against the average annual growth rate of population at 2.5 percent. Hence the percapita income grew only around 1 percent. But from the 6th plan onwards, there has been considerable change in the Indian economy. In the Sixth, Seventh and Eight plan the growth rate was 5.4 percent, 5.8 percent and 6.8 percent respectively. The Ninth Plan, started in 1997 targeted a growth rate of 6.5 percent per annum and the actual growth rate was 6.8 percent in 1998 - 99 and 6.4 percent in 1999 - 2000. This high rate of growth is considered a significant achievement of the Indian planning against the concept of a Hindu rate of growth. **(ii) Economic Self Reliance**

Self reliance means to stand on one's own legs. In the Indian context, it implies that dependence on foreign aid should be as minimum as possible. At the beginning of planning, we had to import food grains from USA to meet our domestic demand. Similarly, for accelerating the process of industrialization, we had to import, capital goods in the form of heavy machinery and technical know-how. For improving infrastructure facilities like roads, railways, power, we had to depend on foreign aid to raise the rate of our investment.

As excessive dependence on foreign sector may lead to economic colonialism, the planners rightly mentioned the objective of self-reliance from the third Plan onwards. In the Fourth Plan much emphasis was given to self-reliance, more specially in the production of food grains. In the Fifth Plan, our objective was to earn sufficient foreign exchange through export promotion and important substitution.

By the end of the fifth plan, Indian became self-sufficient in food-grain production. In 19992000, our food grain production reached a record of 205.91 million tons. Further, in the field of industrialization, now we have strong capital industries based on infrastructure. In case of science and technology, our achievements are no less remarkable. The proportion of foreign aid in our plan outlays have declined from 28.1 percent in the Second Plan to 5.5 percent in the Eighth Plan. However, in spite of all these achievements, we have to remember that hike in price of petroleum products in the inter national market has made self-reliance a distant possibility in the near future.

(iii) Social Justice:

Social justice means to equitably distribute the wealth and income of the country among different sections of the society. In India, we find that a large number of people are poor; while few lead a luxurious life. Therefore, another objective of development is to ensure social justice and to take care of the poor and weaker sections of the society. The Five-Year Plans have highlighted four aspects of social justice. They are:

(i)   Application of democratic principles in the political structure of the country;

(ii) Establishment of social and economic equity and removal of regional disparity;

(iii) Putting an end to the process of centralization of economic power; and

(iv) Efforts to raise the condition of backward and depressed classes.

Thus the Five Year Plans have targeted to uplift the economic condition of socio-economically weaker sections like scheduled caste and tribes through a number of target oriented programmes. In order to reduce the inequality in the distribution of landed assets, land reforms have been adopted. Further, to reduce regional inequality specific programmes have been adopted for the backward areas of the country.

In spite of various efforts undertaken by the authorities, the problem of inequality remains as great as ever. According to World Development Report (1994) in India the top 20 percent of household enjoy 39.3 percent of the national income while the lowest 20 percent enjoy only 9.2 percent of it. Similarly, another study points out that the lowest 40 percent of rural household own only 1.58

percent of total landed asset while the top 5.44 percent own around 40 percent of land. Thus the progress in the field of attaining social justice has been slow and not satisfactory.

(iv) Modernization of the Economy:

Before independence, our economy was backward and feudal in character. After attainment of independence, the planners and policy makers tried to modernize the economy by changing the structural and institutional set up of the country. Modernization aims at improving the standard of living of the people by adopting a better scientific technique of production, by replacing the traditional backward ideas by logical reasoning's and bringing about changes in the rural structure and institutions.

These changes aim at increasing the share of industrial output in the national income, upgrading the quality of products and diversifying the Indian industries. Further, it also includes expansion of banking and non-banking financial institutions to agriculture and industry. It envisages modernization of agriculture including land reforms.

(v) Economic Stability:

Economic stability means to control inflation and unemployment. After the Second Plan, the price level started increasing for a long period of time. Therefore, the planners have tried to stabilize the economy by properly controlling the rising trend of the price level. However, the progress in this direction has been far from satisfactory.

Thus the broad objective of Indian plans has been a non-inflationary self-reliant growth with social justice.

Planning Premises
Plan types of Planning Premises

Different types of planning premises are depicted in the picture (figure) below.

Types of Planning Premises are briefly explained as follows:-

1. Internal and External Premises

1. **Internal Premises** come from the <u>business</u> itself. It includes skills of the workers, <u>capital investment</u> policies, philosophy of <u>management,</u> sales<u>forecasts,</u> etc.
2. **External Premises** come from the external environment. That is, economic, social, political, cultural and technological environment. External premises cannot be controlled by the business.

2. Controllable, Semi-controllable and Uncontrollable Premises

1. **Controllable Premises** are those which are fully controlled by the management. They include factors like materials, machines and <u>money.</u>
2. **Semi-controllable Premises** are partly controllable. They include<u>marketing</u> strategy.
3. **Uncontrollable Premises** are those over which the management has absolutely no control. They include weather conditions, consumers' behaviour, government policy, natural calamities, wars, etc.

3. Tangible and Intangible Premises

1. **Tangible Premises** can be measured in quantitative terms. They include units of production and sale, money, time, hours of work, etc.

2. **Intangible Premises** cannot be measured in quantitative terms. They include goodwill of the business, employee's morale, employee's attitude and public relations.

4. Constant and Variable Premises

1.

    Constant Premises do not change. They remain the same, even if there is a change in the course of action. They include men, money and machines.

2. **Variable Premises** are subject to change. They change according to the course of action. They include union-management relations.

What Is a Planning Hierarchy?

Definition

A planning hierarchy represents the organizational levels and units in your company for which you want to plan. A planning hierarchy is a combination of <u>characteristic values</u> based on the <u>characteristics</u> of one<u>information structure.</u>

Planning hierarchies provide a framework for your planning activities in consistent planning and level-by-level planning. With these planning methods, a planning hierarchy must exist for the information structure before you can plan its key figures. You can create only one planning hierarchy for an information structure. However, a hierarchy can have as many different branches as you like. See also <u>Planning Hierarchies Containing Product Groups.</u>

You can create one or more planning hierarchies automatically when you install Release 3.0, with the <u>Master Data Generator.</u>

You can also create a planning hierarchy manually (see <u>Creating a Planning Hierarchy).</u> It consists of one or more planning levels to which you assign characteristic values.

You maintain planning hierarchies in much the same way as you maintain product groups, on a level-by-level basis, and define the aggregation factor and the proportional factor of each characteristic value just as you define them for the members of a product group. For more information, see <u>Planning Hierarchy Maintenance Functions.</u>

Example of a Planning Hierarchy
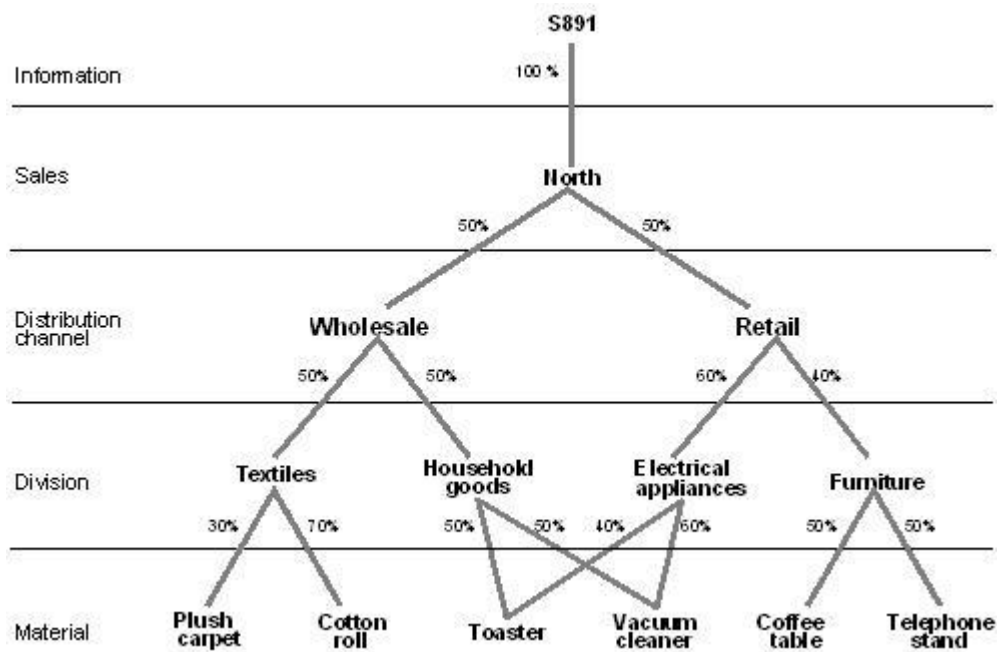
You might extend this planning hierarchy to include further branches, such as branches to represent the organizational structure of the company in sales organizations South, East, and West.

Unit-3 Organizing and staffing

Nature of organization

The following are the important characteristics of organization.

Specialization and division of work

The entire philosophy of organization is centered on the concepts of specialization and division of work. The division of work is assigning responsibility for each organizational component to a specific individual or group thereof. It becomes specialization when the responsibility for a specific task lies with a designated expert in that field. The efforts of the operatives are coordinated to allow the process at hand to function correctly. Certain operatives occupy positions of management at various points in the process to ensure coordination.

Orientation towards goals

Every organization has its own purposes and objectives. Organizing is the function employed to achieve the overall goals of the organization. Organization harmonizes the individual goals of the employees with overall objectives of the firm.

Composition of individuals and groups

Individuals form a group and the groups form an organization. Thus,organization is the composition of individual and groups. Individuals are grouped into departments and their work is coordinated and directed towards organizational goals.

Differentiated functions

The organization divides the entire work and assigns the tasks to individuals in order to achieve the organizational objectives; each one has to perform a different task and tasks of one individual must be coordinated with the tasks of others. Collecting these tasks at the final stage is called integration.

Continuity

An organization is a group of people with a defined relationship in which they work together to achieve the goals of that organization. This relationship does not come to end after completing each task. Organization is a never ending process.

Purpose of organization

Helps to achieve organizational goal

Organization is employed to achieve the overall objectives of business firms. Organization focuses attention of individuals objectives towards overall objectives.

Optimum use of resources

To make optimum use of resources such as men, material, money, machine and method, it is necessary to design an organization properly. Work should be divided and right people should be given right jobs to reduce the wastage of resources in an organization.

To perform managerial function

Planning, Organizing, Staffing, Directing and Controlling cannot be implemented without proper organization.

Facilitates growth and diversification

A good organization structure is essential for expanding business activity. Organization structure determines the input resources needed for expansion of a business activity similarly organization is essential for product diversification such as establishing a new product line.

Human treatment of employees

Organization has to operate for the betterment of employees and must not encourage monotony of work due to higher degree of specialization. Now, organization has adapted the modern concept of systems approach based on human relations and it discards the traditional productivity and specialization approach.

Applications

Organizing, in <u>companies</u> point of view, is the management function that usually follows after planning. And it involves the assignment of tasks, the grouping of tasks into departments and the assignment of authority and allocation of resources across the organization.

Structure

The framework in which the organization defines how tasks are divided, resources are deployed, and departments are coordinated.

1. A set of formal tasks assigned to individuals and departments.
2. Formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels and span of managers control.
3. The design of systems to ensure effective coordination of employees across departments.

   Work specialization

Work specialization (also called <u>division of labour)</u> is the degree to which organizational tasks are sub-divided into individual jobs. With too much specialization, employees are isolated and do only a single, tiny, boring job. Many organizations enlarge jobs or rotate assigned tasks to provide greater challenges.

Chain of command]Authority, responsibility, and accountability

- **Authority** is a manager's formal and legitimate right to make decisions, issue orders, and allocate resources to achieve organizationally desired outcomes.
- **Responsibility** means an employee's duty to perform assigned task or activities.
- **Accountability** means that those with authority and responsibility must report and justify task outcomes to those above them in the chain of command.

Delegation

Delegation is the process managers use to transfer authority and responsibility to positions below them. Organizations today tend to encourage delegation from highest to lowest possible levels. Delegation can improve flexibility to meet customers' needs and adaptation to competitive environments. Managers often find delegation difficult

Types of authority (and responsibility)

Line authority managers have the formal power to direct and control immediate subordinates. The superior issues orders and is responsible for the result—the subordinate obeys and is responsible only for executing the order according to instructions.

Functional authority is where managers have formal power over a specific subset of activities. For instance, the Production Manager may have the line authority to decide whether and when a new machine is needed but the Controller demands that a Capital Expenditure Proposal is submitted first, showing that the investment will have a yield of at least x%; or, a legal department may have functional authority to interfere in any activity that could have legal consequences. This authority would not be functional but it would rather be staff authority if such interference is "advice" rather than "order".

Staff authority is granted to staff specialists in their areas of expertise. It is not a real authority in the sense that a staff manager does not order or instruct but simply advises, recommends, and counsels in the staff specialists' area of expertise and is responsible only for the quality of the advice (to be in line with the respective professional standards etc.) It is a communication relationship with <u>management.</u> It has an influence that derives indirectly from line authority at a higher level.

Span of management

Factors influencing larger span of management.

1. Work performed by subordinates is stable and routine.
2. Subordinates perform similar work tasks.
3. Subordinates are concentrated in a single location.
4. Subordinates are highly trained and need little direction in performing tasks.
5. Rules and procedures defining task activities are available.
6. Support systems and personnel are available for the managers.
7. Little time is required in non-supervisory activities such as coordination with other departments or planning.
8. Managers' personal preferences and styles favour a large span.

Tall versus flat structure

☐ **Tall** - A management structure characterized by an overall narrow span of management and a relatively large number of hierarchical levels. Tight control. <u>Reduced communication overhead</u>.

▪ **Flat** - A management structure characterized by a wide span of control and relatively few hierarchical levels. Loose control. Facilitates delegation.

Departmentalization

Departmentalization is the basis on which individuals are grouped into departments and departments into total organizations. Approach options include:

1. **Functional** - by common skills and work tasks

2. **Divisional** - common product, program or geographical location

3. **Matrix** - combination of Functional and Divisional

4. **Team** - to accomplish specific tasks

5. **Network** - departments are independent providing functions for a central core

breaker **Importance of organizing**

▪ Organizations are often troubled by how to organize, particularly when a new strategy is developed

▪ Changing market conditions or new technology requires change

▪ Organizations seek efficiencies through improvements in organizing

Principles of Organisation In Management

Some Principles of Organisation used for **Designing an Organisation** are:-

1. Objectives

The objectives of the organisation should be clearly defined. Every single individual in the organisation should understand these objectives. This will enable them to work efficiently and help the organisation to achieve its objectives.

2. Specialisation

Every single individual in the organisation should be asked to perform only one type of function (work). This function should be related to his educational background, training, workexperience, ability, etc., in other words, there should be a division of work and specialization in the organisation. This will increase the efficiency, productivity and profitability of the organisation.

3. Co-ordination

The efforts of all the individuals, departments, levels, etc. should be co-coordinated towards the common objectives of the organisation. Therefore, managers must try to achieve co-ordination.

4. Authority

Every individual should be given authority (power) to perform his responsibilities (duties). This authority should be clearly defined. Authority should be maximum at the top level and it should decrease as we come to the lower levels. There should be a clear line of authority which joins all the members of the organisation from top to bottom. This line of authority should not be broken. It should be short, i.e. there should be few levels of management.

5. Responsibility

The responsibility (duties) of every individual should be clearly defined. This responsibility is absolute, i.e. it cannot be delegated. The responsibility given to an individual should be equal to the authority given to him.

6. Span of Control

Span of control means the maximum number of subordinates which one superior can manage effectively. The span of control should be as small as possible. Generally, at the top level, the span of control should be 1:6, while at the lower level, it should be 1:20. Span of control depends on many factors such as nature of job, ability of superior, skill of subordinate, etc.

7. Balance

There should be a proper balance between the different levels, functions and departments of the organisation. Similarly, there should be a proper balance between centralisation and

decentralisation, authority and responsibility, etc. If there is no balance between these factors then the organisation will not function smoothly.

8. Chain of Command

The chain of command should be very short. That is, there should be very few levels of management. If not, there will be many communication problems and delays in execution of workflow.

9. Delegation

Authority and responsibility should be delegated to the lowest levels of the organisation. Therefore, the decisions can be made at the lowest competent level. The authority delegated to an individual should be equal to his responsibility.

10. Continuity

The organisation structure should have continuity. That is, the enterprise should be able to use the organisation structure for a long period of time. The organisation structure should be able to achieve not only present objectives but also future objectives of the enterprise. *Types of Organization*

Michel Muraski, Journalism and Technical Communication Department
Identifying different organizational patterns is important. For example, if I'm going to do an imperial research report, based on my original research, I would organize the paper based on inductive information where I take a specific observation and end up with a generalization about it. If I'm going to be comparing a choice among options, then I might want to organize my paper by way of comparing and contrasting. Organizational patterns depend on what information needs to be conveyed.

In writing, ideas are conveyed through various methods. Sometimes we discuss the causes of something without ever mentioning its effects. Other times, we present a general idea about a topic before we ever get to the specifics. And still other times, we relate details according to their importance.

Every time you sit down to write, you should rethink what type of organization you'll use. To choose a pattern, consider why you are writing and who will read your writing.What is the most effective way to present this information? The list below represents some common organizational

patterns, although many more patterns exist. You should use only one pattern for the overall structure of your writing.

- General Organization Patterns
- Cause/Effect
- Chronological Order
- Comparison
- Emphatic Order
- General to Specific Order

Departmentation

Departmentation is a process resulting out of choice to group tasks according to some criterion. The resultant process of departmentation includes decisions regarding segregating organizational work, allocation of work to persons, telling all involved who is in charge and provide for the support needed by those. Given the nature of these choices and decisions, departmentation and the criteria or bases used for creating departments can have serious impact on the organization's effectiveness. Nine bases of departmentation are common among managerial choices:

(a) Departmentation by numbers: Perhaps this is the simplest way to create groups or units within the organization, if we assume that all the individuals available are possessing same skills, abilities and other required qualifications. If so, and if the manager has a fair idea of how many people might be required to carry out the task, the grouping by size is ready. Given this nature, we might guess that this method is more useful where the task requires more of a muscle force (for example, an army battalion, or the building contractors' work-force) rather than use of specialized skill.

(b) Departmentation by time of duty: Generally this basis is chosen when the operation or organizational activity is required to be carried on round the clock. The staff which is divided as per the time or shift basis might possess a set of different skills and abilities. Usually we find departmentation using this method at the lower levels of the organization, including manufacturing operations at the plant level, various security and control operations. Within the service sector, we find medical or firefighting services available round the clock, all days of the week.

(c)   Departmentation by function: This widely used method of departmentation is found in almost all organizations at some level and to some degrees. Groups are created such that within a group, people perform same function or activity, which at the lower level can even be identical. Example is a production department where all the jobs are focused on one activity, and the machine operators or workers assigned to a particular job such as machining or turning might be doing the same work. When work is divided like this, we have different groups performing different activities, so after functional departmentation, coordination among these groups is required.

(d)   Departmentation by Process or Equipment: This basis of departmentation is sometimes required by the technology itself as part of the production activity, where the transformation of raw material into finished goods is achieved through performance of various processes. Example is production unit of textiles, where workshops dedicated to processes like spinning, weaving, dying etc. sequentially operate to manufacture the finished goods. For other organizations also, sometimes the cost of specialized technology makes more sense for some facilities to be organized by process and be shared. Example is the Electronic Data Processing unit in small a organization.

(e)   Departmentation by Location or territory: If an organization's activities are scattered and if the differences across locations are significant in terms of customer preferences or the difficulty in handling complex scheduling issues, or the importance of local participation in decisionmaking , it makes sense to use departmentation by territory or location. The Indian Railway, for example is divided along territorial lines into central railway, western railway and so on. This method of departmentation is observed in the sales and service departments of many organizations where the major departmentation at the first level below the head of the organization is along functional line, but at the sub-department level, the sales department would have geographic regions or zones catered to by regional or zonal offices.

(f)   Departmentation by Product: as the name suggests, the grouping of activities is by the product, which evolves mainly in organizations that have grown into multi-product set-up. The usually preceding functional organization might not be supporting the growth and spread of business across different types of products. The head of the organization might be supported by product managers, in turn who might be supported by various functional sub-departments

dedicated to specific product. On a large scale, these product managers become heads of divisions run like separate companies within the overall company. While this arrangement is good for paying close attention to the market, the demand and the competitive scenario for each of the products, it might be too expensive to maintain this type of departmentation unless the sales volumes or profits are high enough to justify it.

(g) Departmentation by Customer: One more method to pay close attention to the needs of the customer is to create departments by customer types. We have within banks this type of departments - retail banking for retail customers, corporate banking for business clients, separate services for high net worth individuals, and so on. The rates offered for same products or services might be different in case of some departments compared to the routine business with retail individual customers, because again the volumes or the deal values might be very high. If so, even the procedures and rules, the purchase process, payment methods etc. might be different for these departments.

(h) Departmentation by Market or Distribution Channel: Companies who want to ensure that their product reaches the intended customers through multiple channels so that the product enjoys high saliency and provides easy reminder to the customers can consider this type of departmentation. You can take the example of VIP luggage. This product is available in its dedicated, company owned show rooms as well as through the distributors and retailers. Each of the last two sell this brand along with several others. If so, once again you might wonder if the commonly needed service functions such as accounting or human resource management would be provided separately for each department managing a separate channel of distribution or market of the same product. If so, there might be confusion also, apart from high costs. But examining the structures of the organization, we would realize that departmentation by this type is also usually combined with some other basis for the best results.

(i) Departmentation by Services: This type is especially meant for combination with other type(s) of departmentation, because it refers to the type of internal services provided within the organization and the number of people engaged in those services. The examples are Management Information System (MIS), Human Resource Management, Legal, Secretarial Assistance, House-keeping, Maintenance, Medical facilities and so on. These services are helpful in keeping the business activities and the flow of revenue-generating processes smooth. However, when

dedicated in-house departments are created, sometimes they add to staff and operational costs because the support work required may vary and during the down-side of fluctuating type of business. Additionally, when separate departments such as MIS are created, they might generate volumes of reports which are not found usable by the intended users. Finally, the separation of service form the intended users sometimes leads to great importance attached to the service itself, for example purchasing of most cost-effective parts, but it does not satisfy the need of the intended users.

Committee

A **committee** (or "commission") is a type of small deliberative assembly that is usually intended to remain subordinate to another, larger deliberative assembly—which when organized so that action on committee requires a vote by all its entitled members, is called the "Committee of the Whole". Committees often serve several different functions:

☐ **Governance**: in organizations considered too large for all the members to participate in decisions affecting the organization as a whole, a committee (such as a Board of Directors or "Executive Committee") is given the power to make decisions, spend money, or take actions. Some or all such powers may be limited or effectively unlimited. For example of the later case, the Board of directors can frequently enter into binding contracts and make decisions which once taken or made, can't be taken back or undone under the law.

▪ **Coordination**: individuals from different parts of an organization (for example, all senior vice presidents) might meet regularly to discuss developments in their areas, review projects that cut across organizational boundaries, talk about future options, etc. Where there is a large committee, it is common to have smaller committees with more specialized functions - for example, Boards of Directors of large corporations typically have an (ongoing) audit

committee, finance committee, compensation committee, etc. Large academic conferences are usually organized by a co-ordinating committee drawn from the relevant professional body.

☐ **Research and recommendations**: committees are often formed to do research and make recommendations on a potential or planned project or change. For example, an organization considering a major capital investment might create a temporary working committee of several people to review options and make recommendations to upper management or the Board of Directors. Such committees are typically dissolved after issuing recommendations (often in the form of a final report).

☐ **Tabling**: as a means of public relations by sending sensitive, inconvenient, or irrelevant matters to committees, organizations may bypass, stall, or disacknowledge matters without declaring a formal policy of inaction or indifference.

Centralization, decentralization, and formalization

- **Centralization** - The location of decision making authority near top organizational levels.
- **Decentralization** - The location of decision making authority near lower organizational levels.
- **Formalization** - The written documentation used to direct and control employees.

Span of control

Span of control is the term now used more commonly in business management, particularly human resource management. Span of control refers to the number of subordinates a supervisor has.

In the hierarchical business organization of some time in the past it was not uncommon to see average spans of 1 to 4 or even less. That is, one manager supervised four employees on average.

In the 1980s corporate leaders flattened many organizational structures causing average spans to move closer to 1 to 10. That was made possible primarily by the development of inexpensive information technology. As information technology was developed capable of easing many middle manager tasks – tasks like collecting, manipulating and presenting operational information – upper managers found they could hire fewer middle managers to do more work managing more subordinates for less money.

The current shift to self-directed cross-functional teams and other forms of non-hierarchical structures, have made the concept of span of control less salient.

Theories about the optimum span of control go back to V. A. Graicunas. In 1933 he used assumptions about mental capacity and attention span to develop a set of practical heuristics. Lyndall Urwick (1956) developed a theory based on geographical dispersion and the need for face to face meetings. In spite of numerous attempts since then, no convincing theories have been presented. This is because the optimum span of control depends on numerous variables including organizational structure, available technology, the functions being performed, and the competencies of the manager as well as staff. An alternative view is proposed by Elliott Jaques (1988) that a manager may have up to as many immediate subordinates that they can know personally in the sense that they can assess personal effectiveness.

These are the factors affecting span of control:

1. Geographical Location, if the branches of a business are widely dispersed, then the manager will find it difficult to supervise each of them, as such the span on control will be smaller.
2. Capability of workers, if workers are highly capable, need little supervision, and can be left on their own, e.g.: Theory Y type of people, they need not be supervised much as they are motivated and take initiative to work; as such the span of control will be wider.
3. Similarity of task, if the task that the subordinates are performing are similar, then the span of control can be wider, as the manager can supervise them all at the same time. However, of course the capability of the supervisor has to also be taken into consideration.

MBO & MBE

"**Management by Objectives (MBO)** is a principle or practice of management that empowers employees. Employees take part in goal setting process and they get involved in the organisation which makes them more aligned to the organisation. As employees are involved in goal setting process it is more likely that they try to achieve set goals. Since, the goals motivates employees to works hard its is called management by objectives (MBO). **Management by Exception (MBE)** is a method of control. Managers intervene the work of employees only when they work outside the prescribed scope or when they can't meet the standard. Manager leaves employee free till they work within the scope and within they meet the standard."

IMPORTANCE OF STAFFING

All of us know that it is the people in every organisation who run the show successfully. For example, if you do not have good salesman you cannot sell well even if your product is good. Similarly, you may have the best quality raw materials, machines etc. but the quality of the product is not assured unless, you have good workers engaged in the production process. Staffing thus, as a function, is very important as it is through this process that we get right persons for the organisation and ensure that they stick to the organisation. The benefits of good staffing are as follows.

(a) It helps in getting right people for the right job at the right time. The function of staffing enables the manager to find out as to how many workers are required and with what qualifications and experience.

(b) Staffing contributes to improved organisational productivity. Through proper selection the organisation gets quality workers, and through proper training the performances level of the workers can be improved.

(c) It helps in providing job satisfaction to the employees keeping their morale high. With proper training and development programmes their efficiency improves and they feel assured of their career advancements.

(d) Staffing maintains harmony in the organisation. Through proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions made on

merit. For all these, certain rules are made and are duly communicated to all concerned. This fosters harmony and peace in the organisation.

PROCESS OF STAFFING

The process of staffing starts with ascertaining the required number of various categories of employees for the organisation. This is known as manpower planning. It decides the kinds of staff and the number of staff required for the organisation. This is done through several methods like job analysis, workload analysis, etc. The next thing to be done in the staffing process is the recruitment exercise, i.e., finding out the available manpower from internal and external sources. The next step is to select the right person from the available manpower through tests and interviews and make appointments. This is followed by their placement on the jobs and necessary introduction of the work environment and the rules of compensation, promotion, transfer etc. Thus, the various steps involved in the process of staffing are as follows.

(a) Manpower Planning

(b) Job Analysis

(c) Recruitment

(d) Selection

(e) Placement

(f) Induction

(g) Training and Development

(h) Performance Appraisal

(i) Compensation

(J) Promotion and Transfer

Let us now discuss these aspects briefly to gain more clarity.

MANPOWER PLANNING

Manpower planning refers to the process of estimating the manpower requirement of an organisation. While estimating the manpower requirement, the management generally keeps in mind the available infrastructure including the technology, production schedule, market fluctuation, demand forecasts, government's policies and so on. It tentatively decides the kinds of staff as well as the number of staff needed for the organisation. The focus of the manpower planning is to get right number of qualified people at the right time.

JOB ANALYSIS

In the context of recruitment, one must be conversant with another important aspect of manpower planning viz, job analysis, which is a pre-requisite for any recruitment exercise. The job analysis helps in determining the qualifications, skills and experience required for various categories of employees. It involves:

(i) identification of each job in terms of duties and responsibilities, (called job description) and

(ii) determining the abilities and skills that are required for performing the job (called job specification).

RECRUITMENT

Suppose you want to open a restaurant. After planning and organising you are aware of the various job positions that are required to be filled up. Let us say, you have assessed your requirement for a general manager, a chef, an accountant, and many other staff for home delivery of foods. Possibly, you have a list of persons interested to join your restaurant.

For example, your uncle has promised you to provide an experienced general manager.

The manager of the bank from where you have taken loan has referred an accountant to you. One of the chief cooks of a reputed hotel has already approached/talked to you to join your restaurant as a chef. In addition to all these, you know that there is an office that can provide you people of your requirement by charging a fee, whenever you ask for it.

You also know that an advertisement in the newspaper can help you in getting applications from many people. While engaging yourself into all these activities you are basically trying to make a

pool of suitable/interested applicants for the job. In other words you are recruiting the staff for your business.

The term recruitment is often used to signify employment. It is true that normally when we say we have recruited such and such persons, it signifies that we have employed them. But as a part of staffing function, the term recruitment has limited scope. It just refers to one of the initial steps in employment of people i.e., searching for suitable candidates for the various job positions to be filled up from time to time in the organisation. Thus, **recruitment is the process of finding and attracting suitable applicants for employment.**

SOURCES OF RECRUITMENT

Having determined the qualification and experience required for various jobs involved, one has to search for the suitable persons and receive their application. For this purpose one has to have an idea as to where such persons are available. In other words, one must be aware of the sources of recruitment before publicising the specific staffing needs and induce the suitable persons to apply for the job positions involved. These sources can be internal and external.

(A) Internal Sources: In any business, existing employees expect that they will have chances of promotion and will be considered for higher positions before outsiders are considered. Managers, therefore may promote and transfer some of the existing employees to fill the vacant positions. The advantage of internal recruitment is that it is easier for managers to fill vacancies as they are conversant with the abilities and skills of their subordinates and have records of their performances. Employees also feel happy as their work performance is recognised by management through promotion.

However, there is one major drawback of recruitment through internal sources i.e., the organisation is deprived of the benefit of inducting fresh blood into its system.

(B) External Sources: All vacancies cannot be filled up from within the organisation. Existing employees may lack the required skill, initiative and qualification needed for the jobs involved. Hence managers have to recruit some persons from outside the organisation. Not only that the external recruitment provides a wide choice from among a large number of external candidates from which employees may be recruited. The workers and office employees at the lower level

are often recruited from outside the organisation. The various external sources of recruitment are as follows:

(a) Media Advertisements: You must have seen advertisements in newspapers aboutvacancies in organisations. The advertisement contains details about the job, its nature, the qualification required to do the job, how to apply, etc. This is a very popularmedium of advertising. The job advertisements are also given in magazines, specialized employment magazines like Employment News, Rozgar Samachar, etc. Now-a-days we also commonly find such advertisements in various electronic media like television and Internet. Such advertisements normally get a very good response from the prospective candidates.

(b) Employment Exchanges: In India, employment exchanges have been set up by the government for bringing together job-seekers and employers who are looking for employees. Those who are in search of employment get themselves registered with the local Employment Exchanges which keep a record of all such persons in detail who require help in finding jobs. The employer informs about the vacancies to the nearest Employment Exchange. The Employment Exchange, in turn, identifies the names of the qualified employment seekers already registered with it, and forwards them to the employer for consideration. Thus, if you are seeking a job after passing the senior secondary examination, it would be better if you get yourself registered with an Employment Exchange. It may forward your name to the prospective employers keeping in view the suitability of the job as per your qualifications.

(c) Educational Institutions: Now-a-days, companies/big organisations maintain a close liaison with the universities, vocational institutes and management institute for recruitment of their staff. As and when the need arises, the companies send one or more of their senior executives to the institutions of repute imparting such professional/technical education to students. These executives take the interview of the interested candidates and select the suitable candidates as per their requirement. This process is popularly known as campus interview and is found to be an effective source of recruitment of managers, engineers, technicians etc. for many companies on a regular basis.

(d) Unsolicited Application : Those looking for jobs often apply on their own initiative. They assume that certain vacancies are likely to arise, and apply without references to any job

advertisement. Managers keep a record of such applications and contact the suitable candidates when they need them.

(e)   Recruitment at the Factory gate: This is found mainly in case of factory workers to be recruited on daily wages. Such workers gather in the morning at the factory gate to serve as casual workers. Very often existing regular employees go on leave, and their vacancies are filled up by recruitment at the factory gate. These casual workers having served in the factory for some time may be considered for regular employment at some stage.

(f)   Referrals: Quite often the management gets references about interested workers from different sources like workers unions, previous employees, existing employees, clients of the organisation etc. These sources are important because their recommendations are made by people who are associated with the organisation and are fully conversant with its requirements. Sometimes we also receive recommendations from our friends and relatives to employ persons known to them. But one should be very much cautious while considering such recommendations.

(g)   Private Employment Agencies: In urban areas, a number private organizations have started functioning as employment agencies. These agencies register with them the names of the individuals who are seeking employment and try to arrange job interviews for such candidates. Companies often get in touch with such agencies to provide them the details of suitable candidates for various jobs.
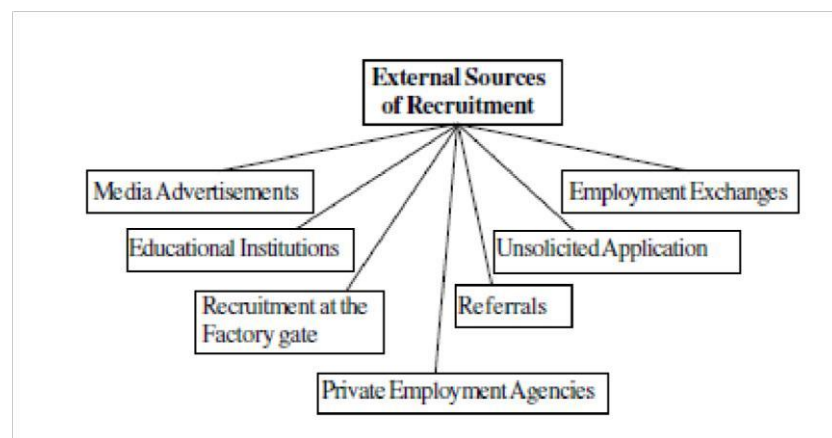
Unit-4 Directing & controlling

DIRECTING

The managerial function of directing is like the activities of a teacher in a classroom. In order to teach, a teacher has to guide his students, maintain discipline, inspire them and lead them to the desired goal. It is a very important function in the management of any enterprise. It helps the managers in ensuring quality performance of jobs by the employees and achievement of organisational goals. It involves supervision, communication and providing leadership to the subordinates and motivating them to contribute to their best of capability. In this lesson we shall learn about this function in detail.

MEANING OF DIRECTING

While managing an enterprise, managers have to get things done through people. In order to be able to do so, they have to undertake many activities, like guide the people who work under them, inspire and lead them to achieve common objectives. An office manager, for instance, has to supervise the activities of his subordinates, i.e., typists, office assistants, dispatchers, accounts clerks, etc. He has to issue instructions to them and describe and illustrate the work and related activities. He has to tell them what to do, and how to do it.

The office manager can plan, organise and appoint people, but he can not get things done, unless he assigns specific duties to his subordinates and motivates them to perform well.

All these activities of a manager constitute the directing function.

Thus, directing is concerned with instructing, guiding, supervising and inspiring people in the organisation to achieve its objectives. It is the process of telling people what to do and seeing that they do it in the best possible manner. The directing function thus, involves: telling people what is to be done and explaining to them how to do it; issuing instructions and orders to subordinates to carryout their assignments as scheduled; supervising their activities;

inspiring them to meet the mangers expectation and contribute towards the achievement of organisational objectives; and providing leadership.

Managers plan and take decisions. They organise to define the work and create suitable positions in the enterprise. People are employed to perform the jobs, but the actual work of getting the job done comes under the directing function. Thus, directing is _management in action'. It is through the exercise of this function that managers get things done through people.

IMPORTANCE OF DIRECTING

Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways.

It guides and helps the subordinates to complete the given task properly and as per schedule. It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do them best.

It helps in maintaining discipline and rewarding those who do well.

Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.

Different people perform different activities in the organisation. All the activities are interrelated. In order to co-ordinate the activities carried out in different parts and to ensure that they are performed well, directing is important. It thus, helps to integrate the various activities and so also the individual goals with organisational goals.

Directing involves leadership that essentially helps in creating appropriate work environment and build up team spirit.

Leadership Styles

Leadership style is the manner and approach of providing direction, implementing plans, and motivating people. Kurt Lewin (1939) led a group of researchers to identify different styles of leadership. This early study has been very influential and established three major leadership styles. The three major styles of leadership are (U.S. Army Handbook, 1973):

- o Authoritarian or autocratic o
  - Participative or democratic o
  - Delegative or Free Reign

Although good leaders use all three styles, with one of them normally dominant, bad leaders tend to stick with one style.

A u t h o r i t a r i a n (a u t o c r a t i c)

I want both of you to. . .

This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers. Some of the appropriate conditions to use it is when you have all the information to solve the problem, you are short on time, and your employees are well motivated.

Some people tend to think of this style as a vehicle for yelling, using demeaning language, and leading by threats and abusing their power. This is not the authoritarian style, rather it is an abusive, unprofessional style called ―**bossing people around**.‖ It has no place in a leader's repertoire.

The authoritarian style should normally only be used on rare occasions. If you have the time and want to gain more commitment and motivation from your employees, then you should use the participative style.

Participative (democratic)

Let's work together to solve this. . .

This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it). However, the leader maintains the final decision making authority. Using this style is not a sign of weakness, rather it is a sign of strength that your employees will respect.

This is normally used when you have part of the information, and your employees have other parts. Note that a leader is not expected to know everything — this is why you employ *knowledgeable* and *skillful* employees. Using this style is of mutual benefit — it allows them to become part of the team and allows you to make better decisions.

D e l e g a t i v e (f r e e r e i g n)

You two take care of the problem while I go. . .

In this style, the leader allows the employees to make the decisions. However, the leader is still responsible for the decisions that are made. This is used when employees are able to analyze the situation and determine what needs to be done and how to do it. You cannot do everything! You must set priorities and delegate certain tasks.

This is not a style to use so that you can blame others when things go wrong, rather this is a style to be used when you fully trust and confidence in the people below you. Do not be afraid to use it, however, use it **wisely!**

NOTE: This is also known as laissez faire (or lais·ser faire), which is the noninterference in the affairs of others. [French : laissez, second person pl. imperative of laisser, to let, allow + faire, to do.]

A good leader uses all three styles, depending on what forces are involved between the followers, the leader, and the situation. Some examples include: o Using an authoritarian style on a new employee who is just learning the job. The leader is competent and a good coach. The employee is motivated to learn a new skill. The situation is a new environment for the employee.

- o Using a participative style with a team of workers who know their job. The leader knows the problem, but does not have all the information. The employees know their jobs and want to become part of the team.

- Using a delegative style with a worker who knows more about the job than you. You cannot do everything and the employee needs to take ownership of her job! In addition, this allows you to be at other places, doing other things.
- Using all three: Telling your employees that a procedure is not working correctly and a new one must be established (authoritarian). Asking for their ideas and input on creating a new procedure (participative). Delegating tasks in order to implement the new procedure (delegative).

Forces that influence the style to be used included:

- How much time is available. ○ Are relationships based on respect and trust or on disrespect? ○ Who has the information — you, your employees, or both? ○ How well your employees are trained and how well you know the task. ○ Internal conflicts. ○ Stress levels.
- Type of task. Is it structured, unstructured, complicated, or simple?
- Laws or established procedures such as OSHA or training plans.

P o s i t i v e a n d N e g a t i v e A p p r o a c h e s

There is a difference in ways leaders approach their employee. Positive leaders use rewards, such as education, independence, etc. to motivate employees. While negative employers emphasize penalties. While the negative approach has a place in a leader's repertoire of tools, it must be used carefully due to its high cost on the human spirit.

Negative leaders act domineering and superior with people. They believe the only way to get things done is through penalties, such as loss of job, days off without pay, reprimanding employees in front of others, etc. They believe their authority is increased by frightening everyone into higher levels of productivity. Yet what always happens when this approach is used wrongly is that morale falls; which of course leads to lower productivity.

Also note that most leaders do not strictly use one or another, but are somewhere on a continuum ranging from extremely positive to extremely negative. People who continuously work out of the negative are bosses while those who primarily work out of the positive are considered real leaders.

U s e o f C o n s i d e r a t i o n a n d S t r u c t u r e

Two other approaches that leaders use are:

Consideration (employee orientation) — leaders are concerned about the human needs of their employees. They build teamwork, help employees with their problems, and provide psychological support.

Structure (task orientation) — leaders believe that they get results by consistently keeping people busy and urging them to produce.

There is evidence that leaders who are considerate in their leadership style are higher performers and are more satisfied with their job (Schriesheim, 1982).

Also notice that consideration and structure are independent of each other, thus they should not be viewed on opposite ends of a continuum. For example, a leader who becomes more considerate, does not necessarily mean that she has become less structured.

See Blake and Mouton's *Managerial Grid* as it is also based on this concept.

P a t e r n a l i s m

Paternalism has at times been equated with leadership styles. Yet most definitions of leadership normally state or imply that one of the actions within leadership is that of *influencing*. For example, the Army uses the following definition:

Leadership is influencing people — by providing purpose, direction, and motivation — while operating to accomplish the mission and improving the organization.

The Army further goes on by defining ―influence‖ as:
a means of getting people to do what you want them to do. It is the means or method to achieve two ends: operating and improving. But there is more to influencing than simply passing along orders. The example you set is just as important as the words you speak. And you set an example — good or bad — with every action you take and word you utter, on or off duty.

Through your words and example, you must communicate purpose, direction, and motivation.

While ─paternalism‖ is defined as (Webster):

a system under which an authority undertakes to supply needs or regulate conduct of those under its control in matters affecting them as individuals as well as in their relationships to authority and to each other.

Thus paternalism supplies needs for those under its protection or control, while leadership gets things done. The first is directed inwards, while the latter is directed outwards.

Geert Hofstede (1977) studied culture within organizations. Part of his study was on the dependence relationship or *Power Difference* — the extent to which the less powerful members of an organization expect and accept that power is distributed unequally. Hofstede gave this story to illustrate this Power Difference:

The last revolution in Sweden disposed of King Gustav IV, whom they considered incompetent, and surprising invited Jean Baptise Bernadotte, a French general who served under Napoleon, to become their new King. He accepted and became King Charles XIV. Soon afterward he needed to address the Swedish Parliament. Wanting to be accepted, he tried to do the speech in their language. His broken language amused the Swedes so much that they roared with laughter. The Frenchman was so upset that he never tried to speak Swedish again.

Bernadotte was a victim of culture shock — never in his French upbringing and military career had he experienced subordinates who laughed at the mistakes of their superior. This story has a happy ending as he was considered very good and ruled the country as a highly respected constitutional monarch until 1844. (His descendants still occupy the Swedish throne.)

Sweden differs from France in the way its society handles inequality (those in charge and the followers). To measure inequality or Power Difference, Hofstede studied three survey questions from a larger survey that both factored and carried the same weight:

   o Frequency of employees being afraid to express disagreement with their managers. o Subordinates' perception of their boss's actual decision making style (paternalistic style was

one choice). ○ Subordinates' preference for their boss's decision-making style (again, paternalistic style was one choice).

He developed a Power Difference Index (PDI) for the 53 countries that took the survey. Their scores range from 11 to 104. The higher the number a country received, the more autocratic and/or paternalistic the leadership, which of course relates to employees being more afraid or unwilling to disagree with their bosses. While lower numbers mean a more consultative style of leadership is used, which translates to employees who are not as afraid of their bosses.

For example, Malaysia has the highest PDI score, being 104, while Austria has the lowest with 11. And of course, as the story above illustrates, Sweden has a relative low score of 31, while France has a PDI of 68. The USA's is 40. Note that these scores are relative, not absolute, in that relativism affirms that one culture has no absolute criteria for judging activities of another culture as —low‖ or —noble‖.

Leadership Styles
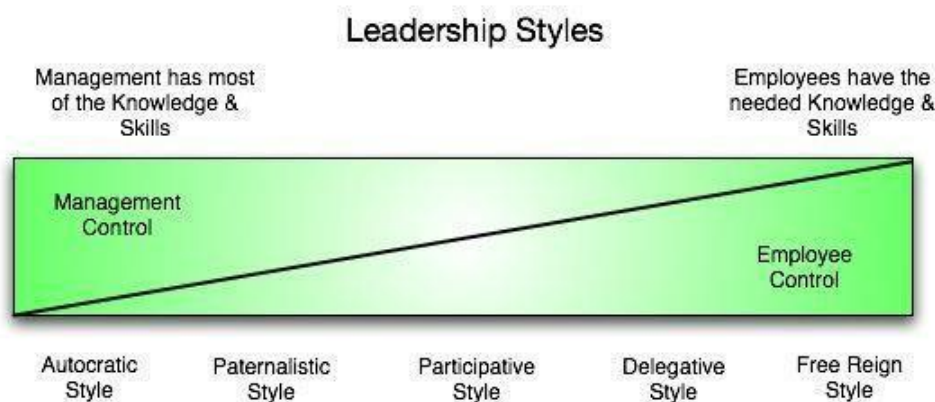
Keeping the above in mind, it seems that some picture paternalistic behavior as almost a barbaric way of getting things accomplished. Yet, leadership is all about getting things done for the organization. And in some situations, a paternalistic style of decision-making might be required; indeed, in some cultures and individuals, it may also be expected by not only those in charge, but also the followers. That is what makes leadership styles quite interesting — they basically run along the same continuum as Hofstede's PDI, ranging from paternalistic to consultative styles of decision making. This allows a wide range of individual behaviors to be dealt with, ranging from beginners to peak performers. In addition, it accounts for the fact that not everyone is the same.

However, when paternalistic or autocratic styles are relied upon too much and the employees are ready and/or willing to react to a more consultative type of leadership style, then it normally becomes quite damaging to the performance of the organization.

Theories of Motivation

Overview

At a simple level, it seems obvious that people do things, such as go to work, in order to get stuff they want and to avoid stuff they don't want.

Why exactly they want what they do and don't want what they don't is still something a mystery. It's a black box and it hasn't been fully penetrated.

Overall, the basic perspective on motivation looks something like this:
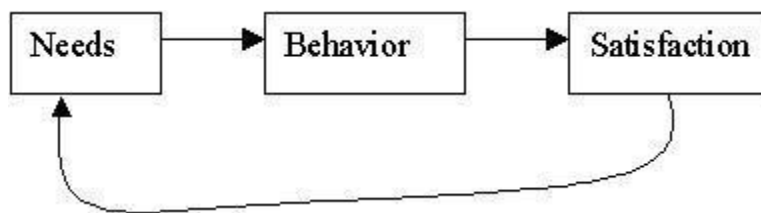
In other words, you have certain needs or wants (these terms will be used interchangeably), and this causes you to do certain things (behavior), which satisfy those needs (satisfaction), and this can then change which needs/wants are primary (either intensifying certain ones, or allowing you to move on to other ones).

A variation on this model, particularly appropriate from an experimenter's or manager's point of view, would be to add a box labeled "reward" between "behavior" and "satisfaction". So that subjects (or employees), who have certain needs do certain things (behavior), which then get them rewards set up by the experimenter or manager (such as raises or bonuses), which satisfy the needs, and so on.

Classifying Needs

People seem to have different wants. This is fortunate, because in markets this creates the very desirable situation where, because you value stuff that I have but you don't, and I value stuff that you have that I don't, we can trade in such a way that we are both happier as a result.

But it also means we need to try to get a handle on the whole variety of needs and who has them in order to begin to understand how to design organizations that maximize productivity.

Part of what a theory of motivation tries to do is explain and predict who has which wants. This turns out to be exceedingly difficult.

Many theories posit a hierarchy of needs, in which the needs at the bottom are the most urgent and need to be satisfied before attention can be paid to the others.

Maslow

Maslow's hierarchy of need categories is the most famous example: self-actualization
esteem
belongingness
safety
physiological

Specific examples of these types are given below, in both the work and home context. (Some of the instances, like "education" are actually satisfiers of the need.)

Need	Home	Job
selfactualization	education,religion, hobbies, personal growth	training, advancement, growth, creativity

esteem	approval of family, friends, community	recognition, high status, responsibilities
belongingness	family, friends, clubs	teams, depts, coworkers, clients, supervisors, subordinates
safety	freedom from war, poison, violence	work safety, job security, health insurance
physiological	food water sex	Heat, air, base salary

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated. There is some basic common sense here -- it's pointless to worry about whether a given color looks good on you when you are dying of starvation, or being threatened with your life. There are some basic things that take precedence over all else.

Or at least logically should, if people were rational. But is that a safe assumption? According to the theory, if you are hungry and have inadequate shelter, you won't go to church. Can't do the higher things until you have the lower things. But the poor tend to be more religious than the rich. Both within a given culture, and across nations. So the theory makes the wrong prediction here.

Or take education: how often do you hear "I can't go to class today, I haven't had sex in three days!"? Do all physiological needs including sex have to be satisfied before "higher" needs? (Besides, wouldn't the authors of the Kama Sutra argue that sex was a kind of self-expression more like art than a physiological need? that would put it in the self-actualization box). Again, the theory doesn't seem to predict correctly.

Cultural critique: Does Maslow's classification really reflect the order in which needs are satisfied, or is it more about classifying needs from a kind of "tastefulness" perspective, with lofty goals like personal growth and creativity at the top, and "base" instincts like sex and hunger at the bottom? And is self-actualization actually a fundamental underline? Or just something that can be done if you have the leisure time?

Alderfer's ERG theory

Alderfer classifies needs into three categories, also ordered hierarchically:

- growth needs (development of competence and realization of potential)
- relatedness needs (satisfactory relations with others)
- existence needs (physical well-being)

This is very similar to Maslow -- can be seen as just collapsing into three tiers. But maybe a bit more rational. For example, in Alderfer's model, sex does not need to be in the bottom category as it is in Maslow's model, since it is not crucial to (the individual's) existence. (Remember, this about individual motivation, not species' survival.) So by moving sex, this theory does not predict that people have to have sex before they can think about going to school, like Maslow's theory does.

Alderfer believed that as you start satisfying higher needs, they become more intense (e.g., the power you get the more you want power), like an addiction.

Do any of these theories have anything useful to say for managing businesses? Well, if true, they suggest that

- Not everyone is motivated by the same things. It depends where you are in the hierarchy (think of it as a kind of personal development scale)
- The needs hierarchy probably mirrors the organizational hierarchy to a certain extent: top managers are more likely to motivated by self-actualization/growth needs than existence needs. (but try telling Bill Clinton that top executives are not motivated by sex and cheeseburgers...)

Acquired Needs Theory (mcclellan)

Some needs are acquired as a result of life experiences

- need for achievement, accomplish something difficult. as kids encouraged to do things for themselves.

- need for affiliation, form close personal relationships. as kids rewarded for making friends.
- need for power, control others. as kids, able to get what they want through controlling others.

Again similar to maslow and alderfer.

These needs can be measured using the TAT (thematic apperception test), which is a projectionstyle test based on interpreting stories that people tell about a set of pictures.

Cognitive Evaluation Theory

This theory suggests that there are actually two motivation systems: intrinsic and extrinsic that correspond to two kinds of motivators:

- intrinsic motivators: Achievement, responsibility and competence. motivators that come from the actual performance of the task or job -- the intrinsic interest of the work.
- extrinsic: pay, promotion, feedback, working conditions -- things that come from a person's environment, controlled by others.

One or the other of these may be a more powerful motivator for a given individual.

Intrinsically motivated individuals perform for their own achievement and satisfaction. If they come to believe that they are doing some job because of the pay or the working conditions or some other extrinsic reason, they begin to lose motivation.

The belief is that the presence of powerful extrinsic motivators can actually reduce a person's intrinsic motivation, particularly if the extrinsic motivators are perceived by the person to be controlled by people. In other words, a boss who is always dangling this reward or that stick will turn off the intrinsically motivated people.

Note that the intrinsic motivators tend to be higher on the Maslow hierarchy.

Two Factor theory (Herzberg)

According to Herzberg, two kinds of factors affect motivation, and they do it in different ways:

- **hygiene factors**. These are factors whose absence motivates, but whose presence has no perceived effect. They are things that when you take them away, people become dissatisfied and act to get them back. A very good example is heroin to a heroin addict. Long term addicts do not shoot up to get high; they shoot up to stop being sick -- to get normal. Other examples include decent working conditions, security, pay, benefits (like health insurance), company policies, interpersonal relationships. In general, these are extrinsic items low in the Maslow/Alderfer hierarchy.
- **motivators**. These are factors whose presence motivates. Their absence does not cause any particular dissatisfaction, it just fails to motivate. Examples are all the things at the top of the Maslow hierarchy, and the intrinsic motivators.

So hygiene factors determine dissatisfaction, and motivators determine satisfaction. The two scales are independent, and you can be high on both.

If you think back to the class discussion on power, we talked about a baseline point on the wellbeing scale. Power involved a threat to reduce your well-being, causing dissatisfaction. Hence, power basically works by threatening to withhold hygiene factors. Influence was said to fundamentally be about promising improvements in well-being -- when you are influenced to do something, it is because you want to, not because you were threatened. Influence basically works by offering to provide motivators (in Herzberg's terms).

Equity Theory

Suppose employee A gets a 20% raise and employee B gets a 10% raise. Will both be motivated as a result? Will A be twice as motivated? Will be B be negatively motivated?
Equity theory says that it is not the actual reward that motivates, but the perception, and the perception is based not on the reward in isolation, but in comparison with the efforts that went into getting it, and the rewards and efforts of others. If everyone got a 5% raise, B is likely to feel

quite pleased with her raise, even if she worked harder than everyone else. But if A got an even higher raise, B perceives that she worked just as hard as A, she will be unhappy.

In other words, people's motivation results from a ratio of ratios: a person compares the ratio of reward to effort with the comparable ratio of reward to effort that they think others are getting.

Of course, in terms of actually predicting how a person will react to a given motivator, this will get pretty complicated:

1. People do not have complete information about how others are rewarded. So they are going on perceptions, rumors, inferences.
2. Some people are more sensitive to equity issues than others
3. Some people are willing to ignore short-term inequities as long as they expect things to work out in the long-term.

Reinforcement Theory

Operant Conditioning is the term used by B.F. Skinner to describe the effects of the consequences of a particular behavior on the future occurrence of that behavior. There are four types of Operant Conditioning: **Positive Reinforcement**, **Negative Reinforcement**, **Punishment**, and **Extinction**. Both Positive and Negative Reinforcement strengthen behavior while both Punishment and Extinction weaken behavior.

- Positive reinforcement. Strengthening a behavior. This is the process of getting goodies as a consequence of a behavior. You make a sale, you get a commission. You do a good job, you get a bonus & a promotion.
- Negative reinforcement. Strengthening a behavior. This is the process of having a stressor taken away as a consequence of a behavior. Long-term sanctions are removed from countries when their human rights records improve. (you see how successful that is!). Low status as geek at Salomon Brothers is removed when you make first big sale.
- Extinction. Weakening a behavior. This is the process of getting no goodies when do a behavior. So if person does extra effort, but gets no thanks for it, they stop doing it.

- Punishment. Weakening a behavior. This is the process of getting a punishment as a consequence of a behavior. Example: having your pay docked for lateness.

	Apply	Withhold
Reward	positive reinforcement (raise above baseline)	negative reinforcement (raise up to baseline)
Stressor	punishment (bring down below baseline)	extinction (stay at baseline)

Reinforcement schedules.

The traditional reinforcement schedule is called a **continuous reinforcement schedule.** Each time the correct behavior is performed it gets reinforced.

Then there is what we call an **intermittent reinforcement schedule.** There are fixed and variable categories.

The *Fixed Interval Schedule* is where reinforcement is only given after a certain amount of time has elapsed. So, if you decided on a 5 second interval then each reinforcement would occur at the fixed time of every 5 seconds.

The *Fixed Ratio Schedule* is where the reinforcement is given only after a predetermined number of responses. This is often seen in behavior chains where a number of behaviors have to occur for reinforcement to occur.

The *Variable Interval Schedule* is where the reinforcement is given after varying amounts of time between each reinforcement.

The *Variable Ratio Schedule* is where the reinforcement is given after a varying number of correct responses.

Fluctuating combinations of primary and secondary reinforcers fall under other terms in the variable ratio schedule; For example, Reinforcers delivered Intermittently in a Randomized Order (RIR) or Variable Ratio with Reinforcement Variety (VRRV).

	Fixed	Variable
Interval	give reward after first proper response following a specified time period (yearly raise) [short term]	give reward after a certain amt of time w/ the amt changing before the next reward (unexpected bonus based on merit) [medium term]
Ratio	punishment (subtract from baseline) (commissions or piecework pay) [medium term]	give reward after a number of responses, w/ that no. changing before the next reward (team-based bonus) [long term]

Expectancy Theory (Vroom)

This theory is meant to bring together many of the elements of previous theories. It combines the perceptual aspects of equity theory with the behavioral aspects of the other theories. Basically, it comes down to this "equation": M

$= E*I*V$

or motivation = expectancy * instrumentality *

valence

M (motivation) is the amount a person will be motivated by the situation they find themselves in. It is a function of the following.

E (expectancy) = The person's perception that effort will result in performance. In other words, the person's assessment of the degree to which effort actually correlates with performance.

I (instrumentality) = The person's perception that performance will be rewarded/punished. I.e., the person's assessment of how well the amount of reward correlates with the quality of performance. (Note here that the model is phrased in terms of extrinsic motivation, in that it asks 'what are the chances I'm going to get rewarded if I do good job?'. But for intrinsic situations, we can think of this as asking 'how good will I feel if I can pull this off?').

V(valence) = The perceived strength of the reward or punishment that will result from the performance. If the reward is small, the motivation will be small, even if expectancy and instrumentality are both perfect (high).

Communication: Importance and Definition

Communication is a central activity in most human and organizational activities.

Communication is one of the important topics of <u>organization behavior.</u> Effective communication is a prerequisite for implementing organizational strategies as well as for managing day to day activities through people. Managers spend more than three fourths of their time in communicating – exchanging information. Communication is found to make the biggest relative contribution to the effectiveness of managers. Or in other words, good communicators are more likely to be adjudged as effective managers (followers voluntarily listen to them and carry out instructions).

 But is communication the reason and solution to all problems in the world? Certainly not. Fred Luthans [1] strongly asserts this. Other issues like motivation, decision making, stress, organizational structure, etc. can also contribute to problems and therefore can be solutions to problems. But, it is to be stated that communication is a central activity in most human and organizational activities.

DEVELOPMENT OF THEORY REGARDING COMMUNICATION IN MANAGEMENT AND ORGANIZATIONS BEHAVIOR (RESEARCH AND BOOKS)

In management texts, Chester Barnard [2] identified communication as an important management activity, and examined its elements and issues. According to him, communication is the major shaping force in the organization. Communication both makes the organization cooperative system and links the organization purpose to the human participants. He brought the communication activity into the concept of authority and superior-subordinate relations and gave the following guidelines in this respect.

1. The channels of communication should be definitely known.

2. There should be a definite formal channel of communication to every member of an organization.

3. The line of communication should be as direct and short as possible.

4. The complete formal line of communication should normally be used.

5. The persons serving as communication centers should be competent.

6. The line of communication should not be interrupted while the organization is functioning.

7. Every communication should be authenticated.

THE DEFINITION OF COMMUNICATION

Luthans [1] says experts have not agreed on a definition among themselves.

Most explanations of communication stress the use of symbols to transfer the meaning of information. One version is that communication is the understanding not of the visible but of the invisible and hidden. These hidden and symbolic elements embedded in the culture give meaning to the visible communication process. Involvement of people is another factor stressed. Ivancevich and Matteson [3] state that ―communication among people does not depend on technology but rather on forces in people and their surroundings. It is a process that occurs within people.‖

Communication also has behavioral component. One of the statements emphasizing role of behavior is, ―the only means by which one person can influence another is by the behaviors he performs-that is, the communicative exchanges between people provide the sole method by which influence or effects can be achieved.‖ In other words, the behaviors that occur in an organization are important elements in the communication process of the organization. The personal and behavioral exchange view of communication takes many forms.

CHANNELS OR MEDIA OF COMMUNICATION

Communication is now done through variety of channels or modes ranging from very sophisticated communication media and technology to nonverbal signals.

ORGANIZATIONAL COMMUNICATION - CATEGORIZATION

The communication that takes in the organization can be categorized as formal and informal. Formal communication is categorized mainly as vertical and horizontal.

Vertical communication in classical management hierarchy can be upward or downward between a superior and a subordinate. Functional communication or communication within a function or department also comes under this category.

Horizontal communication is also cross functional communication. Interdepartmental meetings are a mechanism for formal facilitation of horizontal communication.

The communication that takes place within the organization can be categorized as interpersonal when it is taking place between two persons, and as interactive when more people are involved. Even though the text of Luthans does not discuss the issue, within an organization there are certain persons who have to communicate to a very large number of persons at the same time or at different times with the same message. For instance, CEO communicating to his organization. Organization behavior texts have to discuss the issues involved in this communication.

Similarly, the PR communication aimed at the employees of the organization.

Coordination

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management. According to *Mooney and Reelay*, ―Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals‖. According to *Charles Worth*, ―Co-ordination is the integration of several parts into an orderly hole to achieve the purpose of understanding‖.

Management seeks to achieve co-ordination through its basic functions of planning, organizing, staffing, directing and controlling. That is why, co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below: -

Types of coordination

Types of co-ordination:

The co-ordination may be divided on different bases, namely;

1. Scope – on the basis of scope or coverage, co-ordination can be.

  Internal – refers to co-ordination between the different units of an organisation within and is achieved by integrating the goals and activities of different departments of the enterprise**.**

  External – refers to co-ordination between an organisation and its external environment comprising government, community, customers, investors, suppliers, competitors, research institutions, etc. It requires proper match between policies and activities of the enterprise and the outside world.

2. Flow – on the basis of flow, co-ordination can classified into:

  Vertical – implies co-ordination between different levels of the organisation and has to ensure that all the levels in the organisation act in harmony and in accordance with the goals and policies of the organisation. Vertical co-ordination is assured by top management through delegation of authority.

  Horizontal or lateral – refers to co-ordination between different departments and other units at the same level of the management hierarchy. For instance, co-ordination between production department and marketing department is horizontal or lateral co-ordination.

Co-ordination may also be:

3. Procedural and substantive – which according to Herbert A. Simon, procedural co-ordination implies the specification of the organisation in itself, i.e. the generalised description of the behaviour and relationship of the members of the organisation. On the other hand, substantive co-ordination is concerned with the content of the organisation's activities. For instance, in an automobile plant an organisation chart is an aspect of procedural co-ordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive co-ordination.

Techniques of co-ordination:

The main techniques of effective co-ordination are as follows.

Sound planning – unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organisation and the goals of its units must be clearly defined. Planning is the

ideal stage for co-ordination. Clear-cut objectives, harmonised policies and unified procedures and rules ensure uniformity of action.

Simplified organisation – a simple and sound organisation is an important means of coordination. The lines of authority and responsibility from top to the bottom of the organisation structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialisation should be avoided as it tends to make every unit an end in itself.

Effective communication – open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.

Effective leadership and supervision – effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.

Chain of command – authority is the supreme co-ordinating power in an organisation. Exercise of authority through the chain of command or hierarchy is the traditional means of coordination. Co-ordination between interdependent units can be secured by putting them under one boss.

Indoctrination and incentives – indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.

Liaison departments – where frequent contacts between different organisational units are necessary, liaison officers may be employed. For instance, a liaison department may ensure that the production department is meeting the delivery dates and specifications promised by the sales department. Special co-ordinators may be appointed in certain cases. For instance, a project co-

ordinator is appointed to co-ordinate the activities of various functionaries in a project which is to be completed within a specified period of time.

General staff – in large organisations, a centralised pool of staff experts is used for coordination. A common staff group serves as the clearing house of information and specialised advice to all department of the enterprise. Such general staff is very helpful in achieving interdepartmental or horizontal co-ordination. Task forces and projects teams are also useful in coordination.

Voluntary co-ordination – when every organisational unit appreciates the workings of related units and modifies its own functioning to suit them, there is self-co-ordination. Self-coordination or voluntary co-ordination is possible in a climate of dedication and mutual cooperation. It results from mutual consultation and team-spirit among the members of the organisation. However, it cannot be a substitute for the co-coordinative efforts of managers.

Principles of co-ordination (requisites for effective co-ordination)

Mary Parker Follett has laid out four principles for effective co-ordination;

Direct personal contact – according to this principle co-ordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most effective way to convey ideas and information and to remove misunderstanding.

Early beginning – co-ordination can be achieved more easily in early stages of planning and policy-making. Therefore, plans should be based on mutual consultation or participation. Integration of efforts becomes more difficult once the unco-ordinated plans are put into operation. Early co-ordination also improves the quality of plans.

Reciprocity – this principle states that all factors in a given situation are interdependent and interrelated. For instance, in a group every person influences all others and is in turn influenced by others. When people appreciate the reciprocity of relations, they avoid unilateral action and co-ordination becomes easier.

Continuity – co-ordination is an on-going or never-ending process rather than a once-for-all activity. It cannot be left to chance, but management has to strive constantly. Sound coordination is not fire-fighting, i.e., resolving conflicts as they arise.

Advantages of coordination

Coordination provides the following benefits:

1. Higher Efficiency and Economy:

Coordination helps to improve the efficiency of operations by avoiding overlapping efforts and duplication of work. Integration and balancing of individual efforts provide a smooth and harmonious team work. Coordination is a creative force which makes possible a total result which is greater than the sum of individual achievements. This is the synergetic effect coordination. Coordination enables an organisation to rake optimum use of its resources.

The success of organized Endeavour depends upon the quality of coordination. In fact, coordination is the first principle of organisation as it expresses the principle of organisation in to. The quality of coordination is the crucial factor in the survival of an organisation.

2. Good Human Relations:

Besides promoting the efficiency of operations, coordination improves the morale and job satisfaction of employees. Composite and orderly effort established through team spirit and executive leadership enables employees to derive a sense of security and personal contentment from their job. A well-coordinated organisation can attract, retain and utilize better personnel. Coordination improves human relations by reconciling individual and organizational objectives.

3. Unity of direction:

Coordination helps to ensure unity of action in the face of disruptive forces. By welding together different departments and sections into one entity, coordination ensures the stability and growth of an organisation. It enables the executives to see the enterprise as a whole instead of narrow sectional goals. Individual interests are subordinated to the common interest more easily and effectively.

4. Quintessence of management:

Coordination is an all inclusive concepts or the end result of the management process. Management is nothing more than coordination of all activities, efforts and forces that affect the organisation from within and without. Coordination serves as a key to all managerial functions. According to Mary Parker Follett, "the first test of a business administration should be whether you have a business with all its parts so coordinated, so moving together in their closely knit and

adjusting activities, so linking, inter-locking, inter-relating, that they make a working unit that is not a congenis of separate pieces, but a functional whole or integrated unit".

5. Organizational Effectiveness:

Coordination fosters loyalty and commitment among employees. This enhances the effectiveness and stability of the organisation. According to McFarland, "if job satisfactions are present, executives will tend to remain longer with the company. They will feel that they have a place in the organisation. They will feel that they have earned that place. The presence of coordination becomes part of their job experience and hence can form a very useful part of their training." Thus, coordination is the sine qua non of effective management.

Definition of Control

"Control means to guide something in the direction it is intended to go."

5 Steps In Control Process

Five main steps in the control process with diagram are discussed below :-
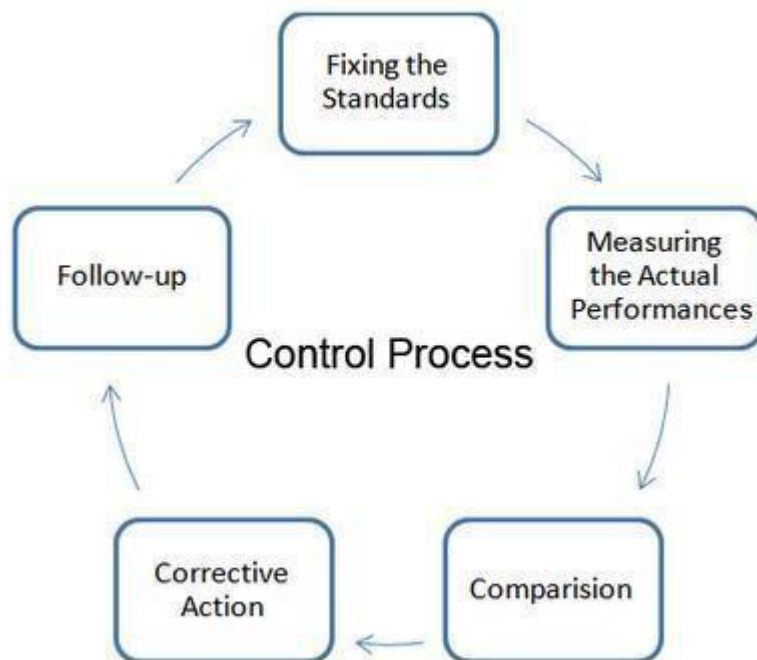
1. Fixing the Control Standards / Objectives / Targets

A standard is a criterion (base) which is used to measure the performance of the subordinates. Standards may be of two types, i.e. Quantitative Standards and Qualitative Standards.

Quantitative Standard can be easily defined and measured. For e.g. number of products, number of customers, cost, net profit, time limits, etc.

Qualitative Standard cannot be easily defined and measured. For e.g. measurement of morale, measurement of job satisfaction, measurement of effect of a training programme, advertisement programme, etc. It is better to have quantitative standards because they are measurable. However, today there are many new techniques for measuring qualitative standards.

The standards should be as clear as possible. It should be easily understood by both superiors and subordinates. The responsibility of each individual should also be clearly defined i.e. everyone should be responsible for achieving a particular goal, objective, target, etc. For e.g. The marketing department fixes a standard - "*We will sell 2,000 units of product X in one month*". So here the standard is 2,000 units.

2. Measuring the Actual Performances

After establishing the standards, the subordinates should be provided with all the resources for performing the job. They should be properly directed and motivated to perform the job. Similarly, they should be properly supervised. If the subordinated come under Theory X they require maximum supervision. However, if they come, under Theory Y then they require minimum supervision. After they complete the job their performance should be carefully measured. There are many traditional and modern techniques for measuring the performances of subordinates.

For e.g. After one month, the marketing department sold only 10,000 units of product X. So, their actual performance is only 10,000 units.

3. Comparision

The actual performances of the subordinates are compared with established standards, and then the deviations are found out. The deviations which are found out may be positive or negative.

Positive Deviation means that the actual performances are better than the established standards. Positive deviations should be appreciated.

Negative Deviation means that the actual performance is less than the established standards. The <u>management</u> should pay special attention to the negative deviation. They should find out the causes of negative deviations.

Generally, minor (small) deviations are ignored. However, major deviations should be immediately addressed and reported to the top management. PERT, Budgetary Control, Observation, Inspection, Reports, etc. are some of the methods used for comparison.

For e.g. 10,000 units (Standard) - 9,000 units (Actual Performance) = 1,000 units (Negative Deviation).

4. Corrective Action

After finding out the negative deviations and their causes, the managers should take steps to correct these deviations. Corrective actions should be taken promptly. Corrective action may include, changing the standards, providing better motivation, giving better training, using better machines, etc. The management should take essential steps to prevent these deviations in the future.

For e.g. The cause of the negative deviation was less advertising and untrained salesmen. So, the company must spend reasonable money on advertising and training.

5. Follow-up

After taking corrective action, the management must do a follow-up. Follow-up is done to find out whether the corrective actions are taken properly. It also finds out whether the deviations and their causes are removed. If follow-up is done properly, then the actual performance will be equal to or better than the established standards.

Methods of Establishing Control

Methods of establishing horizontal control include

1. Traversing
2. Triangulation
3. Trilateration
4. Network
5. GPS
6. Photogrammetric methods

Methods of establishing vertical control include:

1. Differential leveling
2. Trigonometric leveling
3. GPS
4. Photogrammetric methods *Horizontal Control*

Horizontal control can be based on

1. Assumed coordinates and bearings
2. Record coordinates and bearings
3. North American Datum
    1. NAD83
    2. NAD27
4. State Plane Coordinate System
5. International Terrestrial Reference Frame
    1. ITRF96
    2. WGS84
    3. GRS80
    4. Clarke 1866

Vertical Control

Vertical control can be based on

1. National Geodetic Vertical Datum, NGVD
    1. 1929
    2. 1988
2. A reference ellipsoid. Ellipsoid heights are derived from GPS
    1. IRTF96
    2. WGS84
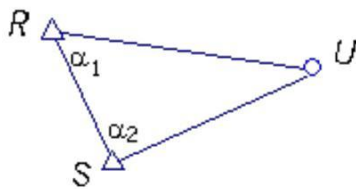
3. GRS80
4. Clarke 1866

Triangulation

Involves the measurement of all angles in a triangle. In the figure, angles

1. CAB
2. BCA
3. ACB

Are measured in triangle ABC. The angles in each triangle are measured with baselines which are generally placed every five quadrilaterals. The coordinates of each station are computed using coordinate geometry.

Given

$\square\square\square\square\square\square$ $_1$ = 50°06'50" $_2$ = 101°30'47" $\square$ x_R =865.40 x_S =2432.55 $y_R = 4527.15$ $y_S = 2047.25$

Find: Coordinates of *U*

Procedure

   1. Using coordinates of *R* and *S* solve
      1. Distance *RS*
      2. Azimuth *RS*
   2. Using Sine law, solve for   distance *RU*.
   3. Use direct problem to solve for   coordinates of *U*.
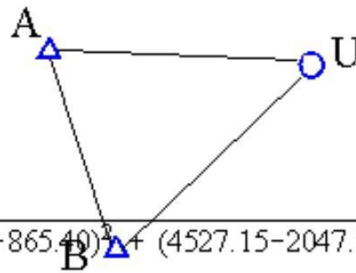
SOLUTION

$$RS = \sqrt{(2432.55 - 865.40)^2 + (4527.15 - 2047.25)^2}$$
$$= 2933.58\ ft$$

$$Az_{RS} = \tan^{-1}\left(\frac{x_s - x_r}{y_s - y_r}\right)$$
$$= \tan^{-1}\left(\frac{865.40 - 2432.55}{4527.15 - 2047.25}\right) + 180°$$
$$= 147°42'34''$$

Sine Law:
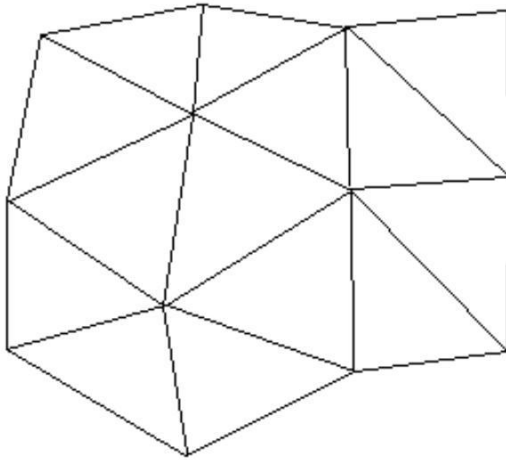
$$RU = \frac{RS \sin \alpha_2}{\sin(180° - \alpha_1 - \alpha_2)}$$

$$= \frac{2933.58 \sin 101°30'47''}{\sin 28°27'23''}$$

$$= 6049.00 \text{ ft}$$

Compute Azimuth$_{RU}$

$$Azimuth_{RU} = 147°42'34'' - 50°06'50''$$

$$= 97°35'44''$$

Compute coordinates for *U*.

$$x_u = x_r + RU \sin (Az_{RU})$$

$$= 865.40 + (6049.00) \sin 97°35'44'' = 6861.35$$

$$y_u = y_r + RU \cos(Az_{RU})$$

$$= 4527.15 + (6049.00) \cos 97°35'44''$$

$$= 3727.59$$

TRILATERATION

1. Similar to triangulation in that basic triangular figures are developed.
2. Only distances are measured.

Example:

$l_{au} =$ 6049.00 $l_{bu} = 4736.83$

Control

$x_a =$ 865.40 $x_b =$ 2432.55 $y_a = 4527.15$ $y_b = 2047.25$

Find: Compute the coordinates for station U.

Solution

a. Calculate azimuth and length of AB from the coordinates.

$$Az_{AB} = \tan^{-1}\left(\frac{X_b - X_a}{Y_b - Y_a}\right) + 180°$$

$$= \tan^{-1}\left[\frac{2432.55 - 865.40}{2047.25 - 4527.15}\right] + 180°$$

$$= 147°42'34''$$

$$AB = \sqrt{(X_b - X_a)^2 + (Y_b - Y_a)^2}$$

$$= \sqrt{(2432.55 - 865.20)^2 + (2047.25 - 4527.15)^2}$$

$$= 2933.58 \, ft$$

Calculate azimuth AU using the cosine law in triangle AUB, $c^2 = a^2 + b^2 - 2ab\cos(C)$

$$\cos(\triangle UAB) = \frac{(6049.00)^2 + (2933.58)^2 - (4736.83)^2}{2(6049.00)(2933.58)}$$

Angle UAB = 50°0650

$Az_{AU} = 147°42'34'' - 50°06'50'' = 97°35'44''$ **VERTICAL CONTROL**

Calculate the coordinates for station U

$x_u = 865.40 + 6049.00 \sin(97°35'44'')$

$\quad = 6861.325\ ft$

$y_u = 4527.15 + 6049.00 \cos(97°35'44'')$

$\quad = 3727.596\ ft$

1. Help to control elevations of subordinate surveys.
2. Provide project benchmarks
3. Become the foundation for accurately portraying relief on a map.
4. Established by lines of differential levels on starting and closing benchmarks
5. Can use total station to do trigonometric leveling form lower-order work
6. Today elevations should be tied to NGVD88.
7. Closure on vertical control should be at least 3 times better than the largest acceptable vertical error on a map.
   1. For instance, 1 foot contours can have an error of ½ foot. So uncertainty on a BM must be under 1/6 of a foot.

Acceptable leveling misclosures:

Table 1 Adequate loop misclosures for vertical control.

		Length of circuit		Maximum error of closure	
Scale of Map	Type of Control	mi	km	ft	mm
Intermediate	Primary	1 - 20	2 - 30	$(0.05 - 0.3)\sqrt{mi}$	$(12 - 72)\sqrt{km}$
	Secondary	1 - 5	2 - 8	$(0.1 - 0.5)\sqrt{mi}$	$(24 - 120)\sqrt{km}$

Large	Primary	1 - 5	2 - 8	$(0.05 - 0.1)\sqrt{mi}$	$(12 - 24)\sqrt{km}$
	Secondary	½ - 3	1 - 5	$(0.05 - 0.1)\sqrt{mi}$	$(12 - 24)\sqrt{km}$

Part-B Unit-5 Entrepreneur

An **entrepreneur** is an enterprising individual who builds capital through risk and/or initiative. The term was originally a loanword from French and was first defined by the IrishFrench economist Richard Cantillon. Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome. Jean-Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century - he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediatory between capital and labour".

Types of entrepreneurs

The literature has distinguished among a number of different types of entrepreneurs, for instance:

Social entrepreneur

A social entrepreneur is motivated by a desire to help, improve and transform social, environmental, educational and economic conditions. Key traits and characteristics of highly effective social entrepreneurs include ambition and a lack of acceptance of the status quo or accepting the world "as it is". The social entrepreneur is driven by an emotional desire to address some of the big social and economic conditions in the world, for example, poverty and educational deprivation, rather than by the desire for profit. Social entrepreneurs seek to develop innovative solutions to global problems that can be copied by others to enact change. [

Social entrepreneurs act within a market aiming to create social value through the improvement of goods and services offered to the community. Their main aim is to help offer a better service improving the community as a whole and are predominately run as non profit schemes. Zahra et al. (2009: 519) said that —social entrepreneurs make significant and diverse contributions to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems‖.

Serial entrepreneur

A serial entrepreneur is one who continuously comes up with new ideas and starts new businesses.[4] In the media, the serial entrepreneur is represented as possessing a higher propensity for risk, innovation and achievement.[5]

Lifestyle entrepreneur

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interests and talent with the ability to earn a living. Many entrepreneursmay be primarily motivated by the intention to make their business profitable in order to sell to shareholders.[*examples needed*] In contrast, a lifestyle entrepreneur intentionally chooses a business model intended to develop and grow their business in order to make a long-term, sustainable and viable living working in a field where they have a particular interest, passion, talent, knowledge or high degree of expertise.[6] A lifestyle entrepreneur may decide to become selfemployed in order to achieve greater personal freedom, more family time and more time working on projects or business goals that inspire them. A lifestyle entrepreneur may combine a hobby with a profession or they may specifically decide not to expand their business in order to remain in control of their venture. Common goals held by the lifestyle entrepreneur include earning a living doing something that they love, earning a living in a way that facilitates self-employment, achieving a good work/life balance and owning a business without shareholders.[*further explanation needed*] Many lifestyle entrepreneurs are very dedicated to their business and may work within the creative industries or tourism industry,[7] where a passion before profit approach to entrepreneurshipoften prevails. While many entrepreneurs may launch their business with a clear exit strategy, a lifestyle entrepreneur may deliberately and consciously choose to keep their venture fully within their own control. Lifestyle entrepreneurship is becoming increasing popular as technology provides small business owners with the digital platforms needed to reach a large global market. Younger lifestyle entrepreneurs, typically those between 25 and 40 years old, are sometimes referred to as Treps.

Cooperative entrepreneur

A cooperative entrepreneur doesn't just work alone, but rather collaborates with other cooperative entrepreneurs to develop projects, particularly cooperative projects. Each cooperative

entrepreneur might bring different skill sets to the table, but collectively they share in the risk and success of the venture.

Theory-based Typologies

Recent advances in entrepreneurship research indicate that the differences in entrepreneurs and heterogeneity in their behaviors and actions can be traced back to their the founder's identity. For instance, Fauchart and Gruber (2011, Academy of Management Journal) have recently shown that -based on social identity theory - three main types of entrepreneurs can be distinguished: Darwinians, Communitarians and Missionaries. These types of founders not only diverge in fundamental ways in terms of their self-views and their social motivations in entrepreneurship, but also engage fairly differently in new firm creation.

Evolution   of   Entrepreneurship

Researchers have been inconsistent in their definitions of entrepreneurship (Brockhaus & Horwitz, 1986, Sexton & Smilor, Wortman, 1987; Gartner, 1988). Definitions have emphasized a broad range of activities including the creation of organizations (Gartner, 1988), the carrying out of new combinations (Schumpeter, 1934), the exploration of opportunities (Kirzner, 1973), the bearing of uncertainty (Knight 1921), the bringing together of factors of production (Say, 1803), and others (See Long, 1983). The outline below presents some authors definitions of entrepreneurship and attempts to summarize these viewpoints into a more meaningful whole.

Richard Cantillon (circa 1730); Entrepreneurship is defined as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty.

Jean Baptiste Say (1816); The entrepreneur is the agent "who unites all means of production and who finds in the value of the products...the reestablishment of the entire capital he employs, and the value of the wages, the interest, and rent which he pays, as well as profits belonging to himself."

Frank Knight (1921); Entrepreneurs attempt to predict and act upon change within markets. Knight emphasize the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control.

Joseph Schumpeter (1934); The entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. The carrying out of new combinations can take several forms; 1) the introduction of a new good or quality thereof, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of new materials or parts, 5) the carrying out of the new organization of any industry. Schumpeter equated entrepreneurship with the concept of innovation applied to a business context. As such, the entrepreneur moves the market away from equilibrium. Schumpter's definition also emphasized the combination of resources. Yet, the managers of already established business are not entrepreneurs to Schumpeter.

Penrose (1963); Entrepreneurial activity involves identifying opportunities within the economic system. Managerial capacities are different from entrepreneurial capacities

Harvey Leibenstein (1968, 1979); the entrepreneur fills market deficiencies through inputcompleting activities. Entrepreneurship involves "activities necessary to create or carry on an enterprise where not all markets are well established or clearly defined and/or in which relevant parts of the production function are not completely known.

Israel Kirzner (1979); The entrepreneur recognizes and acts upon market opportunities. The entrepreneur is essentially an arbitrageur. In contrast to Schumpeter's viewpoint, the entrepreneur moves the market toward equilibrium.

Gartner (1988); The creation of new organizations.

The Entrepreneurship Center at Miami University of Ohio has an interesting definition of entrepreneurship: "Entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty."

In summary, entrepreneurship is often viewed as a function which involves the exploitation of opportunities which exist within a market. Such exploitation is most commonly associated with the direction and/or combination of productive inputs. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and often are associated with creative and innovative actions. In addition, entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. In this sense entrepreneurial activity is fleeting. An individual may perform an entrepreneurial function in creating an organization, but later is relegated to the role of managing it without performing an entrepreneurial role. In this sense, many small-business owners would not be considered to be entrepreneurs. Finally, individuals within organizations (i.e. non-founders) can be classified as entrepreneurs since they pursue the exploitation of opportunities. Thus intrepreneurship is appropriately considered to be a form of entrepreneurship.

Essential Functions of an Entrepreneur

An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise. He carries out the whole set of activities of the business for its success. He recognises the commercial potential of a product or a service, formulates operating policies for production, product design, marketing and organisational structure. He is thus a nucleus of high growth of the enterprise.

According some economists, the functions of an entrepreneur is classified into five broad categories:

1. Risk-bearing function,
2. Organisational function,
3. Innovative function,
4. Managerial function, and
5. Decision making function.

1. Risk-bearing function:

The functions of an entrepreneur as risk bearer is specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a loss.

The entrepreneur, according to Kinght, "is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured nor capitalised nor salaried too."

Richard Cantillon conceived of an entrepreneur as a bearer of non-insurable risk because he described an entrepreneur as a person who buys things at a certain price and sells them at an uncertain price.

Thus, risk bearing or uncertainty bearing still remains the most important function of an entrepreneur which he tries to minimise by his initiative, skill and good judgement. J.B. Say and other have stressed risk taking as the specific function of the entrepreneur.

2. Organisational Function:

Entrepreneur as an organiser and his organising function is described by J.B. Say as a function whereby the entrepreneur brings together various factors of production, ensures continuing management and renders risk-bearing functions as well. His definition associates entrepreneur with the functions of coordination, organisation and supervision. According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. In this way, he

describes an entrepreneur as an organiser who alone determines the lines of business to expand and capital to employ more judiciously. He is the ultimate judge in the conduct of the business.

Marshall also advocated the significance of organisation among the services of special class of business undertakers.

3. Innovative Function:

The basic function an entrepreneur performs is to innovate new products, services, ideas and informations for the enterprise. As an innovator, the entrepreneur foresees the potentially profitable opportunity and tries to exploit it. He is always involved in the process of doing new things. According to Peter Drucker, "Innovation is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth". Whenever a new idea occurs entrepreneurial efforts are essential to convert the idea into practical application.

J.A. Schumpeter considered economic development as a descrete dynamic change brought by entrepreneurs by instituting new combinations of production, *i.e.* innovation. According to him innovation may occur in any one of the following five forms.

The introduction of a new product in the market with which the customers are not get familiar with.

Introduction of a new method of production technology which is not yet tested by experience in the branch of manufacture concerned.

The opening of a new market into which the specific product has not previously entered.

The discovery of a new source of supply of raw material, irrespective of whether this source already exists or has first to be created.

The carrying out of the new form of oranisation of any industry by creating of a monopoly position or the breaking up of it.

4. Managerial Function:

Entrepreneur also performs a variety of managerial function like determination of business objectives, formulation of production plans, product analysis and market research, organisation of sales procurring machine and material, recruitment of men and undertaking, of business operations. He also undertakes the basic managerial functions of planning, organising, coordinating, staffing, directing, motivating and controlling in the enterprise. He provides a logical and scientific basis to the above functions for the smooth operation of the enterprise thereby avoids chaos in the field of production, marketing, purchasing, recruiting and selection, etc. In large establishments, these managerial functions of the entrepreneur are delegated to the paid managers for more effective and efficient execution.

5. Decision Making Function:

The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise. A. H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.

He determines the business objectives suitable for the enterprise.

He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.

He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors and financiers.

He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.

He decides the development of a market for his product, develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.

He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firms image before others.

Intrapreneurship

In 1992, *The American Heritage Dictionary* acknowledged the popular use of a new word, intrapreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". Intrapreneurship is now known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship.

History

The first written use of the terms ‚intrapreneur', ‚intrapreneuring,' and ‚intrapreneurship' date from a paper written in 1978 by Gifford and Elizabeth Pinchot. Later the term was credited to Gifford Pinchot III by Norman Macrae in the April 17, 1982 issue of *The Economist*.[2] The first formal academic case study of corporate entrepreneurship or intrapreneurship was published in June 1982, as a Master's in Management thesis, by Howard Edward Haller, on the intrapreneurial creation of PR1ME Leasing within PR1ME Computer Inc. (from 1977 to 1981). This academic research was later published as a case study by VDM Verlag as *Intrapreneurship Success:A PR1ME Example* by Howard Edward Haller, Ph.D. The American Heritage *Dictionary of the English Language* included the term 'intrapreneur' in its 3rd 1992 Edition, and also credited[3] Gifford Pinchot III as the originator of the concept. The term "intrapreneurship" was used in the popular media first in February 1985 by *TIME* magazine article "Here come the Intrapreneurs" and then the same year in another major popular publication was in a quote by Steve Jobs, Apple Computer's Chairman, in an interview in the September 1985 *Newsweek* article,[4] where he shared, ―The Macintosh team was what is commonly known as intrapreneurship;only a few years before the term was coined—a group of people going, in essence, back to the garage, but in a large company."

CONCEPT OF ENTERPRENEURSHIP:

1. Entrepreneurship is the process of creating value by bringing together a uniquepackage of resources to exploit an opportunity.2. Entrepreneurship is the pursuit of opportunity without regard to resources currentlycontrolled.From both definitions above, we can note that Entrepreneurs are opportunity driven.Opportunity comes from changes in the environment, and

one characteristic of Entrepreneurs is that they are good a seeing patterns of change. It is also evidentthat Entrepreneurs are not resource driven -while the manager asks, "Given theresources under my control, what can I achieve?" the Entrepreneur asks "Given whatI want to achieve, what resources do I need to acquire?"

Difference between Intrepreneur andEntrepreneur:

Intrapreneur is a person who focuses on innovation and creativity and who transformsa dream or an idea into a profitable venture, by operating within the organizationalenvironment. Intrapreneurs, by definition, embody the same characteristics as theEntrepreneur, conviction, passion, and drive. If the company is supportive, theIntrapreneur succeeds. When the organization is not, the Intrapreneur usually fails orleaves to start a new company.An Intrapreneur thinks like an entrepreneur seeking out opportunities, which benefitthe corporation. It was a new way of thinking, in making companies more productiveand profitable. Visionary employees who thought like entrepreneurs. IBM is oneof the leading companies, which encourages INTRAPRENEUR.

MAIN DIFFERENCE BETWEEN ENTERPRENEURSHIPAND INTRAPRENEURSHIP:
There are, of course, a few things that are different between Intrapreneurship andEntrepreneurship. For starters, the Intrapreneur acts within the confines of an existingorganisation. The dictates of most organisations would be that the Intrapreneurshould ask for permission before attempting to create a desired future - in practice,the Intrapreneur is more inclined to act first and ask for forgiveness than to ask forpermission before acting.The Intrapreneur is also typically the intra-organisational revolutionary - challengingthe status quo and fighting to change the system from within. This ordinarily creates acertain amount of organisational friction. A healthy dose of mutual respect is requiredin order to ensure that such friction can be positively channeled.One advantage of Intrapreneurship over Entrepreneurship is that Intrapreneurtypically finds a ready source of "free" resources within the organisation which can be

Stages of Entrepreneurship

There are six stages of an entrepreneurial venture that founders of companies will encounter. If you choose to purchase an existing business, you may skip a few steps, but you will still be forced to address several of them. The six steps are:

1) CONVICTION 2) IDEA 3) CONCEPT 4) VENTURE 5) BUSINESS 6) SUSTAINABLE BUSINESS

Stage 1: CONVICTION

No matter the stage of the business when an individual begins his/her entrepreneurial journey, every entrepreneur must address his/her conviction to be an entrepreneur. This sounds trivial, but I believe it is the most important step in the process. It SHOULD be the first step; however, many entrepreneurs wait until the VENTURE stage to address it. This can lead to grave problems. In the CONVICTION stage, an entrepreneur needs to figure out if he/she has the conviction to withstand the fundamental issues of entrepreneurship.

Click here to view the things an entrepreneur should evaluate about him/herself in the CONVICTION Stage.

Stage 2: IDEA

The IDEA stage is the easiest stage. Everyone has an idea for a business. This is also the most fun stage because the cost is zero and the excitement level high. Of course, the IDEA stage is the basis for every other stage so it cannot be dismissed; however, as an entrepreneur, you should never confuse an "idea" for a "concept". As you will see in the next step, a concept has much more structure than an idea and subsequently warrants a different concerns and decision making.

Click here to view a detailed roadmap of things you should be doing in the IDEA Stage.

Stage 3: CONCEPT

As mentioned above, a concept is characterized by structure. In the CONCEPT stage, you take your idea and employ a certain intellectual rigor which includes:

- Extensive market research

- Development of the business model

- Conceptualization of the type of the team required to execute

- Engagement of informal and formal advisors

Click here to view a detailed roadmap of things you should be doing in the CONCEPT Stage.

Stage 4: VENTURE

This is the most challenging stage of the business and for many entrepreneurs the most fun...well at least in the beginning. The VENTURE stage is characterized by significant investment. This investment typically comes in two forms: money and time. In most cases, as the entrepreneur, it is "your" money and "your" time; and those can often be significant.

Click here to view a detailed roadmap of things you should be doing in the VENTURE Stage.

Stage 5: BUSINESS

The BUSINESS stage is where all entrepreneurs strive to be. This is the stage where you have revenues that are commensurate with your expenses. Of course, there may be unprofitable months or years, but in general, the business can support itself with little outside capital. This is the stage where you are most likely to find investors.

Click here to view a detailed roadmap of things you should be doing in the BUSINESS Stage.

Stage 6: SUSTAINABLE BUSINESS

Although most entrepreneurs are satisfied to build a Business, they should strive to become a Sustainable Business. There are unique challenges to creating a sustainable business and it can be defined in different ways. It is typically characterized by time. Ventures that last 10+ years may be thought of as sustainable; however, the real challenge is for a business to outlast the involvement of its founders. That is a more relevant definition of a sustainable business.

The Role of the Entrepreneur

Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct.

A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the entrepreneurs and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

For years, economists viewed entrepreneurship as a small part of economic activity. But in the 1800s, the Austrian School of Economics was the first to recognize the entrepreneur as the person having the central role in all economic activity. Why is that?

Because it's entrepreneurial energy, creativity and motivation that trigger the production and sale of new products and services. It is the entrepreneur who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs.

Entrepreneurs seek disequilibrium--a gap between the wants and needs of customers and the products and services that are currently available. The entrepreneur then brings together the factors of production necessary to produce, offer and sell desired products and services. They invest and risk their money--and other people's money--to produce a product or service that can be sold at a profit.

More than any other member of our society, entrepreneurs are unique because they're capable of bringing together the money, raw materials, manufacturing facilities, skilled labor and land or buildings required to produce a product or service. And they're capable of arranging the marketing, sales and distribution of that product or service.

Entrepreneurs are optimistic and future oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit. They're fast moving, willing to try many different strategies to achieve their goals of profits. And they're flexible, willing to change quickly when they get new information.

Entrepreneurs are skilled at selling against the competition by creating perceptions of difference and uniqueness in their products and services. They continually seek out customer needs that the competition is not satisfying and find ways to offer their products and services in such a way that what they're offering is more attractive than anything else available.

Entrepreneurs are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible. They create all wealth, all jobs, all opportunities, and all prosperity in the nation. They're the most important people in a market economy--and there are never enough of them.

As an entrepreneur, you are extremely important to your world. Your success is vital to the success of the nation. To help you develop a better business, one that contributes to the health of the economy, I'm going to suggest that you take some time to sit down, answer the following questions, and implement the following actions:

What opportunities exist today for you to create or bring new products or services to your market that people want, need and are willing to pay for? What are your three best opportunities?

1. Identify the steps you could take immediately to operate your business more efficiently, especially regarding internal operating systems.
2. Tell yourself continually "Failure is not an option." Be willing to move out of your comfort zone, to take risks if necessary to build your business.
3. Use your creativity rather than your money to find new, better, cheaper ways to sell your products or reduce your costs of operation. What could you do immediately in one or both of these areas?
4. Imagine starting over. Is there anything you're doing today that, knowing what you now know, you wouldn't get into or start up again?
5. Imagine reinventing your business. If your business burned to the ground today, and you had to start over, what would you not get into again? What would you do differently?

Entrepreneurship in India – hype or happening ?

Sramana is doing a series on Entrepreneurship – Innovation in India for Forbes and requested my perspective about the same. I chose to write down my thoughts as a post and seek out your thoughts about it as well.

When it comes to entrepreneurship in India, for the longest time now, it seems that most of us have been rehashing, repeating and regurgitating the same things over and over again:

―Revamp Education system‖, ―Lack of funding‖, ―No ecosystem‖, ―No product companies‖, ―Indian mindset and culture‖, ―Bureaucratic red-tape‖ and many other such reasons.

Its time we really took a deep, hard look at what is the current state of entrepreneurship in India, what is broken and how can we really fix it ?

In all fairness, I am not on ground zero. And so it may seem as inappropriate to many that I speak of entrepreneurship in India while residing in the US. You might very well diss my opinions expressed below based on the same grounds, and in that case, I welcome your perspective – hopefully we can have a healthy discussion via the comments. In my defense, even though I'm

not at ground zero, I have been closely monitoring the startup and entrepreneurship scene in India over the last couple of years. I've talked to lots of Indian entrepreneurs, tech enthusiasts and VC's over this time – enough to form an opinion.

If someone who's totally ignorant about the Indian market walks up to me and asks me about entrepreneurship in India – my answer to them would be that its more hype than happening. The awareness about entrepreneurship is definitely increasing incredibly, but not enough converts yet. Lots of wannapreneurs, but few actual entrepreneurs.Again, my goal isnt to ridicule or point fingers, but rather narrow down on what's broken.

Some of the most commonly attributed reasons for the lack of entrepreneurship in India:

Lack of funding:
Is lack of funding that much of a big deal really ? The cost to do a technology startup has gone down drastically. Reduced hardware costs, bandwidth costs have dropped, cloud computing and open source technologies make it really cheap to launch a technology startup. Unless you are launching a capital intensive business, why should you really need outside funding for doing a startup ?

Look at the Ycombinator model – $5k – $10K per startup, which is literally peanuts if you need to survive in Silicon Valley. Why cant Indian entrepreneurs be cheap in a similar way ? Why not bootstrap ?

No Ecosystem:
If you would have made this argument 5 years back, I'd probably have agreed. But over the last few years, the startup ecosystem has improved by leaps and bounds. VC's have entered the Indian market, events and conferences are helping the startup community to network and converge, B-plan competitions on various campuses are raising awareness, an active and vibrant community is forming around entrepreneurship.

Bureaucratic red-tape:

While I agree that some things in this aspect are not as smooth as in other countries. However, most of the entrepreneurs I talked to did not cite this as a major hindrance as part of their entrepreneurial journey. Hire a chartered accountant and he will take care of majority of the initial process of incorporation, taxation and other legalities.

No Product Companies:

I for one dont really buy into this argument. While I agree that product companies may offer long term sustainence value (while current outsourcing focused services companies are simply benefiting from the cost advantage), but then entrepreneurship is still entrepreneurship – be it a services or a product company.

Below are some of the reasons that I personally think have a strong impact on entrepreneurship in India:

Revamping Education:

If you look at the success of Silicon Valley, one of the key factors that was instrumental in shaping it was Stanford & UC Berkeley. Ditto is the case with Israel's Technion. I strongly believe that education, innovation and entrepreneurship go hand in hand – especially technology innovation.
While the IIT's have immensely successful alumni, the IIT's have not been able to create a fertile hotbed of innovation & entrepreneurship in their own backyard.

At the same time, we need to encourage out of the box thinking as part of our education system. Rote learning can only get us so far. We need to ramp up coursework so that student skills remain in sync with the rest of the market. When Stanford and other universities are teaching iPhone and Facebook app related courses, teaching Cobol & Fortran to Indian students would be stupid in today's age. Students should be encouraged to consider entrepreneurship as a viable career option.
I believe this to be the single biggest factor that could foster entrepreneurship in India. Young college graduates are at an age when their inherent risk is at the least to becoming an entrepreneur. Educating them early enough would also give them ample time to shape up their skills and experience that can prepare them for their entrepreneurial journey. We also should make it easy

and acceptable for students to take sabbaticals from their degree coursework. Currently, this if frowned upon in Indian society — we should try to make people more accepting of it.

The NEN Foundation has done a good job at increasing entrepreneurship awareness across various campuses. However, when you take a quick peek at some of the questions that are asked by some of the student participants, it just boggles your mind. Few are requesting ideas, several requesting funding even before doing any analysis of the idea and several others simply leave you in sheer disbelief. One common aspect across most of the questions is that they are looking for handholding. And I think that really needs to change. I'm not sure if we're (including mainstream media that has glamourized stories about entrepreneurship and VC fundings) sending them the wrong signals – but if you think all information, market research and other info will be served to you on a silver platter, then probably being an entrepreneur is not in your best interests.

We missed out on the technology innovation bus, but if we dont really ramp up our education system and associated R&D – innovation, we might end up sitting on the sidelines of the cleantech wagon as well.

Lack of Good Mentors:

India does not have a large pool of successful entrepreneurs who have built global level companies and are keen on mentoring the next generation of entrepreneurs. From a lot of entrepreneurs that I've talked to — they were more desperately seeking good mentors as opposed to funding.

We probably need someone to lead & pave the way just like what Yossi Vardi did to Israel and what NR Murthy did to the outsourcing market in India.

Lack of M&A activity:

This I say just from the technology market. M&A is just not happening in the Indian market. Consequently, the already existing portals, news sites get a chance to launch their own services without any strong startup getting an opportunity to establish itself.

These are the three things that I think have the biggest impact — but then, there's a good chance that you might disagree. This is a highly subjective topic and everyone has their own convictions

about it. I think when it comes to technology entrepreneurship, we should try and do a detailed case study of Israel. The country has just a population of 7 million, hostile neighbors and high taxes. Yet it boasts of the 2nd highest concentration of startups just after the

US. They're definitely doing something right. And that's what we should try & emulate.

Barrier of entrepreneurship

Procrastination: Procrastination they say is the thief of time. There is no tomorrow because it never comes. What you do today will affect how your tomorrow will be. Out of laziness, resistance and complacency entrepreneurs are forced to shift activities.

If you want to draw a business plan it must be now; if you want to write a proposal, it must be now; if you must register your business, it must be now; if you must quit a job and start your own business it must be now.

A lot of entrepreneurs have great vision and dreams but a lot are in the ―someday island‖. They hope to achieve them someday. They never get there in actual fact. Write the dream on paper, figure out areas of strength and areas of resistance, set time against your dreams. When you have done this, employ your passion and go get it.

1. **Tying your dreams to age:** Age is nothing but a number. Whatever you want to do has nothing to do with your age. It's all about attitude, level of exposure, knowledge and the self-will. The fact that the CEO of a company achieved success at the age of
   50 does not mean entrepreneurial success is tied to age 50.

   Today there are a lot of young entrepreneurs who have become billionaires. Mark Zuckerberg of facebook.com is a typical example; a billionaire at age 24 as at 2010.

Don't allow your age to limit you in the kinds of dreams you have and your pursuit for achievement. Dream as wide as you can, don't be deterred by how insufficient you may be. As you step out to achieve your goals, all you need shall fall into place.

3. **Following the status quo:** There is no perfect system. What worked out ten years ago has no place today. The world is fast-changing and so is the business environment. The Internet has made the world smaller than was thought decades ago. Businesses are using the power of the Internet to reach out to their clients. As an entrepreneur, consider the use of social media platforms like Facebook, Twitter, and Myspace to reach out to your prospective clients at no cost. Flow with the time and make the necessary adjustment to be able to enjoy the benefits that comes with the change.

Unit-6 Small Scale industry

Meaning and Concept of Small Scale Industry:

In most of the developing countries like India, Small Scale Industries (SSI) constitute an important and crucial segment of the industrial sector. They play an important role in employment creation, resource utilisation and income generation and helping to promote changes in a gradual and phased manner. They have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons. The reasons are obvious.

The scarcity of capital in India severely limits the number of non-farm jobs that can be created because investment costs per job are high in large and medium industries. An effective development policy has to attempt to increase the use of labour, relative to capital to the extent that it is economically efficient.

Small scale enterprises are generally more labour intensive than larger organisations. As a matter of fact, small scale sector has now emerged as a dynamic and vibrant sector for the Indian economy in recent years. It has attracted so much attention not only from industrial planners and economists but also from sociologists, administrators and politicians.

Definition of Small Scale Industry:

Defining small-scale industry is a difficult task because the definition of small-scale industry varies from country to country and from one time to the another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country.

Every country has set its own parameters in defining small-scale sector. Generally, small-scale sector is defined in terms of investment ceilings on the original value of the installed plant and machinery. But in the earlier times the definition was based on employment. In the Indian context, the parameter are as follows.

The Fiscal Commission, Government of India, New Delhi, 1950, for the first time defined a small-scale industry as, one which is operated mainly with hired labour usually 10 to 50 hands.

Fixed capital investment in a unit has also been adopted as the other criteria to make a distinction between small-scale and large-scale industries. This limit is being continuously raised up wards by government.

The Small Scale Industries Board in 1955 defined, "Small-scale industry as a unit employing less than 50 employees if using power and less than 100 employees if not using power and with a capital asset not exceeding Rs. 5 lakhs".

'The initial capital investment of Rs. 5 lakhs has been changed to Rs. 10 lakhs for sma industries and Rs. 15 lakhs for ancillaries in 1975. Again this fixed capital investment limit was raised to Rs. 15 lakhs for small units and Rs. 20 lakhs for ancillary units in 1980. The Government of India in 1985, has further increased the investment limit to Rs. 35 lakhs for small-scale units and 45 lakhs for ancillary units.

Again the new Industrial Policy in 1991, raised the investment ceilings in plant an machinery to Rs. 60 lakhs for small-scale units and Rs. 75 lakhs for ancillary units.

As per the Abid Hussain Committee's recommendations on small-scale industry, the Government of India has, in March 1997 further raised investment ceilings to Rs. 3 crores for small-scale and ancillary industries and to Rs. 50 lakhs for tiny industry.

The new Policy Initiatives in 1999-2000 defined small-scale industry as a unit engage in manufacturing, repairing, processing and preservation of goods having investment in plant and machinery at an original cost not exceeding Rs. 100 lakhs.

In case of tiny units, the cost limitation is up to Rs. 5 lakhs. Again, the Government of India in its budget for 2007-08 has raised the investment limit in plant and machinery of small-scale industries to 1.5 corers An ancillary unit is one which is engaged or proposed to be engaged in the manufacture c production of parts, components, sub-assemblies, tooling or intermediaries or rendering services and the undertaking supplies or renders or proposes to supply or render not

less than 50% of its production or services, as the case may be, to one or more other Industries undertakings and whose investment in fixed assets in plant and machinery whether held on ownership terms or lease or on hire-purchase does not exceed Rs. 75 lakhs.

For small-scale industries, the Planning Commission of India uses terms 'village an small-scale industries'. These include modern small-scale industry and the traditional cottage and household industry.

essential characteristics of Small Scale Industries

Following are the characteristics of some industries which identify them as small-scale industries:

1. Labour intensive:

Small-scale industries are fairly labour-intensive. They provide an economic solution by creating employment opportunities in urban and rural areas at a relatively low cost of capital investment.

2. Flexibility:

Small-scale industries are flexible in their operation. They adopt quickly to various factors that play a large part in daily management. Their flexibility makes them best suited to constantly changing environment.

3. One-man show:

A small-scale unit is generally a one-man show. It is mostly set up by individuals. Even some small units are run by partnership firm or company, the activities are mainly carried out by one of the partners or directors. Therefore,' they provide an outlet for expression of the entrepreneurial spirit. As they are their own boss, the decision making process is fast and at times more innovative.

4. Use of indigenous raw materials:

Small-scale industries use indigenous raw materials and promote intermediate and capital goods. They contribute to faster balanced economic growth in a transitional economy through decentralisation and dispersal of industries in the local areas.

5. Localised operation:

Small-scale industries generally restrict their operation to local areas in order to meet the local and regional demands of the people. They cannot enlarge their business activities due to limited resources.

6. Lesser gestation period:

Gestation period is the period after which the return or investment starts. It is the time period between setting the units and commencement ol production. Small-scale industries usually have a lesser gestation period than large industries. This helps the entrepreneur to earn after a short period of time. Capital will not be blocked for a longer period.

7. Educational level:

The educational level of the employees of small industries is normally low or moderate. Hardly there is any need of specialised knowledge and skill to operate and manage the SSI.

8. Profit motive:

The owners of small industries are too much profit conscious. They always try to keep high margins in their pricing. This is one of the reason for which the unit may lead to closure.

Needs and rationale

Small Scale Industries may sound small but actually plays a very important part in the overall growth of an economy. Small Scale Industries can be characterized by the unique feature of labor intensiveness. The total number of people employed in this industry has been calculated to be near about one crore and ninety lakhs in India, the main proponents of Small scale industries.

The importance of this industry increases manifold due to the immense employment generating potential. The countries which are characterized by acute unemployment problem especially put

emphasis on the model of **Small Scale Industries**. It has been observed that India along with the countries in the Indian continent have gone long strides in this field.

Advantages associated with Small Scale Industries

☐   This industry is especially specialized in the production of consumer commodities.

☐

     Small scale industries can be characterized with the special feature of adopting the labor intensive approach for commodity production. As these industries lack capital, so they utilize the labor power for the production of goods. The main advantage of such a process lies in the absorption of the surplus amount of labor in the economy who were not being absorbed by the large and capital intensive industries. This, in turn, helps the system in scaling down the extent of unemployment as well as poverty.

☐

     It has been empirically proved all over the world that **Small Scale Industries** are adept in distributing national income in more efficient and equitable manner among the various participants in the process of good production than their medium or larger counterparts.

☐

     Small Scale Industries help the economy in promoting balanced development of industries across all the regions of the economy.

☐

     This industry helps the various sections of the society to hone their skills required for entrepreneurship.

☐

     Small Scale Industries act as an essential medium for the efficient utilization of the skills as well as resources available locally.

Small Scale Industries enjoy a lot of help and encouragement from the government through protecting these industries from the direct competition of the large scale ones, provision of subsidies in the form of capital, lenient tax structure for this industry and many more.

Aims & Objectives

1   The Association shall be non-political, non-religious body.

2   The Association shall be a corporate body which may sue and may be sued in its corporate name.

3   The Association shall watch over, promote and protect the mutual interests of the Members and represent the members generally in problems concerning their industries.

4   The Association shall strive for complete unity and understanding between the member units. It shall also identify and solve common as well as individual problems of the members/units

5   The Association shall create a perfect rapport between units and the Govt.

6   The Association shall hold frequent get togethers to promote better understanding and encourage social contacts among members.

7   The Association will strive and/or seek to affiliate itself with National Level Associations/Bodies concerning Industries in general and Small Scale Sector in particular.

8   The Association shall further the cause of Industries by holding consultations with the related Government bodies.

9   The Association shall deal with such other lawful things as are incidental or conducive to attainment of the above objects or any of them and to receive subscriptions and donations for the purpose of the Association.

10   The Association will encourage to develop the industrial and scientific tempre in members with regard to Jammu and Kashmir State in particular.

11   The Association will organise workshops and seminars with a view to introduce standard and good manufacturing practices, processess and procedures by providing subsidising endowing or assisting through contribution of its own funds or generating funds through donations, grants from other lawful resources towards the objects of the Association.

In addition to the above primary objectives the Association will also strive to undertake the following at an appropriate stage i.e. when Association has the resources, capacity and infra-structure.

(a) To publish a news letter/trade magazine for the communication of throughts as well as to educate/apprise the members with the developments about the trade and its policies in India and abroad and provide information that will

help to mobilies ideas with a view to promotions and up-grading the business.

(b) To promote the interest of the Small Scale Enterpreneurs by advertising their products and services in manner and in particular to give prizes, certificates and awards to members and to promote and take part in competitions, displays exhibitions and produce audio-visual aids concerning the business

(c) To work for promotion of groups housing societies for enterpreneurs/workers /staff:

Role of SSI in economic development

Production

The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy.

It has been estimated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points.

The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.
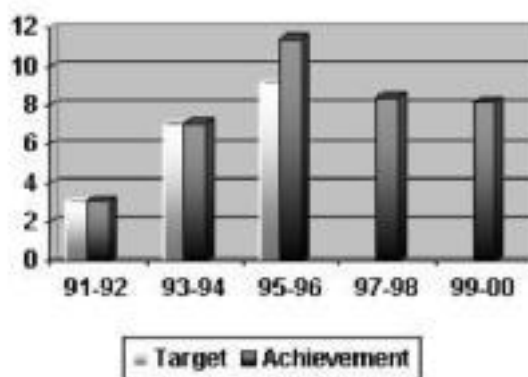
When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.

Year	Target	Achievement
1991-92	3.0	3.1
1992-93	5.0	5.6
1993-94	7.0	7.1
1994-95	9.1	10.1
1995-96	9.1	11.4
1996-97	9.1	11.3
1997-98	*	8.43
1998-99	*	7.7
1999-00	*	8.16
2000-01 (P)	*	8.90

P-Projected (April-December)

* Target not fixed at constant prices

Employment

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that 100,000 rupees of investment in fixed assets in the small-scale sector generates employment for four persons.

Generation of Employment - Industry Group-wise

Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%).

In Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%.

In all other industries the contribution was less than 5%.

Per unit employment

Per unit employment was the highest (20) in units engaged in beverages, tobacco & tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu.

Next came Cotton textile products (17), Non-metallic mineral products (14.1), Basic metal industries (13.6) and Electrical machinery and parts (11.2.) The lowest figure of 2.4 was in Repair services line.

Per unit employment was the highest (10) in metropolitan areas and lowest (5) in rural areas. However, in Chemicals & chemical products, Non-metallic mineral products and Basic metal industries per unit employment was higher in rural areas as compared to metropolitan areas/urban areas.

In urban areas highest employment per unit was in Beverages, tobacco products (31 persons) followed by Cotton textile products (18), Basic metal industries (13) and Non-metallic mineral products (12).

Location-wise Employment Distribution - Rural

Non-metallic products contributed 22.7% to employment generated in rural areas. Food Products accounted for 21.1%, Wood Products and Chemicals and chemical products shared between them 17.5%.

Urban

As for urban areas, Food Products and Metal Products almost equally shared 22.8% of employment. Machinery parts except electrical, Non-metallic mineral products, and Chemicals & chemical products between them accounted for 26.2% of employment.

In metropolitan areas the leading industries were Metal products, Machinery and parts except electrical and Paper products & printing (total share being 33.6%).

State-wise Employment Distribution

Tamil Nadu (14.5%) made the maximum contribution to employment.

This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West Bengal (8.5%) the total share being 27.7%.

Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%) and Punjab (5.6%) together accounted for another 27.4%.

Per unit employment was high - 17, 16 and 14 respectively - in Nagaland, Sikkim and Dadra & Nagar Haveli.
It was 12 in Maharashtra, Tripura and Delhi.

Madhya Pradesh had the lowest figure of 2. In all other cases it was around the average of 6.

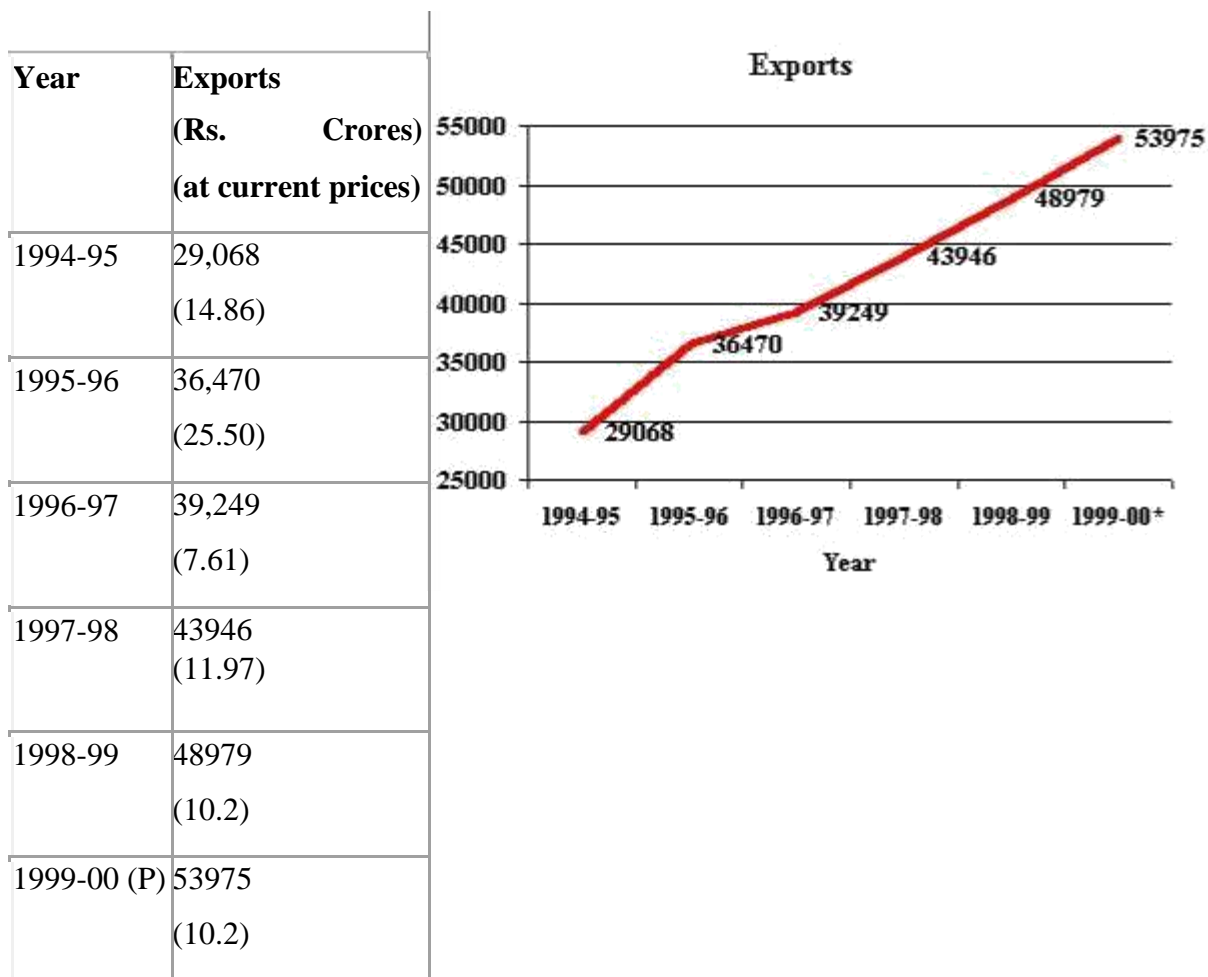| Year	Target (lakh nos.)	Achievement (lakh nos.)	Growth rate
1992-93	128.0	134.06	3.28
1993-94	133.0	139.38	3.28
1994-95	138.6	146.56	5.15
1995-96	144.4	152.61	4.13
1996-97	150.5	160.00	4.88
1997-98	165	167.20	4.50
1998-99	170.1	171.58	2.61
1999-00	175.4	177.3	3.33

P-Provisional
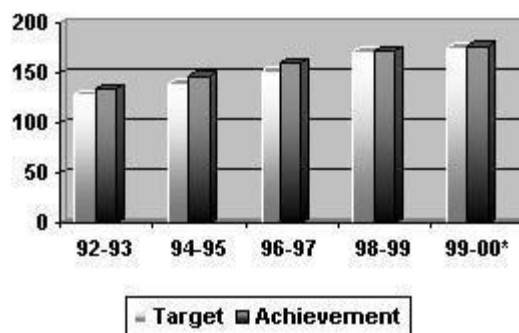
Export

SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods.

It would surprise many to know that non-traditional products account for more than 95% of the SSI exports.

The exports from SSI sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garments, leather and gems and jewellery units from this sector.

The product groups where the SSI sector dominates in exports, are sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food and leather products.

The SSI sector is reorienting its export strategy towards the new trade regime being ushered in by the WTO.

Year	Exports (Rs. Crores) (at current prices)
1994-95	29,068 (14.86)
1995-96	36,470 (25.50)
1996-97	39,249 (7.61)
1997-98	43946 (11.97)
1998-99	48979 (10.2)
1999-00 (P)	53975 (10.2)

P-Provisional

Exports

55000
50000
45000
40000
35000
30000
25000

29068
36470
39249
43946
48979
53975

1994-95 1995-96 1996-97 1997-98 1998-99 1999-00*

Year

Major   Export   Markets

An evaluation study has been done by M/s A.C. Nielsen on behalf of Ministry of SSI. As per the findings and recommendations of the said study the major export markets identified having

potential to enhance SSIs exports are US, EU and Japan. The potential items of SSIs have been categorised into three broad categories. <u>More..</u>

ExportDestinations

The Export Destinations of SSI products have been identified for 16 product groups.

Opportunity

The opportunities in the small-scale sector are enormous due to the following factors:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products
- Growth in Requirements for ancillary units due to the increase in number of greenfield units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.

By its less capital intensive and high labour absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialisation. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of

technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalisation coupled with Government support will therefore, attract the infusion of just these things in the sector.

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the inadequacies in capital, technology and marketing. The process of liberalisation will therefore, attract the infusion of just these things in the sector.

Advantages of Small Scale Industries

There are numerous arguments in favour of the small-scale industries which justify the rationale of small-scale industry development. The Industrial Policy Resolution 1956 has put forward four arguments in favour of small-scale industries which emphasise the very rationale of smallscale industry in the Indian economy. The arguments are:

1. Employment argument
2. Equality argument
3. Decentralisation argument 4. Latent Resource argument.

1. Employment Argument:

Small-scale industries have a great potential to create immediate large-scale employment opportunities which is essential for solving widespread unemployment problems of underdeveloped nations. Small-scale industries are labour intensive *i.e.* they use more of labour per unit of output than investment.

As India is a capital scarce and labour abundant country and the major problem of the economy refers to unemployment, it could have been addressed by small-scale units which sometimes even provide 15 to 20 times greater employment than corresponding large industries with any given investment. Because of this huge employment potential small industry are preferred over large ones.

2. Equality Argument:

Another argument supporting the rationale of small-scale units refers to equality argument for even distribution of income and wealth. Small-scale units, because of its ownership pattern which is widespread and labour intensive in character provide millions of employment to the unemployed more particularly the rural poor who are in search of employment to eke-out their livelihood.

3. Decentralisation Argument:

Decentralisation argument also supports the rational of small-scale units because it aims at regional dispersal of industries in the country. Decentralisation of industries help tap local resources like raw materials, idle savings local talents etc. and make provision for selfemployment and capital formation. This helps in increase in income of the people which ultimately improves the standard of living of the people.

4. Latent Resource Argument:

The latent resource argument for tapping hoarded and unutilized wealth strongly supports the case for small industries. Small enterprises provide an environment in which the latent talents of entrepreneurs find self-expression.

Besides the above, small industries are also supporting large-scale industries overcoming territorial mobility, reducing pressure on land relieving congestion in urban areas, and sustaining green revolution by developing agrobased industries in the country.

Liberalization and its impact on small scale industries

In general, liberalization refers to a relaxation of previous government restrictions, usually in areas of social and economic policy. In the arena of social policy it may refer to a relaxation of laws, restricting the society. Most often, the term is used to refer to economic liberalization, especially trade liberalization or capital market liberalization.

Policies of liberalization are being pursued as part of economic reforms in India. The objectives of liberalization basically are: 1. To enhance budgetary receipts.

2.   To minimize budgetary support towards loss making units.

3.   To improve performance by bringing out changes in ownership and performance through disinvestment.

4.   To ensure long term viability and sustainable levels of employment in public sector enterprises.

Three broad reasons why liberalization is being pursued are greater economic democracy through increased private initiatives in economic activities, achieving higher levels of economic growth and employment, and reducing budgetary deficits. In other words, liberalization, basically refers to removal of administrative controls and regulations.

The global economy is undergoing a major change-shift towards knowledge-based growth. India is preparing for and participating in the emerging knowledge-based economy. The new economy and high-tech sectors are xhibiting openness, competitiveness and knowledge intensity. Using its intellectual manpower, India has developed an expertise in producing generic drugs and has been able to increase its exports in a highly competitive market. The international capital market is providing increased opportunities to India to attract FDI.

India's established credentials in IT and ITES can be leveraged to develop a competitive advantage in other fields such as different branches of engineering, scientific research, biotechnology, medicine, pharmaceuticals, agriculture and education. Furthermore, textiles and garment industry will expand with the phasing down of quantitative restrictions under MFA (Multi Fiber Agreement).

Table 1. New Norms for defining SSIs.

Nature of unit	Investment in plant and machinery/equipment (excluding land and building)	
	Manufacturing enterprises	Service enterprises
Micro	Up to Rs. 25 lakh	Up to Rs. 10 lakh
Small	More than Rs. 25 lakh and up to Rs. 5 crore	More than Rs. 10 lakh and up to Rs. to Rs. 2 crore
Medium	More than Rs. 5 crore and up to Rs. 10 crore	More than Rs. 2 crore and up to Rs. 5 crore

Source: Annual report, 2006 to 2007, Ministry of Small Scale Industries (Now Ministry of MSME).

Table 2. Growth of SSI and employment during pre economic liberalization (EL) and post economic liberalization periods (In percentage).

Period	Percentage increase		Average annual growth rate	
	SSIs	Employment	SSIs	Employment
Pre EL (1981-82 to 1990-91)	2.02	1.67	6.35	5.28
Post EL (1991-92 to 2001-02)	1.60	1.32	5.53	3.54

Source: GOI, Planning commission 2003 report of task force on employment opportunities.

Table 3. Performance of micro and small enterprises.

Year	Number of Units in Lakh			Production (Rs. In Crore at 2001-02 Prices)	Employment in Lakh	Export in Crore (Rs.)
	Registered	Unregistered	Total			
2002-03	16.03	93.46	109.49 (4.1)	3,06,771(8.7)	263.68(4.5)	86,013 (20.7)
2003-04	17.12	96.83	113.95(4.1)	3,36,344 (9.6)	275.30(4.4)	97,644(13.5)
2004-05	18.24	100.35	118.59(4.1)	3,72,938(10.9)	287.55(4.5)	1,24,417(27.4)
2005-06	19.30	104.12	123.42(4.1)	4,18,884(12.3)	299.85(4.3)	1,50,242(20.8)
2006-07	20.32	108.12	128.44(4.1)	4,71,663(12.6)	312.52(4.2)	N.A

Source: Economic survey 2007 to 2008, Ministry of Finance, GOI.

Liberalization and it's impact on SSIs in India

India has traditionally always had a very vibrant andcompetitive SSI. Even after the dawn of industrialization, British producers of textiles found hand made Indian textiles such a threat that they lobbied hard to have its import banned, succeeding in the late 18th century (Gupta and Sharma, 1996). During pre-economic liberalization period a wide variety of incentives, concessions and institutional facilities were extended for the development of SSIs but these socialistic promotional policy measures, (Tripathi, 2006), in many cases resulted in protection of weak units rather (Parthasarathy, 1996) than the independent growth of units under competitive business environment (Porter and Linde, 1995; Nyati, 1988). Such situation continued up to the middle of 1991. Under the regime of economic liberalization, the focus was shifted from

―protection‖ to ―competitive promotion‖ (Peattie, 1995; Raja and Rajashekar, 2002).

The public policy in India had been attaching lot of importance to village and SSI on the following grounds. SSI being labor-intensive, helped to increase the volume of employment, particularly in rural areas, it is estimated that about 3 crore persons are engaged in India in these industries. The handloom industry alone employs 50 lakh people. They account for 6% of GDP, and 35% of total exports. The contribution of SSI in India to national development was meager as compared to the contribution of SSI in other countries of the world. India's SSI shared 95% of all establishments, 40% of output, 45% of employment and 35% of exports. But Taiwan ranked first with a share of 97% of establishments, 81% of output, 7% of employment and 48% of exports followed by Japan contributing highly with 99% of establishments, 52% of output, 72% of employment and 13% of exports (SIDBI Report, 2001).

Globalization will kill Small-Scale Industries in India

Globalization is the metamorphosis of the individual nations into an integrated entity by means of their interconnection on an economic, social and cultural level, fuelled by easy transport and communication among them. It is the modern renaissance that makes ideas, goods, services, trade, technology and culture permeate into the entire geography of the world thus turning it into a global village.

While globalization is a large scale phenomenon, small scale enterprises are a local phenomenon but having effects of dimensions as large as it's global _friend and foe'. Friend-because both globalization and small scale industries are the two wheels of the vehicle of economic growth and prosperity; foe- because some argue that given the developing nation that India is, Small Scale Industries(SSIs) can suffer and strangulate to death by the fierce competition put up by globalization. Let us observe and decide.

Micro and small scale enterprises have existed in India since ages in the form of traditional skills and knowledge based products made by people for the self sufficiency of rural India. Today as per the government definition, ―An industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership terms on lease or on hire purchase does not exceed Rs. 10 million, can be categorized as small scale undertaking‖. After independence, the Indian government made various laws to help revive and flourish the SSI because of the employment potential it had at a low capital cost. It needed mediocre technical knowledge and minimal infrastructure to set up. Thus it was and is the most ideal form of employment opportunity for both the urban and rural population. It not only encourages entrepreneurship among people but also makes them self reliant. Govt. funding, support and intensive promotion has aided people to participate more in this successful phenomenon making SSI the second largest employment sector after agriculture. It forms about 45-50% of our exports. The products also form a large percentage of our domestic market too with SSI producing a number of products like confectionaries, spices, beverages, natural essence oils, dyes, sports goods, wooden furniture, glass, ceramic and earthen wares, cotton and woolen knitted products, silk and synthetic wear, leather shoes, bags, garments and novelty items, plastic items, survey instruments, auto parts, clocks and watches, musical instruments, lab chemicals, basic metallic and non-metallic mineral products. They are the dynamic sectors of our economy. It also leads to the preservation of many traditional and indigenous skills and products our country is famous for. It is the road to rural industrialization and _rural urbanization' thus creating a regional balance.

India was self reliant and self sufficient but with the march of the world towards industrialization India found its closed policy of trade leading to an impending economic crisis.

The main reason behind this was the focus of efforts on heavy industries and lack of it on the consumption goods. From 1991 India witnessed a major change as the govt. introduced liberalization, privatization and globalization reforms to pep up the economy. Soon the world realized what a big 1billion-population-market India was. They brought their goods to India which were mass produced and therefore cheaper and of better quality than the local goods. They started challenging the SSI and thus posed an end to them. Further with the introduction of Special Economic Zones (SEZs), the MNCs were facilitated with areas with liberal economic and trade laws, round the clock facilities and concessions to enhance foreign investments and promote exports. This endangered the existence and survival of SSIs.

But this is not the complete picture. A lot of foreign entrepreneurs who do not have the time or funds to build the infrastructure for their own manufacturing unit in India engage a number of SSI owners to produce goods for them in a short span of time and sell them to cater to the international demand. In other words they outsource the manufacturing to the Indians. Thus it leads to more labour absorption and growth of SSIs. Many of the SSIs have turned into LSIs this way. Also the demand for SSI goods will never finish as a lot of their products are not lucrative options for the MNCs. For example, the incense sticks or agarbatties, bangles, pickles, etc. are not a catch for LSIs but have a constant demand and thus SSIs have a great opportunity in identifying such areas.

So it can be said that both globalization and SSIs are the essentials of Indian economy and India must make efforts to promote, sustain and aid both in a fair and unbiased way. A fruitful measure would be to reserve certain goods for production exclusively by the SSIs and their intelligent outsourcing by the govt. to ensure maximum benefits. Also the govt. should advertise the indigenous goods worldwide so that the foreign folk also go in for the ethnic items produced here like khadi, silk, wool, statues, gems, ornaments, etc. as these represent the traditional art form and culture of the region. As far as the financial aids are concerned, the govt. is doing good work to make things simple and possible for the interested individuals by funding and financial support. Also the setting up of institutes for technical training and skill enhancement of the workforce is helping in a big way.

While globalization has put us on the map of superpower countries, SSIs have empowered the common man to walk with the same stride as the big-wigs. For India to be a superpower, it is must make efforts to strengthen each and every thread of its economic fabric to make the flag of its success fly high

Five-Year Plan of Industrial Development

The target for industrial growth in the Ninth Plan was set at 8.2 per cent. The major focus of the plan was on the building of adequate infrastructural facilities and also improving the 'quality' infrastructure. To promote foreign direct investment, the plan proposed to increase the number of industries in which automatic approval would be granted. Special steps were envisaged to encourage industries in backward areas.

It aimed to 'priorities' the efforts on the large number of Growth Centers under implementation so that maximum benefits can be obtained from the investments in these centers in the shortest possible time. The Plan advocated a number of steps for the industrial development of the North Eastern Region.

The plan divided Public Sector Enterprises (PSEs) into three categories:

(i) Profit making PSEs,

(ii) PSEs making only marginal profits or losses, and

(iii) PSEs incurring substantial losses. The Government categorised PSEs as Navratnas and 97 as Miniratnas amongst the first category which will be provided increased financial and managerial autonomy. The second category of PSEs would be provided limited budgetary support and assistance to enable them to stand on their own feet. The Plan advocated for taking 'hard decisions' in case of third category of PSEs.

In the field of small-scale industries, the Ninth Plan advocates dereservation. This will help a number of small scale units to upgrade their technology, improve the quality of their products, expand the scale of their operations, and boost their exports. Since the biggest problem facing the

small-scale industries is the inadequate availability of credit, the Plan proposed a number of steps to mitigate this problem.

WTO AND ITS IMPACT ON SMALL SCALE INDUSTRIES IN INDIA

Introduction

The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. It has been estimated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points.

The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.

From 1947 to 1994, General Agreement on Trade and Tariff (GATT) was the forum for negotiating lower customs duty rates and other trade barriers. The World Trade Organization (WTO) was established on 1st January 1995. When the GATT came into WTO's umbrella, it has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as State Trading, Product Standards, Subsidies and Actions taken against dumping. The WTO has 148 members, accounting for over 97% of world trade. Around 30 others are negotiating membership.

WTO aims to develop the country's economy by encouraging its export among the member countries. Further, it facilitates for availing new technologies from various countries at a lower cost. In this connection, this paper focuses on the positive role played by the WTO in the globalization scenario.

GROWTH OF SSI SECTOR IN INDIA

Small Scale Industries (SSIs) are the pillars of India's industrial economy. The SSIs' chief aims are:

To Remove the regional disparities To facilitate for the Equitable distribution of national income and wealth To earn the Return on Investment in shorter period To produce some consumption goods and essential commodities.

As the SSIs consume local resources, the growth of SSIs was quite appreciable at the dawn of new century. It is evidential from the fact that there were over 32 lakhs Small Scale Units in the organized sector as on 31st March 2000 (Naik: 2002) & (Economic Survey: 2001).

SSIs require comparatively a smaller investment and avails the financial support of various financial institutions. There have a number of schemes of direct and self -employment. The employment through SSIs has been tremendously increased from 119.6 lakh during the year 1989
– 90 to 178. 5 crore during the year 1999 – 2000. In succeeding years also in the well grown in all areas. But it

ORIGIN AND OBJECTIVES OF WTO

The World Trade Organization (WTO) was established on 1st January 1995. The ‗Marrakesh Declaration' of 15th April 1994, affirmed that the results of the Uruguay Round would ‗Strengthen the world economy and lead to more trade, investment and employment and income growth throughout the world. The WTO is the embodiment of the Uruguay Round Results and successor to the GATT. From 1947 to 1994, General Agreement on Trade and Tariff (GATT) was the forum for negotiating lower customs duty rates and other trade barriers. When the GATT came into WTO's umbrella, it has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as State Trading, Product Standards, Subsidies and Actions taken against dumping. WTO aims to develop the country's economy by encouraging its export among the member countries.

Key subjects in WTO

WTO not only frames rules regarding the marketing of produces in agriculture, textiles and clothing sectors, but also it fixes international standardized labour wages and working conditions, globalizes the trade and weeds out the corruption at Government level in Government procurement policies. Further, it facilitates for availing new technologies from various countries at a lower cost.

Problems facing the SSI sector

The SSI sector confronts several problems despite its strategic importance in any industrialisation strategy and its immense potential for employment generation.

The problem which continues to be a big hurdle for the development of the sector is lack of access to timely and adequate credit. The Abid Hussain Committee on SSIs (1997) examined the problems of the SSI sector and recommended a package of policies to restructure the industry in the context of current global economic changes. The Expert Committee was of the view that the existing institutional structure for delivering credit to SSEs needs a thorough overhaul. It endorsed the recommendations of the Nayak Committee and urged the RBI to implement the same. The Committee recommended restructuring of financial support through SFCs and SIDCs, tapping of other sources of funding for SSEs, extending credit rating servcies to small units, and addressing the credit needs of tiny units to ensure that they are not bypassed by the commercial banking system. The overall credit availability for SSIs during 1991-1996 amounts to only 13% of the value of production.

The Nayak Committee had recommended a desirable norm of 20% of the value of production to be made available by way of working capital through term-lending institutions and commercial banks A norm of 75% was set for fixed capital assets whereas actual availability is only 55%. Lack of finance has been one of the major causes of sickness in the SSI sector, blocking access to technological modernisation and other growth possibilities. There is an urgent need to enlarge flow of credit to the SSI sector from institutional sources. The creation of a facilitating environment for SSIs will centre on access to credit. The Ninth Five Year Plan (1997-2002) estimates additional working capital funds at Rs. 1420 to 1460 billion for the small sector.

Lowering interest-rates, specifying a time-frame to clear loan applications and adherence to norms set down by the Nayak Committee are some of the minimum measures that need to be taken.

Legislative measures have a role to play with regard to funding and financing of small scale units. There are measures which can basically ensure that impediments to credit availability are removed. These measures include:

Right to reasonable credit from commercial banks as per RBI guidelines framed after consultation with representative Board Protection against non-normative demands for security Appeal and enforcement by Ombudsman/Board Access to public funds by way of debentures, deposits, securities Government guarantee for loans from banks

The measures to support Marketing and Competitiveness are as follows:

State to exempt from contract security Prompt return of contract securities in case of others Prompt payment measures Protection against undue bundling of contracts by the state Protection against restrictive and monopolistic trade practices Ombudsman/arbitral services for enforcement

Positive impact of WTO on SSIs

After the origin of WTO, the SSIs in India enjoy the following privileges:

Enabling India to export goods to the member countries of the WTO with fewer restrictions. Reduction of tariffs on the export products to India i.e., Tariff based protection has become the rule. Export in India has been increased from Rs.13883 crores in 1992 to Rs.53975 crores in the year 2000 in SSI sector. Prospects in agricultural exports as a result of likely increase in the world prices of agricultural products due to reduction in domestic subsidies and barriers to trade. Greater Market orientation Radical trade in SSI sector opened new investment opportunities thereby the acceleration of economic growth. Availability of modern technologies from the other countries at reduced cost.

In India, there has been a significant and absolute gain in trade under WTO. Exports increased marginally from $ 30.63 billion during the year 1995 to $ 44.2 billion in the year 2000 though

share in the global trade increased marginally from 0.6 to 0.65 percent. India has been a net gainer, though in a limited way. Growth in India's exports has been marginally above the growth in world exports. This shows that WTO has made significant contribution to the expansion of world trade (Somayajulu & Venkataramana: 2002).

Conclusion

WTO plays positive role in strengthening the SSIs. On the other hand, it is feared that many rules of WTO are biased and in the favour of developed countries; they are formulated to force the developing countries to open their economy which would benefit the developed countries and many indigenous industries of developing countries might fail as they will not be able to compete with the international enterprises. This may cause adverse effect on the employment opportunities in the country.

High investment; High return! Though it is the reason for the handicaps of our SSIs, It can be confronted by the innovativeness, novelty in products and the development of lean technologies in the manufacturing sector. Number of Innovative entrepreneurs having strong need for achievement can surely ensure success and tackle the challenges of open competitions at global level.

Ancillary industry

Ancillary industries are those which manufacture parts and components to be used by larger industries. Eg- Companies like GE (ancillary) produce engines for the aircraft industry.

The programme of ancillarisation includes motivation of public and private sector units to offload production of components, parts, sub-assemblies, tools, intermediates, services etc., to ancillary units. The programme of ancillary development has specific advantages both for large as well as small industries and also for the total economy of the country. The large scale units have the advantages in the form of savings in investments, inventories, employment of labour, etc. and getting the items of the desired specifications, while the small scale units have the advantage of getting assured market for their products, availability of technical assistance and

improved technology from the parent units. This programme also helps in overall economy of the country.

Small Industry Development Organisation (SIDO) is a nodal agency of the Central Government and Ancillary Division at Headquarters continued its function for the promotion of ancillarisation programme in the country. Constant liaison has been maintained with Administrative Ministries both at Central & State Levels, Department of Public enterprises, public/private sector undertakings and other industrial developmental agencies through various programmed such as Vendor Development Programmes, Buyer- Sellers Meet, Ancillary Exhibition, Seminars, Workshops, State Level Ancillary Advisory Meetings, Plant Level Committee Meetings and PSUs and visit to public/private sector undertakings for the promotion of small ancillary & sub-contracting units.

Sub-contracting exchanges are functioning as a part of major SISIs in the country at important cities for the promotion of fruitful and lasting contracts between large & medium undertakings and small scale ancillary units. The spare capacity for different facilities as available with the competent small scale units are registered with these SCXs. These SCXs also obtain such items from large units which are required by them and can be manufactured in the small scale sector. These SCXs organise contacts between Buyers & Sellers by way of organising Vendor Development Programmes, Buyers & Sellers Meet and Exhibition, etc.

In new Industrial Policy, stress has been given on the development of ancillary industry in the country by strengthening existing SCXs and setting up of new SCXs by industrial associations and other non-Governmental organisations. As a follow-up of new industrial policy, existing SCXs have been equipped with latest equipments like Plain Paper Copiers and Electronic Typewriters. Further efforts are being made to equip these SCXs with other facilities like FAX, Computer Terminals, etc. for effective and better utilisation of services. CXs established by industrial organisations will be eligible for registration as SSSBE and will be entitled to get benefits as available to tiny sector units.

A great difficulty was being experienced by most of the ancillary units in getting timely payments from their parent units. In order to provide help, in this regard, an Act has been passed under which interest is payable on the delayed payments by large undertakings. For providing advisory assistance, State Level Ancillary Advisory committees have been set up in almost all the States to provide infrastructural facilities and to recommend measures for the promotion of ancillary industry in the State and to monitor the outcome of these efforts. SLAACs have members from SISIs, State Industries Departments, Industrial Associations, Large

Undertakings, Industrial Development Agencies, Banks, Financial Institutions etc.

The requirement of the spares of Defence was being met mainly by imports from USSR, but due to political changes in that country these spares are not easily available and Ministry of Defence have come forward with an ambitious programme for the indigenisation of items required by them to be developed in the country. During the year greater stress has been given on the indigenisation of the items required by Defence.

Other activities

1. **Vendor development programme** 2. **Indigenisation of defence items** 3. **State level Ancillary Advisory Committee meeting** 4. **Plant level Committee meetings** 5. **Registration with SCXs** 6. **Supplies to public sector undertakings** 7. **Standing Committee/Ancillary development**

Unit-7 Institutional support

Development schemes

A vast network of field organisations and institutes across the country operate according to the aims, objectives and guidelines laid down by Developmet Commissioner (MSME).

		Abreviations Used-
S.No.	Abriviations	Details
1	DC(MSME)	Development Commissioner (Micro, Small & Medium Enterprises).
2	MSME-DI	Micro, Small & Medium Enterprises Development Institute.
3	Br.MSME DI	Branch Micro, Small & Medium Enterprises Development Institute
4	MSMEPTI	Micro, Small & Medium Enterprise Promotional Testing Institute.
5	MSME-TR	Micro, Small & Medium Enterprise Tool Room.
6	CDGI	Centre for Development of Glass Industry.
7	HTDDTC	Hand Tool Design Development & Training Centre.
8	MSME (TC)	Micro, Small & Medium Enterprises Testing Centre.
9	MSME (TS)	Micro, Small & Medium Enterprises Testing Station.
10	ESTC	Electronic Service & Training Centre.
11	IDEMI	Institute for Design, Electrical Measuring Instruments.
12	FFDC	Fragrance & Flavour Development Centre.
13	CFTI	Centre for Footwear Training Institute.

Organizational Structure

The Ministry of Micro, Small and Medium Enterprises (M/o MSME) is the administrative Ministry in the Government of India for all matters relating to Micro, Small and Medium Enterprises. It designs and implements policies and programmes through its field organisations and attached offices for promotion and growth of MSME sector.

The Office of the Development Commissioner (MSME) is an attached office of the Ministry of MSME, and is the apex body to advise, coordinate and formulate policies and programmes for the development and promotion of the MSME Sector. The office also maintains liaison with Central Ministries and other Central/State Government agencies/organisations financial institutions.

Institutional Network

The Development Commissioner (MSME) have a network of 30 MSME-Development Institute(MSME-DI), 28 Br. MSME-Development Institute(Br. MSME-DI), 4 MSME-Testing Centres (MSME-TCs), 7 MSME-Testing Stations (MSME-TSs), 21 Autonomous bodies which include 10 Tool Rooms (TRs) and Tool Design Institutes (TDI), 4 MSME-Technology Development Center(MSME-TDC), 2 MSME-Technology Development Center-Footwear(MSME-TDC), 1 Electronics Service & Training Centre (ESTC), 1 Institute for Design of Electrical Measuring Instruments (IDEMI) 2 National Level Training Institutes, and 1 Departmental Training Institute and one Production Center.

MSME-Testing Center (MSME-TC) (Formerly Regional Testing Centers(RTCs))

- Provide Testing facilities for quality upgradation
- Training/constancy in testing, quality control, quality management ☐ Process quality control systems, etc.
- Product specific testing facilities are provided by MSME-Testing Stations(MSME-TSs)

Autonomous Bodies

Tool Rooms/Tool Design Institutes (TRs/TDI)

- To assist MSMEs in technical up gradation, provide good quality tooling by designing and producing tools, moulds, jigs & fixtures, components, etc.
- Provide Training and consultancy for tool and die markers.

MSME-Technology Development Center(MSME-TDC) (Formerly Product-cum-Process Development Centers (PPDCs))

These are product specific Centers to:

- look into their specific problems and render technical service
- develop and upgrade technologies
- manpower development and training

MSME-Technology Development Center-Footwear(MSME-TDC) (Formerly Central Footwear Training Institutes (CFTIs))

- Develop footwear designing to promote exports
  Training for manpower in Footwear Industry.

Training   Institutes

There are three National Level Training Institutes. These are:

- National Institute of Micro, Small and Medium Industry Extension Training (NIMSMIET), Hyderabad,

- National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi, which conducts national and international level training programmes in different fields and disciplines.

- Indian Institue of Entrepreneuship (IIE), Guwahati. The main objective of the institute is to act as a catalyst for entrepreneurship development with its focus on the North East.

Other Associated Agencies

- National Small Industries Corporation (NSIC) for technology and marketing support

- Small Industries Development Bank of India (SIDBI) an apex bank set up to provide direct/indirect financial assistance under different schemes to meet credit needs of the small-scale sector and to coordinate the functions of other institutions in similar activities.

- Khadi and Village Industries Commission (KVIC) assists the development and promotion and disbursal of rural and traditional industries in rural and town areas.

State Level Institutional Support

- State Government executes different promotional and developmental projects/schemes and provide a number of supporting incentives for development and promotion of MSME sector in their respective States.

- These are executed through State Directorate of Industries, who have District Industries Centers (DICs) under them to implement Central/State Level schemes The State Industrial Development & Financial Institutions and State Financial Corporations also look after the needs of the MSME sector.

Controller of Finance- the head of this department is assisted by Senior Audit Officer, Accounts Officer, Project Officer and Assistant Secretary (A&MIS). This wing of KIADB is engaged in drawing of budgetary proposals, project financing & planning. This section also has responsibility of monitoring & maintaining the process related to mobilization of finance for projects, preparation of final accounts and other activities of KIADB .

Administration Wing:

Joint Director (Admn.) is the Head of this Department. This section has overall responsibility of general administration, human resources management, other administrative and logistic matters. This section ensures that the employees of this board are abreast with professionalism by providing trainings, refresher courses etc., for better productivity in the Organization.

Small Industries Service Institute (SISI's)

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally know as central small industries organization (CSIO). Attached to the ministry, SIDO administers small industries service institute (SISI's).

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are coordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI has wide spectrum of technological, management and administrative tasks to perform. **Functions of SISI**

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;

2. Conducting EDPs all over the country;

3. To advise the Central and State governments on policy matters relating to small industry development;

4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;

5. To provide market information to the SISI's;

6. To recommend SSI's for financial assistance from financial institutions;

7. To enlist entrepreneurs for partition in Government stores purchase programme;

8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

9. Identify the potential for ancillary development through sub-contract exchanges;

10. Organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

The Small Industries Service Institutes have been generally organizing the following types of EDPs on specialized courses for different target groups like energy conservation, pollution control, Technology up-gradation, Quality improvement, Material handling, Management technique etc. as mentioned earlier.

General EDP for educated unemployed youth, ex-service personnel etc. for a duration of four weeks. In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation.

Apart from this, exposure is given information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in matters relating to financial management, marketing, packaging and exports.

The participants also interact with successful small scale entrepreneurs as a part of their experience sharing Information of quality; possibilities of diversification and expansion are also given.

The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required. Such courses have benefitted many entrepreneurs to set up units of their own choice.

KSFC is one of the fast track term lending financial institutions in the country with assistance to over 1,63,643 units amounting to nearly Rs 10,465 crore over the last 52 years in the State of Karnataka. KSFC is one of the robust and professionally managed State Financial Corporations.

The Infrastructure Sector is an integral part in the economy of the nation and it is a catalyst in boosting the development and economy of the country. Realising this vital factor there is a national focus on infrastructure development. Keeping the need and potentiality in view, KSFC has decided to contribute in this sector also. Hence, as part of the new initiative and diversification process, has decided to take up infrastructure development projects with public / private participation. The Corporation initially focus and identify valuable vacant lands in the prime localities, to start with in and around Bangalore city, owned by various Government Departments / Governmental Agencies / Registered Societies/Trusts, etc., and explore for joint development including SEZ. The Corporation would take care of all the financial tie ups for development of these properties. The expected income out of different revenue models, will be shared with the owners of the properties in appropriate ratio on mutually agreeable terms, after studying economics / viability. The joint venture infrastructure will be of world class and state of art technology. It could be IT park, Shopping Mall, Commercial complex, SEZ, etc., depending upon the location of the property and potentiality. This new activity will ensure sustained cash flow for the concerned owner of the property as well as our Corporation by way of rentals and other earnings, which will obviously be mutually beneficial to both the institutions.

Accordingly, a separate Infrastructure Development Department (IDD) has been created and necessary approval from SIDBI has also been obtained.

Single Window Agency

With a view to facilitate and expedite the various clearances and Government approvals required by entrepreneurs as also to promote investments in the State, the Governor of Meghalaya is pleased to constitute a Committee which will act as Single Window Agency for all investments in the State.

The Committee will consists of the following members :-

1.   Chief Minister, Meghalaya   Chairman
2.   Chairman, MeSEB, Meghalaya   Member
3.   Principal Secretary, Revenue Department   Member
4.   Commissioner & Secretary, Industries Department Member
5.   Commissioner & Secretary, Tourism Department   Member
6.   Principal Chief Conservator of Forest   Member
7.   Chairman, State Pollution Control Board   Member
8.   Managing Director, M.I.D.C. LtdMember
9.   Secretary General, C.I.M., Shillong Member
10. Director of Industries, Meghalaya, Shillong Member Secretary

Chairman is also empowered to co-opt Member(s) for a particular meeting whose presence is likely to facilitate decisions.

I.   The terms of reference of the Committee will be as follows :

1. To facilitate the expeditious issue of all clearance / approvals required from the various Department and Agencies of the State Government to any entrepreneur applying for the same and to assist there in obtaining clearance from other bodies / organisation in the State.

2. To assist entrepreneurs in obtaining various clearances and approvals from the Central Government and its agencies.

3. To take up with financial Institutions / Commercial Banks, wherever required, for expediting sanction and disbursement of loans / working capital to prospective entrepreneurs.

4. To facilitate and expedite on land matters for the setting up of Industry.

5. To facilitate local entrepreneurs in having an interface with Industrial association, Central Government, Boards and Authorities etc.

6. To attend to all enquiries from all prospective entrepreneurs relating to the law, procedures, practices etc, governing investments in the State, and

7. To continuously review the various clearance and approvals required for investment in the State by entrepreneurs, with a view to simplify them as also to minimise procedural constraints to ensure flow of investments in the State.

II.   Member Secretary (Director of Industries) will function as the nodal authority to receive and process all reference made to the Committee and will also act as ―Escort‖ for intending entrepreneurs.

III.   Regional Chief Conservator of Forest , Shillong will also be requested to attend as a special invitee whether so required.

IV.   In case requiring urgent / immediate disposal, Committee would take resolutions / decisions through circulation.

V.   In case where a member is unable to attend meetings due to unavoidable circumstances, he would depute a senior officer empowered to take decisions on the issue which are to be considered in the meeting.

Numbers of Projects Cleared By Single Window Agency Year Wise

Sl. No.	Year	Nos. of Projects Cleared
1.	1995 – 1996	2 Nos.
2.	1996 – 1997	5 Nos.
3.	1997 – 1998	10 Nos.
4.	1998 – 1999	14 Nos.
5.	1999 – 2000	27 Nos.

6.	2000 – 2001	71 Nos.
7.	2001 – 2002	31 Nos.
8.	2002 – 2003	18 Nos.
9.	2003 – 2004	44 Nos.
10.	2004 – 2005	* 22 Nos.
Total		244 Nos.

* The figure is up to August, 2004.

Unit-8

Preparation for project

Meaning of project

a large or major undertaking, especially one involving
considerable money, personnel, and equipment.

Project management

Project management is the discipline of planning, organizing, securing, managing, leading, and controlling resources to achieve specific goals. A project is a temporary endeavor with a defined beginning and end (usually time-constrained, and often constrained by funding or deliverables), undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value. The temporary nature of projects stands in contrast with business as usual (or operations) which are repetitive, permanent, or semi-permanent functional activities to produce products or services. In practice, the management of these two systems is often quite different, and as such requires the development of distinct technical skills and management strategies.

The primary challenge of project management is to achieve all of the project goals[and objectives while honoring the preconceived constraints. Typical constraints are scope, time, and budget. The secondary—and more ambitious—challenge is to optimize the allocation of necessary inputs and integrate them to meet pre-defined objectives.

The traditional approach

A traditional phased approach identifies a sequence of steps to be completed. In the "traditional approach", five developmental components of a project can be distinguished (four stages plus control):

Typical development phases of an engineering project

1. initiation
2. planning and design
3. execution and construction
4. monitoring and controlling systems
5. completion

Not all projects will have every stage, as projects can be terminated before they reach completion. Some projects do not follow a structured planning and/or monitoring process. And some projects will go through steps 2, 3 and 4 multiple times.

Many industries use variations of these project stages. For example, when working on a brickand-mortar design and construction, projects will typically progress through stages like preplanning, conceptual design, schematic design, design development, construction drawings (or contract documents), and construction administration. In software development, this approach is often known as the waterfall model,[17] i.e., one series of tasks after another in linear sequence. In software development many organizations have adapted the Rational Unified Process (RUP) to fit this methodology, although RUP does not require or explicitly recommend this practice. Waterfall development works well for small, well defined projects, but often fails in larger projects of undefined and ambiguous nature. The Cone of Uncertainty explains some of this as the planning made on the initial phase of the project suffers from a high degree of uncertainty. This becomes especially true as software development is often the realization of a new or novel product. In projects where requirements have not been finalized and can change, requirements management is used to develop an accurate and complete definition of the behavior of software that can serve as the basis for software development.[18] While the terms may differ from industry to industry, the actual stages typically follow common steps to problem solving— "defining the

problem, weighing options, choosing a path, implementation and evaluation." **Stages of project development**
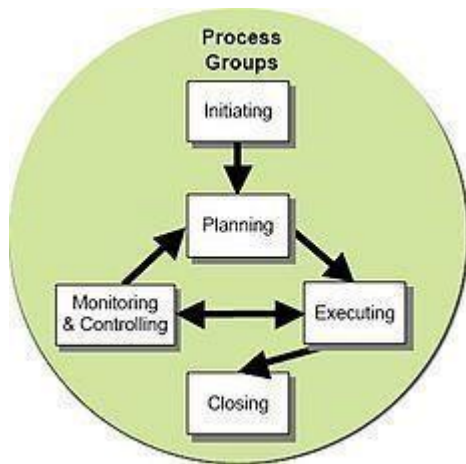
Project selection

Authorities are normally faced with a number of potential investment projects which they need to assess and prioritise. The ultimate goal of the project selection process is to ensure that the investments that will be carried out offer value for money.

Value for money refers to the best available outcome for society, account being taken of all benefits, costs and risks over the whole life of the project.

A necessary condition for a project to represent value for money, irrespective of the procurement option chosen to deliver it, is that the benefits to be derived from the project outweigh the costs. This is normally tested by undertaking a cost-benefit analysis of the project and its requirements.

In the project selection stage, the Authority and its advisers will look at alternative project options, sometimes following guidelines that the public sector will use to assess PPP projects.

Once the key features and specifications for a project are drawn up, the Authority and its advisers will undertake a series of preliminary studies, including supply or demand analysis, cost analysis and a preliminary environmental assessment of the potential impacts of the project.

A distinctive feature of PPP projects is that their requirements are defined in terms of outputs rather than inputs. Conventional project procurement has usually focused on inputs. PPPs therefore involve fundamental changes in the way projects are prepared and in the information that the Authority needs to provide to private sector sponsors. While the typical set of feasibility studies used in the public procurement of projects focuses on inputs, PPP projects demand a clear set of output requirements and service quality standards, which will be reflected in the PPP contract. As a result of the output nature of PPPs, the bulk of the expensive and time-consuming technical design activities for a project will be carried out by the private partner.

In order to consider the PPP procurement option, the Authority and its advisers need to answer a set of key questions:

- Is the project affordable? Will users or the Authority, or both, pay for the project? How will they pay (e.g. user charges, operating subsidies, public sector or EU grants)?
Are the procurement costs significant if the project is procured as a PPP?

- What are the key sources of risk in the proposed project? What is the optimal risk allocation and risk management strategy?

- What are the financing sources for the proposed project? Will the project be —bankable‖ (i.e. capable of raising debt finance)? Will it attract investors? Will it comply with the requisites for EU or national public funding?

- Even if the project is affordable and bankable, does the project represent value for money?

- Has the issue of the —balance sheet treatment‖ of the project (i.e. the classification of the project as a public sector investment for the purposes of national debt and deficit under the —excessive deficit procedure‖ of the Maastricht Treaty) been considered?

This part of the EPEC PPP Guide identifies a list of issues specific to PPPs for the Authority and its advisers when examining whether the selected project should be pursued as a PPP. It does not however offer a comprehensive catalogue of recommendations, as the assessment of the PPP

option will be dependent on the specific situation of each country, notably in terms of its legal and institutional framework.

Project appraisal

Project appraisal is a generic term that refers to the process of assessing, in a structured way, the case for proceeding with a project or proposal. In short, project appraisal is the effort of calculating a project's viability[1]. It often involves comparing various options, using economic appraisal or some other decision analysis technique.

Process

- Initial Assessment
- Define problem and long-list
- Consult and short-list
- Develop options
- Compare and select Project *Types of appraisal*

- Financial
- Cost-benefit analysis
- Economic appraisal
- Cost-effectiveness analysis
- Scoring and weighting

Technical Feasibility

The technical aspects for the development of the proposed project are well within the project team's capabilities to produce such a product. The project team has experience in all aspects of the technology to be used; the World Wide Web (web) and a database program, Microsoft Access.

The scope of this project encompasses both web and database development. The web development involves producing and marketing a web page that conforms to Emerald Webs Request for Proposal. The project team has developed web pages for the purpose of marketing real estate, both for commercial and private residential properties. The marketing of Warwick merchants parallels our experience in that both efforts involve the promoting the attributes of both for a desired purpose. The database to be developed is similar to our prior effort with another Warwick merchant " The Grape Vine". The scope of the database desired by Emerald Webs for this project is not as encompassing in its requirements or functionality as "The Grape Vine" project. That project tracked inventory, vendors, and provided customers the ability to match wines with an appropriate food item to be served. It also produced a variety of reports designed to maintain inventory at certain levels; hence track sales. Therefore the technical aspects of the database desired is within our capabilities to produce.

The web site to be produced will follow HyperText Mark-Up Language (HTML) guidelines that will enable a cybervisitor to easily understand the meaning of the site and to draw the visitor to explore the site. This will be achieved by its ease of understanding via a pleasant use of colors, fonts, text and description of it s content. The layout will conform to Emerald Webs desire to give it a "Main Street U.S.A" feel.

The database as with our previous project will be based in Microsoft Access, a very capable database program. Access is a very popular office application software title that is easy to use and maintain. It is also compatible with the other Microsoft Office products, Excel, Word and Power Point. User documentation will be provided for the operation of the database. We will also be available to provide technical assistance regarding the database application designed for this project.

The use of the proposed technology has little risk. As stated the team is familiar with the tools to be used. The software to be used has been in use for several years and has been updated periodically. It has been proven and is widely used in both commercial and personal projects/applications.

The scope of the project can be managed by our web and Microsoft Access experience. The constraints placed upon the project team will not hinder our ability to produce the desired product. The constraints of the technology to be used will not inhibit the production of the final product. Essentially the project scope will not exceed the capabilities of the technology used. The ever present constraint that seems present in every project is time. This constraint is also present in this project, however our team leader during this phase of the project, Linda J. Sampson, has developed a project schedule that is realistic which provides for the completion of the project on time. The size of the project team is also seen as a constraint. Since projects are not assigned unlimited resources and personnel it is very important to assess a project's scope when determining the amount of resources that are needed. In this project the scope is not beyond the resources that our team possesses. Given the size of this project and the fact that the team meets at least twice a week to discuss the project we feel that the project can be completed on time as specified. Given our frequent contact, our familiarity with the technology to be used and a solid project schedule, we are able to assess risks to the project quickly and effectively deal with them.

The risk in financial terms in using the stated technology is nil. All the project application software is provided at no cost to Emerald Webs. The time to construct the project is also being provided at no cost to Emerald Webs.

Feasibility study

Feasibility studies aim to objectively and rationally uncover the strengths and weaknesses of the existing business or proposed venture, opportunities and threats as presented by the environment, the resources required to carry through, and ultimately the prospects for success. In its simplest terms, the two criteria to judge feasibility are cost required and value to be attained. As such, a well-designed feasibility study should provide a historical background of the business or project, description of the product orservice, accounting statements, details of the operations and management, marketing research and policies, financial data, legal requirements and tax

obligations.[1] Generally, feasibility studies precede technical development and project implementation.

Technology and system feasibility

The assessment is based on an outline design of system requirements in terms of Input, Processes, Output, Fields, Programs, and Procedures. This can be quantified in terms of volumes of data, trends, frequency of updating, etc. in order to estimate whether the new system will perform adequately or not. Technological feasibility is carried out to determine whether the company has the capability, in terms of software, hardware, personnel and expertise, to handle the completion of the project. When writing a feasibility report the following should be taken to consideration:

- A brief description of the business to assess more possible factor/s which could affect the study
- The part of the business being examined
- The human and economic factor
- The possible solutions to the problems

At this level, the concern is whether the proposal is both *technically* and _legally_ feasible (assuming moderate cost).

Social feasibility

This involves questions such as how much time is available to build the new system, when it can be built, whether it interferes with normal business operations, type and amount of resources required, dependencies,

Cultural feasibility

In this stage, the project's alternatives are evaluated for their impact on the local and general culture. For example, environmental factors need to be considered and these factors are to be well known. Further an enterprise's own culture can clash with the results of the project.