

B.E 6th Sem

Management & Entrepreneurship
(Sub Code : 06AL61)

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UNITS COVERED

Unit 1,2,5,7 & 8

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1) Define management; list its functions.

The term 'management' is used in variety of ways:

"Management is the art of getting things done through people"
- Mary Parker Follett

"Management is a process consisting of planning, organising, actuating and controlling, performed to determine & accomplish the objectives by the use of people and resource"

- George. R. Terry

According to the definition given by George. R. Terry, management is a process - a systematic way of doing things. The activities are:

- * Planning: means that manager think of their action in advance. These actions are based on some method, plan or logic rather on hunch (intuitive feeling)
- * Organising means that manager co-ordinate the human and material resources of the organization.
- * Actuating means that managers motivate & direct subordinates.
- * Controlling means that managers attempt to ensure that there is no deviation from the norm (a standard type) or plan.

This definition also indicates that managers use people & other resources, such as finance, equipment etc., in attaining their goals.

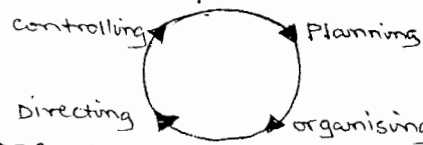


Fig: Mgmt process

Management functions:

The following functions are necessarily performed by mgmt.

1. Planning:

- * Planning is a function that determines in advance 'what' should be done.
- * It is looking ahead and preparing for the future.
- * It is a process of deciding business objectives and charting out the methods of attaining those objectives.
- * In other words, it is determination of what is to be done, how and where it is to be done, who is to do it & how results are to be evaluated.

levels - top, middle and supervisory.

- * Plans made by top mgmt for the organisation as a whole may cover period as long as 5-10 yrs; plans made by middle or first line managers cover much shorter periods.

2. Organizing:

- * To organize a business is to provide everything useful to its functioning: Personnel, Raw materials, Tools and capital.
- * All this may be divided into 2 main sections -
Human organization and Material organization
- * Once the managers have established objectives & developed plan to achieve them, they must design & develop a human organization that will be able to carry out those plans successfully.
- * Staffing is also an imp't funcⁿ in building human organization. In staffing, the manager attempts to find the right person for each job. Staffing involves the selection & training of manpower & a suitable system of compensation.

3. Directing:

- * After plans are made, & organization has been established & staffed, the next step is to move towards its defined objectives.
- * The manager explains to his people what they have to do, and helps them to do it to the best of their ability.
- * Directing thus has 3 sub functions.
 - (i) Communication is a process of passing information & understanding from one person to another.
 - (ii) Leadership is the process by which a manager guides & influences the work of his sub-ordinates.
 - (iii) Motivation means arousing desire in the minds of workers. It is act of stimulating or inspiring the workers. The 2 broad categories of motivation are financial & non-financial

4. Controlling:

controlling funcⁿ of mgmt involves 3 elements

- (i) Establishing standards of performance
- (ii) Measuring current performance & comparing it against established standards.
- (iii) Taking action to correct any performance that does not meet

5. Innovation:

- * Innovation means creating new ideas which may either result in development of new products or finding new uses for the old ones.

6. Representation:

- * A manager is reqd to represent his organisation before various outside groups which has some stake in the organisation.

What are the roles of a manager? What skills must he possess?

A manager who occupies different positions in different situations plays different roles, because people in each situation have different expectations of him concerning his functions. The following are the roles of a manager.

Interpersonal roles: [FiLL]

1. Figure head:

In this role, every manager has to perform some duties of a ceremonial nature (such as greeting the touring dignitaries attending employee's wedding etc.)

2. Leader:

As a leader, every manager must motivate & encourage his employees.

3. Liaison:

In his role of liaison, every manager must cultivate contacts outside his vertical chain of command to collect information useful to his organisation.

Informational roles: [DMS]

1. Disseminator:

In this role, the manager passes some of his privileged (a special right granted to a person or group) information directly to his subordinates who would otherwise have no access to it.

2. Monitor:

As a monitor, the manager has to perpetually scan his environment for information, interrogate (question closely) his liaison contacts & his subordinates, & receive unsolicited (not requested) information.

3. Spokesman:

In this role the manager informs & satisfies various groups and people who influence his organisation.

Thus he advises shareholders about financial performance,

assures consumer groups that the organisation is fulfilling its social responsibilities & satisfies govt that the organisation is abiding by law.

Decision roles: [Ne RED]

1. Negotiator:

The manager has to spend considerable time in negotiations. (hold a discussion so as to reach agreement)

The CEO negotiate with union leaders regarding the new strike issue, Foreman (a worker supervising others) may negotiate with the workers a grievance (a cause for complaint) problem etc.

2. Resource allocator:

In this role, the manager must divide work & delegate authority among his subordinates.

He must decide who will get what.

3. Disturbance handler:

In this manager has to work like fire fighter. He must seek solutions of various unanticipated problems (like bankrupt, strike etc).

4. Entrepreneur:

In this role, the manager constantly looks out for new ideas and seeks to improve his unit by adapting it to changing conditions in the environment.

3. Write a note on skill requirement of a manager. [Co Tech]

(1) The Conceptual skill:

It refers to the ability of manager to take a broad and farsighted view of the organisation & its future, his ability to think in abstract, his creative & innovative ability to assess the environment & changes taking place in it.

(2) The technical skill:

It refers to a person's knowledge & proficiency in any type of process or technique.

This type of skill & competence will be more impt at the lower levels of mgmt, as he moves higher up, its relative importance diminishes.

At higher level conceptual components become more impt & technical component becomes less important.

(3) Human relations skill :

This skill is the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability \rightarrow to recognise the feelings of others.
 \rightarrow to judge the possible reactions to, & outcomes of various courses of actions he may undertake and
 \rightarrow to examine his own concepts & values which may enable him to develop more useful attitudes about himself.

This skill remains consistently impt at all levels.

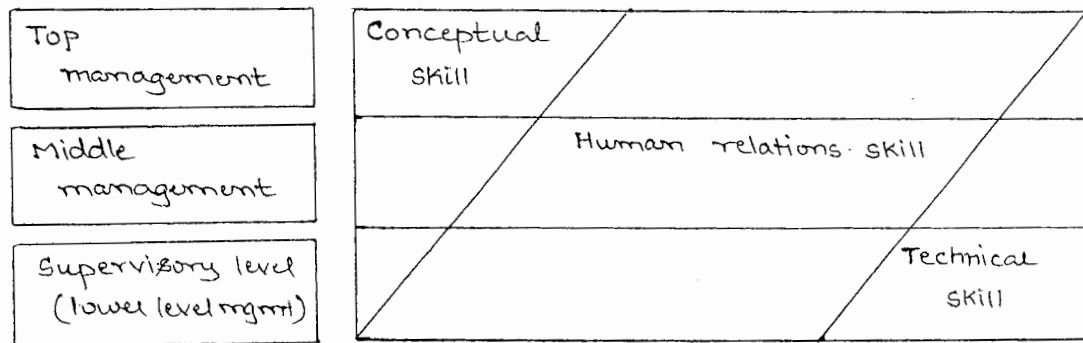


Fig: Skill-mix requirement of a manager.

- * From above figure we observe that, at top level, technical skill becomes less important.
- * This is the reason why people at the top shift with great ease from one industry to other without apparent fall in their efficiency.

4. Is Management & Administration same? Discuss.

There is unanimity (agreeing) among writers over the meaning and use of words 'Management' and 'Administration'

According to one group of writers (Sheldon, Sprigal & Milward)

Administration involves 'thinking'. It is a top level function which is concerned with determination of plans, policies and objectives of a business enterprise.

Management involves 'doing'. It is a lower level function which is concerned with execution and direction of policies and operations.

Each manager performs both activities.

According to second view (EFL Brech & others)

Management is a comprehensive generic term which includes administration.

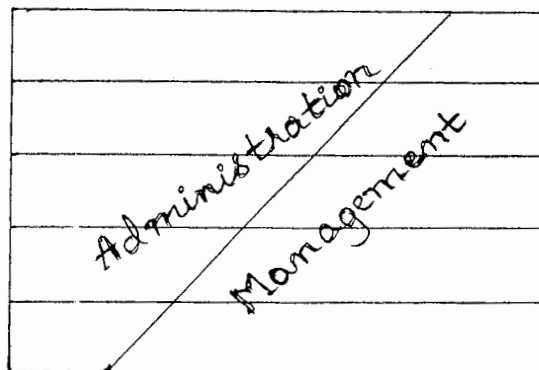
Administration is a branch of mgmt which encompasses planning and control.

The other 2 functions of mgmt viz organizing & directing can be called operative management.

According to third view (as expressed by Peter Drucker)

The basic difference b/w mgmt & administration lies in the use of these terms in different fields.

The governance of non business institution (such as govt, army, church etc) is generally called administration, while the governance of business enterprise is called management.



5. Is Management a science or an art? Discuss.

A discipline becomes scientific if its:

1. Method of inquiry (an investigation) are systematic & empirical
2. Information can be ordered and analysed.
3. Results are cumulative (increasing by additions) & communicable.

On the basis of above, management can be grouped as scientific. But science is used to denote 2 types of systematic knowledge - exact & inexact (behavioural).

Management is not like exact science bcoz in this discipline we study man & a multiplicity of factors affecting him. Management is more of a behavioural science than exact science.

Under 'science' one normally learns the 'why' of a phenomenon, under 'art' one learns the 'how' of it.

Art is thus concerned with the understanding of how a particular work can be accomplished. Management in this sense is more an 'art'. It is the art of getting things done through others in dynamic and mostly non-repetitive situations.

The manager has to constantly analyse the existing situation, determine the objectives, seek alternatives, implement, coordinate, control & evaluate information & make decisions. A theoretical lessons & principles learnt in class room will not secure him the aimed results, unless he has also the skill (or art) of applying such principles & body of knowledge to his special problem.

Knowledge of management theory & principles is a valuable and kit of manager. This knowledge has to be applied & practiced by the manager.

We may thus conclude that mgmt involves both elements - those of science & an art. While certain aspects of mgmt make it a science, certain others which involve application of skill make it an art.

6. What are the characteristics of Management?

The salient characteristics of management are:

1. Management is a purposeful activity.
2. It is getting things done in a desired manner.
3. It concerns with the efforts of people working in the enterprise.
4. It relates to decision-making.
5. Management is both science & art.
6. It is a fast developing profession.
7. It deals with direction & control of business activities.
8. Management is a dynamic concept which adapts itself to changing business conditions.
9. It is a process consisting of various functions such as planning, organizing, leading & controlling.

EVOLUTION OF MANAGEMENT

The evolution of management thought can be studied in 3 parts:

- (a) Early classical approaches: represented by scientific management, administration management and bureaucracy.
- (b) Neo-classical approaches: represented by human relations movement & behavioural approach.
- (c) Modern approaches: represented by quantitative approach, system approach and contingency approach.

(*) Discuss the early classical approaches of management.

Early classical approaches of management are represented by:

- * Scientific management
- * Administration management
- * Bureaucracy.

Scientific management

Fredrick Winslow Taylor is considered to be the father of scientific management. His contributions are: (SITDD)

(i) Time and motion study:

Under this, each motion of a job was timed with the help of a stop watch, and shorter & fewer motions were developed.

This replaced the rule of thumb knowledge of workman.

(ii) Differential payment:

Taylor introduced a new payment plan called the differential piece work, in which he linked incentives (something that encourages action or effort) with production.

Under this plan, a worker received low rate if he produced standard number of pieces, and high rate if he surpassed the standard.

Taylor thought that attraction of high price rate would motivate the workers to increase the production.

(iii) Drastic recognition of supervision:

Taylor suggested 2 new concepts:

- (a) Separation of planning & doing and
- (b) Functional foremanship

Taylor suggested that the work should be planned by a Foreman & not by a worker.

(iv) Scientific requirement & training:

Taylor emphasized the need for scientific selection & development of the workers.

Mgmt. should develop & train each worker to bring out the best faculties.

(v) Intimate friendly co-operation b/w the mgmt. & the workers:

Taylor said that for above suggestions to succeed, a mental revolution on part of mgmt & workers are reqd. The... with

Contributions of scientific management:

- * Time & motion study made us aware that the tools & physical movements involved in a task can be made more efficient and rational
- * Scientific selection of workers: made us recognise that without ability & training, a person cannot be expected to do his job properly.
- * The scientific mgmt, gave to work design encouraged managers to seek that 'one best way' of doing a job.
- * Thus scientific mgmt not only developed a rational approach, but also contributed a great deal to professionalisation of mgmt.

Limitations of scientific management:

- (1) Taylor's belief that economical incentives are strong enough to motivate workers for increased production proved wrong.
- (2) Taylor's time and motion study is not accepted as entirely scientific.
- (3) Separation of planning & doing & the greater specialization inherent in the system, tended to reduce the need for skill & produce greater monotony of work.
Having a worker to take orders from many different bosses results in confusion, besides increasing the overhead costs.
- (4) Advances in methods & better tools & m/cx eliminated some workers, who find it difficult, to get other jobs.

Administrative management

- * Henry Fayol is considered as ~~father~~ of administrative mgmt theory.
- * In his book 'General & Industrial Administration' Fayol wrote that all activities of business enterprises can be divided into 6 groups: technical, commercial, financial, accounting, security & administrative (or managerial).
- * Fayol defined management in terms of 5 functions - planning, organizing, commanding, co-ordinating and controlling.
- * Fayol presented 14 principles of management. They are.

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(1) Division of work:

Various functions of mgmt like planning, organizing, directing and controlling cannot be done by a single person & hence must be entrusted to specialists in related fields.

(2) Authority and responsibility:

As mgmt consists of getting the work done through others, it implies that manager should have the right to give orders and power to exact obedience.

(3) Discipline:

Discipline is essential for running a business smoothly.
By discipline, we mean,

- obedience to authority
- observance of the rules of service & norms of performance.
- Respect for agreements
- sincere efforts to complete the jobs
- Respect for superiors.

The best means of maintaining discipline are:

- Good supervisors at all levels
- clear & fair agreement b/w the employees & employer
- Judicious application of penalties.

(4) Initiative:

Initiative means freedom to think & execute a plan.
The zeal (enthusiasm) and energy of employees are augmented by initiative.

(5) Centralization:

The mgmt must decide how much & what authority it can keep
and what

(6) Remuneration: (pay or reward for services)

The remuneration paid for individual must be fair. Fair remuneration increases workers efficiency and fosters good relations b/w them and the management.

(7) Order:

To put things in order needs effort. The principle of "right place for everything & for every man" should be observed by the management.

(8) Subordination of individual interest to general interest:

In a business concern - the individual interests are more money, status, recognition etc, while the organizational interests are more production.

(9) Unity of command:

This principle requires that each employee should receive instructions from one boss only.

(10) Scalar chain:

Scalar chain means the hierarchy of authority from highest executive to the lowest for the purpose of communication.

As per this principle, the orders or communications should pass through the proper channels of authority along scalar chain.

(11) Unity of direction:

There should be complete identity b/w individual & organizational goals on one hand & b/w dept goals inter se on the other.

(12) Stability of tenure of personnel:

In order to motivate workers to do more & better work, it is necessary that they should be assured security of job by the management.

(13) Equity:

Equity results from a combination of kindness & justice. Equity means equality of fair treatment. Employees expect mgmt to be equally just to everybody. Equity ensures healthy industrial relations b/w mgmt & labour.

(14) Esprit De Corps:

This means team spirit. Since union is strength, the mgmt should create team spirit among employees. Harmony & unity among staff are a great source of strength.

Contributions of administrative mgmt.

Fayol & his followers proposed some principles:

1. There should be clear line of authority.
2. The authority & responsibility of each employee should be communicated to him in writing.
3. Each individual should perform one function only.
4. The span of control of a manager should never cross six.
5. Authority can be delegated but not the responsibility.

Limitations of administrative mgmt.

Fayol & his followers are criticised as under:

- (1) Fayol's principle of specialisation produces following consequences:
 - (a) It leads to small work group with norms (standard type) and goals often at odds with those of mgmt.
 - (b) Results in dissatisfaction of employees as their abilities are not fully exploited.
 - (c) Results in increase in overhead cost since specialisation needs greater co-ordination.
- (2) For many principles you can find equally plausible (seemingly probable) and acceptable and contradictory principle.
- (3) The principles are based on few case studies only & have not been tested empirically. (based on observation not on theory)
- (4) The principles are stated as unconditional statement.
- (5) The principles (specialisation, chain of command, unity of direction and span of control) result in mechanistic structure which are sensitive to social & psychological needs of employees.
- (6) The principles are based on assumptions that organisation are closed system. Organisations are open systems.

Bureaucracy:

Max Weber, a German sociologist is known as father of bureaucracy. According to him there are 3 types of administration in business: leader oriented, tradition oriented and bureaucratic.

- * leader oriented administration is one in which there is no delegation.
- * In traditional oriented administration, managerial positions are handed down from generation to generation.
- * In bureaucratic administration, delegation of management responsibilities is based on the person's demonstrated ability to hold the position.

Important features of bureaucratic administration

- (1) There is insistence on following standard rule: weber believed that the authority in an organisation should not be governed by personal preferences, but should be governed by standard rule.
- (2) There is a systematic division of work.
- (3) Principle of hierarchy is followed.
- (4) There is rational personal administration.
- (5) Administrative acts, decisions and rules are recorded in writing.
- (6) It is necessary for the individual to have the knowledge of and training in the application of rules.

Contributions:

- * Bureaucracy can be viewed as the logical extension of mgmt, when one person cannot fulfill all management functions.

Limitations: (O BCD INNR)

(1) Over conformity to rules:

The employees observe 'stick to the rule' because they are afraid of getting penalized for the violation.

(2) Buck passing:

In a bureaucratic organisation the employee's initiative is stifled.

(3) Categorization of queries:

In a bureaucratic organisation queries coming from outside are generally classified in advance into a few broad categories. Answers for each category are also prepared in advance.

(4) Displacement of goals :

(5) Inability to satisfy the needs of mature individuals :

A mature individual wants independence, initiative, self control, opportunity to use all his skills and information to plan his future.

(6) No real right of appeal (for clients)

(7) Neglect of informal groups :

Being social creature, men form informal groups and play 'group dynamics' which is normal.

(8) Rigid structure :

Precise description of roles, and over conformity to rules make bureaucratic structures rigid.

(* Discuss about the modern approaches of management. [asc].

1. QUANTITATIVE APPROACH :

This approach is called the management science approach. It emerged during II-world war. The outcome is operations research.

The focus of quantitative approach is on decision making. This approach facilitates disciplined thinking while defining management problems and establishing relationship among variables involved.

2. SYSTEMS APPROACH :

The concepts of this approach are:

(a) A system is a set of interdependent parts. An organization is also a system composed of 4 interdependent parts namely task, structure, people and technology.

(b) Central to the systems approach is the concept of 'holism' which means that no part of the system can be accurately and understood apart from the whole system.

(c) A system can be either open or closed.

An open system interacts

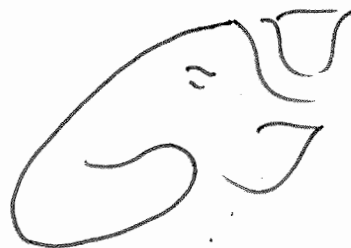
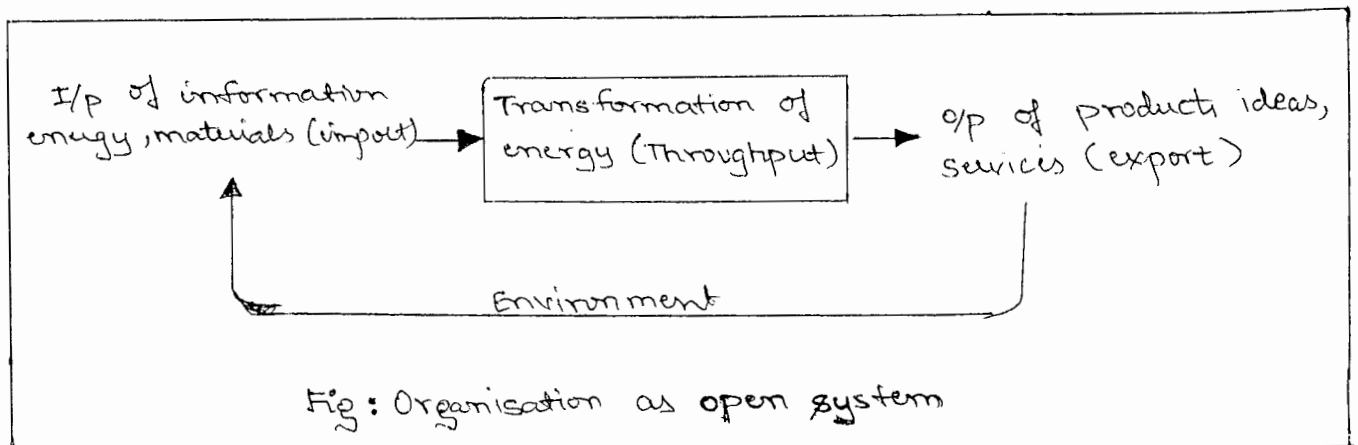
with its environment.

A closed system is one which is independent of its environment.

(d) Every system has a boundary. Organisations, being social systems do not have clearly observable boundaries

3. CONTINGENCY APPROACH :

- * Contingency approach attempts to integrate the various schools of a management thought. (i.e., Early, Neo & modern).
- * The contingency approach suggests that the task of managers is to try to identify which technique will give best contribute to the attainment of management goals.
- * Managers therefore have to develop situational sensitivity and practical selectivity.



RAKESH.S

VKIT

8

UNIT-II : PLANNING

1

1. Discuss the nature of planning.

- * Planning is the beginning process of management. A manager must plan before he can possibly organize, staff, direct & control.
- * Planning is defined as
 “Deciding in advance what to do, how to do it, when to do it and who is to do it”.
- * Planning provides a method of identifying objectives & designing a sequence of programs & actions to achieve these objectives.
- * Planning is a continuous intellectual process which requires a manager to think before acting. A manager must continuously watch the progress of his plans. He must continuously monitor the conditions, both within & outside the organization to determine whether changes are required in his plans.
- * A plan must be flexible. The 5 major areas where flexibility is needed are:
technology, market, finance, personnel & organization.

2. Discuss the importance of planning

Planning is of great importance in all types of organizations - business or non-business, public or private sector, small or big.

The importance of planning are: [MiLeaFF]

◆ Minimises risk and uncertainty

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

◆ Leads to success

Planning leads to success by doing beyond mere adaptation to market fluctuations.

It pro-acts.

◆ Focusses attention on the organization goals

Planning helps the manager to focus attention on the organization goals & activities.

This makes it easier to apply & co-ordinate the resources of the organization more effectively.

◆ Facilitates control

In planning, manager sets goals & develops plans to accomplish these goals. These goals & plans, then become standard or bench marks (a point of reference) against which performance can be measured.

3. What do you understand by 'objectives'? What are its characteristics?

- * objectives are goals or aims which the management wishes the organisation to achieve.
- * These are the end points which all business activities like organising, staffing, directing & controlling are directed.

CHARACTERISTICS OF OBJECTIVES

◆ Objectives are multiple in number:

Objectives can be set in various key areas like market standing, innovation, productivity, physical & financial resources, profitability, manager performance and development, worker performance and attitude, and public responsibility.

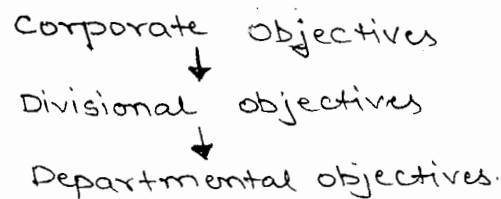
◆ Objectives are either tangible (clear & definite) or intangible

- * objectives like market standing, productivity and physical & financial resources tangible values are available.
- * other areas of objectives like manager's performance, worker morale, public responsibility etc, may not have tangible values.

◆ Objectives have a priority:

This implies that at given point of time, the accomplishment of one objective is relatively more imp't than others.

◆ Objectives are arranged in hierarchy:



◆ Objectives sometimes clash with each other:

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

This sometimes creates the problem of potential goal conflict & suboptimisation

4. What are the requirements of sound objectives? Mention its advt.

◆ objectives must be clear & acceptable

The test of clarity is the employee's understanding of the objectives.

The objectives must also be acceptable by people.

◆ objectives must support one another

Sometimes objectives of different dept. clash with each others. In this view, there is a need for co-ordinating & balancing the activities of entire organization.

◆ objectives must be precise & measurable

An objective must always be spelled out in precise measurable terms.

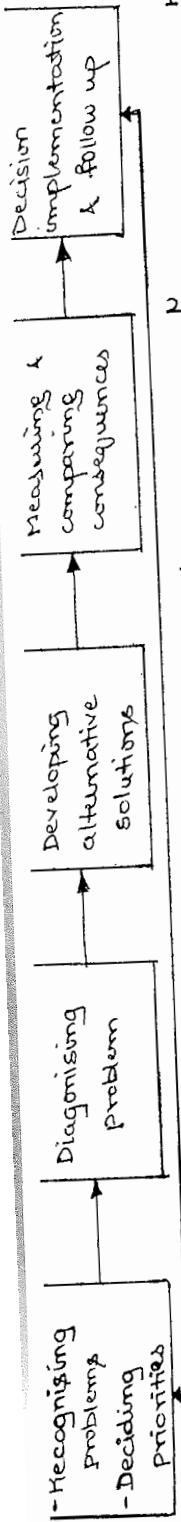
◆ objectives should always remain valid

This means the manager must constantly review, re-assess & readjust the objectives as per changing conditions.

ADVANTAGES OF OBJECTIVES

1. They provide a basis for planning & for developing other types of plans such as policies, budgets & procedures.
2. They act as motivators for individuals & departments.
3. They eliminate haphazard action.
4. They facilitate co-ordinated behaviour of various groups.
5. They function as a basis for managerial control.
6. They facilitate better mgmt of the enterprise by providing a basis for leading, guiding, directing & controlling the activities of people of various departments.
7. They lessen (become less) misunderstanding & conflict & facilitate communication amng ppl by minimizing jurisdictional disputes.
8. They provide legitimacy to organizational activities.

Fig: Flow dia of Rational Decision Making process



5. What is meant by Decision? What are the steps in Rational Decision Making?

A decision is a choice b/w two or more alternatives. A decision is rational if appropriate means are chosen to reach desired ends.

STEPS IN RATIONAL DECISION MAKING [ReD DiD MeC]

1. Recognising the problem

- A problem exists
- (i) When there is a deviation from past experience.
 - (ii) When there is a deviation from plan.
 - (iii) When other people bring problems to the manager
 - (iv) When competitors out perform the manager's organization.

2. Deciding priorities among problems:

A manager should not allow himself to be bogged (become stuck & unable to progress) down by all sorts of problems. Some problems which can be solved by subordinates should be passed on.

3. Diagnosing the problem:

Problems should be diagnosed. A manager should remember that symptoms of a problem may sometimes mislead him.

4. Developing alternative solutions or courses of action.

After diagnosing the problem, the next step is to develop alternative solutions. It consists of five stages.

- Saturation: Thoroughly familiar with problem
- Deliberation: Thinking the problem in several view points.
- Incubation: In case he is unable to get a fruitful result of deliberation.
- Illumination: A flash of insight of good ideas.
- Accommodation: Manager refines his ideas into a useful proposal

Another course of action is through brain storming.

5. Measuring & Comparing the consequences of alternative solutions.

This involves a comparison of the quality & acceptability of various solutions.

6. Converting the decision into effective action & follow-up:

This requires the communication of decisions to the employees in clear & unambiguous terms.

6. Discuss the environment of decision making. [CRU]

There are 3 types of environments:

1. Certainty:

By conditions of certainty, we mean that decision-makers can specify the consequences of a particular decision.

2. Risk:

In decision making under conditions of risk, the consequences of a particular decision cannot be specified with certainty, but can be specified with known probability values.

3. Uncertainty:

Uncertainty exists when the decision maker does not know the probabilities associated with the possible outcomes, though he has been able to identify possible outcomes & their related pay offs.

7. What are the difficulties faced in decision making? [IVINI]

1. Incomplete Information:

This is problem with every manager. Lack of information plunges the manager in uncertainty.

2. Unsupporting environment:

The environment, that prevails in an enterprise affects both the nature of decisions & their implementation.

If there is all-round good will & trust, & if all employees are properly motivated, the manager can take decisions with confidence. If not, he avoids making decision.

3. Ineffective Communication:

This makes implementation difficult. Therefore, the manager should take care to communicate all decisions to the employees in clear, precise & simple language.

4. Non acceptance by subordinates:

If every subordinates accepts the decision of manager then it is easy to implement.

Democratic leadership style which encourages subordinates to suggest, criticize, make recommendations or decide upon projects is an effective device for gaining their acceptance and assent.

5. Incorrect Timing:

In decision making, the problem is not merely of taking a correct decision. It is also of selecting an appropriate time for taking decision.

If the decision is correct, but the time is inopportune, it will not serve any purpose.

*.✂.

What are the steps in planning? [E_vg E_{pp} D FinED Me]

The steps generally involved in planning are as follows:

◆ Establishing verifiable goals to be achieved

The first step in planning is to determine the enterprise objectives. They are often set by top managers

Goals selected will depend on basic mission of the organisations, the value its managers hold, and the actual & potential abilities of the organization.

◆ Establishing planning premises:

Planning premises are vital to the success of planning, as they supply pertinent (relevant) facts and information relating to the future.

Planning premises can be classified as under:

(a) Internal & External premises:

Premises may exist within & outside the company.

Internal premises include sales forecast, policies & program of organisation, competence of mgmt .. etc.,

External premises may be classified as

→ Business environment

→ Factors which influence the demand for the product,

→ Factors which affect resources available for the enterprise.

(b) Tangible & Intangible premises:

Tangible premises are those which can be quantitatively measured,

while intangible premises are those which being qualitative in character cannot be so measured.

(c) Controllable & non-controllable premises:

Controllable premises are those which are under the control of organisation like advertising policy, competence of mgmt etc.

Non-controllable premises are those which are beyond the control of organisation like natural calamities, strikes, wars etc.

◆ Deciding the planning period:

Once top level managers have selected goals and planning premises, the next task is to decide planning period.

In some instances plan are made for year & in some cases for decades.

Other factors which influence the choice of a period are;

- (a) lead time in development & commercialization of a new product
- (b) Time reqd to recover capital investment (or pay back period)
- (c) length of commitment already made.

◆ Finding alternative courses of action:

The 4th step is to search for & examine alternative courses of action.

◆ Evaluating & selecting a course of action:

Having alternative courses, the 5th step is to evaluate them in the light of premises & goals, & to select the best course of action.

This is done with the help of quantitative techniques and operations research.

◆ Developing derivative plans:

once the plan has been formulated, the middle & lower level managers must draw up appropriate plans, programs & budgets for their sub units. These are described as 'derivative plans'.

◆ Measuring & controlling the process:

The process of controlling is the critical part of any plan.

Managers need to check the progress of their plans so that they can take whatever remedial action necessary to make the plan work or change the plan if it is not working.

9. What are the guidelines to make planning effective? [CCPP]

1. Co-Ordination:

The planning process is complex, consisting of many major & derivative plans.

It is impt that all these derivative plans fit together, not only in terms of content & action, but also in terms of timing. Similarly short & long term planning should fit together.

2. Communication:

Best planning occurs when every manager has access not only to their planning area but also to others' areas.

This is necessary to make him understand how his plan would work.

He should know what are the premises upon which he is expected to plan.

3. Participation:

Participation of subordinates with superiors is also a key element in making planning effective.

It improves understanding of objective & loyalty in the subordinates & makes execution of plan easy.

MBO, bottom-up-planning, committees & mgmt clubs are methods of increasing subordinates participation.

4. Proper climate:

It is critical that top managers establish proper climate for planning.

This involves stimulating planning interest among the rank & file of managers by setting their goals, establishing planning premises, communicating policies, & developing a tradition of change in the organization.

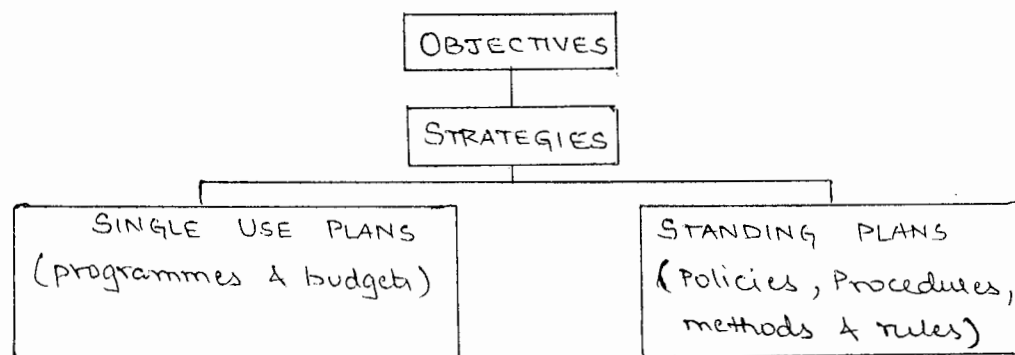
10. Explain the Hierarchy of organisational plans.

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

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

- Strategies in their turn are carried out by means of the 2 other major groups of plans - single use plans & - standing plans

- Single-use plans, as the name suggest they are developed to achieve a specific end.
When that end is reached plan is dissolved. The major types of single use plans are programmes and budgets.
- Standing plans, are designed for situations that occur often enough to justify a standardised approach. The major types of standing plans are policies, procedures, methods and rules.



11. Define policy, procedures, Methods, Rules, Programmes and Budgets.

* Policy:

A policy is a general guideline for decision making. It sets up boundaries around decisions, including those that can be made & shutting out those that cannot.

According to the words of George.R.Terry,
"Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and direction in which managerial action will take place."

Policies only provide a framework within which decisions must be made by the mgmt., in different spheres.

* 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.

* Methods:

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

The specified technique to be used in screening the application or conducting a written test is a method, whereas the sequence of steps involved in the recruitment of personnel constitute a procedure.

* Rules:

Rules are detailed & recorded instructions that a specific action must or must not be performed in a given situation.

* Programmes:

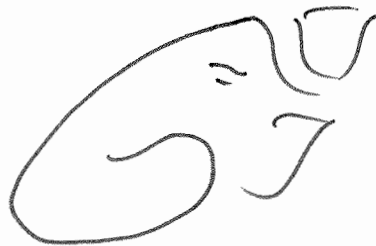
Programmes are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.

Thus, an enterprise may have a programme of opening 5 branches in different parts of the country or introducing new product in the market.

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

* Budgets:

Budgets are plans for a future period of time containing statements of expected results in numerical terms i.e., rupees, man-hours, product-units and so forth.



Rakesh.S

VKIT

UNIT V : ENTREPRENEUR

1. Who is an Entrepreneur? What are the characteristics of an entrepreneur?

Richard Cantillon, an Irish man who lived in France was the first who introduced the term 'entrepreneur'.

He defined - entrepreneur as "an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future".

Jean Baptiste Say, an aristocratic industrialist, according to him, "an entrepreneur is one who combine the land of one, the labour of another and the capital of yet another, and thus produces a product".

By selling the product in the market, he pays interest to capital, rent on land and wages to labourers & what remains is his profits.

Joseph. A. Schumpeter considered economic development as a discrete dynamic change brought by entrepreneur by instituting new combinations of productions i.e., innovations.

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

CHARACTERISTICS OF AN ENTREPRENEUR [H I G F T I C H D]

(1) Hard Work:

Willingness to work hard distinguishes a successful entrepreneur from an unsuccessful one.

The entrepreneur with his tedious, sweat filled hours and perseverance revive their business even from the brink of failure.

(2) Independence:

Entrepreneurs do not like to be guided by others. They like to be independent in the matters of their business.

(3) Good Organiser:

It is the ability of entrepreneurs that brings to others...

(4) Foresight:

The entrepreneurs have a good foresight to know about future business environment.

They visualize the likely changes to take place in the market, consumer attitude, technological developments etc & take timely actions accordingly.

(5) Technically competent:

Success of an entrepreneur depends largely on his ability to adopt latest technology.

Technical knowledge implies the ability to use new & better ways of producing & marketing goods & services.

(6) Innovative:

Production is meant to meet customer's requirements.

In view of changing tastes of customers from time to time, the entrepreneurs initiate innovative activities to produce goods to satisfy the customer's changing demands for the product.

(7) Creative:

Creative is the ability to bring something new into existence.

creativity is the cause & innovation is the effect.

(8) Highly optimistic:

The successful entrepreneurs are optimistic for future & they are not disturbed by the present problems faced.

(9) Desire for high achievement:

The entrepreneurs have a strong desire to achieve high goals in business.

They surmount the obstacles, suppress anxieties, repair misfortunes & devise expedients & only set up and run a successful business.

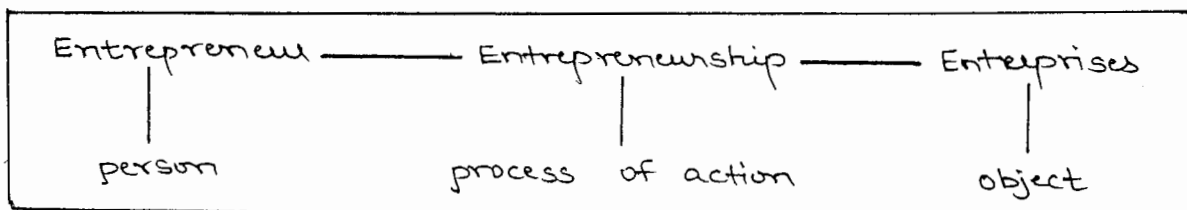
2. What do you mean by the term Entrepreneurship? Explain the concept.

Entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise.

“Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative & management skills to mobilize human, financial and material resources necessary to bring a project to fruition (results of work).”

The concept of Entrepreneurship is a complex phenomenon. One of the qualities of entrepreneurship is the ability to discover an investment opportunity & to organize an enterprise, thereby contributing to real economic growth.

Entrepreneurship is a composite skill, the resultant of a mix of many qualities and traits (characteristics). These include imagination, readiness to take risks, ability to bring together & put to use other factors of production, capital, labour, land and also intangible factors such as scientific & technological advances.



According to A.H. Cole,

“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain profit by production or distribution of economic goods and services”.

3. What are the functions of an entrepreneur?

An entrepreneur is expected to perform the following functions: [DR DRUP PIC]

1. Determination of the business objectives.
2. Recruitment of men.
3. Determination of form of ownership.
4. Raising necessary funds.
5. Undertaking the business operation
6. Product analysis & market research.
7. Producing machine and material
8. Idea generation and scanning of the best suitable idea.
9. Completion of promotional formalities.

4. Write abt types of entrepreneurs.

(* According to the types of business [BIT CARS]

- Business entrepreneur
- Industrial entrepreneur - large, Medium, Small, Tiny.
- Trading entrepreneur
- Corporate entrepreneur
- Agricultural entrepreneur
 - Plantation
 - Horticulture
 - Dairy
 - Forestry
- Retail entrepreneur
- Service entrepreneur

Business entrepreneur :

They are the individuals who tap both production & marketing resource.

Industrial entrepreneur :

Is essentially a manufacturer who identifies the potential needs of customers & services to meet the marketing needs.

Trading entrepreneur :

Is one who undertakes trading activities & is not concerned with the manufacturing work.

Corporate entrepreneur :

Is a person who demonstrates his innovative skill in organizing & managing a corporate undertaking.

Agricultural entrepreneur :

Are those, who undertake such agricultural activities as raising & marketing of crops, fertilizers & other inputs of agriculture.

(* According to the use of technology [Pro TechNo, HL]

- Professional entrepreneur
- Technical entrepreneur
- Non-Technical entrepreneur
- High-tech entrepreneur
- Low-tech entrepreneur

Professional entrepreneur

Is a person who is interested in establishing a business but does not have interest in managing or operating once it is established.

Technical entrepreneur

Is essentially an entrepreneur of 'craftsman type'. He develops new & improved quality of goods because of his craftsmanship.

Non-technical entrepreneur

They are concerned with only developing alternative marketing & distribution strategies to promote business.

(* According to motivation [Pure SIM]

- Pure entrepreneurs
- Spontaneous entrepreneur
- Induced entrepreneur
- Motivated entrepreneur

Pure entrepreneur

Is an individual who is motivated by physiological & economic rewards.

Spontaneous entrepreneur

They are persons with initiative, boldness, and confidence in their ability which motivate them to undertake entrepreneurial

Induced entrepreneurship

Is one who is induced to take up an entrepreneurial task due to the policy measures of govt. that provides assistance, incentives, concessions & necessary overhead facilities to start a venture.

Motivated entrepreneurs

The entrepreneurs are motivated by the desire for self fulfillment.

(* According to growth [G₁₀S])

- Growth entrepreneurs - Are those who take up high growth industry
- Super-growth entrepreneurs - Are those who have shown enormous growth of performance in their venture

(* According to stages of development [First MoC])

- First generation entrepreneurs
- Modern entrepreneurs
- Classical entrepreneurs

First Generation entrepreneurs :

Is one who starts an industrial unit by means of an innovative skill.

Modern entrepreneurs

They are the ones who undertake those ventures which suit the current marketing needs.

Classical entrepreneurs

Is one who is concerned with the customers & marketing needs through the development of a self supporting ventures

(* According to area)

- Urban entrepreneurs
- Rural entrepreneurs

(* According to gender and age :)

Gender

- Men entrepreneurs
- Women entrepreneurs

Age

- Young entrepreneurs
- Old entrepreneurs
- Middle aged entrepreneurs

(* Other entrepreneurs [In FI]

Innovating entrepreneurs

Is one who introduces new goals, new method of production, discovers new market & reorganises the enterprise.

Fabian entrepreneurs

Fabian entrepreneurs are characterised by very great caution & skepticism in experimenting any change in their enterprises.

Imitative entrepreneurs

Imitative entrepreneurs do not innovate the changes themselves, they imitate techniques & technology innovated by others.

5. Who is an Intrapreneur?

The entrepreneurs emerging from within the confines of organisation are called 'intrapreneurs'.

The intrapreneurs are top executives encouraged to catch hold of new ideas to convert them into products through research & development activities within the framework of organisation.

6. What are the role of Entrepreneurship in Economic Development?

The role of entrepreneurship in economic development varies from economy to economy depending on its material resources, industrial climate & the responsiveness of political system to the entrepreneurial function.

The impt. role that entrepreneurship plays in the economic development are enumerated below:

1. Entrepreneurship promotes capital formation by mobilizing the idle savings of the public.
2. It provides immediate large scale employment, thus it helps to reduce unemployment problem.
3. It promotes balanced regional development.
4. It helps to reduce the concentration of economic power.
5. It stimulates equitable re-distribution of wealth, income & even political power.

6. It encourages effective resource mobilization of capital & skill which otherwise remain unutilized and idle.
7. It also reduces backward & forward linkages which stimulate the process of economic development in the country.
8. It promotes country's export trade which is an impt. ingredient to economic development.

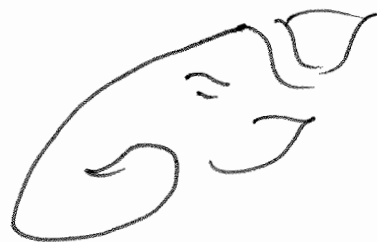
on the whole, the role of entrepreneurship in economic development of a country can best be put as "an economy is the effect for which entrepreneurship is the cause".

7. What are the Barriers to Entrepreneurship?

A large no. of entrepreneurs particularly in the small enterprises fail due to several problems & barriers (controls advance).

Karl. H. Vesper has identified the following entrepreneurship barriers

1. Lack of viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know now
6. Lack of motivation
7. Social stigma
8. Time presences & Distractions
9. Legal constraints & Regulations
10. Inhibitions due to patents.



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Introduction

- * Starting a business or industrial unit requires various resources and facilities.
- * Finance has been an important resource to start and run an enterprise, since it facilitates the entrepreneur to procure land, engage labour, procure plant and machinery, raw materials and others.
- * Many small entrepreneurs, though they have ideas and skills are not able to start their own enterprise for the lack of money.
- * Hence, the government has set up institutions to provide financial assistance to such people.

Institutions that Assist SSI

1) State Level Institutions

- i) State Directorate of Industries
- ii) State Small Scale Industries Development Corporation [SSIDC]
- iii) District Industries Centres [DICs]
- iv) State Finance Corporations [SFCs]
- v) Technical Consultancy Organisation [TCOs]
- vi) State Industrial Area Development Board [SIADB] etc.

2) Central Level Institutions

- i) Department of Small Scale Industries [DSSI]
- ii) Small Scale Industries Board [SSIB]
- iii) Small Industries Development Organisation [SIDO]
- iv) National Small Industries Corporation [NSIC]
- v) Industrial Credit and Investment Corporation of India [ICICI]
- vi) Industrial Finance Corporation of India [ICFI] etc.

Technical Consultancy Services Organization of Karnataka [TECSOK]

- * TECSOK is a professional, industrial, technical and management consultancy organization promoted by the government of Karnataka in 1976.
- * Its activities range from giving appropriate investment advise, procedural guidance, management consulting, mergers and acquisitions process studies, and impact assessment of socio-economic schemes.

For Start Ups:

TECSOK can work with an entrepreneur to identify a project or product and sharpen the project ideas through feasible studies, reports, market surveys, sourcing of finance, selection of machinery, technology, costing and assistance.

For existing Enterprises:

TECSOK can identify incipient sickness i.e, developing sickness and facilitate its turn around.

It has expertise in rehabilitation of sick industries by using rehabilitation packages offered by the government

Consultancy areas are:

i) Promotion of Agro-based Industries

TECSOK has been recognized as the nodal agency by the Ministry of Food Processing Industries, GoI for project assessment to avail grant and loan assistance.

Karnataka State Financial Corporation [KSFC]

- * KSFC was established in 1959 for extending financial assistance to set up tiny, small and medium scale industrial units in the state.
- * KSFC has a decentralized system of working, each district has a branch office, some have more than one.
- * KSFC has a merchant bank department which takes up the management of public issues like underwriting of shares, deferred payments, syndication of loans i.e. taking many loans at the same time.

KSFC gives preference to projects which are:

- i) promoted by technical entrepreneurs and SC/ST entrepreneurs.
- ii) in small sector
- iii) located in growth centres and developing areas of the state.
- iv) characterized by high employment potential.
- v) capable of utilizing local resources and
- vi) in tune with declared national priorities.

District Industries Centres / Single Window Concept

- * DICs was started in 1978 to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas
- * It is a single window agency which interacts with the entrepreneur, providing him services and support at the district level.
- * Since 1993-94, the state governments manage the DICs with their own funds and not from the centre.

The functions of DICs are:

- i) Conduct industrial potential surveys considering availability of raw materials, man power, infrastructure etc.
- ii) Prepare an action plan to effectively implement the schemes identified.
- iii) Guide entrepreneurs to select appropriate machinery, supply source, methods to get imported machinery and assess requirement of raw materials.
- iv) Assist entrepreneurs to market their products and export their products if necessary.
- v) Assess worthiness of various proposals received from entrepreneurs.
- vi) Undertake product development work appropriate to small industries.
- vii) To conduct artisan training programmes.

Small Industries Service Institutes [SISIs]

* SISIs are set up to provide consultancy and training to small entrepreneurs both existing and prospective.

* Main functions include:

- i) To serve as an interface between central and state governments.
- ii) To provide technical support services.
- iii) To conduct entrepreneurship development programmes
- iv) Trade and market informations
- v) Economic consultancy and project profiles.

- vi) State and district industrial potential surveys.
- vii) Modernisation and in-plant studies.
- viii) Workshop facilities
- ix) Training in various trades and activities.

National Small Industries Corporation [NSIC]

NSIC was started by the Central Government in 1955 with the objective of promoting and developing SSI units throughout the country.

Objectives are:

- i) provide machinery on hire or purchase basis.
- ii) assist in marketing and exporting
- iii) organize supply of raw materials.
- iv) training personnel
- v) modernisation of units.

Functions of NSIC are:

- i) Financial assistance by way of hire/purchase of local or imported machinery.
- ii) Assistance for marketing products within the country and if possible to export them.
- iii) Assistance in upgradation of technology, processes and modernisation of plant and machinery.
- iv) Make bulk purchases of raw materials and distribute them to SSI units at reasonable prices.
- v) Training of workers in various trades required for SSI units.

Small Industries Development Bank of India [SIDBI]

* SIDBI was set up in 1989 as wholly owned subsidiary of IDBI due to demand from SSI units for an apex level institution for promotion, financing and development of SSIs.

* Main functions are:

- i) provide equity type of loan on soft terms
- ii) provide working capital both in rupee and foreign currencies
- iii) bill discounting and venture capital support

* SIDBI also provides financial support for technology transfer and upgradation, quality improvement, exports, environmental care and industrialisation.

Karnataka Small Industries Marketing Corporation [KSIMC]

* KSIMC was promoted by the Government of Karnataka as a subsidiary of Karnataka Small Industries Development Corporation [KSIDC] in 1984 to assist small enterprises in marketing their products

* KSIMC was procuring purchase orders from various Karnataka state govt. departments for their requirements of wooden & steel furnitures & other requirements

* It is used to procure these items from registered small scale industries & supply to the govt departments.

* However, for reasons not known KSIMC was closed down by the Karnataka Government & now this organisation does not exist.

1. How do you identify a project? Enumerate the criteria for selecting a particular project.

Project identification is the first step of a new venture.
A right decision will take an entrepreneurs to new height.

Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment & with the development of characteristics of such opportunities.

We have to select such projects so as to minimize both resource consumption & risks & to optimize the returns or gains.

Trade & professional magazines provide a very fertile source of project ideas. It is very necessary for entrepreneur to keep in touch with the latest developments in his own field.

The next imp. source for project identification is the plan document published by Government. The plan document generally analyses the existing economic situation & also pinpoints the investment opportunities which fit into the overall planning effort.

The criteria for selecting a particular project are as under:

(i) Investment size:

Professional managers who have worked in MNC's should think of starting medium sized or large sized units only. The project cost should be atleast 3 to 5 crores.

(ii) Location:

It is necessary to have such a location to attract competent managers. This will facilitate liaison with state electricity board, state Industrial Development corporation & various other agencies.

(iii) Technology:

The first project should not be a product which requires high technology, necessitating foreign technical collaboration. It is better to go for a product with a proven technology that is indigenously (native) available.

(iv) Equipment:

The entrepreneurs should select best equipment based on the advise of experienced technicians.

(v) Marketing

It is preferable if one could go in for products with a limited number of industrial customers.

2. What are the factors to be considered for the selection of a product

Various factors influence the entrepreneurs in selecting the right product. They are :-

- (i) Whether import restrictions or the items selected are banned items
- (ii) If the entrepreneurs or his partners have experience in the manufacture or marketing of certain products.
- (iii) The degree of probability.
- (iv) Concessions given by the government on certain products.
- (v) Whether product belongs to priority industry or small scale sector.
- (vi) The market for the product - whether export or local.
- (vii) Whether the product comes under licensing from govt., or it is delicensed category.
- (viii) Whether the location is a free trade zone or in backward areas with special incentives & concessions.
- (ix) Whether a product belongs to an ancillary unit & serves a major component for the parent industry.

3. What do you understand by 'project'? How do you identify & select a project?

A very foundation of an enterprise is the project.

“A project is an organised unit dedicated to the attainment of goal - the successful completion of a development project on time within budget, in conformance with predetermined programme specifications”.

The 3 basic attributes of a project are:

- (i) A course of Action
- (ii) Specific objectives
- (iii) Definite time perspective

Project selection is a well outlined game plan. Basically, project selection consists of 2 main steps

- (1) Project identification &
- (2) Project selection

Project Identification :

Projects are selected which presumably have a good market potential. The selection process starts with the generation of project idea. The project ideas can be discovered from various internal & external sources.

They may include (ThroW GK IN SSVM)

- (i) Through professional magazines
- (ii) Watching emerging trends in demands for certain products.
- (iii) Govt. policy, concessions & incentives, list of items exclusively of SSI
- (iv) Knowledge of potential customer needs.
- (v) Ideas given by knowledgeable persons.
- (vi) New product introduced by a competitor
- (vii) Scope for producing substitute product.
- (viii) Success stories of known entrepreneurs or friends or relatives.
- (ix) Visits to trade fairs & industrial exhibitions.
- (x) Meeting with govt. agencies.

Project selection :

Project selection starts from where project identification ends. After having some project ideas, these are analysed in the light of economic conditions which is existing right now, the govt. policy & so on

A tool generally used for this purpose is SWOT analysis: The entrepreneurs analysis his strengths & weakness as well as opportunities & threats offered by each of project idea. on the basis of this analysis, the most suitable idea is finally selected to cover it into an enterprise. This is known as zeroing in process.

The next task of entrepreneurs is to analyse aspects of raw material, potential market, labour, capital, location, forms of ownership etc., Each of these aspects have to be evaluated independently & in relⁿ to each other.

4. What is a project report? How do you prepare it?

Formulation of a project report / business plan is a very important step in setting up an enterprise. A project report / business plan is a written statement of what an entrepreneur proposes to take up.

It is a kind of guide or course of action what the entrepreneur hopes to achieve in his business, & how is he going to achieve it.

'A project report is an operating document which defines a well evolved course of action to achieve the specified objective within a specified period time'.

An objective without a plan is a dream. The preparation of a project report is of great significance for an entrepreneur. The project report serves the 2 essential functions.

→ First & the most import the project report is like a road map. It describes the direction in which enterprise is going. It also enables an entrepreneur to know that he is proceeding in right direction.

→ The second function of project report is to attract lenders & investors. The preparation of project report is beneficial for those small enterprises who apply for financial assistance from financial institutions & commercial banks. It is on the basis of project report that financial institutions make the appraisal of whether to sanction loan or not & how much.

various other organisations which provide various assistance such as work shed, raw materials, seed/margin money etc, also peruse the project report before they can act.

5. What are the contents of a project report? What minimum information should it contain to satisfy the authorities?

A project report needs to be prepared with great care and consideration. A good project report should contain the following: (GP LL PP UT RM PM RR ... CBS)

- (1) General information : Information on product profile & product detail
- (2) Promoter : Educational qualifications, work experience, project related experience.
- (3) Location : Exact location of the project, locational advantages.
- (4) Land & building : land area, construction area, type of construction cost of construction & detailed plan.
- (5) Plant & machinery : Details of machinery reqd, capacity, cost, suppliers & production program.
- (6) Production process : Description of production process.
- (7) Utilities : water, power, ... etc
- (8) Transport and communication : Mode of transport & communication.
- (9) Raw material : List of raw materials by quality, quantity cost etc.
- (10) Man power : Requirement of skilled, semi-skilled & unskilled labour, requirement of training, cost.
- (11) Products : competition & their capacities, product substitute, estimated sales etc.
- (12) Market : End uses of product, distribution of market as local, national & international.
- (13) Requirements of working capital : working capital reqd, sources etc.
- (14) Requirement of funds : arrangements for meeting cost of the project
- (15) cost of production & profitability

(17) Schedule of implementation

Project formulation divides the process of project development into eight distinct & sequential stages. These are
(E COP GM PA)

(i) Economic and social variables

The socio-economic benefits expected to accrue (accumulate) from project should also be stated in the report itself under the following headings - [I DEAL Export]

- (a) Import substitution
- (b) Development of Area
- (c) Employment generation
- (d) Ancillary
- (e) Local resource utilization
- (f) Export

(ii) Capital costs & sources of finance

An estimate of various components of capital items like land & building, plant & machinery, installation cost, preliminary expenses, margin for working capital should be given in the project report.

(iii) Other financial aspects

A projected balance sheet, & cash flow statements should be prepared to indicate the financial position & requirements at various stages of project.

The Break-even-analysis should be presented in the project report.

(iv) Project Description:

It speaks abt physical infrastructure such as raw material, skilled labour,

motilities such as power, water, pollution control, communication & transport facilities, other common facilities

(v) General information

Industry profile, constitution & organization, & product details

(vi) Market potential

Following aspects should be specified.

(a) Demand & supply analysis

Marketing strategy, after sales service & transportation should be mentioned.

(vii) Project implementation

- * Every entrepreneur should draw an implementation scheme.
- * Timely implementation is important, because if there is a delay, project cost over runs.
- * Delay in project implementation jeopardizes (endanger) the financial viability of the project.
- * The following is a simplified implementation schedule for a small project

Tasks	Months →
↓	
(1) Formulation of project report	1
(2) Application for term loan	2
(3) Term loan sanction	3
(4) Possession of land	4
(5) Construction of building
(6) Getting power & water	
(7) Order of machinery	
(8) Receipt & installation of machinery	
(9) Man power recruitment	
(10) Trial production	
(11) Commercial production	

(viii) Assessment of working capital requirements

The requirement for working capital & its sources of supply should be clearly mentioned in the project report.

6. What are the planning commission's guideline for a project report

The following are the guidelines given by planning commission for a project report.

[E COP PM GF]

(i) Economic analysis:

The enterprise should try to assess the impact of its operations on foreign trade.

Indirect costs & benefits should also be included in the report. If they cannot be quantified, they should also be analyzed & their importance emphasized.

(ii) Capital requirements & costs:

Project cost must be reasonable & properly estimated. Cost information on all items should be carefully presented.

(iii) Operating requirements & costs:

Operating costs are those costs which are incurred after the commencement of commercial production.

Operating costs are those costs related to raw material & intermediates, fuel, utilities, labour, repair & maintenance, selling & other expenses.

(iv) Project description:

The report should provide a brief description of the technology/process chosen for the project.

The report should contain a list of operational requirements of the plant, requirements of water & power, requirement of personnel, organizational structure envisaged, transport cost & other factors affecting it.

(v) Preliminary Analysis of Alternatives

All options that are technically feasible should be considered at the preliminary stage.

The location of the project, account of foreign exchange requirement & the profitability must be given.

The rate of return on investment should be calculated and presented in the report.

(vi) Marketing plan:

It should contain the following items

- Data on the marketing plan
- Demand & prospective supply in each of the areas to be served
- The method & data used for main estimates.
- Estimate of price sensitivity should be presented.

(vii) General information:

The report should include an analysis of the industry which the project belongs.

It deals with performance of industry. This should also contain information about the enterprise submitting the feasibility report

(viii) Financial analysis:

The purpose of this analysis is to present some measure to assess the financial viability of the project.

A performance Balance sheet for the project data should be presented.

The sensitivity analysis should also be presented.

7. What is project appraisal? How do you approve a project?

Project appraisal means the assessment of a project.

Appraisal is made both for executed & proposed projects.

For appraising a project, its economic, financial, technical, market, managerial & social aspects are analysed.

Economic Analysis:

The aspects highlighted are:

- requirements for raw material
- level of capacity utilization
- anticipated sales & expenses
- probable profits.
- location of the enterprise
- Government policies.

Financial Analysis:

It is ~~impt~~ prerequisites to establish an enterprise.

The following aspects must be carefully analysed.

(1) Assessment of financial requirements both fixed capital &

type of operation, scale of operation & time when the investment is made

(2) The enterprise should continue its production to meet all its obligations/liabilities using the 'Break-even Analysis'.

Market Analysis:

Before the production actually starts, the entrepreneur needs to anticipate the possible market for the product.

The commonly used methods to estimate the demand for a product are as follows:

- opinion polling method
- sample survey
- sales experience method
- vicarious method
- Life cycle segmentation analysis.

Technical Feasibility:

While assessing the technical feasibility of the project, the following should be considered.

- (i) Availability of land & site
- (ii) Availability of water power, transport & communication facilities.
- (iii) Availability of service facilities like machine shops, electric repair shop
- (iv) Coping with anti-pollution laws
- (v) Availability of skilled labour, training facilities
- (vi) Availability of required raw materials.

Management Competence:

It is an important role in making an enterprise a success.

Even a poor project may become a successful one with good managerial ability.

Hence managerial competence should be taken into consideration while doing project appraisal.



Small scale Industry:

Industry which employs traditional labour intensive methods to produce traditional products, largely in village households.

Characteristics:

- (1) Capital investment is small
- (2) Requires less no. of workers
- (3) Located in rural & semi-urban areas.
- (4) Engaged in the production of light consumer goods.
- (5) Privately owned
- (6) Labour force are basically family members.
- (7) Hired workers are unorganised.
- (8) Person don't work full time
- (9) They grow faster than Large scale industries
- (10) Bugged by corruption & cheating.
- (11) Financial discipline is very weak.
- (12) SSI's are quality conscious.
- (13) Most funds come from entrepreneurs savings.
- (14) Exploits both Human resource & natural resource
- (15) Fixed assets form largest component
- (16) Mgmt & organisation are poor.

Need for SSI.

contribute significant to socio & economic development objectives, rural development, poverty eradication, regional balance & promotion of entrepreneurship.

Discuss rationale of SSI in planned development.

The rational SSI established can broadly classified into 4 arguments.

1. Employment argument: _____
2. Equality argument: _____
3. Latent resource argument: _____
4. Decentralization argument: _____

Objectives of developing SSI

- 1) To generate immediate & large scale employment opportunities with relatively low investment.
- 2) To eradicate unemployment prob from country.
- 3) To encourage dispersal of industries.
- 4) To bring backward areas to light national development.

- 7) TO encourage effective mobilisation.
- 8) TO improve level of living of people in country.

Steps to start small scale industry:

1. Choose a line
2. Decide, form of ownership
3. Decide whether to purchase going concern or to take new one.
4. Obtain project report from elsewhere/prepare yourself.
5. Decide on location & site
6. Arrange work shed (preferably on rent)
7. Have SSI registration no.
8. Plan finance
9. Plan purchase of machinery
10. Place order for machinery
11. Apply for material
12. Plan buying
13. Install machinery
14. Procure material
15. Recruit personnel
16. Trial run
17. Decide on pricing policy
18. Organise marketing
19. Produce & sell
20. Plough back profits
21. Diversification
22. Modernisation
23. Compete with others
24. Grow bigger
25. Ancillary Development

Role of small scale industries

1. Employment generation
2. Self employment
3. Optimum use of capital
4. Facilitate entrepreneurial development
5. Use of local resources
6. Balanced regional development
7. Conservation of Foreign exchange
8. Equitable spread of income & wealth
9. Supporting large scale industries