

**R N S INSTITUTE OF TECHNOLOGY**

CHANNASANDRA, BANGALORE - 61



**MANAGEMENT AND  
ENTREPRENEURSHIP**

NOTES FOR 6<sup>TH</sup> SEMESTER INFORMATION SCIENCE

SUBJECT CODE: 06AL61

[ COMMON TO ALL BRANCHES ]

## Management

### Definition of management:

Simplest definition is that it is defined as the art of getting things Done through people.

Management can also be defined as

The process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish the use of people and resources.

Is systematic way of doing things.

### Difference between a manager and other personnel in the organization:

A manager is one who contributes to the organizational goals indirectly by directing the efforts others by not performing the task by himself

A person who is not a manager makes his contribution to the organizations goals directing by performing the task himself.

Four management activities included in this process are: Planning, organizing, actuating and controlling.

**Planning:** means thinking of their actions in advance.

**Organizing:** means that managers coordinate human and material resources of the organization.

**Actuating:** means that managers motivate and direct subordinates.

**Controlling:** means that managers attempt to ensure that there is no deviation from the norm or plan.

The definition involves the act of achieving the organizations objectives.

A manager also uses people and other resources such as finance equipment to achieve their goals.

Management involves the act of achieving organizations objectives.

**Planning:** is a function that determines in advance what should be done which is looking ahead and preparing for the future.

Is a process of determining the objectives and charting out the methods of attaining those objectives.

Is determination of what, where and how it is to be done and how the results are to be evaluated.

Is done for the organization as a whole but every division, department or subunit of the organization.

Is a function which is performed by the managers at all levels-top(which may be as long as five years),middle(shorter may be week) and supervisory.

### Organizing and staffing

Is a function which may be divided into two main sections namely the human organization and material organization.

Once the plans have been developed and the objectives established they must design and develop a human organization to carry out plans successfully.

May defined as a structure which results from identifying and grouping work, defining and delegating responsibility and authority and establishing the relationships.

Staffing is also considered an important function in building the human organization

Involves building the right person for the right job.

Fixes responsibility for a manager to find the right person for the right job and ensures enough manpower for the various positions needed for the organization which involves selection and training of future managers and suitable system of compensation

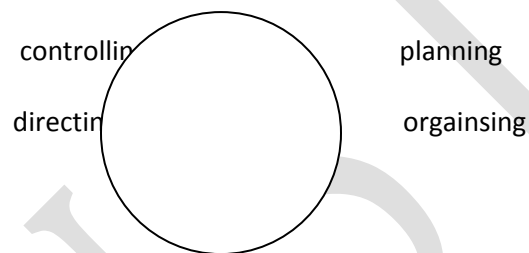
Different objectives require different kinds of organizations.

### Directing:

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

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

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



**Meaning of management:**

Cannot be defined or understood let alone be practiced except in terms of performance dimensions And of the demands of performance on it as said by Drucker in 1973. The results of a manager's action should be enjoyed by the customer or the client as the ultimate beneficiary. the customers may be internal or external to the organization

**Nature of management:**

- 1) All the managers carry out the managerial functions of planning, organizing, staffing leading and controlling
- 2) management applies to any kind of organization
- 3) applies to managers at all organizational levels
- 4) the aim of the managers is same create the surplus
- 5) managing is concerned with productivity, which implies effectiveness and efficiency

**Characteristics of management:**

**Management is**

- 1) Intangible (not measurable and cannot be seen) but its presence can be felt by efforts in the production sales and revenues.
- 2) universal and it is applicable to all sizes and forms of organizations
- 3) a group activity and it involves getting things done with and through others
- 4) Is goal oriented and all actions of management are directed at achieving specific goals.
- 5) is science as well art and emerging now as a profession
- 6) is multidisciplinary and it has contributions from psychology, sociology, anthropology

**Scope of the management:**

The management is a must for every organization which encompasses for profit as well as nonprofit organizations, government as well as non government organizations, and service as well as manufacturing organizations.

It is in fact difficult to find an area of activity where management is not applicable.

Management is not only limited to business enterprises for profits but also to the for non-profit organizations like educational institutions, health care organizations, financial organizations, stores management for keeping their cost of the operation at the optimal levels

Government organizations like municipal corporations, water supply departments, electricity boards in providing best possible services to the public

Non-government agencies like environmental agencies benefit from management in achieving their social objectives in cost effective manner

Manufacturing organizations extensively use management to increase production to enhance the quality of the products manufactured and similarly

Service organizations benefit from management in providing an exemplary service experience to the customers

**Roles of a manager:****I) Interpersonal roles:**

**(i) Figure head:** performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.

**(ii) Leader:** every manager must motivate and encourage their employees, try to reconcile their individual needs with the goals of the organization.

**(iii) Liaison:** in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.

**(II) Informational roles:**

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

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

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

**(III) Decisional roles:**

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

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

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

**(iv) Negotiator:** must spend considerable time in negotiations.

**Example:** the foreman negotiating with the workers for the grievance problems

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

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

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

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

#### **Managerial skills:**

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

**(i) Conceptual skill:** deals with the ability of manager to take a broad and farsighted view of organization and its future, ability to think in abstract ability to analyze the forces working in a particular situation.

**(ii) Technical skill:** are managers understanding of the nature of the job that people under him have to perform. Refers to the person's knowledge and proficiency in any type of process or technique.

**(iii) Human relations skill:** is the ability to interact effectively with people at all levels and the manager sufficient ability to

(a) to recognize the feelings and sentiments of others.

(b) to judge the possible reactions to and the outcomes of various courses of action he may undertake

(c) to examine his own concepts and values which may enable to more useful attitudes and about himself.

Skill mix of a manager with the change in his level:

**(a) Top level:** technical skill becomes less important

**(b) Middle management:** human relations skill become more important

**(c) Supervisory skill:** technical skill becomes more important.

#### **Management and administration:**

<b>Management</b>	<b>Administration</b>
1) Management involves doing which is a lower level function concerned with the execution and direction of policies and operations. No two separate personnel are required. Each manager performs both activities and spends part of his time in administering and part of his time managing. 2) Management is a generic term which includes administration. Manager is the term used in the business enterprises. In management, economic performance becomes the chief dimension of management.	1) Administration involves thinking which is a top level function which centers around the determination of plans, policies and objectives of a business enterprise.  2) Administration is a term used in the governance of non-business institutions (such as government, army etc). In administration, on-business institutions economic consequences of decisions are secondary

#### **Management as a science or art or a profession**

**Management as a science:**

**A discipline is called science if**

- 1) the methods of the inquiry are systematic and empirical
- 2) if the information can be ordered and analyzed and
- 3) results are cumulative and communicable

1) Systematic means orderly and unbiased attempt to gain knowledge must be with the personal or other pre-judgment

Inquiry being empirical means that it is not an armchair speculation or priory approach.

2) the scientific information so collected as raw data must be finally ordered and analyzed with the statistical tools which makes the results

3) Communicable and intelligible which also permits repletion of the study and the results in the sense that what is discovered is added to which has been found before which helps us to learn from past mistakes and obtain guides for the future

**To analyze whether management is a science:**

Management is not like the exact or natural science such as physics, chemistry etc which are called exact sciences which makes it possible to study any one of many of the factors affecting a phenomenon individually by making the other factors inoperative for that moment of time by examining the effects of heat on the density of air by holding other factors constant in the laboratory for example but where as in management it is not possible to study in management as it involves the study of amn and multiplicity of factors affecting him in which involves the study of monitory incentives on workers' productivity .

Which means that findings are not accurate and dependable as those of physical sciences and therefore, a management can be put in the category of a behavioral science.

Management are not culture bound because even though the different cultures may give rise to different management practices, techoques or theory concepts and principles remain the same which laed to the conclusion that manafement did not differ from country to country which is true even in the field of natural sciences.

**Management as art**

As the science considers the why phenomena management as an art is concerned with the understanding how a particular task can be accomplished which involves art of getting things done through others in a dynamic and non repetitive fashion and has to constantly analyze the existing situation, determine the objectives, seek the alternatives, implement, coordinate, control and evaluate information and make decisions.

As the knowledge of management theory and principles is a valuable kit of the manager but it cannot replace his managerial skills and qualities which has to be applied and practiced which makes us to consider manager as an art. Like the art of a musician or the art of a painter who uses his own skill and does not copy the skills of others

Thus we may conclude that management involves both the elements those of an art and those of science

where in certain aspects of management make it as a science, certain others which involves the application of skill makes it an art.

**To analyze whether Management is a profession:**

**Characteristics of a profession:**

- 1)existence of organized and systematic knowledge
- 2) formalized methods of acquiring training and experience.
- 3)existence of an association with the professionalization as a goal
- 4)existence of an ethical code to regulate the behavior of the members of the profession
- 5) Charging of fees based on service.

**Management:**

- 1)Does not have fixed norms of managerial behavior
- 2)no uniform of code of conduct or licensing of managers
- 3)entry of managerial jobs are not restricted to individuals with a special academic degree only and hence management cannot be called a profession

**Development of management thought:**

Evolution of the management can be studies as

**1)Early classical approaches represented by**

a)scientific management b)administrative management and c)bureaucracy

**2) Neoclassical approaches represented by**

a)human relations movement and behavioral approach

**3)Modern approaches represented by**

a)quantitative approach b)systems approach and c)contingency approach

**1 a) Scientific management:**

Fredric Winslow(1856-1915) is considered as the father of Scientific management

Exerted a great influence on the development of the management through his experiment and writings. Conducted as a series of experiments in three companies Midvale steel, Simonds Rolling machine and Bethlehem Steel while serving as a chief engineer of Midvale steel company for a period of 26 years.

**Taylor's contributions under scientific management**

**1) Time and motion study:** started time and motion study under which each motion of job was timed out with the help of stop watch of doing job was found and shorter and fewer motions were developed and amongst these the best job was found which replaced the old rule of thumb knowledge of the workman.

**2) Differential payment:** new payment plan called the differential piece work was introduced which was linked incentives with production. under this plan a worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard which would motivate the workers to increase production

**3) Drastic reorganization and supervision:** introduced two new concepts separation of planning and doing and functional foremanship.

Taylor suggested that the work should be planned by the foreman and not by the worker and there should be as foreman as there are special functions involved in doing a job and each of these foreman should give orders to the worker on his specialty.

**4) Scientific recruitment and training:** Taylor emphasized the need for scientific selection and

development of the worker. He says that management should develop and train every worker to bring out his best facilities and enable him to do a higher, more interesting and more profitable class of work than he has done in past.

**5) Intimate and friendly cooperation between the management and the workers:** Taylor argued that both the management and the workers both should try to increase production rather than quarrel over profits which would increase the profits to such an extent that labour and management would no longer have to compete for them and should sow common interest in increasing productivity.

#### **Contributions and limitations of scientific management:**

##### **Contributions:**

- 1) Time and motion studies have made us aware that the tools and physical movements involved in a task can be made more efficient and rationale.
- (2) Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.
- (3) The scientific management have to work design encouraged the mangers to do one best way of doing the job.

##### **Limitations:**

- (1)Taylors belief that economic incentives are strong enough to motivate workers for increased production proved wrong as there are other needs such as security, social needs, or egoistic needs rather than financial needs
- (2) Taylors time and motion study is not accepted as entirely scientific as there is no best way of doing the same job by two individuals as they may not have same rhythm, attention and learning speed
- (3) Separation of planning and doing the greater specialization inherent in the system tends to reduce the need for skill and greater monotony of work.
- (4)Advances in methods and better tools and machines eliminated some workers who found it difficult to get other jobs and caused resentment among them.

#### **Fayol's Administrative management:**

Henry Fayol is considered as the father of administrative management(1841-1925)

Where the focus is on development of broad administrative principles.

Was a French mining engineer turned a leading industrialist and a successful manager.

Provided a broad analytical framework of the process of administration.

#### **Fayol's 14 principles of management as general guides to the management process and management practice.**

**1)Division of work:** In the management process produces more and better work with the same effort as the various functions of management like planning, organizing, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors which must be entrusted to specialists in related fields.

**2) Authority and responsibility:** Implies that the manager should have the right to give orders and power to exact obedience and the manager also may exercise formal authority and also personal power.



Formal authority is derived from the official position and personal power is the result of Intelligence, experience, moral worth, ability to lead, past service etc. Responsibility is closely related to authority and an individual who is willing to exercise authority must also be prepared to bear responsibility to performers etc. the work in the manner desired.

**3) Discipline:** Absolutely essential for smooth running of the business and discipline means the obedience of authority, observance of rules of service and norms of performance, respect for agreements, sincere efforts of completing the given job, respect for superiors.

Best means of maintaining discipline are

(a) good supervisors at levels (b) clear and fair agreements between the employees and the Employer.

**4) Unity of command:** This principle requires that each employee should receive instructions about a particular work from one superior only if reported to more than one superior would result in confusion and conflict of instructions.

**5) Unity of direction:** Means that there should be complete identity between individual and organizational goals on the one hand and between the departmental goals on the other hand and both should not pull in different directions.

**6) Subordination of individual interest to general interest:** In a business concern, an individual is always interested in maximizing his own satisfaction through more money, recognition, status etc. which is against the general interest which lies in maximizing production and hence there is a need to subordinate the individual interest to the general interest.

**7) Remuneration:** Remuneration paid to the personnel of the firm should be fair and should be based on general business conditions such as cost of living, productivity of the concerned employees and the capacity of the firm to pay and the fair remuneration increases workers efficiency and morale and fosters good relations between them and management.

**8) Centralization:** The degree of centralization or decentralization of authority must be decided on the basis of nature of the circumstances, size of the undertaking, the type of activities and the nature of organizational structure.

**9) Scalar chain:** Scalar chain means the hierarchy of authority from the highest executive to the lowest ones for the purpose of communication and states superior-subordinate relationship and the authority of superiors in relation to subordinates at various levels and the orders or the communications should pass through the proper channels of authority along the scalar chain.

**10) Order:** Putting things in order needs effort and the management should obtain orderliness in work through suitable organization of men and materials and the principle of right place for everything and for every man should be observed by the management which requires the need for scientific selection of competent personnel, correct assignment of duties to personnel and good organization.

**11) Equity:** Means equality of fair treatment which results from a combination of kindness and justice and employees expect management to be equally just to everybody which requires managers to be free from all prejudices, personal likes or dislikes.

**12) stability of tenure of personnel:** Is necessary to motivate workers to do more and better work and they should be assured security of job by management which if not provided they have fear of insecurity of job, their morale will be low and they cannot give more and better work.

**13) Initiative:** Means freedom to think out and execute a plan which when provided to the employees leads to innovation which is the landmark of technological progress.  
Initiative is one of the keenest satisfactions for an intelligent man to experience and hence managers are required to give sufficient scope to show their initiative.

**14) Esprit de corps:** Means team spirit which should be created by the management among the employees and is possible only when all the employees pull together as a team and there is scope for realizing the objectives of the concern and there should be harmony and unity among the staff which is a great source of strength to the undertaking which could be achieved through avoiding divide and rule motto and use of verbal communication and written communication to remove misunderstandings.

#### **Contributions and limitations of administrative management:**

##### **Contributions:**

- 1) Fayol's principles met with wide spread acceptance among writers on management and among managers and managers themselves.
- 2) Drawing inspiration from Fayol a new school of thought known as the Management Process School came into existence.

##### **Limitations:**

#### **1) Fayol's principle of specialization lead to the following dysfunctional consequences:**

- (a) Leads to the formation of small work groups with norms and goals with each individual carrying out his own assigned part without bothering about the overall purpose of the organization as a whole.
  - (b) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
  - (c) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
- 2) one of the findings on Fayol's principles is that there is nothing in Fayol's writings to indicate which is the proper one to apply like for example the principle of unity of command and the principle of unity of specialization or division of labour cannot be followed simultaneously. In this way many of these principles are full of contradictions and dilemmas.
  - 3) Fayol's principles are based on a few case studies only and have not been tested empirically and whenever tested have fallen like autumn leaves.
  - 4) These principles are often stated as unconditional statements of what should be done in all circumstances when what is needed are conditional principles of management.
  5. the principles of Fayol such as the principles specialization, chain of command, unity of direction and span of control result in the mechanistic organizational structures which are insensitive to employees Social and psychological needs.
  6. these principles are based on the assumption that the organization are closed systems but in reality organizations are open systems and hence the rigid structures so created do not work well under stable conditions.

## **Bureaucracy**

German scientist Max Weber is considered to be the father of Bureaucracy.

Made a study on various business and government organizations and distinguished three types of administration amongst them.

Leader oriented tradition oriented and bureaucratic.

**(i) Leader oriented: Administration** is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.

**(ii) Tradition oriented:** all managerial positions are handed down from generation to generation and who are you rather than what you can do becomes the primary function.

**(iii) Bureaucratic oriented:** is based on the persons demonstrated ability to hold the position and no person can claim particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family and the people earn positions because they are presumed to be best capable of filling them.

## **Important features of Bureaucratic Administration:**

### **1) Insistence on following standard rules:**

There should not be governed by the personnel preferences of the employer but it should be governed by the standard rules which provides equality in the treatment of subordinates and continuity and predictability of action.

**2) Systematic division of work:** increases production by improving efficiency and saving time in changing over from one job to another.

**3) Principle of hierarchy followed:** each lower officer is under the control and supervision of a higher one.

### **4) Not necessary for the individual to have knowledge of and training in the application of rules:**

These form the basis on which legitimacy is granted to his authority.

**5) Administrative acts, decisions and rules are recorded in writing:** makes the organization independent of people besides making peoples understanding more accurate.

**6) There is rational personnel administration:** people are selected on the basis of their credentials and merit and are paid according to their position in their hierarchy, promotions are made systematically and there is on winning peoples loyalty and commitment.

## **Contributions and limitations of bureaucracy:**

### **Contributions:**

Bureaucracy can be viewed as the logical extension of management when it becomes impossible for one person to fulfill all managerial functions which has enabled most modern large scale organizations which require functionally specialized staff to train and control the people with heterogeneous backgrounds and to delegate specific responsibilities and functions to them.

### **Limitations:**

Has led to important dysfunctional consequences of bureaucracy as follows:

**1) Over conformity of rules:** Employees observe stick to rule policy because they follow stick to the rule policy because they fear of being penalized of the violation of these rules and therefore follow the letter of law without going into its spirit.

Example: a doctor in the emergency spends precious time in filling various forms before helping the accident victim.

**2) buck passing:** In situations where there are no rules, employees are afraid of taking decisions independently and may be punished for wrong decisions and therefore either shift decisions to there or postpone them which results in the increase of office work and leads to Parkinson's disease.

**3) Categorization of queries:** Probable queries coming from outside are generally classified in advance into a few broad categories and answer for each category are prepared in advance.

On receiving the query the employees job is to simply determine its category and tick the reply applicable to that category

**4) Displacement of goals:** Very common phenomena in bureaucratic organization and takes place when an organization substitutes for its legitimate goals some other goal which it was not created ,for which resources were not allocated to it and which it is not known to serve.

**Can occur in several ways:**

(a) occurs when the leaders try to devote to preserve the organization itself rather than its intial purpose and when several interest groups try to use the organizational goals to serve their own golas.

(b) occurs when the employees try to internalize the rules and the goals are totally forgotten which is called professional automation.

**Example:** praising the librarian for neat and orderly look of the library and not for increase in the number of book borrowers.

Praising the factory worker for his regular attendance and not for the quality of his performance.

(c) Secondary goals of an organization subordinating its primary goals so that latter are not served effectively.

Example: university initiating certain social or extra-curricular activities to attract students to classes and universities consuming greater time and resources in conducting the same rather than teaching a course.

(d) sectional interests developing among the heads of sub-units of the organization which may lead to forget the organizational goals.

**5) No right of appeal:** The clients the bureaucratic organization feel dissatisfied because they have no right of appeal

**6) Neglect of informal groups:** Forms informal groups which play an important role in the organization which has lead to the development of group dynamics which are ignored by the bureaucratic organization.

**7) Rigid structure:** precise description of roles and over conformity of rules make bureaucratic structures rigid which work well in stable environments but do not work well in today's organizational flexible structures which require constant mentoring, collection of information and changing of job descriptions and roles of the employees.

**8) Inability to satisfy the needs of the mature individuals:** A mature individual wants independence, initiative, self-control, opportunity to use his all skills and information to plan his future which is not provided as the hierarchy and control features work against this organization.

**Neo-classical approach:**

Are called neoclassical because they do not reject the classical concepts but only try to refine them.

**The human relations movement:**

Emerged to achieve complete production efficiency and workplace harmony

Was developed in helping managers to deal more effectively with the people side of the their organizations.

Came into existence due hawthorns experiments conducted by Elton Mayo and his colleagues at the western electric company's plant in Cicero, Illinois from 1927 to 1932 which employed 29,000 workers to manufacture telephone parts and equipment.

Elton Mayo's experiments can be divided into following four parts:

- 1) Illumination experiments
- 2) relay assembly test room
- 3) interviewing program
- 4) bank wiring test room

**1) Illumination Experiments: Was considered to be the first phase of study**

Productivity was correlated with illumination, tested, experiments were done on a group of workers and the productivity was measured at various levels of illumination for the first time and two groups were formed and set up in different buildings for the second time this time one group called the control group worked under the constant level of illumination and the other group called the test group called worked changing levels of illumination.

**Results:** When post-productivity of two groups were compared, it was found that illumination affected production only marginally.

**2) Relay assembly test room: Was considered to be the second phase of study**

In this phase, the object of study being broadened, along with the impact of illumination on production, other factors such as the length of the working day, frequency and duration of rest pauses and other physical conditions were taken into consideration.

A group of six women workers, who were friendly with each other, were selected for the experiment, were told about the experiment, were made to work in a informal atmosphere with the supervisor researcher in a separate room who acted as a friend, philosopher and guide.

Several variations were made in the working conditions during the study, to find the most ideal combination for production.

**Results:** the researchers found that the production group had no realltion with the working conditins which went on increasing and stabilized at a high level even when all the improvements were taken away and the poor pre-test conditions were reintroduced and something else was responsible for this.

- (a) feeling of importance among girls as result of participation in the research and the attention they got
- (b) warm informality ,tension-free interpersonal and social relations amongst small groups and relative freedom from strict supervision and rules lead to these results
- (c) high group cohesion among girls

**3) Interviewing programme:**

The knowledge about the informal group processes which were accidentally acquired in the second phase made researchers design the third phase.

They wanted to know about the basic factors responsible for human behavior at work

Method used to know the basic factors:

More than 20000 workers were interviewed.

Questions were asked relating to the type of supervision, working conditions, living conditions and so on.

Indirect questions were asked to the workers and the workers were free to talk about their favorite topics related to their work environment.

**Results:** the study revealed that the workers social relations inside the organization had an unmistakable influence on their attitudes and behavior and about the all-pervasive nature of informal groups on their culture and the production norms which the members were forced to obey.

**4) Bank wiring observation room: Can be considered as the fourth phases of experimentation.**

Involved in-depth observation of 14 men making terminal banks of telephone wiring assemblies, to determine banks of telephone wiring assemblies, to determine the effect of informal group norms and formal economic incentives on productivity.

**Results:**

Study revealed that group evolved its own production norms for each individual worker which were much lower than the those set by the management and the workers would produce that much and no more thereby defeating the incentive system

This artificial restriction of production saved workers from a possible cut in their piece rates and protected weaker and slower workers from being reprimanded or thrown out of jobs.

Class of workers-production rate

Called foolish-was more than the group norm were isolated, harasses or punished by the group in the several ways and were called rate busters.

Those who were too slow were nicknamed as chisellers.

Those who complained to the supervisor against their coworkers were called squealers.

**Conclusion:**

The experience of the Hawthorne experiments had a profound impact on the luminaries of the human relations movement.

Came to realize the important role played by informal groups in the working of an organization.

**Contributions and limitations of the human relations movement:**

**Contributions:**

**The contributions can be summarized as follows:**

- 1) a business organization is not merely a techno-economic system but is also a social system and hence it is important to provide social satisfaction to the workers to produce goods.
- 2) There is no correlation between improved working conditions and high production.
- 3) A workers production norm is set and enforced by his group and not by the time and motion study done by the industrial engineer and those deviating from the group were penalized by the coworkers.
- 4) Worker does not work for money only and also nonfinancial awards affect his behavior and limit the economic incentive plan.
- 5) Employee centered, democratic and participative style of supervisory leadership is more effective than task centered leadership.
- 6) The informal group and not the individual is the dominant unit of analysis in organizations.

**Limitations:**

- 1) is swing in the opposite direction and is as much s incomplete as the scientific management and administrative management. The human relations writers saw only the human variable as critical factor

and ignored other variables.

2) The implicit belief that every organization can be turned down into one big happy family which could satisfy everybody was not correct as every organization is made up of a number of diverse social groups with incompatible values and interests.

3) This approach emphasizes the importance of symbolic rewards and underplays the role of material rewards.

4) Approach provides an unrealistic picture about informal groups by describing them as major source of satisfaction for industrial workers and it is assumed that many workers do not come to the factory to seek affiliation and affection.

5) Approach is in fact production oriented and not employee oriented as it claims to be. Many of its techniques (running canteens, social groups) trick workers into false sense of happiness.

6) the leisurely process of decision making of this approach cannot work during emergency,

7) Makes an unrealistic demand on the superior and wants him to give up his desire.

8) Approach is based on wrong assumption that satisfied workers are more productive workers because attempts to increase output by improving working conditions and the human relations skills of a manager generally in the dramatic productivity increases that are expected.

#### **Behavioural approach:**

This version is an improved and a more mature version of the human relation approach management.

Douglas McGregor, Abraham Maslow, Kurt Levin, Chester Bernard, Mary Parker Follett, George Humans, Renis Likert, Chris Argyris, and Warren Bennis are some of the foremost behavioral scientists who made significant contributions to the development of the behavioral approach to management.

These scientists were rigorously trained and used more sophisticated research methods.

These people came to be regarded as the behavioral scientists rather than the members of the human relations school.

The findings of these people have enormously helped in understanding the organizational behavior.

These do not believe in the highly classical organization structures which were built around the traditional concepts of hierarchical authority, unity of command, line and staff relationships and narrow spans of control.

They believe that a lot of domination takes place by the managers which causes subordinates to become passive and dependent on them.

These scientists prefer more flexible organization structures and jobs built around the capabilities and aptitudes of average employees.

Recognizes the practical and situational constraints on human rationality for making optimal decisions which in practice is done in a suboptimal manner.

Attach more weight to participative and group decision making as the business is so complex that it is not fair nor feasible to make individuals responsible for solving them.

Underline the desirability of humanizing the administration of the control process and encouraging the process of self-direction and control instead of imposed control.

Also favor participation in the establishment, measurement and evaluation of standards of performance, prompt information feedback to whose performance is off the mark and for positive and reformative measures instead of punitive measures.

Consider organizations as a group of individuals with certain goals for both big and small groups about the individuals forming groups, joining groups, group size, structure and process and group cohesiveness.

Have made extensive studies on leadership which they believed democratic style desirable and the autocratic style appropriate in some situations.

Believed that the realistic model of human motivation as complex because people react differently for the same situation or react the same way to different situations and no two people are exactly alike.

**Modern approaches(Three of them)**

**1) Quantitative 2) Systems approach 3) Contingency approach**

**1)Quantitative approach: Called the management science approach**

Gained momentum during the second world war when UK and USA were desperately trying to seek the solutions to a number of few, complex problems in warfare.

Interdisciplinary group of scientists were engaged for this purpose were known as operations research(OR) teams because their work consisted of analyzing operations and carrying out applied scientific research which were the same which were used for solving problems in the industry. solving problems in the industry using OR techniques

1) A mixed team of specialists from relevant disciplines is called to analyze the problem and to propose a course of action to the management.

2) The team constructs the a mathematical model to simulate the problem which in symbolic terms all relevant factors that bear the problem, and the interrelationship amongst them

3) By the changing the values of the variables in the model generally with a computer and they team can determine the effect of each change.

Thus we can conclude that the focus is on quantitative approach is based on decision making with quantitative tools and techniques for making objectively rational decisions.

2) Approach facilitates disciplined thinking, precision and perfection by expressing relationships in quantitative terms which has been widely used in planning and control activities where problems can be precisely identified and defined in quantitative terms.

**2)Systems approach:** Provides integrated approach to management problems and the key concepts of systems approach are



**1) a system is a set of independent parts:**

Which together works as a single unit and performs some function. Similarly an organization can also be considered to be composed of four independent parts namely task, structure, people and technology.

**Structure subsystem:** refers to the formal division of authority and responsibility, communication channels and workflow.

**People subsystem:** refers to the employees with their motives, attitudes and values and the informal organization.

**Technology subsystem:** refers to the tools and equipment as well as techniques which are used by the organization to perform the task.

**2) concept of considering the system as a whole:**

Means that no part of the system can be analyzed and understood apart from the whole system and conversely, the whole system cannot be accurately perceived without understanding all its parts.

Each part bears a relation of interdependence to every other part which rather than dealing separately with the various parts of the organization as a whole.

The above concept facilitates more effective diagnosis of complex situations and increases the likelihood of appropriate managerial functions

**3) a system can be either open or closed:**

Open system is one which interacts with its environment and closed system is one which is independent of the environment.

All living systems are actually dependent on the external environment for information, material and energy. They enter the system from the environment as inputs and leave the system as outputs and therefore they are rightly conceived as open systems.

Inputs of a business organization: raw materials, power, finance, equipment, human effort, technology, information about market, new products, government policies and the changes these inputs into output of goods, services and satisfaction and the transformation process is known as throughput.

**The transformation process can be categorized as follows:**

Physical(as in manufacturing)

Location(as in transportation)

Exchange(as in retailing)

Storage(as in warehousing)

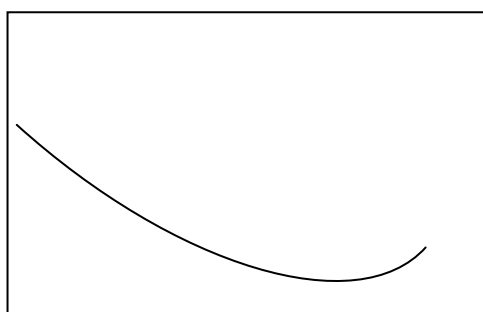
Physiological(as in telecommunications)

The output of a system is always more than the combined output of its parts which is called synergy.

Which in organizational terms means that as separate departments within organization cooperate and interact they become more productive if they acted in isolation.

One important mechanism of a system which enables to exercise control over its operations is feedback as shown in the figure.

Input of information,





**4)Every system has a boundary:** boundaries can be clearly observed and therefore more precisely defined in the case of physical and biological systems than in case of social systems. For example: we can define the physical boundaries of the human body or a plot of land very precisely but it is difficult to define the boundary of an organisation and they do not have clearly observable boundaries.

**Concept of a boundary:**

- 1) Helps a system in determining whether it ends and the other system begins.
- 2) Divides those elements that are a part of a system from those that are a part of its environment
- 3) Enables a system to protect its transformation process from the vagaries of its environment.

**Contributions of systems approach:**

A problem here is studied both at the level of the subsystem (micro level) and the total system (macro level).

Application of this approach results in the requirement that executives in addition to having the skills in their own functional areas should have enough knowledge of other areas also who should be generalists also.

**Contingency approach:**

Is the second approach which tries to integrate the various schools of management thought.

There is no best way of doing things under all conditions

Methods and techniques are highly effective in one situation may not work in other situations and results differ because the situations differ.

The task of a manager is to try to identify which technique will in a particular best contribute to the attainment of the management goals and managers have therefore to select the situational sensitivity and practical selectivity.

Contingency views are applicable in designing organizational structure, in deciding the degree of decentralization, in planning information decision systems, in motivational and leadership approaches in establishing communication and control systems, in resolving conflicts and managing change, in establishing and control systems and in several areas of organization and management.

UNIT II

**Planning:**

**Planning is the beginning of the process management**

A manager must plan before he can possibly organize, staff, direct or control.

Because planning sets all other functions into action, it can be seen as the most basic function of management. Without planning other functions become mere activity.

**Planning is an intellectual process which requires manager to think before acting. It is thinking in advance. It is planning that managers of organization decide what is to be done, when it is to be done, how it is to be done, and how has to do it.**

**Decision making is an integral part of planning. It is the process of choosing among alternatives.** Obviously, decision making will occur at many points in the planning process.

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

Corollary:

A plan must be flexible. By flexibility of a plan is meant its ability to change direction to adapt to changing situations without undue cost. It needs to possess a built-in flexibility in at least major areas technology, market, finance, personnel and organization.

Flexibility in technology means the mechanical ability of a company to change and vary its product-mix according to changing needs of its customers. Flexibility in market means the company's ability to obtain additional funds on favorable terms whenever there is need for them. Flexibility in personnel means the company's ability to shift individuals from one job to another. Flexibility in organization means the company's ability to change the organization structure.

Flexibility is possible only within the limits. It is almost invariably true that it involves extra cost. Sometimes it may be so expensive that its benefits may not be worth the cost. People may develop patterns of thought that are resistant to change. Sometimes people may develop patterns of thoughts that are resistant to change. Sometimes already established procedures may become so deeply ingrained in the organization that changing them may become difficult. In most cases irretrievable costs already incurred in fixed assets, training, advertising may block flexibility.

Planning is an all-pervasive function. In other words, planning is important to all managers regardless of their level in the organization. There are however some differences in involvement by managers at different levels. One major difference concerns the time period covered. Top level managers are generally concerned with months to five years later, or even after that. Lower level managers are more concerned with planning activities for the day, week or month. First line supervisors, for example, plan the work activities for their people for the day. They are not responsible for predicting sales levels and ordering materials to produce

products six months in the future. A second major difference concerns the time spent on planning. Top managers generally spend more time on planning. They are concerned with establishing objectives and developing plans to meet those objectives. Lower level managers are more involved in executing these plans.

### **Importance of planning**

#### **Planning:**

##### **1) Minimizes risk and uncertainty**

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

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

If a manager does not make any provision for the replacement of plant and machinery, the problems he will have to face after ten years can well be imagined. The manager has a feeling of being in control if he has anticipated some of the possible consequences and has planned for them. It is like going out with an umbrella in cloudy weather.

It is through planning that the manager relates the uncertainties and possibilities of tomorrow to the facts of today and yesterday.

**2) Leads to success:**

Planning does not guarantee success but studies have shown that, often things being equal, companies which plan not only outperform the non-planners but also their past results.

This may be because when a businessman's actions are not random arising as mere reaction to the market place

Planning leads to success by doing beyond mere adaptation to market fluctuations. With the help of a sound plan, management can act proactively and not simply react. It involves to attempt to shape the environment on the belief that business is not just the creation of environment but its creator as well.

**3) Focus attention on the organizations goals:**

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

**4) Facilitates control:**

In planning, the manager sets goals and develops plans and to accomplish these goals. These goals and plans then become standards against which performance can be measured. The function of control is to ensure that activities conform to the plans. Thus control can be exercised only if there are plans.

**5) Trains executives:**

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

**Forms of planning:**

Planning can take many forms and styles in practice. Planning can be comprehensive or limited in scope. There are organizations that plan to the last detail. Others rest content, simply broad targets for the next financial period. Planning may be done by an army of experts using sophisticated forecasting techniques. Or it may be done in a seat of the pants manner, by a number of executives, sharing their judgments over a cup of coffee. Planning may begin at the top with top executives deciding on targets and passing them down for implementation or it may begin at the bottom with the lowest sections formulating their targets and sending them up for evaluation and coordination. Planning may be done participatively with many members of the organization chipping in with their ideas and judgments or it may done in the elitist manner by a few executives or technocrats.

Thus there are many **forms and styles of planning, and planning practices are likely to vary from organization to organization.** One useful way of classifying them is to distinguish between **strategic planning and tactical planning.**

**About Strategic planning** involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals and depends on the data collected outside the organization such as market analysis, estimates of costs, technological developments and so on and if the data being mostly imprecise make strategic planning less certain.

**About Tactical planning** involves deciding specifically how the resources of the organization will be used to help the organization achieve these strategic goals. For example if the organization has prepared a ten-year strategic plan which envisages a profit rate of 25% on capital employed in the tenth year, it also necessary to prepare a more detailed tactical plan for the next year, with a specific target of 10% on the capital employed.

**Distinction between strategic planning and tactical planning.**

<b>Strategic planning</b>	<b>Tactical planning</b>
1)decides the major goals and policies of allocation of resources to achieve these goals	1)decides the detail use of resources for achieving these goals
2) Done at higher levels of management. Middle managers sometimes not even aware that strategic planning being considered.	2)is done at lower levels of management
3)it is long term	3)it is short term
4) Is generally based on long term forecasts about technology, political environment and is more uncertain.	4)is generally based on the past performance of the organization and is less uncertainly
5)is less detailed because it is not involved with the day to day operations of the organization	5)is more detailed because it is involved with the day-to-day operations of the organization

**Types of plans:**

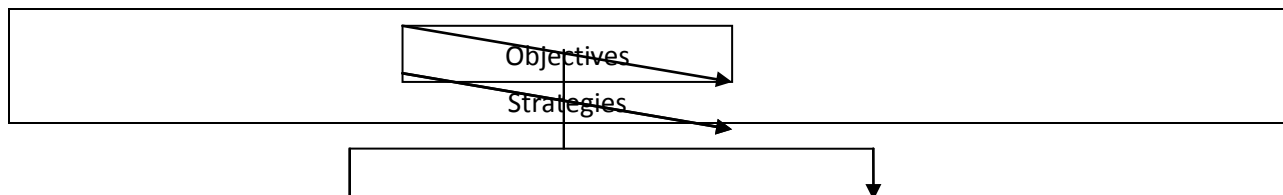
Plans are arranged in a hierarchy within the organization as shown in the figure below

At the top of this hierarchy stand objectives. Objectives are the broad ends of the organization which are achieved by means of strategies. Strategies in their turn are carried out by means of the two major groups of plans.

**Single use plans and standing plans.**

**Single use plans** are developed to achieve a specific end and when the end is reached the plan is dissolved. The two major types of plans are single use plans are programmes and budgets.

**Standing plans** on the other hand are designed for situations that recur often to justify the standardized approach. For example, it would be inefficient for a bank to develop a single use plan for processing a loan application for each new client. instead it uses one standing plan that anticipates in advance whether to approve or turn down the request based on the information furnished, credit rating, etc. the major types of plans are policies, procedures methods and rules.



For non-repetitive tasks  
Activities

Single use plans  
(programmes and  
budgets)

for repetitive  
Activities

Standing plans (policies,  
procedures, methods  
and rules)

Each type of plan is described in detail as follows.

### **Objectives:**

Are the goals of the organization which the management wishes the organization to achieve. These are the end points or pole-star towards which all business activities like organizing, staffing, directing and controlling are directed.

Only after having defined these end points the can determine the kind of organization the kind of personnel and their qualifications, the kind of motivation, supervision and direction and the control techniques which he must employ to reach these points. Objectives are the specific targets to be reached by an organization. They are the translation of the organization's mission into concrete terms against which the results can be measured.

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

### **Characteristics of the objectives:**

**Some of the important characteristics of the objectives are:**

#### **1)Objectives are multiple in number :**

Implies that every business enterprise has a package of objectives set out in various key areas. There are eight key areas in which objectives of performance and results are set which are (i)market standing (ii)innovation (iii)productivity(iv)physical and financial resources(v)profitability (vi)Manager performance and development (vii)worker performance(viii)attitude and public responsibility.

#### **2)objectives are either tangible or intangible:**

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

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

#### **3)objectives have priority:**

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

Priority of goals also says something about the relative importance of certain goals regardless of time. For example, the survival of organization is necessary condition for the realization of other goals.

The establishment of priorities is extremely important in that resources of any organization must be

allocated by rational means.

**4) Objectives are generally arranged in a hierarchy:**

This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives. Objectives at all levels serve as an end and as a means.

**5) Objectives sometimes clash with each other:**

The process of breaking down the enterprise into units requires that objectives be assigned to each unit. Each unit is given the responsibility of attaining an assigned objective. The process of allocating objectives among various units creates the problem of potential goal conflict and sub optimization on, where in achieving the goals of one unit may put in risk of achieving the goals of the other.

**Requirements of sound objectives:**

**(i) Objectives must be clear and acceptable:**

The objectives must be clear and understandable amongst people which could be achieved by unambiguous communication, should be compatible with their individual goals.

**(ii) Objectives must support one another:**

Objectives could interlock or interfere with one another which require the need for coordination and balancing the activities of the entire organization, otherwise its members may pursue different paths making it difficult for the manager to achieve the company's overall objectives.

**(iii) Objectives must be precise and measurable:**

An objective must be spelled out in precise, measurable terms the reasons for which being

- (1) The more precise and measurable the goal, the easier it is to decide the way of achieving it.
- (2) Precise and measurable goals are better motivators of people than general goals.
- (3) Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals.
- (4) It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.

**(iv) Objectives should always remain valid:**

Means that the manager should constantly review, reassess and adjust them according to the changed conditions.

**Advantages of objectives: The following are the benefits of objectives**

- (i) They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.
- (ii) They act as motivators for individuals and departments of an enterprise imbuing their activities with a sense of purpose. ult in undesirable com

- (iii) They eliminate haphazard action which may result in undesirable consequences.
- (iv) Facilitate coordinated behavior of various groups which otherwise may pull in different directions.
- (v) Function as a basis for managerial control by serving as standards against which actual performance can be measured.
- (vi) They facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.
- (vii) Lessen misunderstanding and other conflict and facilitate communication among people by minimizing jurisdictional disputes.
- (viii) Provide legitimacy to organizations activities.

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

Two important activities are involved in strategy formulation

- (i) environmental appraisal (ii) corporate appraisal

**(i) environmental appraisal:**

**(1) Political and legal factors:**

An analysis of the relevant environment results in the identification of threats and opportunities.

Key environment factors which need to be studied are

- (a) stability of the government and its political philosophy.
- (b) taxation and industrial licensing laws
- (c) monetary and fiscal policies
- (d) Restrictions on capital movement, repatriation of capital, state trading etc.

**(2) Economic factors**

- (a) level of economic development and distribution of income
- (b) Trend in prices, exchange rates, balance of payments.
- (c) Supply of labour, raw, material, capital etc.

**(3) competitive factors:**

- (a) identification of principle competitors
- (b) analysis of their performance and programmes in major areas
- (c) antimonopoly laws and rules of competition
- (d) protection of patents, trademarks, brand names and other industrial property rights

**(4) social and cultural factors:**

- (a) literacy levels of population
- (b) religious and social characteristics
- (c) extent and rate urbanization
- (d) rate of social change

**(ii) Corporate appraisal:**

Involves the analysis of company's strengths and weaknesses.

A company's strength may lie in outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, personal relationship with customers, efficient transportation and logistics, effective sales promotion, high turnover of inventories and capital etc.

The company must plan to exploit these strengths to the maximum. Similarly it may suffer from a number of weaknesses.



### **Standing plans:**

**Policies:** A policy is a general guideline for decision making which sets up boundaries around decisions including those that cannot be made and shutting out those that cannot. A policy can be considered as a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which managerial action takes place

Policies suggest how to do the work. They do not dictate terms to subordinates and provide only a framework within which the decisions must be made by the management in different spheres.

#### **Example:**

- 1) Recruitment policy of a company is to recruit meritorious people through the employment exchange
- 2) Distribution policy of a fertilizer company is farmer oriented.

Policies and objectives guide thinking and action, but with a difference.

Objectives are end points of planning while policies channelize decisions to these ends.

#### **Advantages of policies:**

1) Policies ensure uniformity of action in respect of matters at various organizational points which make actions more predictable.

2) Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.

3) makes it easier for the superior to delegate more and more authority to the his subordinates without being unduly concerned because he knows that whatever decision the subordinates make will be within the boundaries of the policies.

4) Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.

#### **Types of policies:** Can be classified on the basis of sources, functions or organizational levels

**1) Classification on the basis of sources:** three types originated, appealed, implied and imposed policies

**(a) Originated policies:** Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own. These policies are set out in print and embodied in manual.

**(b) Appealed policies:** Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.

**(c) Implied policies:** are also policies which are stated neither in writing nor verbally. Such policies are called implied policies. Only by watching the actual behavior of the various superiors in specific situations can the presence of implied policy is ascertained.

**(d) Externally imposed policies:** are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions.

**Example: policy dictated by the government law.**

**2) Classification on the basis of functions:** on the basis of business functions, policies may be classified into production, sales, finance, and personnel policies.

Every one of these functions have number of policies.

**For example: Sales function may have policies relating to market.**

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

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

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

**3.classification on the basis of organizational level:** on this basis range from major company policies through major departmental policies to minor or derivative policies applicable to the smallest element of organization.

#### **Guidelines for effective policy making:**

##### **Policies should be**

- (1) as far as possible should be stated in writing and should be clearly understood by those who are supposed to implement them.
- (2) Should reflect the objectives of the organization, define appropriate methods and action.
- (3) The top managers and the subordinates should participate in the formulation of policies for successful implementation of the policies.
- (4) Should strike a reasonable balance between the stability and flexibility. Conditions change and policies must change accordingly. The degree of stability should also prevail to achieve the sense of direction
- (5) Different policies should not pull in different directions and s one should support one another and they must be internally consistent.
- (6) Should not detrimental to the interest of the society and must confirm to the canons of ethical behavior which prevail in society.
- (7) must be comprehensive to cover as many contingencies as possible
- (8) Should be periodically reviewed in order to see whether they are to be modified, changed or completely abandoned and new ones put in their place.

##### **Procedures:**

Policies are carried out by means of more detailed guidelines called procedures.

A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work. The same steps are followed each time that activity is performed.

**For example:** the procedure for purchasing raw material may be

- (i) the requisition from the storekeeper to the purchasing department.
- (ii) Calling tenders for purchase of materials.
- (iii) placing orders with the suppliers who are selected
- (iv) inspecting the materials purchased by the inspecting department and
- (v) Making payment to the supplier of materials by the accounts department.

Similarly, the procedure for the recruitment of personnel may be

- (i) inviting applications through advertisement
- (ii) screening the applications
- (iii) conducting written test
- (iv) conducting interview for those who have passed the written test and
- (v) Medical examination of those who are selected for the posts.

Procedures may also exist for conducting the meetings of directors and shareholders, granting loans to employees, issuing raw materials from the stores department, granting sick leaves to the employees, passing bills by the accounts department.

**Difference between the policy and the procedure.**

<b>Policies</b>	<b>procedures</b>
1. Are the general guidelines to both thinking and action of people at higher levels 2.help in fulfilling the objectives of the enterprise 3.are generally broad and allow some latitude in decision making 4.are often established without any study or analysis	1 .are the guidelines to action only usually for the people at the lower levels 2.show us the way to implement policies 3. Are specific and do not show latitude. 4.are always established after thorough study and analysis of work

**Advantages and limitations of procedures:**

**Advantages:**

- 1) They indicate a standard way of performing a task which ensures a high level of uniformity in performance in the enterprise.
- 2)they result in work simplification and elimination of unnecessary steps and overlapping
- 3)they facilitate the executive control over performance b y laying down the sequence and timing of each task, executives dependence on the personal attributes of his subordinates is reduced
- 4)they enable employees to improve their efficiency by providing them with knowledge about their entire range of work

**Limitations:**

- (1)By prescribing one standard way of performing a task, they limit the scope for innovation or improvement of work performance.
  - (2)By cutting across department lines and extending into various other departments, they sometimes result in duplication, overlapping and conflict.
- These limitations can be overcome if the management reviews and appraises the procedures periodically with an intention to improve them.

**Methods:**

**A method is a prescribed way of in which one step of a procedure is performed.**

For example the specified technique to be used in screening the applications or conducting a written test is a method where as the sequence of steps involved in the recruitment of personnel consists of a procedure.

Methods help in increasing the effectiveness and usefulness of the procedure.

By improving the methods reduced fatigue better productivity and lower costs can be achieved.

Methods can be improved in a number of ways.

Manual methods of performing a task can be replaced by the mechanical means, or the existing mechanized process may be improved and unproductive methods improved by conducting motion study.

**Rules:**

**Are detailed and recorded instructions that a specific action must or must not be performed a given situation.**

In sanctioning overtime to workmen, in regulating travelling allowances, in sanctioning entertainment bills and in other similar matters a uniform way of handling them or dealing with case has to be followed which are all covered by the rules of the enterprise.

They make sure that the job is done in the same manner every time bringing uniformity in efforts and

results.

### Single use plans: Programmes and budgets

#### Programmes:

**Programmes are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.**

Programmes are drawn in conformity with the objectives and are made up of policies, procedures, budgets etc.

The essential ingredients of every programme are time phasing and budgeting.

This means that the specific dates should be laid down for the completion of the each successive stage of a programme.

A provision should also be made in the budget for financing the programme.

Often a single step in a programme is set up as a project.

#### Budgets

**A budget is a financial and/or quantitative statement prepared prior to a definite period of time, of the policy perceived during that period,** for the purpose of obtaining a given objective.

Budgets are plans for a future period of time containing the statements of the expected results in numerical terms that is rupees, man hours

Product units and so forth.

The important budgets are sales budget, revenue budgets, cash budget and expense budget.

#### Advantages:

1) Budgets are useful for the enterprise and are expressed in numerical terms, facilitate comparison of the actual results with the planned ones and thus serve as control device for measuring performance.

2) They help in identifying and removing the dead heads of expenditure.

#### Steps in planning:

**The various steps involved in planning are as follows:**

##### 1) Establishing verifiable goals or set of goals to be achieved:

The first step in planning is to determine the enterprise objectives which are often set up by the upper level or top managers, usually after number of possible objectives have been carefully considered. There are many types of objectives managers may select: desired sales volume or growth rate, the development of a new product or service or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on a number of factors: the basic mission of the organization, the value its managers hold and the actual and the potential abilities of the organization.

##### 2) Establishing planning premises:

it is the second step in planning to establish planning premises which is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, general economic conditions, production costs and prices, probable competitive behavior, capital and material availability and government control and so on.

**Planning can be variously classified as under**

- (a) internal and external premises
- (b) tangible and intangible premises
- (c) controllable and non-controllable premises
- (a) internal and external premises:

**Premises may exist within and outside company.**

**Internal premises** include sales forecasts, policies and programmes of the organization, capital investment in plant and equipment, competence of management, skill of labour, etc.

**External premises** can be classified into three different groups

Business environment, factors which influence the demand for the product, and the factors which affect the resources available to the enterprise.

**(b) Tangible and non-tangible premises:**

**Tangible premises:** those which can be quantitatively measured while

**Intangible premises** are those which being qualitative in character and cannot be measured.

**Tangible examples:** population growth, industry demand, capital and resources invested in the organization are all tangible.

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

**(c) controllable and non-controllable premises:**

Some of the planning premises are controllable and some are non-controllable and because of the non-controllable factors there is need for the organization to revise the plans periodically in accordance with the current development.

**Examples of uncontrollable factors:** strikes, wars, natural calamities, emergency, legislation etc.

**Examples of controllable factors:** company's advertising agency, competence of management member's skill of the labour force, availability of resources in terms of capital and labour, attitude and behavior of the owner's of the organization.

**3) deciding the planning period:**

It is the next task once the upper level managers have selected the basic long term goals and the planning premises.

Business plans are made in some instances once for a year and plans are made for decades based on some logic and future thinking.

The factors which affect the choice of period are:

- (a) Lead time in development and commercialization of new product.
- (b) The time required to recover capital investments or the pay-back period and
- (c) Length of the commitments which are already made.

**(a) lead time in development and commercialization of new product:**

**Example:** Heavy engineering manufacturing company wanting to start a new project should have a planning period of five years.

**(b) time required to recover capital investments or the pay-back period:**

It is the number of years over which the investment outlay will be recovered or paid back.

**Example:** machine investment Rs.10 lakhs cash inflow Rs.2 lakhs/year then the payback period is 5 years

**(c) length of commitments already made:**

plan period should be as long as possible to enable the fulfillment of commitments already made

**4) Finding alternate courses of action:** The fourth step of planning is to find the alternate courses of action.

**Example:** securing the technical knowhow by engaging a foreign technician or by training staff abroad.

**5)evaluating and selecting the alternate courses of action:**

After selecting the alternate courses selection the best course or course of action with the help of quantitative techniques and operations research.

**6)developing the derivative plans:**

Once plan formulated, its broad goals must be translated on day to day operations of organization Middle level managers must draw up the appropriate plans, programmes and budgets for their sub-units which are described as derivative plans.

**7)measuring and controlling the process:**

Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

**Limitations of planning:**

1) Planning is expensive and time consuming process. it involves significant amount of money, energy and also risk without any assurance of the fulfillment of the organizations objectives

2) Sometimes restricts the organization to the most rational and risk free opportunities. Curbs the initiatives of the manager and forces him to operate within the limits set by it and sometimes cause delay in decision making in case of emergency.

3) Scope of planning is limited with rapidly changing situations.

4) Establishment of advance plans tends to make administration inflexible.

**Example:** business changes, change in government policy, may make the original plan lose its value.

5) Another limiting factor in planning is the formulating of the accurate premises.

6) Planning may sometimes face peoples resistance to it.

**Making plan effective: Guidelines for making the plan effective**

**1)Coordination:** It is important that all plans fit together not only in terms of content but also important plans fit together at proper time.

**2) Communication:** Every manager in the organization should have access to complete information not only pertaining to his own area of planning but also others area.

**3) Participation:** Participation of the subordinates with superiors is a key element in making planning effective.

**4) Proper climate:** Top managers must establish proper climate for planning.

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### UNIT III Organizing and staffing:

#### Definition, Nature and purpose of organization

##### Definition:

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

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

##### Nature of organization:

1) An organization basically consists of group of people who form the dynamic human element of the organization

2) Organization helps in identifying the various tasks to be performed which are assigned to the individuals to perform to achieve the common objectives or common purpose of the organization.

3) It ensures to achieve coordination amongst the people working in various departments of the organization

And ensures integrated efforts to achieve organizational objectives or goals.

4) It delegates authority to the managers with commensurate responsibility and accountability for the discharge of their duties and also amongst different hierarchical levels in an organization.

5) It also aids in achieving financial, physical material and human resources.

6) Organizations are part of the larger environment and hence they are influenced by the external environment.

7) Organization helps in the realization of the plans made by the managers

8) It helps in nurturing and growing special skills and talents by the virtue of division of labour

9) It facilitates seamless communication

##### Purpose of an organization:

**The purpose of any organization is to achieve goals for which it is formed which aims at achieving common objectives through its group member efforts.**

The organizations exist for different purpose and the efforts for organizational members are directed for the achievement of this purpose.

##### For example:

**For business organization** the purpose is to develop people and their skills for contributing towards the growth of the enterprise through profits

**For nonprofit organization** the purpose the objective would be to serve the members of the committee in a productive manner

##### Types of organization:

**a) Business organization:** are those organizations which are formed with the purpose of earning profits the sole purpose being to earn surplus in the form of profits without which they cannot survive and grow

**Example: Firms engaged in manufacturing, trading, services etc**

**b) Non-profit service organizations:** are those organizations who do not have the motive of making

profits

but to serve the people of the a specific community or a segment of a society.

**Example: Rotary club, Lions club, Orphanages, Charitable hospitals etc.**

**Formal organizations** :are officially formed with definite structure which describes authority and responsibility, relationship and behavior of organizational members

**Informal organization**: do not have any official recognition and they are formed due to the social interaction needs of the people resulting in different types of social networks.

**Found in all formal organizations where people come together and form social groups for various reasons like common interests, friendship or affiliation, satisfaction of emotional needs**

#### **Principles of organization: The principles of organization are as follows**

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

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

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

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

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

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

**7) Delegation:** Proper authority should be delegated at the lower levels oh manager of the organization also. The authority delegated should be equal to responsibility

That is each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activity..

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



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

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

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

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

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

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

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

**16) Acceptability:** The structure of the organization should be acceptable to the people who constitute it. Two things generally happen if people oppose the structure: it is modified gradually by the people, or it is used ineffectively.

### Departmentalization

**Definition:** The horizontal differentiation of tasks or activities into discrete segments is called departmentalization. Departmentalization is one important step of building an organization.

There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases.

**1) Functions:** the most widely used base for departmentalization is function. Each major function of the enterprise is grouped into a department.

**Example: finance and marketing departments in a manufacturing company**

#### Advantages

1) It is a simple form of grouping activities for small organizations which manufacture only a limited number of Products or render only a limited number of services. Everybody in this form of organization understands and feels highly secure both in his work and in relationships.

2) It promotes excellence in performance because of development of expertise in only a narrow range of

skills.

- 3) It leads to improved planning and control of the key functions.
- 4) It ensures economy, there is only one department related to one function for the entire function.
- 5) Manpower and Other resources of the company are effectively utilized by time-sharing then across products or projects.

#### Drawbacks

**1) It fosters sub-goal loyalties.** It is difficult for anyone to understand the task of the whole and to relate his own work to it. Each manager thinks only in terms of his own departmental goals and does not think in terms of the company as a whole.

**Example:** the manufacturing department may concentrate on meeting cost standards and delivery dates, and neglect quality control

**Result:** the sales or marketing department may be flooded with complaints lead to inter-departmental conflicts and disagreements, feuds, misunderstandings etc.

**2) Does not offer a good training ground for the overall development of manager** who gains expertise in handling problems of his particular department only

- 3) Unsuitable for organizations which are large in size, complexity or innovative scope.
- 4) In this form the customer needs evoke conflicting interpretations from each department head like the story of twelve blind people and an elephant.
- 5) In this form the procedures are overly complicated, wasteful and time consuming weakness called organizational arthritis develops where the structure is rigid and resists adaptation.
- 6) It is difficult to judge whether the activities of a particular department are worth their cost.

#### Products:

Eminently suited for large organization manufacturing a variety of products.

For each major product a separate semi autonomous department is created and is put under the charge of a manager who may also be responsible for producing profit of a given magnitude.

For each department, all the needed manufacturing, engineering, marketing, manpower and other facilities are assembled. Product departmentalization is the logical pattern to be followed when each product requires raw materials, manufacturing technology and marketing methods that are markedly different from others from those used by other products in the organization.

**Example: many companies like Hindustan Lever, Richardson Hindustan and Johnson & Johnson have product based departments.**

#### Advantages:

- 1) This form relieves top management from operating task responsibility and therefore can concentrate on such centralized activities such as finance, R&D and control.
- 2) Enables top management to compare performances of different products and invest more resources in profitable products and withdraw resources from unprofitable ones.
- 3) In this form as the responsibility is entrusted on a particular department head, he is stimulated for improving his performance.
- 4) In this form natural team work develops as each worker sees that his contribution is needed to make the whole product.

**Drawbacks:**

- 1) This form results in duplication of staff and facilities.
- 2) Extra expenditure is incurred in maintaining a sales force for each product line.
- 3) Employment of a large number of managerial power is required.
- 4) Equipment in each product may not be utilized fully.

**Customers:**

**An enterprise may be divided into number of departments on the basis of the customers that it services.**

**Example:** An electronics department may be divided into separate departments for military, industrial and consumer customers.

**Regions or territory:**

When production or marketing units of an organization are geographically dispersed in various locations, it is logical to departmentalize those units on a geographical basis.

**Example:** The Indian railways are departmentalized on this basis like north, west, south, eastern, central are departments in this sense.

**Advantages:**

- 1) Motivates each divisional head to show high performance.
- 2) Provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.
- 3) Affords valuable top management training and experience to middle-level executives.
- 4) Enables the organization to take advantage of location factors, such as availability of raw materials, labour, market etc.
- 5) enables the organization to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones

**Drawbacks:**

- 1) Gives rise to duplication of various activities and many of the routine and service functions carried out by the regional offices can be carried out centrally by the head office very economically.
- 2) Many regional units may forget the overall interest of the total organization

**Major disadvantages of departmentalization**

- 1) Accidental occurrences when carried out from one shift to another affect the product of the other shift also.
- 2) Workers working in the shift may incomplete work to workers of the following shift.
- 3) Difficult for the manager to correctly measure the performance of certain department

**Committees:**

**A committee is a group of people who have been formally assigned some task or some problem for their decision and implementation**

**Classification of committees: be broadly classified into advisory committees and executive committees.**

**Advisory committees:**

- 1) committees are vested with staff authority
- 2) Only have a recommendation role and cannot enforce implementation of their advice or recommendation.

**Examples of advisory committees formed in business enterprises: works committees, sales**

**committees, finance committees etc.**

**Executive committees:**

- 1) vested with the line of authority
- 2) Not only take decisions but also enforce decisions and thus perform a double role of taking a decision and ordering its execution.

**Example: Board of directors is an example of an executive committee.**

Are also classified as standing committees or ad-hoc task forces.

(i) **Standing committees:** Are formed to deal with current organizational problem.

**Example:** finance committee in a company, loan approval committee in a bank etc.

Members of this committee are chosen because of their title or position, instead of individual qualifications or skills.

(ii) **Ad-hoc committees:** Have a short duration, dissolved after the task is over, or the problem is solved and their members are chosen for their skills and experience.

**Advantages:**

- 1) People get an opportunity to better understand each other's problems and move towards organizational goals.
- 2) Provide a forum for the pooling of knowledge and experience of many persons of different skills, ages and backgrounds which helps in improving the quality of decisions.
- 3) Provide an opportunity to many persons to participate decision-making process.
- 4) Are excellent means of transmitting information and ideas, both upward and downward
- 5) Contribute indirectly to their training and viewpoints.
- 6) Are impersonal in action and hence their decisions are generally unbiased and are based on facts and there is no fear of single individual taking a decision.

**Weaknesses:**

- 1) Committees keep up minutes and waste hours by setting up a committee which takes a longer time to get action than from an individual manager.
- 2) If wrong decision taken, no member can be individually blamed which encourages irresponsibility among members of the committee.
- 3) Can be expensive form of administration where huge amount is spent on convening meetings and giving allowances to the members.
- 4) Members of the coordinating committees feel appointed to protect their interests of the departments rather than finding appropriate solution to the problem.
- 5) Have a tendency to perpetuate themselves and difficult to dissolve them.
- 6) Decisions are generally based on some compromise among members which are not best decisions which results in log rolling.
- 7) Consists of large number of persons, difficult to maintain secrecy.
- 8) Chairman often changes, influence accumulate in the hands of some other person which may result in

domination and may bring about resistance from others.

#### **Authority and responsibility:**

##### **Authority**

**Is the institutionalized right of a superior to command and compel his subordinates to perform a certain act.**

**Rests in the chair or position. If position changes the authority of the individual also changes.**

##### **Use of authority:**

**1) It enforces the obedience to norms:** The subordinate who accepts the authority of the superior is motivated to an extent that by the fear of sanctions against him.

**2)secures expertise in making the decisions:**

Helps to enable the enforcement and execution of expert advice given by the specialists in the organization.

**3)permits centralization of decision making and coordination of activity:**

It is possible to centralize the function of decision making and force all the members to take mutually consistent decisions

##### **Responsibility:**

**Responsibility is the obligation the subordinate to obey these commands. Whenever a superior assigns a task to him, it is the responsibility of the subordinate to perform it.**

##### **Has two dimensions**

1)first dimension is the responsibility for 2)responsibility to

**1)Responsibility for:** Is the obligation of a person to perform certain duties in job description or accepted by him

**2)Responsibility to:** is his accountability to superiors and associated with check up, supervision, control and punishment

**Responsibility** cannot be delegated or transferred. The superior can delegate to subordinate the authority to perform and accomplish a specific job

#### **Decentralization of authority:**

##### **Meaning**

The delegation if authority by an individual manager is closely related to and organizations decentralization of authority. Management has to decide the amount of decision-making authority should be centralized in the hands of the chief executive and the amount to be distributed among them at lower levels

##### **The greater the decentralization**

1) The greater is the number of decisions made at the lower levels.

2) The greater are the important decisions made at the lower levels.

3)The greater is the number of decisions made at the lower levels

4) The fewer are the people to be consulted at the lower level and lesser is the checking required on the

decisions made at the lower levels.

Centralization and decentralization are not absolute but relative.

Absolute centralization is not possible except in one man enterprise.

Decentralization characteristics all organizations and there cannot be absolute decentralization of authority

#### Distinction between delegation and decentralization

Delegation	Decentralization
1) is a process, which refers to the granting of authority and the creation of responsibility between one individual to another 2) superior continues to be responsible for the work delegate to his subordinates 3) is vital and essential to the management process and only through delegation subordinates can be involved in the organization and management can get things done	1) is the end result of delegation and dispersal of authority 2) the superior is relieved from his responsibility for the work decentralized and the subordinate becomes liable for that 3) is optional and may or may not be practiced as a systematic policy.

#### Advantages of decentralization:

**1) Reduces the problem of communication and red tape:** As organization grows bigger it takes long time for top managers to make decisions. Decentralization unclogs the communication process and improves efficiency.

**2) Permits quicker and better decision making:** The employees being close to the work, knowledgeable often make better and swift decisions than their superiors who are not in touch with the specifics of the situation

**3) Recognizes and capitalizes on the importance of the human element:** Gives more power, prestige and status and feel more motivated and satisfied in their jobs

**4) Leads to a competitive climate within the organization:**

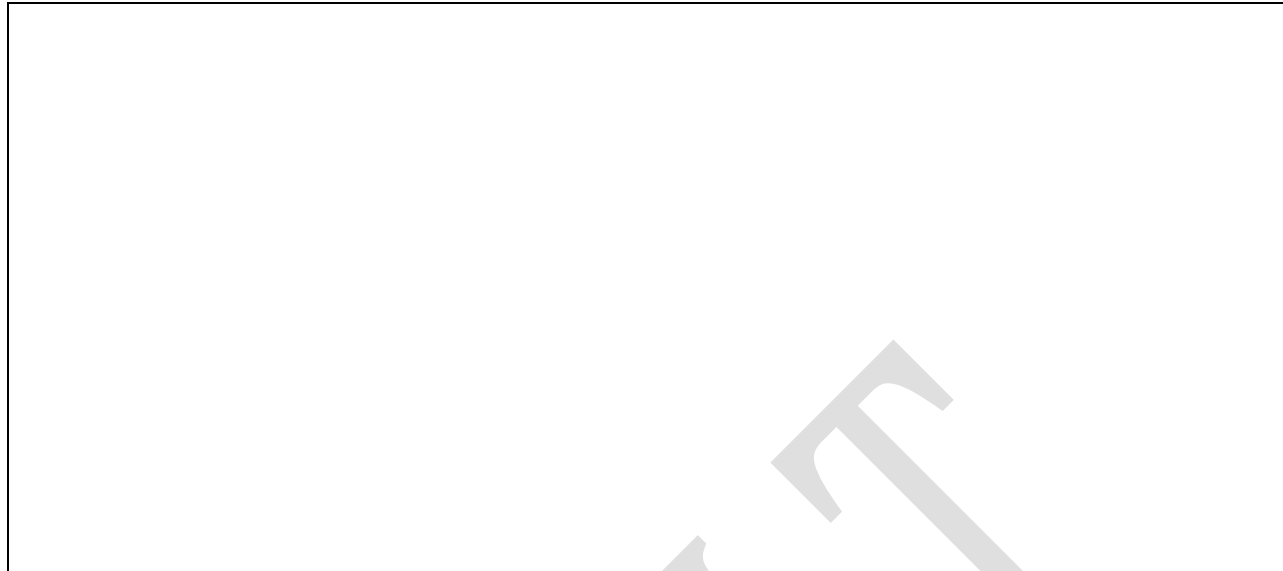
Where each division is made into a distinct profit centre, its head is encouraged to exercise initiative and ingenuity.

**5) Ensures the development of employees:**

Because the employees are to be excellently trained for promotions into positions of greater authority and responsibility.

**6) Facilitates diversification of products activities and markets:**

Was demonstrated by Alfred D Chandler by his study on DuPont, General Motors and Standard Oil. Initially these companies had a centralized organizational structure due to limited products but as companies expanded these companies decentralized their operations to provide greater independence and convenience.



**Advantages of centralization:**

- 1) Coordination of activities of subordinates are better achieved
- 2) No duplicate of efforts or resources.
- 3) Decisions taken account the interests of the employees of the entire organisation
- 4) Strong central leadership develops.

**Management by objectives(MBO):**

**MBO is a process whereby subordinate and superiors of an organization jointly define common goals, define each individual major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing contribution of each of its members.**

**Process of MBO includes**

- 1) Establishment of goals for the whole organization by the top-level management.
- 2) Establishment of departmental goals in line with organizational objectives.
- 3) Preparation of specific goals by subordinates within the framework of their unit or departmental goals.
- 4) Joint discussion between superior and subordinate and reaching an agreement on goals.
- 5) Joint review at regular intervals and comparing progress with predetermined goals.  
Corrective measures taken if required.

**Advantages of MBO**

- 1) Integration of individual and organizational goals.
- 2) Results in development and utilization of human resources,
- 3) Improvement in productivity
- 4) Improved communication between superiors and subordinates.

- 5) Motivates subordinates at lower levels as they are also part of goal setting
- 6) Increases commitment towards goals
- 7) helps in performance appraisal
- 8) Helps to achieve clarity of goals.

#### **Management by exception (MBE)**

**Management by Exception is a management style wherein managers intervene only when their employees fail to meet their performance standards.**

If the employees are performing as expected, the manager will take no action. It is an organizational system where in which managers delegate as much responsibility as possible to those who below them stepping in only when it is absolutely essential. MBE policy focuses on those issues or events in which there is a deviation from the established standard. Management spends its valuable time on important strategic issues. Attention is given only when there is a deviation.

#### **Nature and importance of proper staffing:**

**The process of recruiting, retaining, developing and nurturing the workforce is called staffing**

#### **Advantages of proper and efficient staffing**

- 1) It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- 2) Ensures greater production by putting the right man in the right job.
- 3) it helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personnel if any in advance.
- 4) Helps to prevent underutilization of personnel through over manning and the resultant high labour cost and low profit margins.
- 5) Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

#### **Recruitment:**

It is defined as the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs.

Is also defined as the generating of the applications or applicants for specific positions.

Is defined as the process of attracting potential employees to the company.

**The management should have a proper plan of recruitment regarding the quantity and quality of**



**personnel required and the time when it is needed.**

**Sources of requirement:**

Can be broadly classified into two categories: **internal and external**

Internal sources refer to the present working force of the company. vacancies other than the at the lowest level may be filled by the existing employees of the company.

**About more commonly used external sources of recruitment are:**

**1) Re-employing former employees:** laid off employees or employees left due to personal reasons may be reemployed who may require less training compared to the strangers of the enterprise.

**2) Friends and relatives of the present employees:** personnel with a record of good relationships may be encouraged to recommend their friends and relatives for Appointment in the concern where they are employed.

**3) Applicants at the gate:** suitable unemployed employees who call at the gates of the factories or companies are called are interviewed by the factory or company personnel and those who are found suitable for the existing vacancies are selected.

**4) College and technical institutes:** many big companies remain in touch with the colleges and technical institutions to recruit young and talented personnel.

**5) Employment exchanges:** employment exchange set up by the government for bringing together those men who are in search of the employment and these who are in search of employment and those who are looking for men. Employment exchanges are considered a useful source for the recruitment of clerks, accountants, typists.

**6) Advertising the vacancy:** can be done by advertising the vacancy in leading news papers which may be used when the company requires services of persons possessing certain special skills or when there is acute shortage of labour force.

**7) Labour unions:** persons are sometimes recommended for appointment by their labour unions.

**Selection:**

**Steps in the selection procedure:**

**There are three steps in the selection procedure namely job analysis, job description and job specification.**

**1) Job analysis:**

Is the process by means of which a description is developed of the present methods and procedures of doing a job, physical conditions in which the job is done, relation of the job to other jobs and other conditions of employment

## **2)Job description:**

The results of the job analysis are set down in job descriptions for production workers, clerical people and the first-line supervisors and managers also.

## **3)Job specification**

A job specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.

Commonly used selection procedure steps.

### **1)Application bank:**

Filling the application blank by the candidate is the first step in which the applicant gives relevant personal data such as qualification, experience, firms in which he has worked.

### **2)Initial interview:**

Selected personnel based on the particulars furnished in the application blank are called for the initial interview by the company Which is the most important means of evaluating the poise or appearance of the candidate.

**3) Employment tests:** Are used for the further assessment of the candidate of his nature and abilities certain tests are conducted by the company.

These are:

**(i)Aptitude test:** is used in finding out whether a candidate is suitable for clerical or a mechanical job which helps in assessing before training as how well the candidate will perform the job.

**(ii)Interest test:** is used to find out the type of work in which the candidate has an interest.

**(iii) Intelligent test:** used to find out the candidates intelligence and candidates mental alertness, reasoning ability, poor of understanding are judged.

**(iv) Trade or performance achievement test:** this test is used to measure the candidate's level of knowledge and skill in the particular trade or occupation in which all he will be appointed, in case he is finally selected. in this test the candidate is asked to do a simple operation of the proposed job.

**Example: A candidate for a driver may be asked to drive to test his driving proficiency, a typist may be asked to type out some letters to find out his speed and efficiency.**

**(v)Personality test:** is used to measure those characteristics of a candidate which constitute his personality. e.g self-confidence,temperant,initiative,judgement,dominance,integrity,originality.personlaity tests are very important in the selection process.

**4) Checking references:** used to know about the important personal details about the candidate, his character, past history his background verified from the people mentioned in the application after selection and found satisfactory at the interview.

**5) Physical or medical examination:** is another step in selection procedure. The objectives of this

examination are

(i) to check the physical fitness of the applicant for the job applied for

(ii) to protect the company against the unwarranted claims for compensation under certain legislative enactments.

**6) Final interview:** This interview is conducted for those who are ultimately selected for employment and the selected candidates are given an idea about their future projects within the organization.

**Informal organization:**

**These are the those group of individuals and their interrelationships which while not intended by formal authority, supplement or modify the formal structure and subsequently alter its defacto functioning and these are those groups where the individual identifies himself.**

**Theories on the formation of informal groups.**

**1) Propinquity theory:** Means that individuals affiliate to one another because of spatial or geographical proximity in an organization where employees who work in the same area or office become close to one another.

**2) Similarity or balance theory:** people with similar attributes, interests and work-related needs are attracted to one another where in the employees form union for fighting indiscrimination or unilateral treatment of the employer.

**3) Complementarily theory:** In this theory the people with complimentary needs and/or abilities are attracted to one another.

**4) Social comparison theory:** individual suffers from the need of self-evaluation and he wants to test himself against other members to determine whether or not his ideas, opinions, and judgments correspond to those of others in the group.

**5) Interaction theory:** Group formation is the result of activities, interactions and sentiments and the more activities they share, the more numerous will be their interactions and the stronger will be their sentiments.

**6) Exchange theory:** Group formation is based upon reward-cost outcomes of interaction. Rewards from interactions gratify the needs while costs incur anxiety, frustration, fatigue or boredom.

**Types of informal groups:**

there are five types of informal groups that function outside the organizational structure. these groups are called overlays.

(i) Social overlays: comprises of employees with similar work-related needs that bring them together.

(ii) functional overlays: comprising employees who exert influence and affect the course of action on account of an extra-ordinary amount of knowledge they possess.

(iii) decision overlays: comprising employees who are respected and consulted on account of their old age, nature judgement and wisdom over and beyond their position or function.

(iv) power overlays: comprising employees who have a distinct power of authority.

(v) communication overlays: comprising employees who occupy central positions on channels of communication.

**Distinction between formal and informal organization:**

Formal organization	Informal organization
<p>1) it is prescribed structure of roles and relationships Consciously coordinated towards a common objective</p> <p>2) its values goals and tasks are predominantly oriented towards productivity, efficiency, growth and so on.</p> <p>3) well defined in shape, majority of the formal organisations being pyramid shaped.</p> <p>4) there is prescribed, mostly written system of reward and punishment and the rewards can be monetary or non-monetary.</p> <p>5) this organization is usually very enduring and may grow to any size.</p>	<p>1) it is natural and spontaneous structure, arising out of the social tendency of people to associate and interact.</p> <p>2) values goals and tasks predominantly centre around individual and group satisfaction, esteem, affiliation, friendship.</p> <p>3) it is shapeless and there are a number of multi-directional, intricate relationships which can be easily charted.</p> <p>4) there is unwritten system of reward and punishment and rewards take the form of continuous membership, social esteem, satisfaction, group leadership.</p>

## **PART A UNIT IV: Directing and Controlling**

### **Meaning and nature of directing:**

#### **Direction**

Means issuance of orders and leading and motivating subordinates as they go about executing orders  
Consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.

Is a vital in managerial function

Is used to stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results.

To conclude direction is the process of utilizing the techniques in issuing instructions and making certain that operations are carried out on as originally planned.

### **Requirements or principles of effective direction:**

#### **1) Harmony of objectives:**

The goals of its members must be in complete harmony with the goals of an organization

The manager must direct the subordinates in such a way that they that they perceive their goals to be in harmony with enterprise objectives. For Example the company's profits may be associated with the employee's gains by giving additional bonus or promotion.

#### **2) Unity of Command:**

The subordinates must receive orders and instructions from one supervisor only the violation of which may lead to conflicting orders, divided loyalties and decreased personal responsibility for results.

#### **3) Direct supervision**

Every supervisor must

Maintain face-to-face contact with his subordinates which boosts the morale of the employees, increases their loyalty and provides them with feedback on how well they are doing.

#### **4) Efficient Communication:**

Communication is

An instrument of direction through which the supervisor gives orders, allocates jobs, explains duties and ensures performance.

Is a two way process which enables the superior to know how his subordinates feel about the company and how the company feels on a number of issues concerning them.

In communication comprehension is more important than the content.

#### **5) Follow-through:**

Is an act of following through the whole performance of his subordinates to keep check on their activities, help them in their cat and point out deficiencies if any and revise their direction if required.

### **Leadership Styles:**

Three leadership styles widely used:

- 1) Traits approach
- 2) Behavioral approach
- 3) Contingency approach

#### **Traits approach:**

Trait is basically a character and deals with personal abilities and assumed to be God's gift and abilities  
Are identified as mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc.

**Traits approaches** – Trait theories argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits. Early trait theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have. Now we have moved on from this approach, and we're learning more about what we can

do as individuals to develop leadership qualities within ourselves and others. traits are external behaviors that emerge from things going on within the leader's mind – and it's these internal beliefs and processes that are important for effective leadership.

## **2 .Behavioral approach – What does a good leader do?**

Behavioral theories focus on how leaders behave. Do they dictate what needs to be done and expect cooperation? Or do they involve the team in decisions to encourage acceptance and support.

In the 1930s, Kurt Lewin developed a leadership framework based on a leader's decision-making behavior. Lewin argued that there are three types of leaders:

- a. Autocratic leaders make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input and when team agreement isn't necessary for a successful outcome.
- b. Democratic leaders allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This type of style is important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas.
- c. Laissez-faire leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable and motivated, and when it doesn't need close monitoring or supervision. However, this style can arise because the leader is lazy or distracted, and, here, this approach can fail.

## **3. Contingency approach– situation influencing good leadership**

The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation. These theories try to predict which leadership style is best in which circumstance.

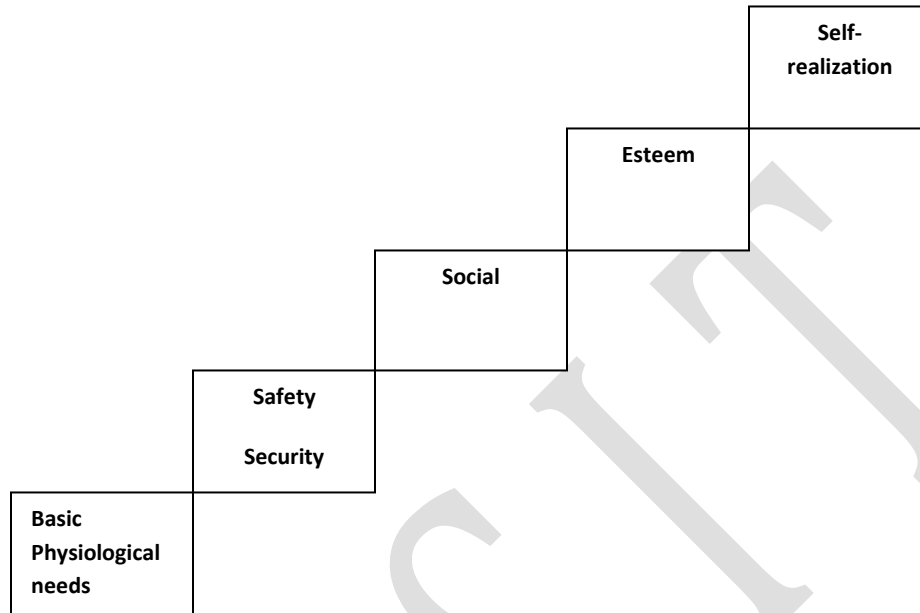
When a decision is needed fast, which style is preferred? When the leader needs the full support of the team, is there a better way to lead? Should a leader be more people oriented or task oriented? These are all examples of questions that contingency leadership theories try to address.

### **Motivation theories: There are six of them namely**

- 1) Maslow's need hierarchy theory
- 2) Herzberg's two factor theory
- 3) McClelland's achievement theory
- 4) Victor Vroom's Expectancy theory
- 5) Adams equity theory
- 6) Skinners behavior modification theory

#### **1) Maslow's need hierarchy theory:**

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



Order of priority of human needs

Begins with the person's unsatisfied need at the lowest level-identification of the need develops in the form of as goal which leads to the fulfillment of the need to achieve the goal. These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.

**(i) Physiological needs:** Arise of the basic physiology of life like the need for food, water, air, etc which must be at least satisfied partially for continued survival.

**(ii) Security needs:** Needs to feel free from economic threat and physical harm which need protection from arbitrary lay-off and dismissal, disaster and avoidance of the unexpected.

**(iii) Egoistic needs:** are the needs which relate to respect and prestige the need for dominance for example.

Can be classified as self-esteem and esteem from others.

Self esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy

**(iv) Self-fulfillment needs:** are the needs to realize ones potential that is realizing one's own capabilities to the fullest-for accomplishing what one is capable of to the fullest. example a musician must make music etc.

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

#### **Herzberg's Two-factor theory:**

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

Out of these interviews two factors emerged called the **(I)maintenance factors and (II)motivators or satisfiers.**

**I Maintenance factors(Factor 1)**

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

**To build motivation different set of factors are necessary which are called motivators or satisfiers.**

**II)Motivators or satisfiers(Factor 2)**

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

**Some facts about the two factors:**

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

**McClelland's need for achievement theory:**

According to McClelland there are three important needs

- (i)The need for affiliation (n Aff)
- (ii)the need for power(n Pow)
- (iii)the need for achievement(nAch)

**(i)Need for affiliation (n Aff):**

Reflects desire to interact socially with people  
Concerned about the quality of an important personal relationship

**(ii) The need for power (n Pow):**

Person having high need for power tries to exercise the power and authority  
Concerned with influencing others and winning arguments

**(iii) the need for achievement(n Ach):** has three distinct characteristics

- (a)preference in setting moderately difficult but potentially achievable goals
- (b) doing most things himself rather than getting them done by others and willing to take personal responsibility for his success or failure and does not want to hold responsible for it.
- (c) seeking situations where concrete feedback is possible.



#### **4) Victor Vroom's Expectancy theory:**

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

##### **1) First and second level outcomes:**

Job related goals before an individual such as promotion, increase in salary, recognition, praise and so on are called second level outcomes.

Each second level outcome can be associated with a value called valence for each individual.

The valence can be positive, negative or zero

**Valence positive:** individual wants to attain promotion

**Valence negative:** does not want to attain promotion

**Valence zero:** outcome towards which he is indifferent

Second level outcomes can be achieved in different ways:

(i) promotion by leaving the organization, by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.

**2) Instrumentality:** All first level outcomes have equal probability of leading the individual to the second level outcome

The individual has subjective estimates of these probabilities ranging from -1 to +1 which are called instrumentalities.

-1 indicates a belief that second level outcome is certain without the first level outcome

0 indicates a belief that second level outcome is impossible without first level outcome

1 indicates a belief that second level outcome is certain with first level outcome

**These instrumentalities are helpful in determining the valence of each first-level outcome**

**The valence of each first-level outcome is the summation of all products arrived by multiplying its instrumentalities with the related valences of the second level outcomes.**

**3. Expectancy:** is the probability estimate which joins the individual's efforts to first level outcome.

Expectancy values are always positive ranging from 0 to 1.

**4. Motivation: Motivation** is the multiplicative function of the valence of each first-level outcome (V1)

And the believed expectancy (E) that given effort will be followed by a particular first level outcome,

That is  $M=f(V1 * E)$

**5) Adams equity theory:** In this theory,

**Equity is defined as the ratio between**

**The individual's job inputs (such as effort, skill, experience, education and seniority) to the**

**The job rewards (such as pay or promotion)**

it is believed that the individual's motivation, performance and satisfaction will depend on his or her subjective evaluation of his or her effort/reward ratio and the effort/reward ratio of others in similar situations

**6) Skinners behavior modification theory:**

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

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

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

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

### **Negatives of the above theory proposed: Avoids concern for the inner motivation of the individual.**

Skinner's behavior modification theory is criticized for two reasons

- (i) Overemphasis of extrinsic rewards ignores the fact that people are better motivated by intrinsic rewards.
- (ii) The theory is unethical no manager has a right to manipulate and control his employees behavior

life.

### **Communication**

Communication means

Exchange of opinions, facts ideas or emotions by two or more persons.

The sum of all things what one does to create an understanding in the minds of others.

Is the process of passing information, correct understanding and with right

Interpretation from one person to another.

**Importance of communication:** The importance of communication raised from the fact that earlier business was considered only a technical and formal structure.

But by Hawthorne's experiments it was realized that every organization requires structure is a social system involving the interactions of the people working at different levels and proper communication is required to the goals of the organization, organizations existence from the birth to continuing

### **Coordination**

Is the orderly synchronization or fitting together of the interdependent efforts of individuals to attain a common goal

For example in hospital the proper synchronization of the activities of the nurses, doctors, ward attendants and lab technicians to give a good care to the patient.

Can be considered as an essential part of all managerial functions of planning, organizing, directing and controlling.

If the manager performs these functions efficiently and expertly coordination is automatically generated and there remains no need for special coordination.

### **Coordination is required at every level of all managerial functions**

**In planning:** performs his function of planning by coordination of the interrelating the plans of various departments

**In organizing:** coordination is required in grouping and various activities to subordinates and in creating departments

**In directing:** coordination is required to take effect of his particular action will have on other departments and executives

**In controlling:** coordination is required manager evaluates operations and checks whether performance is in conformity with the desired results.

**Techniques of coordination:**

The following are the important techniques of coordination

**1) Rules procedures and policies:** Helps in coordinating the subunits in the performance of their Repetitive activities.

Standard policies, procedures and policies are laid down to cover all possible situations

If the breakdown of the above occurs more rules, regulations are required to be framed to take care of the breakdown

**2) Planning:**

Ensures coordinated effort and targets of each department dovetail with the targets of all other departments. example fixing the targets of the 10000 units of additional production and consequently the sales requires the coordination of the two departments respectively to meet the demands and achieve the target.

**3) Hierarchy:**

Is the simplest device of achieving coordination by hierarchy or chain of command By putting together independent units under one boss some coordination among their activities is achieved.

Sometimes defective because makes individuals dependent upon, passive towards and subordinates to the leader.

**4) Direct contact:** used to solve the problems created at the lower levels which affects the employees can be resolved by formal informal contacts to prevent overloading to top executives.

**5) Task force:** Temporary group made up of representatives from the same departments facing problems and exists as long as the problems lasts and each participant returns to normal tasks once the solution is reached

**6) committees:** arise due the fact when certain decisions consistently become permanent. these groups are labeled committees.

This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding, of ideas, encourages the acceptance of commitment to policies and makes implantation more effective.

**7) Induction:**

Of a new employee is a social setting of his work is also a coordinating mechanism.

The device familiarizes the new employee with organizations rules and regulations dominant norms and behavior, values and beliefs and integrates his personal goals with organizational goals.

**8) Indoctrination:**

Device commonly used in religious and military organizations is another coordinating device which develops the desire to work together for a purpose.

The major task of a leader being to build an organization can be succeeded by the indoctrination and other means by converting the neutral body into a committed body

**9) Incentives:** providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.

**10) Liaison departments:** evolved to handle transactions and typically occurs between the sales and production departments.

**11) Workflow:** is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment which is largely shaped by the technological, economic and social considerations and helps them in coordination.

## UNIT V,VI,VII

### Meaning and definition of an entrepreneur:

Entrepreneur is a person who undertakes an enterprise. The process of creation is called entrepreneurship. An entrepreneur can be considered as a person who bears the risk of operating a business in the face of uncertainty about the future conditions.

Who innovates and introduces something new in the economy

Who shifts resources out of an area of lower and into an area of productivity and greater yield

Who plays a critical role in economic development and an integral part of economic transformation

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

### Evolution of the concept:

The word entrepreneur has been derived from the French word which means to undertake

Was originally meant to designate an organizer of musical or other entertainments.

According to oxford English dictionary in 1897 was defined as the director or manger of public musical institution who gets entertainment in the form of musical performance.

**16<sup>th</sup> century:** In 16<sup>th</sup> century it was applied to those who were engaged in military expeditions.

**17<sup>th</sup> century:** In 17<sup>th</sup> century it was extended to cover civil engineering activities such as construction and fortification.

**18<sup>th</sup> century:** In the beginning of the 18<sup>th</sup> century the word was used for economic aspects.

In the way the evolution of the concept of entrepreneur can be considered to be over more than four centuries.

### Functions of an entrepreneur:

**Performs functions such as planning, organizing, managing, risk bearing and decision making**

**1. Planning of the project:** He is the organizer to conceive the idea of launching the project and to

Program to structure of the business

**2. Management:** The entrepreneur is also responsible for the management of business. He tries to have a least cost combination of factors of production.

**3. To Face Risks:** He faces uncertainly and bears risks in his business uncertainly comprising those risks against which it is not possible to insure. He also faces the risk of other producers may enter the market

**4. Distribution of Rewards:** He is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself

**5. Sale of Products:** An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.

**6. Scale of Production:** He decided the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.

**7. Joint stock Organization:** In a partnership, the entrepreneurial functions are divided between the partners. But in public limited company, the board of directors takes this responsibility with nationalized enterprise; the entrepreneurial decisions are left to the government or a body to which government has delegated its powers.

**Types of entrepreneurs:**

The entrepreneurs have been broadly classified according to the type of business, use of professional skills, motivation, growth and stages of development. The various types of entrepreneurs are as described below.

<b>Type of entrepreneurs</b>
<b>1)According to the type of business</b>
i)Business entrepreneur ii)trading entrepreneur ii)industrial entrepreneur (a)Large (b)medium (c)small and (d)tiny iv)corporate entrepreneur v)agricultural entrepreneur (a)plantation b)horticulture c)dairy d)forestry vi)Retail entrepreneur vii)service entrepreneur
<b>2)According to the use of technology</b>
i)technical ii)non technical (iii)professional iv)high tech v)low tech
<b>3)According to the motivation</b>
i)pure ii)induced iii)motivated iv)spontaneous
<b>4)According to growth</b>
i)growth ii)super growth
<b>5)According to stages of development</b>
i)modern ii)classical iii)urban
<b>6)According to the area</b>
i)urban ii)rural
<b>7)According to the gender and age</b>
i)men ii)women

**8)According to the sale of operation**

i)small ii)large

**9)Others or unclassified**

i)professional ii)non-professional iii)modern iv)traditional  
v)skilled vi)nonskilled vii)imitating viii)inherited ix)forced  
x)national international xii)bureaucratic xiii)intrapreneur  
xiv)immigrant

**1) Entrepreneurs according to the type of business:**

**i) Business entrepreneurs:** are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. Called small business entrepreneurs when found in small business (printing press, textile processing house, ad agency, readymade garments, confectioneries etc)

**ii) Trading partner** Trading entrepreneur undertakes trading activities not concerned with manufacturing work. Identifies potential markets, stimulates demand for his product line and creates interest and desire among buyers to go for his product.

**iii) Industrial entrepreneur:** is essentially a manufacturer who identifies the potential needs of the customers and tailors a product according to the needs of the customers. Starts an industrial unit to make new product. Has the ability to convert economic resources and technology into a profitable venture. ex(electronics industry, textile units etc)

**iv) Corporate entrepreneur** :Corporate entrepreneur is an individual who demonstrates his innovative skill in organizing and managing a corporate undertaking. is an individual who plans develops and manages a corporate body which is form of business organization registered under the trust act.

**v) Agricultural entrepreneur** :Are those who undertake agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture  
Raise agriculture through mechanization, irrigation and application of technologies of dry land agricultural products and covers a broad spectrum of agricultural sector.

**2)Entrepreneurs in technology classified as****1)Technical:**

Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.

**2) Non-technical:**

Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

**3) Professional entrepreneur:****3)Entrepreneurs and motivation:**

**Are those entrepreneurs who use the motivated as a force to achieve their objectives classified as**

**(i) Pure:** Is an individual who is motivated by the psychological and economic rewards. And undertakes an entrepreneurial activity out of personal satisfaction, ego and status.

**(ii) Induced:** Is one who is induced to take up entrepreneurship task due to the policy measures of the government which provides assistance, incentives, concessions and necessary overhead facilities to start new venture.

**(iii) Motivated entrepreneurs:** Are motivated by the desire of self fulfillment. They come into being because of the making and marketing of the new product for the use of customers who is further motivated by the reward in terms of profit.

**(iii) Spontaneous entrepreneur:** Start their business by their natural talents are the persons who take initiative, are bold confidence and have strong conviction in their inborn ability.

#### **4) Growth and entrepreneurs:**

**Growth:** Are those entrepreneurs who take a high growth industry which has substantial growth prospectus.

**Super growth entrepreneurs:** Are those who have shown enormous growth of performance in their venture and Identified by liquidity of funds, profitability and gearing.

#### **5) Entrepreneurs and stages of development:**

**(i) First generation:** One who starts an industrial unit by his innovative skill who essentially an innovator who combines different technologies to produce a marketable product or service.

**(ii) Modern:** Undertaking those ventures which suit to the changing and current demands in the market.

**(iii) Classical:** Is one who is concerned with the customers and marketing needs through the development of a self-supporting venture and is a stereotype entrepreneur whose aim is to maximize his returns at a consistent level with the survival of the firm.

#### **Others**

**i) Innovative:** Are those who exhibit their cleverness in putting attractive possibilities into practice.

Are often involved in changing the utility, value, economic characteristics of old established products into something new, attractive and utility and Are commonly found in developed countries

**ii) Imitative:** Are those characterized by the readiness to adopt successful innovations by entrepreneurs who imitate techniques and technology innovated by others, and are more adoptive and flexible.

Are also revolutionary and important who exploit possibilities and are often involved in subjective innovation which means the ability to do the things which have not been done by a particular industrialist before.

**Intrapreneuer:**

Is an emerging class found in large industrial organizations who emerge from within the confines of the large industrial organizations.

In big organizations top executives are encouraged to catch hold of new ideas and convert them into products through research and development activities within the framework of the organization.

Very popular in developed countries like America.

Many Intrapreneuers are found leaving their jobs in big organizations and starting their own enterprises and have become exceedingly successful in their ventures.

Are causing threat to the organizations they leave who inaugurate new products.

**Stages in the development of the entrepreneurial process:**

Can be explained in five stages:

**Stage 1:** perceiving ,identifying and evaluating opportunity

**Stage 2:** drawing up a business plan

**Stage 3:** marshalling resources

**Stage 4:** creating the enterprise

**Stage 5:** consolidation and management

Identifying and evaluating an opportunity is a difficult task and one has to be watchful for opportunities,

Ideas can from various sources and one has to be careful in evaluating the opportunities carefully. Once the identifying the opportunity and identifying a suitable project, the next step is to develop a plan for the venture. After assessing the resource position and the enterprise is established, a further step is to assess the resource position and once the enterprise is established, an entrepreneur should always look forward to indefinite future, growth, development and continuation.

**Role of entrepreneurship economic development:**

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

Entrepreneurship

1. Promotes capital formation by mobilizing the idle saving of the public.
2. Provides immediate large scale employment thereby reducing the unemployment problem in the country.
3. Promotes balanced regional development.
4. Helps reduce the concentration of the economic power.
5. Stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
6. Encourages effective resource mobilization of capital and skill which otherwise would remain unutilized and idle.
7. Also induces backward and forward linkages which stimulate the process of economic



development in the country.

8. Promotes export trade which is an important ingredient for economic development

### **Small scale industries or Small scale industrial unit (SSI):**

**Definition:** An industrial undertaking in which investment in fixed assets in plant and machinery, whether held in ownership or on lease in fixed assets in plant and machinery whether held on ownership terms or on lease or by hire purchase, does not exceed Rs.100 lakh as on March 31,2001 is treated as a small-scale industry.

### **Characteristics of Small Scale Industries**

(1)A small scale industry is generally a one man show even in cases where the small units are run by a partnership firm or a company; the activities are mainly carried out by one of the partners or directors.

(2)In SSIs the owner himself is a manager also and these units are managed in a personalized fashion. the owner has not only the first hand knowledge of the ongoing business of the firm but also takes effective participation in all matters of business decision taking

(3)The SSIs have smaller gestation period as compared to larger SSIs that is the period after which the return of investment starts.

(4)Scope of SSI is generally localized catering the needs of local and regional demands.

(5)SSIs can be located anywhere use indigenous resources subject to the availability of these resources like raw material labour etc.

(6)SSIs are fairly labour intensive with comparatively smaller capital investment as small as 600-700 rupees for an artisan and his family to begin with than the larger units.

(7) The development of the small scale industries in rural areas promotes balanced regional development due to the decentralization and utilization local resources and also prevents influx of job seekers from cities and urbanization.

(8)The small scale industries are more susceptible to change, highly reactive and receptive to socio-economic conditions. And more flexible to adapt changes like introduction of new product, new method of production, new material and new markets, etc.

### **Rationale of small scale industries**

The rationale of small scale industry established which is based on the industrial policy resolution(IPR) of 1956 formulated by the government which states “they provide immediate large scale employment ,offer a method of ensuring a more equitable distribution of the national income and facilitate an effective mobilization of unutilized resources of capital and skill ” can be broadly

Classified into four categories as

arguments**(1)Employmentargument(2)Equalityargument(3)decentralization(4)latentresources argument**

**1)Employment argument:**

**Arguments:**

(i)That they have a potential to create immediate large scale employment opportunities. Which

use of more of labour per unit than investment

(ii) That the employment-generating capacity of small sector is eight times than that of large sector as they are labour intensive

**Thus the employment argument becomes an output argument**

**(ii) Equality argument:**

**Arguments:**

i) That they ensure a more equitable distribution of the national income and wealth due to the widespread nature of the SSIs as compared to large scale units, more labour intensive than large units their decentralization and dispersal to rural and backward areas and provide more employment opportunities to the unemployed

**3) Decentralization argument**

**Arguments:**

(i) That it emphasizes the necessity of regional dispersal of industries to promote balanced regional development in the country

(ii) That it helps to tap local resources such as, materials, idle savings, local talents by starting small enterprises in a group of villages thereby improving the standard of living in the backward villages. One Example is the economy of Punjab which has more number of SSIs as compared to Maharashtra.

**4. Latent resource argument:**

**Arguments:**

That the small enterprises are capable of mopping up latent and unutilized resources like hoarded wealth and ideal entrepreneurial ability.

Emergence of entrepreneurial class requires conducive environment.

The impressive growth of small enterprises in the post independence period highlights the same fact that providing the necessary conditions such as power and credit facilities the latent resources of entrepreneurship can be tapped by the growth of small enterprises only.

**Objectives: The various objectives of developing small scale industries are**

(i) To generate immediate and large scale employment opportunities with relatively low investment

(ii) To eradicate unemployment problem in our country

(iii) To encourage dispersal of industries all over country covering small towns, villages and economically lagging regions.

(iv) To bring backward areas to main stream of national development

(v) To promote regional development of the whole country

(vi) To ensure more equitable distribution of national income.

(vii) To encourage effective mobilisation of untapped resources.

(viii) To improve the level of people in the country

**Scope: The scope for small scale industries is quite vast covering a wide range of activities requiring less sophisticated technology the important ones among them being**

- 1) Manufacturing activities
- 2) servicing/repairing activities
- 3) retailing activities
- 4) Infrastructural activities like transportation, communication and other public utilities.
- Financial activities
- 5) whole-sale activities
- 6) construction activities

**Government policy towards small scale industries to strengthen the scope for small industrial development in the country**

- 1) announced the reservation policy for small scale industry development in the country in 1947 which included 47 items for exclusive manufacture in SSI sector
- 2) By 1983 the reserve list included 836 items for exclusive production in SSIs.
- 3) The main objectives being to insulate the small sector from unequal competition of large industrial establishments.

Important industries reserved for exclusive development in the small sector are:

Food and allied industries, Textile products; leather and leather products including footwear; rubber products: plastic products :chemical and chemical products: glass and ceramics: mechanical engineering transport equipment: metal cabinets all types: pressure stove: electrical appliances: electronic equipments and components: boats and truck body buildings: auto parts components mathematical and survey instruments; sports goods; stationary items, clocks and watches etc.

**Government policy for small scale enterprises:**

Review of industrial policies for the development and promotion of small scale enterprises in India

**IPR 1948**

- 1) Accepted for the first time the importance of small scale industries in the overall economic development of the country.
- 2) realized that small scale industries are particularly suited for utilization of local resources and for creation of employment opportunities
- 3) passed a resolution that the central government in cooperation with state governments should solve the problems of SSI like raw materials, capital, skilled labour, marketing etc to protect SSIs

**IPR 1956**

- 1) Industries development and regulation act was passed in 1951 to regulate and control the industries in the country
- 2) parliament accepted to develop “**the socialist pattern of society**” as the basic aim of economic policy which came in form in 1956
- 3) measures were taken to provide sufficient vitality to decentralized sectors and to work with the large scale industry
- 4) Small scale industries board constituted a working group in 1959 to formulate a development plan for SSIs during the third five year plan in 1961-66
- 5) during this period projects like “Rural Industries Projects” and “Industries Estate Projects” were started during this period to strengthen the small sectors
- 6) thus the IPR 1956 aimed at “Protection plus Development” which initiated a modern SSI in India

#### **IPR 1977**

1) Emphasized new renewal policy was based on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.

**2) Thus IPR 1977 accordingly classified small sector into three categories**

**(i) Cottage and household industries:** to provide self-employment on large scale

**(ii) Tiny sector:** promoting investment in industrial units in plant and machinery upto 1 lakh

**(iii) Small scale industries :** comprising of industrial units with an investment of Rs.10 lakhs and upto 15 lakhs for ancillary industries.

**Measures suggested for promotion of small scale and cottage industries:**

(i) Reservation of 504 items for exclusive production in small-scale sector

(ii) Proposal to set up ‘district industry centre’ agency in each district which was introduced in 78  
Thus the as per this resolution the small sector was thus to be protected, developed and promoted

#### **IPR 1980**

The Government of India adopted a new industrial policy resolution (IPR) on July 23 1980

The main objective of this policy were

i) Increase in investments of tiny plants from Rs1 lakh to 2 lakh and from 10 lakhs to 20 lakhs for SSIs and from Rs.15 lakhs to 25 lakhs in case of ancillaries.

(ii) Introduction of the concept of nucleus plants in case of DICS in each industrially backward district and to promote maximum small scale industries there.

(iii) Promotion of village and rural industries to generate economic viability in the villages well compatible with the environment.

Thus IPR 1980 emphasized the spirit of IPR 1956

#### **IPR 1990**

Was announced during June 1990

Resolution continued to give the increasing importance to small-scale enterprises to serve the objective of employment generation

**Important elements in the resolution to boost the development of small scale industries of IPR 1990 are**

(i) Investment ceiling increased in plant and machinery for SSIs was raised from 35 lakhs to 60 lakhs and for ancillary industries from 45 lakhs to 75 lakhs

- (iii) 836 items reserved for exclusive manufacture in small scale industry
- (iv) subsidy introduced for SSIs by the central government for SSIs in rural and backward areas capable of generating employment
- (v) to improve competitiveness amongst SSIs pro-grams of technology upgradation was implanted under the apex technology development centre in small Industries Development Organization(SIDO)
- (vi) to ensure adequate and timely flow of credit facilities for the small scale industries a new apex bank known as '**Small Industries Development Bank of India(SIDBI)**' was established in **1991**
- (vii) Greater emphasis on training of women and youth under **Entrepreneurship Development Program (EDP)** was started.
- (viii) implementation of delicensing of all new units with an investment of Rs.25 crores in fixed assets in non-backward areas  
Rs.75 crores in centrally notified backward areas and  
Delicensing took place for 100% export oriented units set up in export processing zone took place with a ceiling of Rs.75 lakhs.

#### **New small enterprise policy 1991**

**The government of India for the first time tabled the new small enterprise policy in 1991 titled policy measures for promoting and strengthening and supplementing the small, tiny and village enterprises**

#### **Salient features of the new small enterprise policy of 1991**

- 1) increase in investment limit in plant and machinery of tiny enterprises from **2 lakhs to 5 lakhs** irrespective of the location of the enterprise
- 2) inclusion of the industry related services and business enterprises **irrespective of the location** as small industries
- 3) Introduction of the **limited partnership Act**. Which would limit the financial liability of the the new entrepreneurs to the capital invested.
- 4) Introduction of a scheme of Integrated Infrastructural Development for small-scale industries
- 5) Introduction if **factoring services** to help solve the problems of delayed payment to small sector
- 6) **Market promotion** of the small scale industries products through **co-operative/public sector institutions**, other specialized professional/marketing agencies and the consortium approach
- 7) to **set up a technology development cell** in the Small Industries Development Organization(SIDO)
- 8) **To accord priority to small and tiny sector** in the allocation of indigenous raw materials.
- 9) Setting up of export development centre in SIDO
- 10) **To widen the scope of National Equity Fund(NEF)**, to enlarge the single window scheme and also to associate commercial banks with provision of composite loans

#### **Government support for SSI during the five year plans**

Steps for the development of the small scale and cottage industry was taken up immediately after independence Government attached greater importance of small scale sector in the successive five year plans as shown in the table given below

Plan	Total expenditure	Percentage of total expenditure	
		On industry	In plan
1	2	3	4
First(1951-1956)	48.00	47.8	2.1
Second(1956-61)	187.00	18.7	4.1
Third(1961-66)	248.00	12.2	2.8
Fourth(1969-73)	242.00	7.7	1.5
Fifth(1974-78)(	592.00	6.2	1.5
Sixth(1980-85)	1945.00	11.3	1.8
Seventh(1985-1990)	3249.00	10.7	1.5
Eighth(1992-97)	6334	7.8	1.5

**Observations from the plans:**

1) The plan expenditure for small scale sectors have been continuously increasing of which 48 crores were invested for the SSI alone which constituted 47.8% of the total plan expenditure industry

Government attached greater importance of small scale sector in the successive five year plans as shown in the table given below

Government policies for each of the above five year plans is as described below

<b>First five year plan(1951-1956)</b>
1)the plan expenditure for small scale sectors have been continuously increasing of which 48 crores were invested for the SSI alone which constituted 47.8% of the total plan expenditure industry was spent in small sector alone during the first five year plan
2)by the end of the first plan there were a total of six boards were formulated namely (1)all India handloom board(ii)all India handicrafts board (iii)All Khadi and village industries board(iv)small-scale industries board (v)coir board(vi)central silk board
<b>Second five year plan( )</b>
1)followed the karve committee recommendations
2)focused on dispersal of industries
3)60 industrial areas were established for providing basic facilities likepower, water,transport at one place
4)certain items were reserved for the exclusive production of small scale industries
5)the total plan expenditure for the second year reached 187 crores
<b>Third five year plan(1951-1956)</b>

- 1)stressed on the extension the coverage of small scale industries
- 2)out of the 264 crores exclusively meant for the development of smallscale and cottage industries 240.76 crores were actually incurred in the third plan

#### **Fourth five year plan (1969-73)**

- 1)witnessed significant diversification and expansion during this period
- 2)on the eve of the fourth five year plan as many as 346 industrial estates had been completed to provide employment to about 82,700 persons
- 3)annual income was estimated at 99.25 crores

#### **Fifth five year plan (1974-78)**

- 1)the fifth plan outlay was 611 crores and the actual expenditure incurred was about 592 crores
- 2)main thrust was to remove poverty and inequality stalking the land

#### **Sixth five year plan (1980-85)**

- On account of massive development programmes initiated the actual plan expenditure surpassed the outlay of 1780 crores as against the expenditure of 1945 crores`
- Major programmes during this plan were
- i)the number of reserved items increased to 836
  - ii)409 items were reserved for the exclusive purchase from small-scale industries
  - iii)Technical, managerial and marketing consultancy services were started through SIDO
  - iv) Establishment of Council for Advancement of Rural Technology (CART) in October 1982 were started to provide technical input to rural areas.
  - v)the production from small and cottage industries increased to 65,730 crores and export touched to 4557 crores
  - vi)employment reached to 315 lakh persons by the end of the sixth plan which accounted for 80 percent of the total industrial employment which comes after agriculture

#### **Seventh five year plan (1985-1990)**

- 1)main thrust of this plan was upgradation of technology to increase competitiveness
- 2)plan outlay being 2752.74 crores as expenditure were 3249 crores
- 3)due to various development programmes the small sector witnessed significant developments in all fronts

#### **Eighth five year plan (1992-97)**

- 1)number of small scale industries increased from 13.56 lakhs to 18.27 lakhs
  - 2)Value of production increased from 57100 to 91681 crores
  - 3)employment increased from 96 lakh persons to 119.6 lakhs
  - 4)the main advocacy has been the employment generation for the economic growth
- The important plan proposals made during this period are
- i)focused on providing timely and adequate credit and providing composite loans through the establishment of SIDBI
  - ii)concession loans to state corporations for infrastructure development and factoring services have been introduced

- ii)the eighth plan proposes to provide appropriate tool rooms and training institutes to upgrade technology
- iii)the growth centre approach was accepted and as many as 70 growth centers was completed the functional industrial estates with substantial vegetables and horticultural products was laso proposed
- iv)in he eight plan integrated infrastructure development centers for tiny units were proposed to be set up

#### **New policy initiatives in 1999-2000 for the Small Scale Sector**

- 1)Announcement of new credit insurance scheme in the budget(1999-2000) for providing adequate security to banks and improving the flow of investment credit to SSI units
- 2)the working capital limit for SSI units is determined by the bank son the basis of 20 percent of their annual turnover the limit being raised from 4 core to 5 crores.
- 3)bank lending schemes for tiny sectors lending by banks to non banking financial companies(NBFCS) have been introduced
- 4)exemption from excise duty was extended for goods bearing a brand name of another manufacturer in rural areas
- 5)a National program to set up 100 rural clusters every year for rural industrialization has been announced.
- 6)A cell has been set up in the office of DC(SSl) to disseminate information about the latest developments in the WTO.
- 7)General exemption scheme for the cotton yarn has been introduced
- 8)small job workers engaged in printing the glazed tiles also have been exempted from excise duty
- 9)the investment limit for small scale and ancillary undertakings has been reduced from existing 3 crores to 1 crore

#### **Impact of globalization and liberalization on SSI in India**

##### **Prior globalization scenarios:**

- 1)before the introduction of economic reforms in 1991 the SSI sector was overprotected
- 2)the small scale industry had never a strong desire to grow to medium and large scale because of the benefits of protection given to it.
- 3) many of the policies also discouraged the growth of the small units to larger ones.



**Post globalization scenario:**

With globalization the SSI are exposed to stiff competition both from the large-scale sector-domestic and foreign- and from MNCs

**The poor growth rate in SSIs during the post liberalization period can be attributed due to the following factors:**

- 1) The government policy did not ensure the interests or priority of the sector
- 2) the SSIs were left to the mercy of the lending institutions and promotional agencies as a result of which the SSI sector suffered deterioration in the quality of its output industrial sickness and retrograde growth.
- 3) also resulted in the delay of the implementation of the projects, inadequate availability of finance and credit, expensive mode of communication, marketing problems, cheap and low quality products, delay in payments, technological obsolescence, imperfect knowledge of market conditions, lack of infrastructural facilities, and deficient managerial and technical skills
- 4) Opening of the markets has also led to stiff competition besides world trade organizations regulating multilateral trade requiring its member countries to remove import quotas, restrictions and reduce import tariffs.
- 5) India was also asked to remove quantitative restrictions on imports by 2001 and all export subsidies by 2003 as a result every individual small or large, exporting or serving a domestic market had to face competition.
- 6) the SSI also had to face competition due to the placing of 586 of the 812 reserved items on the Open General License (OGL) import list which resulted in the import of high quality goods from developed countries
- 7) The SSIs also had to face stiff competition due to the arrival of MNCs and removal of the restrictions on foreign direct investments which witnessed the arrival of many automobiles and electronics companies in 1991.

**Steps taken by the central government in order to protect, support and promote small enterprises.**

The following were the steps taken by the central government in order to protect, support and promote small enterprises.

Providing

- 1) industrial extension services
- 2) credit facilities in respect of institutional support
- 3) developed sites for construction of sheds
- 4) training facilities
- 5) supply of machinery on hire-purchase terms
- 6) assistance for domestic marketing as well as exports
- 7) special incentives for setting up enterprises in backward areas
- 8) technical consultancy and financial assistance for technological upgradation

**Impact of WTOS on SSIs**

- 1) emerging challenges to SSIs are due to the impact of the agreements under the WTO to which

India is a signatory along with 134 member countries

2) setting up of WTO has altered the framework of the international trade towards non-distortive market oriented policies.

3) this is due to the policy shift that occurred worldwide since the early 1980s in favour of free market forces and tilt from the state intervention/regulation in the economic activity

4) the main outcome of such policy would be reduction in export subsidies greater market access,

Removal of non-tariff barriers and reduction in tariffs.

5) this would also bring about tighter patent laws through the regulation of intellectual property rights under the Trade Related aspects of Intellectual Property Rights (TRIPS) Agreement which lay down what is to be patented and for what duration.

6) the increased market access to imports will mean opening up the domestic market to large flow of imports.

#### **Definitions of Ancillary and Tiny units**

**Ancillary Unit:** is a subclass of SSIs which is an industrial undertaking which is engaged or is proposed to be engaged in

(i) the manufacture of parts, components, sub-assemblies, tooling or intermediates

(ii) rendering of services, or supplying of or rendering not less than 50 percent of its production or its total services as the case may be to other units for production of other articles and whose investment in fixed assets in plant and machinery does not exceed Rs.1 crore as on March 31, 2001 and shall be treated as an ancillary enterprise

**Tiny Unit:** is that unit whose investment in plant and machinery does not exceed Rs.25 lakhs irrespective of the location of the unit.

## **UNIT 7**

### **INSTITUTIONAL SUPPORT**

**Institutional support system in Karnataka State**

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

**2) Technical Consultancy Services Organization of Karnataka (TECKSOK)**

**3) Karnataka State Finance Corporation (KSFC)**

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

**Came into existence in the year 1996 due to the availability of rich natural resources, wealth of mineral resources, rivers, waterfalls, harbours, forests and moderate climate which contribute to the thriving agricultural sector.**

1) KIADB is a statutory body which came into existence in 1996 under the Karnataka Industrial Areas Development act with primary objective of promoting and assisting in the rapid growth and development of industries in the industrial areas by means of

2) acquiring land and providing well developed well laid out plots of suitable sizes to suit different industries with requisite infrastructure facilities in the form of

- 3) basic facilities which include roads, drainage, water supply and power supply and Amenities which include banks, post-offices, telephone exchanges, fire-stations, police stations, canteens, ESI hospitals, bus-depots, petrol- bunks etc.
- 4)has so far developed 68 industrial areas in almost all taluks of the state
- 5) Land to an extent of about 39,297 acres has already been acquired and 21,987.30 acres of land had been developed n in all the districts of the state up to the end of March 31,1996.
- 6) Developed industrial plots had been allotted to 7,882 units comprising to an extent of 14,356.45 acres in different industrial areas at the end of March 31 1996.

#### **Procedure for the procurement of land**

**Mode of allotment:** application for the allotment of land may be obtained on payment of Rs.54/- from any of the following offices

- (i)The Executive Member KIADB, Bangalore
- (ii)the General Manager District Industries Centre of the concerned district
- (iii)The Zonal Office of KIADB at Mysore, Mangalore, Dharwad, Gulbarga,Bidar,Hassan &Belgaum

#### **Applications duly filled must be accompanied by**

- (i)a brief project report
- (ii)details of the constitution of the company
- (iii)provisional registration certificate
- (iv)EMD of Rs.500/- or part thereof subject to a maximum of Rs.10000/-
- (a)20% of cost of land in respect of industrial areas in Bangalore and Mangalore
- (b)15% of cost of land in respect of industrial areas in Mysore, Belgaum, Hubli and Dharwad
- (c)05% of cost of land in respect of industrial areas in all other districts

**For allotment of land for small scale industries in all districts other than Bangalore** applications have to be submitted to

the General Manager of the concerned District Industries Centre

**For allotment of land in Bangalore applications have to be submitted to**

the Executive Member, KIADB, No 14/3 II Floor, RPB, Nrupathunga Road, Bangalore

#### **Process of allotment of land by the KIADB on the receipt of applications for districts other than Bangalore**

- 1)Discussion about the project will be held in the respective district head quarters along with promoters
- 2)the allotment committee will take a decision on allotment of land to SSI units at the district level

#### **Process of allotment of land by the KIADB on the receipt of applications at Bangalore district**

- 1)the screening committee comprising of of the Executive member, KIADB; Director SISI and the chief advisor TECKSOK will discus the project and make the necessary recommendations to the sub committee
- 2)the subcommittee in turn will allot the land in the industrial area in Bangalore District
- 3)as soon as the State Level Single Window Agency clears the location and determines the extent to which the land to be allotted to medium and large scale units the executive member will issue a letter stating the cost of the land allotted by the board payable as follows

I) industrial areas in Bangalore and Dakshina Kannada DISTRICT

(a) 20% of the cost of the land along with application

(b) 80% of the cost of the land to be paid within six months of the date of issue of the allotment letter

II) industrial areas in Mysore, Hubli and Dharwad district

(a) 15% of the cost of the land along with application

(b) 85% of the cost of the land to be paid within six months of the date of issue of the allotment letter

III) industrial areas located in other districts

(a) 05% of the cost of the land along with application

(b) 95% of the cost of the land to be paid within six months of the date of issue of the allotment letter

### **Time Schedule**

The time schedule prescribed to complete the formalities subsequent to the issue of receipt-cum-intimation letter will be as follows

#### **a) For taking the possession of land**

One month from the date of issue of the receipt-cum-intimation letter

#### **(b) for the execution of lease-cum-sale agreement**

30 days from the date of the receipt of the receipt of the possession certificate

#### **(c) For getting board's approval of blue prints**

One month from the date of execution the lease agreement

#### **(d) For commencement of civil engineering works**

Three months from the date of approval of blue prints

#### **(e) For the completion of the construction factory buildings**

12 months from the date of issue of receipt-cum-intimation letter in respect OF SSI units and 18 months in respect large scale units

#### **(f) For the commencement of production**

24 months from the date of taking possession

### **Other details**

1) industry should be started after obtaining the necessary license/clearance/approvals from the concerned authorities such as the Government of India or the State government

2) plans for the proposed factory/buildings can be constructed only after the prior approval of the board

3) the fencing of the compound should be done before the construction of the factory/buildings

With approval of the engineer-in-charge

4) if the land being allotted is not being used in proper use the board reserves the right to renter and take the possession of the whole or part of the land.

5) the leasehold rights of the allotted land can be offered as a security to obtain financial assistance from the government or corporate bodies with the prior permission of the board.

## **2) Technical Consultancy Services Organization of Karnataka (TECKSOK)**

### **About TECKSOK**

- 1) is a professional, technical, and management consultancy organization promoted by the Government of Karnataka and other state level institutions in 1976
  - 2) is leading investor friendly professional consultancy organization in Karnataka.
  - 3) provides appropriate investment advice, procedural guidance, management, consultancy, mergers and acquisitions, process reengineering studies, IT Related studies detailed feasibility studies and reports
- Provides consultancy services both for starters and existing enterprises

### **For starters**

- 1) TECKSOK sharpens project ideas through feasibility studies, project reports, market surveys sourcing of finance and selection of machinery technologies, costing and also providing turnkey assistance
- 2) facilitates global exposures, updated technologies, different market strategies, financial restructuring and growth plan to improve the profitability of an industry

### **For existing industries**

- 1) provides an impartial consultant to provide insight on its work
- 2) can identify an incipient sickness in industry and facilitate its turn around
- 3) can provide expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government

### **TECKSOK also provides**

- a) Technical and market appraisal of products
- b) industrial potential surveys
- c) fact-finding and opinion reports
- d) corporate planning
- e) collection and collation of information
- f) impact assessment
- g) evaluation of schemes and programs
- h) asset evaluation
- i) infrastructure development project proposal
- j) event management and publicity campaigns
- k) organizing seminars and workshops

### **TECKSOKS human resources availability, focus on women entrepreneurs, publications and focused consultancy areas**

#### **TECKSOKS**

##### **(i) Human Resource:**

- a) Has over 25 well experienced engineers in different disciplines, MBAs, economists, and financial professionals
- b) has business partnerships with reputed national and multinational consultants and outsources expertise for professional synergy

##### **(ii) focus on women entrepreneurs**

- (a) activities include conducting training and education programs, exhibitions for promotion of products and services and escort services for women entrepreneurs
- (b) Government of Karnataka's women officers are engaged in women development activities by means of Yashawsini.

**(iii) publications:**

Brings out Kaigarika Vaarte monthly magazine Directory in industries and commerce. also publishes the guide to entrepreneurs, directory of industries and other information on monthly basis.

**Focused Consultancy Areas**

**(i) Promotion of Agro based Industries:**

**TECKSOK**

(a) Has been recognized as a nodal agency by the Ministry of Food Processing Industries, Government of India, for project appraisal to avail grant and loan assistance under the special schemes of the ministry.

(b) Has joined hands with Centre for Professed Foods, a professional institution of international repute, to assist food processing industries.

**(ii) Energy management and audit:**

(a) has been recognized as a body to undertake energy audit and suggest energy conservation measures.

(b) Undertakes studies and project proposals for availing assistance from the Indian Renewable Energy Development Authority (IREDA), New Delhi.

**(iii) Environment and ecology:**

**TECKSOK**

(a) undertakes assignments relating to environment education, environment impact assessment, environment management plans and pollution control measures

(b) has joined hands with Karnataka Cleaner Production Centre (KCPC), to provide consultancy support in the area of environment

**(iv) Human Resource Development:**

(a) designs develops and organizes business development programs management development programs, management development workshops skill improvement programs and provides in-house training packages.

(b) Undertakes programs related to the empowerment of women and organization of Self-Help Groups (SHGs).

(c) organizes skill upgradation and entrepreneurship development programs benefiting the underprivileged sections of the society

(d) awareness campaigns and motivation programs also organized in various taluks and districts throughout Karnataka

**Other TECKSOK activities**

1) guidance in project selection and project identification for investment/feasibility and viability reports

2) market survey and market development advice

3) assistance in obtaining statutory and procedural clearances

4) consultancy for agro-based industries a nodal agency of government of India

- 5) Diagnostic studies and rehabilitation of sick industries.
- 6) Environment impact assessment(EIA) studies, environment management plan(EMP),and propagation of cleaner production techniques
- 7)Energy management and audit
- 8)Valuation of assets for mergers and takeovers
- 9)infrastructure development project reports
- 10)port tariff study and retake areas
- 11)system study and software development
- 12)Management studies, company formation, corporate plan enterprise restructuring

### **3)Karnataka State Finance Corporation(KSFC)**

- 1)Established in the March 1959 under the State Financial Corporation Act 1951 for extending the financial assistance to set up tiny small-scale and medium scale industrial units in the state
- 2) Has decentralized system of working. Each district has a branch office, some districts having more than one branch.
- 3) Extends financial assistance and hire-purchase assistance for acquisition of machinery equipment/transport vehicles.
- 4) has a merchant banking department approved by the Security Exchange Board of India(SEBI)
- 5)takes up the management of public issues, underwriting if shares, project report preparation, deferred payment guarantee, syndication of loans, bill discounting and similar tasks
- 6) Fund based activities like subscription to nonconvertible debentures is also considered.

#### **KSFC gives preferences to the projects which are**

- a) promoted by technician entrepreneurs
- b) in the small sector
- c) located in growth centres and developing areas of the state
- d)promoted by entrepreneurs belonging to the weaker sections
- e) characterized by high employment potential
- f) capable of utilizing local resources
- g) in tune with declared national priorities

(collect Xerox copies for different loan schemes offered by KSFC at Ganesh Xerox Centre or refer Poornima Charinthmath)