

## Module-1

### Management and Planning

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

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

#### **Basic roles**

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

#### **Management skills**

- **Political:** used to build a power base and establish connections.
- **Conceptual:** used to analyze complex situations.
- **Interpersonal:** used to communicate, motivate, mentor and delegate.
- **Diagnostic:** the ability to visualize most appropriate response to a situation .

#### **Formation of the business policy**

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

#### **Implementation of policies and strategies**

- All policies and strategies must be discussed with all managerial personnel and staff.
- Managers must understand where and how they can implement their policies and strategies.

- A plan of action must be devised for each department.
- Policies and strategies must be reviewed regularly.
- Contingency plans must be devised in case the environment changes.
- Assessments of progress ought to be carried out regularly by top-level managers.
- A good environment and team spirit is required within the business.
- The missions, objectives, strengths and weaknesses of each department must be analysed to determine their roles in achieving the business's mission.
- The forecasting method develops a reliable picture of the business's future environment.
- A planning unit must be created to ensure that all plans are consistent and that policies and strategies are aimed at achieving the same mission and objectives. All policies must be discussed with all managerial personnel and staff that is required in the execution of any departmental policy.

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

### **Policies and strategies in the planning process**

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

### **Levels of management**

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

#### **Top-level managers**

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

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

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

**Middle-level managers**

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

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

**low-level managers**

Consist of supervisors, section leads, foremen, etc. They focus on controlling and directing. They usually have the responsibility of assigning employees tasks, guiding and supervising employees on day-to-day activities, ensuring quality and quantity production, making recommendations, suggestions, and upchanneling employee problems, etc. First-level managers are role models for employees that provide:

- Basic supervision.
- Motivation.
- Career planning.
- Performance feedback.
- Supervising the staffs.

**It's both.**

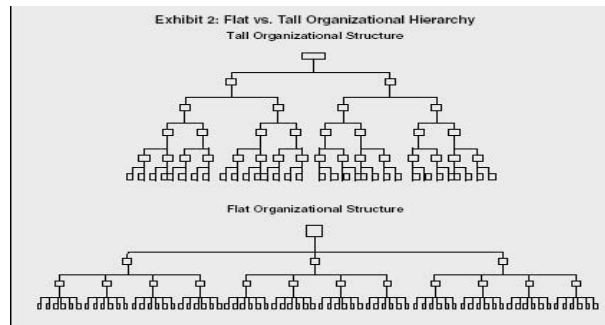
**ART** because you have to deal with people. You have to study organization behaviour and know what motivates people and what puts people off. You have to know Maslow's hierarchy of need etc. This is more qualitative.

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

**Management as a Science:**

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

**Levels of management**



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

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

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



## LEVELS OF MANAGEMENT

### *Top Level of Management*

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

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

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.

- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

## **2. Middle Level of Management**

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.
- h. They are also responsible for inspiring lower level managers towards better performance.

## **3. Lower Level of Management**

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

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.

- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.
- m. They are the image builders of the enterprise because they are in direct contact with the workers.

### **Modern Management approaches**

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

#### **Behavioral Approach:**

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

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

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

**Abraham Maslow:** He developed the theory of motivation that was based on three assumptions. First, human beings have needs that are never completely satisfied. Second, human action is aimed at fulfilling the needs that are satisfied at a given point in time. Third, needs fit into a hierarchy, ranging from basic and lower level needs at the bottom to higher level needs at the top.

**Douglas McGregor:** He developed a concept of Theory X versus Theory Y dealing with possible assumptions that managers make about workers. Theory X managers tend to assume that workers are lazy, need to be coerced, have little ambition and are focused mainly on security needs. Theory Y managers assume that workers do not inherently dislike work, are capable of self control, have capacity to be creative and innovative and generally have higher level needs. This approach helped managers develop a broader perspective on the nature of workers and new alternatives for interacting with them.

#### **Quantitative Approach:**

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

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

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

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

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

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

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

### **Systems Approach to management:**

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

1. Inputs are the various resources required to produce goods and services.
2. Transformation processes are the organization managerial and technological abilities that are applied to convert inputs into outputs.
3. Outputs are the products, services and other outcomes produced by the organization.
4. Feedback is information about results and organizational status relative to the environment.

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

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

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

### **Expected Questions:**

1. Define management. What are the nature and characteristics? Explain its function.  
(june10, june11, dec09, june09)
2. Is management a science, art or profession? Explain. (June10, june11, jan10, july09, dec08)
3. What are the modern management approached? Explain briefly the contingency approaches of management. (June10, july09)
4. Explain the various roles of a manager (june10, july09, jan09)
5. Explain the contribution of FW Taylor to the theory of management  
(jan10,dec10)



## Planning

### Meaning and Definition of Planning

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

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

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

### Procedure of Planning

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

#### **Procedure of Planning**

1. **Analyze Opportunities:** Generally, this is not a step of planning. It is known as pre-step of planning. It is essential to make a successful plan. The management has to analyze strengths; weakness, opportunities and threats (SWOT) of changing environment of the business. Here, strengths and



2. **Setting objectives:** This is the first and real starting point of planning. The objectives must be specific, clear and practical. They should be time bound and expressed in numerical terms. They should not be idealistic or over ambitious. A minor mistake in setting objectives might affect in implementation of plan.

3. **Determination of premises:** After setting objectives, another step of planning is to determine premises. Premises are the assumptions about the future (a) **Tangible and intangible:** Tangible premises involve capital investment, unit of production, units sold, cost per unit, time available etc.

4. **Determination of alternatives:** The next step, after establishment of objective and premises of the planning is to discover the various alternative courses of action for the achievement of organizational objectives.

5 **Evaluation of alternatives:** This is another step after determination of alternative courses of action to evaluate them from their expected cost and benefits.

6 **Selecting a course of action:** Next step of the planning after evaluation of alternative courses of action is to select a best course of action.

7 **Formulation of derivative plans:** This is the next logical step after the selection of a course of action. After the selection of course of action, it is essential to formulate action plans for each step of work and to all departments of the organization. These action plans involve formulation of policies, rules, schedule and budget to complete defined objectives.

8 **Implantation of plans:** This is one of the significant steps of planning. Without this step, other this procedure of plan will remain as paper work.

9 **Reviewing the planning process:** The planning procedure is continuous function up to the attainment of defined objectives.

### **Types of planning**

The following are the major types of plan prepared in the organization: I, Corporate or strategic plan

Ii Tactical or Division plan

Iii Operational or Unit plan

i. **Corporate or Strategic Plan:** This plan is prepared by the top level management by taking the long term objectives of the organization into consideration. It clearly defines the objectives of the organization and strategies to achieve the defined objective. Here goal focuses on the result that an organization wants to achieve. It is the end point of planning.

ii **Tactical or Division Plan:** Tactical plan is prepared by the middle level management It is consistent with corporate plan. In simple words, it is the sub-division of corporate plan to implement in practical field. Here, divisional managers identify the priorities of the works. They focus to allocate work and resources on the basis of programs.

iii **Operational or Unit Plan:** This plan is prepared by the lower level management. It is consistent with tactical plant. In simple sense, it is the action plan of each and every activity of the department.

### **Advantages (Benefits/Importance) of Planning**

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

### **Advantages of Planning**

Goal Focus

Minimize Uncertainty

Improve efficiency

Facilitates to Control

Innovation and Creativity

Better Coordination

Ensures Commitment

Aid to Business Success

Brings Systematization

### **Strategy and Business policy**

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

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

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

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

#### Stages in formulation of strategy

*A number of framework have been developed for identification the major strategic alternatives that organization should consider when choosing their business – level strategies. The several stages involved in formulating a strategy .*

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

#### Types of Strategies

- 1. Stability strategy*
- 2. Growth strategy*
- 3. Diversification strategy*

4. *Acquisition strategy*
5. *Retreat strategy*
6. *Combination strategies*

### **The Importance of Planning**

The importance of the planning function should have been clear to you. We can outline the importance of planning function as follows: **Provides Direction:** Planning provides a clear sense of direction to the activities of the organization and to the job behavior of managers and others. It strengthens their confidence in understanding where the organization is heading and what for, how best to make the organization move along the chosen path, and when should they take what measures to achieve the goals of the organization.

**Provides opportunity to analyze alternative courses of action:** Another source of importance of planning is that it permits managers to examine and analyze alternative course of action with a better understanding of their likely consequences. If managers have an enhanced awareness of the possible future effects of alternative courses of action, for making a decision or for taking any action, they will be able to exercise judgment and proceed cautiously to choose the most feasible and favorable course of action.

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

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

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

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

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

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

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

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

#### **Nature and Characteristics of Planning management**

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

**Primacy of Planning:** Planning is the first and foremost activity of Managerial function.

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

**Ubiquity/pervasiveness of Planning:** Planning is an function which exists in all levels of managerial hierarchy.

**Future orientation:** Planning are always future oriented. It is a process which look ahead or think ahead and making provision to tackle future event.

**Information base:** Information is the basis of planning. Without information planning is not possible.

**Rationality:** Planning is done based on reasons rather than emotions.

**Formal and informal Nature:** Normally planning is of formal and informal nature.

**Intellectual Process:** Planning is a process which needs the ability to think in a logical way and understanding things.

**Pragmatic, action-orientation:** Even if it is an intellectual process, it needs practical, flexible and sensible way of action rather than a fixed ideas or theories.

**Decision making:** Planning involves decision making and problem solving.

**Dynamism:** Planning is a dynamic process and it is based on the external and internal changes of environment

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

1. Corporate Planning covering the entire organization
2. Sub-corporate or functional Planning – within the various divisions or

units. On the basis of significance we may divide planning into

1. Strategic planning
2. Tactical or operational planning.

On the basis of time we can divide planning into:

1. Long term planning covering periods of more than one year.
2. Short term planning covering a period of one year or less.

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

**Types of plans:** Plans are categorized into two groups:

1. Single use plans – those which are designed to meet specific, non-repetitive and unique situations
2. Standing Plans – those which are fairly stable and are meant to handle a wide range of repetitive situations over a period of time.

### **5 essential objectives of economic planning in India**

Planning without an objective is like driving without any destination. There are generally two sets of objectives for planning, namely the short-term objectives and the long-term objectives. While the short-term objectives vary from plan to plan, depending on the immediate problems faced by the economy, the process of planning is inspired by certain long term objectives. In case of our Five Year plans, the long-term objectives are:(i) A high rate of growth with a view to improvement in standard of living.(ii) Economic self-reliance;

(iii) Social justice and(iv) Modernization of the economy(v) Economic stability

### **Planning Premises**



## What Is a Planning Hierarchy?

### Definition

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

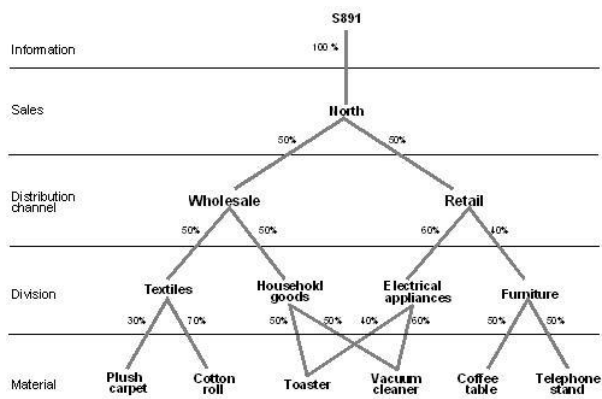
Planning hierarchies provide a framework for your planning activities in consistent planning and level-by-level planning. With these planning methods, a planning hierarchy must exist for the information structure before you can plan its key figures. You can create only one planning hierarchy for an information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

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

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

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

### Example of a Planning Hierarchy



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



### Expected Questions:

1. What is planning? Explain the steps involved in planning. And give the importance and purpose of planning process June10, June11, Jan09
2. briefly explain the types of planning. June10, June11, July09
3. Explain the process and steps involved in decision making and planning June10, June11, July09, model paper, Dec10, Jan09
4. Explain hierarchy of planning June10, Dec10,
5. Differentiate between strategic planning and tactical planning June10
6. what are planning premises? Explain the classification of planning premises. Jan10
7. what are the different types of decision? Explain briefly July09
8. discuss the limitations and importance of planning July09.



## **Module 2**

### **Organizing and staffing**

#### *Nature of organization*

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The following are the important characteristics of organization.

#### **Specialization and division of work**

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

#### *Purpose of organization*

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#### **Helps to achieve organizational goal**

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

#### **Optimum use of resources**

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

#### **To perform managerial function**

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

#### **Facilitates growth and diversification**

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

#### **Human treatment of employees**

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

#### *Applications*

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

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## Structure

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

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

## Work specialization

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

## Chain of command

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

## Span of management

Factors influencing larger span of management.

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

## Importance of organizing

- Organizations are often troubled by how to organize, particularly when a new strategy is developed
- Changing market conditions or new technology requires change
- Organizations seek efficiencies through improvements in organizing

### *Types of Organization*

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

#### General Organization Patterns

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

#### **Departmentation**

Departmentation is a process resulting out of choice to group tasks according to some criterion. The resultant process of departmentation includes decisions regarding segregating organizational work, allocation of work to persons, telling all involved who is in charge and provide for the support needed by those. Nine bases of departmentation are common among managerial choices:

(a) Departmentation by numbers: Perhaps this is the simplest way to create groups or units within the organization, if we assume that all the individuals available are possessing same skills, abilities and other required qualifications.

(b) Departmentation by time of duty: Generally this basis is chosen when the operation or organizational activity is required to be carried on round the clock. The staff which is divided as per the time or shift basis might possess a set of different skills and abilities.

(c) Departmentation by function: This widely used method of departmentation is found in almost all organizations at some level and to some degrees. Groups are created such that within a group, people perform same function or activity, which at the lower level can even be identical.

(d) Departmentation by Process or Equipment: This basis of departmentation is sometimes required by the technology itself as part of the production activity, where the transformation of raw material into finished goods is achieved through performance of various processes.

(e) Departmentation by Location or territory: If an organization's activities are scattered and if the differences across locations are significant in terms of customer preferences or the difficulty in handling complex scheduling issues, or the importance of local participation in decisionmaking , it makes sense to use departmentation by territory or location. The Indian Railway, for example is divided along territorial lines into central railway, western railway and so on.

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

in turn who might be supported by various functional sub-departments dedicated to specific product.

(g) **Departmentation by Customer:** One more method to pay close attention to the needs of the customer is to create departments by customer types. We have within banks this type of departments - retail banking for retail customers, corporate banking for business clients, separate services for high net worth individuals, and so on. (h) **Departmentation by Market or Distribution Channel:** Companies who want to ensure that their product reaches the intended customers through multiple channels so that the product enjoys high saliency and provides easy reminder to the customers can consider this type of departmentation.

(i) **Departmentation by Services:** This type is especially meant for combination with other type(s) of departmentation, because it refers to the type of internal services provided within the organization and the number of people engaged in those services.

### **Committee**

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

- **Governance:** in organizations considered too large for all the members to participate in decisions affecting the organization as a whole, a committee (such as a Board of Directors or "Executive Committee") is given the power to make decisions, spend money, or take actions.
- **Coordination:** individuals from different parts of an organization (for example, all senior vice presidents) might meet regularly to discuss developments in their areas, review projects that cut across organizational boundaries, talk about future options, etc.
- **Research and recommendations:** committees are often formed to do research and make recommendations on a potential or planned project or change.
- **Tabling:** as a means of public relations by sending sensitive, inconvenient, or irrelevant matters to committees, organizations may bypass, stall, or disacknowledge matters without declaring a formal policy of inaction or indifference.

### **Centralization, decentralization, and formalization**

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

### **MBO & MBE**

"**Management by Objectives (MBO)** is a principle or practice of management that empowers employees. Employees take part in goal setting process and they get involved in the organisation which makes them more aligned to the organisation. As employees are involved in goal setting process it is more likely that they try to achieve set goals. Since, the goals motivates employees to

**Management by Exception (MBE)** is a method of control. Managers intervene the work of employees only when they work outside the prescribed scope or when they can't meet the standard. Manager leaves employee free till they work within the scope and within they meet the standard."

### **IMPORTANCE OF STAFFING**

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

- (a) It helps in getting right people for the right job at the right time. The function of staffing enables the manager to find out as to how many workers are required and with what qualifications and experience.
- (b) Staffing contributes to improved organisational productivity. Through proper selection the organisation gets quality workers, and through proper training the performances level of the workers can be improved.
- (c) It helps in providing job satisfaction to the employees keeping their morale high. With proper training and development programmes their efficiency improves and they feel assured of their career advancements.
- (d) Staffing maintains harmony in the organisation. Through proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions made on merit. For all these, certain rules are made and are duly communicated to all concerned. This fosters harmony and peace in the organisation.

### **PROCESS OF STAFFING**

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

- (a) Manpower Planning
- (b) Job Analysis
- (c) Recruitment
- (d) Selection
- (e) Placement
- (f) Induction
- (g) Training and Development

- (h) Performance Appraisal
- (i) Compensation
- (J) Promotion and Transfer

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

## RECRUITMENT

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

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

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

Thus, **recruitment is the process of finding and attracting suitable applicants for employment. SOURCES OF RECRUITMENT**

one must be aware of the sources of recruitment before publicising the specific staffing needs and induce the suitable persons to apply for the job positions involved. These sources can be internal and external.

**(A) Internal Sources:** In any business, existing employees expect that they will have chances of promotion and will be considered for higher positions before outsiders are considered.

**(B) External Sources:** All vacancies cannot be filled up from within the organisation. Existing employees may lack the required skill, initiative and qualification needed for the jobs involved.

Hence managers have to recruit some persons from outside the organisation. **(a) Media**

**Advertisements: (b) Employment Exchanges (c) Educational Institutions: (d) Unsolicited**

**Application : (e) Recruitment at the Factory gate: (f) Referrals:**

**(g) Private Employment Agencies:**



Expected questions

1. what are the advantages and disadvantages of line and staff organization june10
2. what are MBO and MBE? Explain june10, july09
3. what is recruitment? Explain various source of recruitment june10
4. what are the various principle of organization june11
5. explain the selection process june11, dec10
6. define span of control. Discuss functional organization structure with a chart jan10, july09
7. Define staffing and discuss its importance jan10

8. Write any four advantages of proper staffing                      july09  
9. Briefly explain the principle of organization                      july09, june08, dec10

## **Directing & controlling**

### **DIRECTING**

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

### **MEANING OF DIRECTING**

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

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

### **IMPORTANCE OF DIRECTING**

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

### **Leadership Styles**

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

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



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

### *Authoritarian (autocratic)*



**I want both of you to . . .**

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

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

### *Participative (democratic)*



**Let's work together to solve this. . .**

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

### *Delegative (free reign)*



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

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

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

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

### ***Forces***

A good leader uses all three styles, depending on what forces are involved between the followers, the leader, and the situation. Some examples include:

- Using an authoritarian style on a new employee who is just learning the job. The leader is competent and a good coach. The employee is motivated to learn a new skill. The situation is a new environment for the employee.
- Using a participative style with a team of workers who know their job. The leader knows the problem, but does not have all the information. The employees know their jobs and want to become part of the team.
- Using a delegative style with a worker who knows more about the job than you. You cannot do everything and the employee needs to take ownership of her job! In addition, this allows you to be at other places, doing other things.
- Using all three: Telling your employees that a procedure is not working correctly and a new one must be established (authoritarian). Asking for their ideas and input on creating a new procedure (participative). Delegating tasks in order to implement the new procedure (delegative).

Forces that influence the style to be used included:

- How much time is available.

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

### *Positive and Negative Approaches*

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

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

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

### *Use of Consideration and Structure*

Two other approaches that leaders use are:

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

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

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

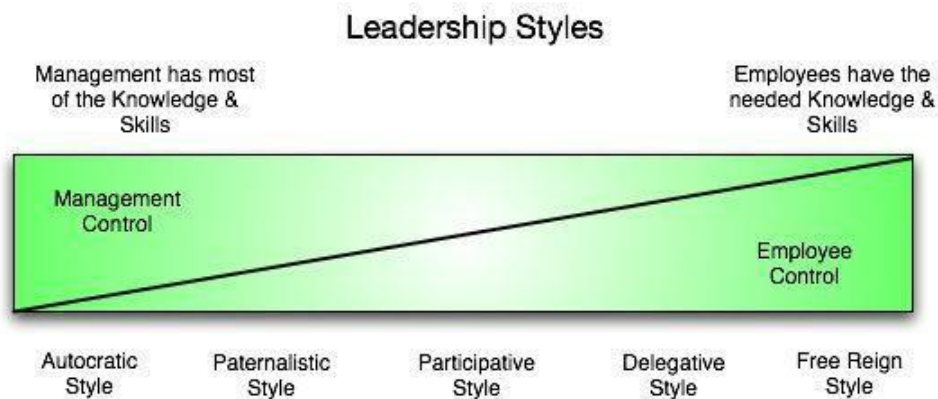
Also notice that consideration and structure are independent of each other, thus they should not be viewed on opposite ends of a continuum. For example, a leader who becomes more considerate, does not necessarily mean that she has become less structured.

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

## Paternalism

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

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



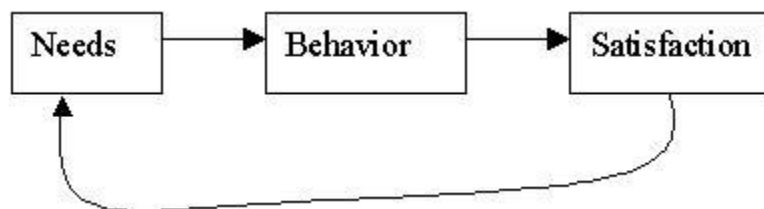
## Theories of Motivation

### Overview

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

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

Overall, the basic perspective on motivation looks something like this:



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

A variation on this model, particularly appropriate from an experimenter's or manager's point of view, would be to add a box labeled "reward" between "behavior" and "satisfaction". So that

subjects (or employees), who have certain needs do certain things (behavior), which then get them rewards set up by the experimenter or manager (such as raises or bonuses), which satisfy the needs, and so on.

### **Classifying Needs**

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

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

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

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

### **Maslow**

Maslow's hierarchy of need categories is the most famous example:

self-actualization
esteem
belongingness
safety
physiological

### **Alderfer's ERG theory**

Alderfer classifies needs into three categories, also ordered hierarchically:

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

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

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

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

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

#### Communication: Importance and Definition

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

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

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

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

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

1. The channels of communication should be definitely known.

2. There should be a definite formal channel of communication to every member of an organization.
3. The line of communication should be as direct and short as possible.
4. The complete formal line of communication should normally be used.
5. The persons serving as communication centers should be competent.
6. The line of communication should not be interrupted while the organization is functioning.
7. Every communication should be authenticated.

### **THE DEFINITION OF COMMUNICATION**

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

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

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

### **CHANNELS OR MEDIA OF COMMUNICATION**

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

### **ORGANIZATIONAL COMMUNICATION - CATEGORIZATION**

The communication that takes in the organization can be categorized as formal and informal.

Formal communication is categorized mainly as vertical and horizontal.

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

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

The communication that takes place within the organization can be categorized as interpersonal when it is taking place between two persons, and as interactive when more people are involved.

Even though the text of Luthans does not discuss the issue, within an organization there are certain persons who have to communicate to a very large number of persons at the same time or at different times with the same message. For instance, CEO communicating to his organization. Organization behavior texts have to discuss the issues involved in this communication. Similarly, the PR communication aimed at the employees of the organization.



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 Coordination
 

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

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

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

## Types of coordination

**Types of co-ordination:**

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

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

- **Internal** – refers to co-ordination between the different units of an organisation within and is achieved by integrating the goals and activities of different departments of the enterprise.
- **External** – refers to co-ordination between an organisation and its external environment comprising government, community, customers, investors, suppliers, competitors, research institutions, etc. It requires proper match between policies and activities of the enterprise and the outside world.

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

- **Vertical** – implies co-ordination between different levels of the organisation and has to ensure that all the levels in the organisation act in harmony and in accordance with the goals and policies of the organisation. Vertical co-ordination is assured by top management through delegation of authority.
- **Horizontal or lateral** – refers to co-ordination between different departments and other units at the same level of the management hierarchy. For instance, co-ordination between production department and marketing department is horizontal or lateral co-ordination.

Co-ordination may also be:

**3. Procedural and substantive** – which according to Herbert A. Simon, procedural co-ordination implies the specification of the organisation in itself, i.e. the generalised description of the behaviour and relationship of the members of the organisation. On the other hand, substantive co-ordination is concerned with the content of the organisation's activities. For instance, in an

automobile plant an organisation chart is an aspect of procedural co-ordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive co-ordination.

### **Techniques of co-ordination:**

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

1. **Sound planning** – unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organisation and the goals of its units must be clearly defined. Planning is the ideal stage for co-ordination. Clear-cut objectives, harmonised policies and unified procedures and rules ensure uniformity of action.
2. **Simplified organisation** – a simple and sound organisation is an important means of co-ordination. The lines of authority and responsibility from top to the bottom of the organisation structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialisation should be avoided as it tends to make every unit an end in itself.
3. **Effective communication** – open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.
4. **Effective leadership and supervision** – effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.
5. **Chain of command** – authority is the supreme co-ordinating power in an organisation. Exercise of authority through the chain of command or hierarchy is the traditional means of co-ordination. Co-ordination between interdependent units can be secured by putting them under one boss.
6. **Indoctrination and incentives** – indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.

### **Advantages of coordination**

1. Higher Efficiency and Economy:

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

## 2. Good Human Relations:

Besides promoting the efficiency of operations, coordination improves the morale and job satisfaction of employees.

## 3. Unity of direction:

Coordination helps to ensure unity of action in the face of disruptive forces. By welding together different departments and sections into one entity, coordination ensures the stability and growth of an organisation.

## 4. Quintessence of management:

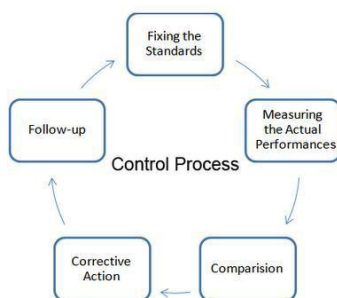
Coordination is an all inclusive concepts or the end result of the management process. Management is nothing more than coordination of all activities, efforts and forces that affect the organisation from within and without.

## 5. Organizational Effectiveness:

Coordination fosters loyalty and commitment among employees. This enhances the effectiveness and stability of the organisation. According to McFarland, "if job satisfactions are present, executives will tend to remain longer with the company.

### *Definition of Control*

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



Methods of Establishing Control

### Methods of establishing horizontal control include

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

**Methods of establishing vertical control include:**

1. Differential leveling
2. Trigonometric leveling
3. GPS
4. Photogrammetric methods

***Horizontal Control*****Horizontal control can be based on**

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

***Vertical Control: Vertical control can be based on***

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

**VERTICAL CONTROL**

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

1. For instance, 1 foot contours can have an error of  $\frac{1}{2}$  foot. So uncertainty on a BM must be under  $\frac{1}{6}$  of a foot.

Expected questions:

1. Give principle of directing . june10
2. What are the different styles of leadership june10,jan10
3. State and explain steps in controlling. Explain the methods of establishing sound controlling june10, june11, jan10, dec10
4. discuss various principle of directing june11
5. define leadership jan10
6. with neat sketch explain Maslow's theory june10, june11, jan10, july 09, dec10
7. Briefly explain the essential of a sound control system. July09

### **Module 3**

### **Entrepreneurship**

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

#### *Types of entrepreneurs*

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

#### **Social entrepreneur**

A social entrepreneur is motivated by a desire to help, improve and transform social, environmental, educational and economic conditions. Key traits and characteristics of highly effective social entrepreneurs include ambition and a lack of acceptance of the status quo or accepting the world "as it is".

#### **Serial entrepreneur**

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

#### **Lifestyle entrepreneur**

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interests and talent with the ability to earn a living. Many entrepreneurs may be primarily motivated by the intention to make their business profitable in order to sell to shareholders

#### **Cooperative entrepreneur**

A cooperative entrepreneur doesn't just work alone, but rather collaborates with other cooperative entrepreneurs to develop projects, particularly cooperative projects. Each cooperative entrepreneur might bring different skill sets to the table, but collectively they share in the risk and success of the venture.

### **Theory-based Typologies**

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

### **Evolution of Entrepreneurship**

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

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

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

Frank Knight (1921); Entrepreneurs attempt to predict and act upon change within markets. Knight emphasize the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control. In summary, entrepreneurship is often viewed as a function which involves the exploitation of opportunities which exist within a market. Such exploitation is most commonly associated with the direction and/or combination of productive inputs. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and often are associated with creative and innovative actions. In addition, entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. In this sense entrepreneurial activity is fleeting. An individual may perform an entrepreneurial function in creating an organization, but later is relegated to the role of managing it without performing an entrepreneurial role. In this sense, many small-business owners would not be considered to be entrepreneurs. Finally, individuals within organizations (i.e. non-founders) can be classified as entrepreneurs since they pursue the

exploitation of opportunities. Thus entrepreneurship is appropriately considered to be a form of entrepreneurship.

### **Essential Functions of an Entrepreneur**

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

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

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

### **Intrapreneurship**

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

#### **Difference between Intrapreneur and Entrepreneur:**

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

#### **MAIN DIFFERENCE BETWEEN ENTREPRENEURSHIP AND INTRAPRENEURSHIP:**

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



### stages of Entrepreneurship

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

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

#### **Stage 1: CONVICTION**

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

#### **Stage 2: IDEA**

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

#### **Stage 3: CONCEPT**

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

- Extensive market research
- Development of the business model
- Conceptualization of the type of the team required to execute
- Engagement of informal and formal advisors

#### **Stage 4: VENTURE**

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

#### **Stage 5: BUSINESS**

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

**Stage 6: SUSTAINABLE BUSINESS**

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

**The Role of the Entrepreneur**

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

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

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

***Entrepreneurship in India – hype or happening ?***

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

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

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

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

In all fairness, I am not on ground zero. And so it may seem as inappropriate to many that I speak of entrepreneurship in India while residing in the US. You might very well diss my opinions

expressed below based on the same grounds, and in that case, I welcome your perspective – hopefully we can have a healthy discussion via the comments. In my defense, even though I'm not at ground zero, I have been closely monitoring the startup and entrepreneurship scene in India over the last couple of years. I've talked to lots of Indian entrepreneurs, tech enthusiasts and VC's over this time – enough to form an opinion.

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

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

**Lack of funding:**

**No Ecosystem:**

**Bureaucratic red-tape:**

**No Product Companies:**

**Revamping Education:**

**Lack of Good Mentors:**

**Lack of M&A activity:**

### **Barrier of entrepreneurship**

1. **Procrastination:** Procrastination they say is the thief of time. There is no tomorrow because it never comes. What you do today will affect how your tomorrow will be. Out of laziness, resistance and complacency entrepreneurs are forced to shift activities.
2. **Tying your dreams to age:** Age is nothing but a number. Whatever you want to do has nothing to do with your age. It's all about attitude, level of exposure, knowledge and the self-will.
3. **Following the status quo:** There is no perfect system. What worked out ten years ago has no place today. The world is fast-changing and so is the business environment. The Internet has made the world smaller than was thought decades ago.

Expected Questions:

1. **Differentiate between entrepreneur , intrapreneur and manager**

**june10,**

**july09**

2. what are the barriers of entrepreneurship? Explain the role in economic development june10, june11, jan10
3. explain various stages in entrepreneurial process june11, dec10
4. explain the evolution and growth of entrepreneurship in India. Jan10
5. explain in detail various types and function of an entrepreneur july09

## **Module 4**

### **Small Scale industry**

#### **Meaning and Concept of Small Scale Industry:**

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

#### **Definition of Small Scale Industry:**

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

#### **Essential characteristics of Small Scale Industries**

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

##### **1. Labour intensive:**

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

##### **2. Flexibility:**

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

**3. One-man show:**

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

**4. Use of indigenous raw materials:**

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

**5. Localised operation:**

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

**6. Lesser gestation period:**

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

**7. Educational level:**

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

**8. Profit motive:**

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

**Needs and rationale**

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

The importance of this industry increases manifold due to the immense employment generating potential. The countries which are characterized by acute unemployment problem especially put emphasis on the model of **Small Scale Industries**. It has been observed that India along with the countries in the Indian continent have gone long strides in this field.

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### Advantages associated with Small Scale Industries

- This industry is especially specialized in the production of consumer commodities.
- Small scale industries can be characterized with the special feature of adopting the labor intensive approach for commodity production. As these industries lack capital, so they utilize the labor power for the production of goods. The main advantage of such a process lies in the absorption of the surplus amount of labor in the economy who were not being absorbed by the large and capital intensive industries. This, in turn, helps the system in scaling down the extent of unemployment as well as poverty.
- It has been empirically proved all over the world that **Small Scale Industries** are adept in distributing national income in more efficient and equitable manner among the various participants in the process of good production than their medium or larger counterparts.
- **Small Scale Industries** help the economy in promoting balanced development of industries across all the regions of the economy.
- This industry helps the various sections of the society to hone their skills required for entrepreneurship.
- Small Scale Industries act as an essential medium for the efficient utilization of the skills as well as resources available locally.

### Role of SSI in economic development

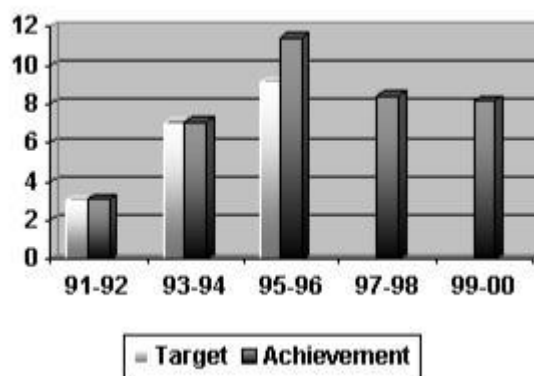
#### Production

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

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

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

When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.



P-Projected (April-December)

\* Target not fixed at constant prices

## Employment

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

### Generation of Employment - Industry Group-wise

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

### Per unit employment

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

### Location-wise Employment Distribution - Rural

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



## Urban

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

## State-wise Employment Distribution

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

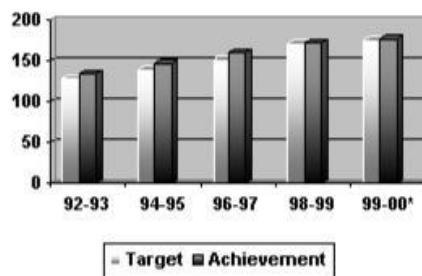
This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West Bengal (8.5%) the total share being 27.7%.

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

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

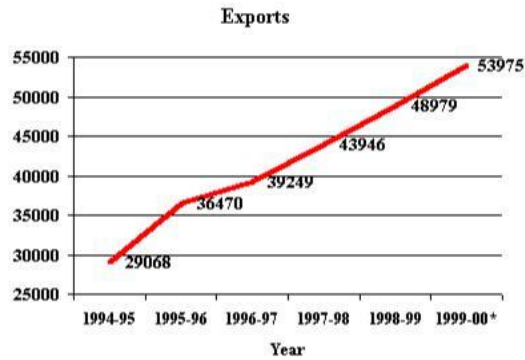
It was 12 in Maharashtra, Tripura and Delhi.

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



## Export

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



P-Provisional

## Opportunity

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

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

## Advantages of Small Scale Industries

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

1. Employment argument
2. Equality argument
3. Decentralisation argument

4. Latent Resource argument.

### **Liberalization and its impact on small scale industries**

In general, liberalization refers to a relaxation of previous government restrictions, usually in areas of social and economic policy. In the arena of social policy it may refer to a relaxation of laws, restricting the society. Most often,

the term is used to refer to economic liberalization, especially trade liberalization or capital market liberalization.

Policies of liberalization are being pursued as part of economic reforms in India. The objectives of liberalization basically are:

1. To enhance budgetary receipts.
2. To minimize budgetary support towards loss making units.
3. To improve performance by bringing out changes in ownership and performance through disinvestment.
4. To ensure long term viability and sustainable levels of employment in public sector enterprises.

### **Liberalization and it's impact on SSIs in India**

India has traditionally always had a very vibrant and competitive SSI. Even after the dawn of industrialization, British producers of textiles found handmade Indian textiles such a threat that they lobbied hard to have its import banned, succeeding in the late 18th century (Gupta and Sharma, 1996). During pre-economic liberalization period a wide variety of incentives, concessions and institutional facilities were extended for the development of SSIs but these socialistic promotional policy measures, (Tripathi, 2006), in many cases resulted in protection of weak units rather (Parthasarathy, 1996) than the independent growth of units under competitive business environment (Porter and Linde, 1995; Nyati, 1988). Such situation continued up to the middle of 1991. Under the regime of economic liberalization, the focus was shifted from —protectionl to —competitive promotionl (Peattie, 1995; Raja and Rajashekar, 2002).

### **Globalization will kill Small-Scale Industries in India**

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

### **Five-Year Plan of Industrial Development**

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

It aimed to 'priorities' the efforts on the large number of Growth Centers under implementation so that maximum benefits can be obtained from the investments in these centers in the shortest

possible time. The Plan advocated a number of steps for the industrial development of the North Eastern Region.

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

(i) Profit making PSEs,

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

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

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

### ***WTO AND ITS IMPACT ON SMALL SCALE INDUSTRIES IN***

#### ***INDIA Introduction***

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

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

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

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

#### **GROWTH OF SSI SECTOR IN INDIA**

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

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

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

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

### **Ancillary industry**

Ancillary industries are those which manufacture parts and components to be used by larger industries. Eg- Companies like GE (ancillary) produce engines for the aircraft industry.

The programme of ancillarisation includes motivation of public and private sector units to offload production of components, parts, sub-assemblies, tools, intermediates, services etc., to ancillary units. The programme of ancillary development has specific advantages both for large as well as small industries and also for the total economy of the country. The large scale units have the advantages in the form of savings in investments, inventories, employment of labour, etc. and getting the items of the desired specifications, while the small scale units have the advantage of getting assured market for their products, availability of technical assistance and improved technology from the parent units. This programme also helps in overall economy of the country.

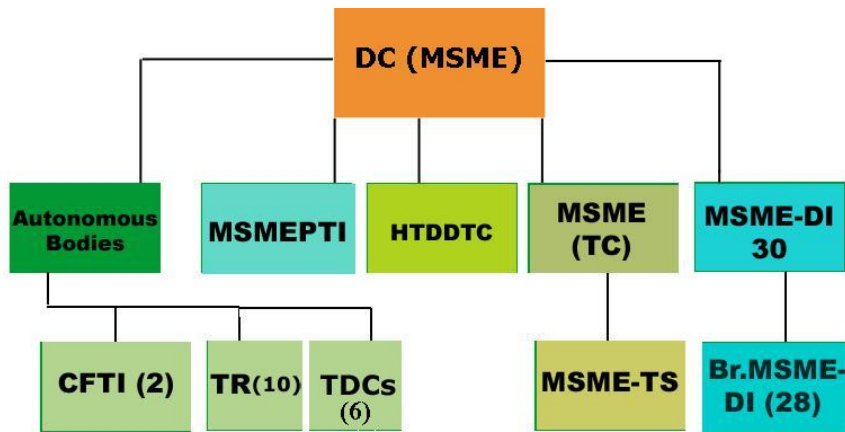
Expected Questions:

1. **Define Small scale industry and state the characteristics of SSI**      **dec10, jan10, july09**
2. **Explain WTO. State its Function**      **Dec10**
3. **Explain the objective of SSI and its role in economic development**      **june10, jan10, july09**
4. **Explain GATT and WTO, and its impact on trade.**      **June10, jan10**
5. **Define ancillary industry and tiny industry**      **june11**
6. **Explain briefly the government support for SSI during 5 year plan**      **july09, jan09**
7. **Discuss the impact of librelization, privatization and Globalization on SSI** **jan09**

## Institutional support

### Development schemes

A vast network of field organisations and institutes across the country operate according to the aims, objectives and guidelines laid down by Development Commissioner (MSME).



### Organizational Structure

The Ministry of Micro, Small and Medium Enterprises (M/o MSME) is the administrative Ministry in the Government of India for all matters relating to Micro, Small and Medium Enterprises. It designs and implements policies and programmes through its field organisations and attached offices for promotion and growth of MSME sector.

### Institutional Network

The Development Commissioner (MSME) have a network of 30 MSME-Development Institute(MSME-DI), 28 Br. MSME-Development Institute(Br. MSME-DI), 4 MSME-Testing Centres (MSME-TCs), 7 MSME-Testing Stations (MSME-TSs), 21 Autonomous bodies which include 10 Tool Rooms (TRs) and Tool Design Institutes (TDI), 4 MSME-Technology Development Center(MSME-TDC), 2 MSME-Technology Development Center-Footwear(MSME-TDC), 1 Electronics Service & Training Centre (ESTC), 1 Institute for Design of Electrical Measuring Instruments (IDEMI) 2 National Level Training Institutes, and 1 Departmental Training Institute and one Production Center.

### MSME-Testing Center (MSME-TC) (Formerly Regional Testing Centers(RTCs))

- Provide Testing facilities for quality upgradation

- Training/constancy in testing, quality control, quality
- management Process quality control systems, etc.
- Product specific testing facilities are provided by MSME-Testing Stations(MSME-TSs)

### **Autonomous Bodies**

#### **Tool Rooms/Tool Design Institutes (TRs/TDI)**

- To assist MSMEs in technical up gradation, provide good quality tooling by designing and producing tools, moulds, jigs & fixtures, components, etc.
- Provide Training and consultancy for tool and die makers.

#### **MSME-Technology Development Center(MSME-TDC) (Formerly Product-cum-Process Development Centers (PPDCs))**

These are product specific Centers to:

- look into their specific problems and render technical
- service develop and upgrade technologies manpower
- development and training

#### **MSME-Technology Development Center-Footwear(MSME-TDC) (Formerly Central Footwear Training Institutes (CFTIs))**

- Develop footwear designing to promote exports
- Training for manpower in Footwear Industry.

### **Training**

### **Institutes**

There are three National Level Training Institutes. These are:

- National Institute of Micro, Small and Medium Industry Extension Training (NIMSMIET), Hyderabad,
- National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi, which conducts national and international level training programmes in different fields and disciplines.
- Indian Institute of Entrepreneurship (IIE), Guwahati. The main objective of the institute is to act as a catalyst for entrepreneurship development with its focus on the North East.

### **Other Associated Agencies**

- National Small Industries Corporation (NSIC) for technology and marketing support
- Small Industries Development Bank of India (SIDBI) an apex bank set up to provide



direct/indirect financial assistance under different schemes to meet credit needs of the small-scale sector and to coordinate the functions of other institutions in similar activities.

- Khadi and Village Industries Commission (KVIC) assists the development and promotion and disbursement of rural and traditional industries in rural and town areas.

### State Level Institutional Support

- State Government executes different promotional and developmental projects/schemes and provide a number of supporting incentives for development and promotion of MSME sector in their respective States.
- These are executed through State Directorate of Industries, who have District Industries Centers (DICs) under them to implement Central/State Level schemes.
- The State Industrial Development & Financial Institutions and State Financial Corporations also look after the needs of the MSME sector.

## Technical Consultancy Services Organisation of Karnataka

(A Government of Karnataka Organisation)

**TECSOK** is a multidisciplinary management consultancy organization promoted by the Government of Karnataka to provide reliable consultancy services in India. TECSOK has been excelling its expertise in a wide range of services. The package of services includes feasibility studies, market research, valuation of assets, environment impact studies, energy management and audit, management studies like corporate plan, reorganization and restructuring of enterprises, man power planning, budgetary control systems, mergers and acquisitions, investment opportunities, technology transfers, diagnostic studies and also designing and organizing training programmes in all related areas. Of late, **TECSOK** is also concentrating on studies relating to Cleaner Production technologies and methods.

**TECSOK** has been considered by the Government of Karnataka, Government of India, State & Central Financial Institutions, Commercial Banks, Asian Development Bank and a host of other institutions of the Government and Private as the recognized consultancy agency.

**TECSOK** has been recognized as the State Nodal Agency by the Ministry of Food Processing Industries, Govt of India to operate the Ministry's Promotional Schemes in Karnataka. [Click here for more details](#)

A Powerhouse of Expertise

The **TECSOK** consultancy is driven by top-notch professionals from different disciplines; engineers, management experts, economists and financial consultants. **TECSOK** partners with

reputed national and multinational consultants, outsourcing expertise for professional synergy.

As an investor, there are many imponderables that will engage your mind. For instance, you would like to have reliable information on the kind of product that would be feasible, the location for your industry, and the procedures for establishing the industry. Other inputs you may require would be in the area of market research, manpower planning, technology, environmental issues etc.

**TECSOK**, with its vast experience will provide you valuable insights and practical solutions in all of these areas and others in which you may need assistance. With its range of services, **TECSOK** offers a single platform from which you can get all the inputs you require.

***TECSOK has been excelling its expertise in a wide range of services.***

**U can rely on TECSOK for**

- Location Specific identification of investment opportunities.
- Assistance in obtaining statutory and procedural clearances.
- Feasibility studies and environment impact studies.
- Preparation of detailed project reports as per investment norms and financial norms..
- Market survey and research.
- Project implementation and turn key assistance.
- Reorganization and restructuring of enterprises.
- Valuation of assets, man power planning & budgetary control system.
- Energy management & audit, corporate plan, technology transfer.
- Diagnostic studies and rehabilitation of sick industries.
- Designing and organizing training programmes
- Since its inception, **TECSOK** has catalysed a large number of industries throughout the province.
- Management studies, company formation, corporate plan, enterprise restructuring.
- Port tariff study and related areas.
- Consultancy for agro-base industries as a Nodal Agency of Government of India.
- Consultancy for merger/takeovers.
- Infrastructure development project reports.



**INTRODUCTION:** The growth of Small Scale Industries in our country since independence is rightly regarded as one of the most significant features of planned economic development. The very concept of small-scale industries, as we know, was not in vogue on the eve of independence. Rural and Cottage industries, which constituted the —indigenous sector of our industries, were wide spread throughout the length and breadth of our country. Various programmes to sustain, modernise and further develop this group of industries were initiated soon after the independence and the modern small-scale industry scheme has gradually emerged out of this programme. The Small Scale Industries have provided opportunities for self employment to educated young men and experienced technicians from the middle level of society and contributed full to the growth of industrial entrepreneurship in our country. To day small-scale industries is regarded as power tool for balanced regional economic development. These achievements are primarily due to the dynamic enterprising spirit of the small-scale industrialists themselves. A positive programme for assistance of small-scale industries was initiated towards the end of 1954 on the basis of a suggestion made by the international planning team sponsored by the Ford Foundation at the request of Govt. of India. Further, on the basis of the **recommendations of the central small scale industries advisory board the state level organisations to assist the small** scale industries for procurement of scarce raw materials establishment of industrial estates, etc, have been set up in all states. KSSIDC, is one of such Corporations, established on 29<sup>th</sup> April 1960. The registered office of the Company started functioning at Bangalore in the State of Karnataka. The Company framed comprehensive and well-defined Memorandum of Association and Articles of Association. Which permit the Corporation to take up any activity aimed at the rapid development of small-scale industry, subject to the guidelines issued by the Government from time to time and also as per Govt order as under.



**KIADB**, a pioneer agency with **ISO 9001: 2000** Certification, offers to entrepreneurs an unmatched convenience of world-class infrastructure for their new ventures and projects. **KIADB** rolls out a red-carpet runway to the world of prosperity by providing quality facilities and services to its clients all over the state of Karnataka .Come and be a part of our family.

Karnataka Industrial Areas Development Board (KIADB) is a wholly owned infrastructure agency of Government of Karnataka, set up under Karnataka Industrial Areas Development Act of 1966.

This Board functions as per statutory provisions, rules and regulations enacted there under. The Board comprises of senior government officers in their ex-officio capacities. The Board of members

meet regularly to take decisions and monitor the functions. KIADB holds pride in being the first government organisation in Karnataka to obtain ISO 9001 certification in the year 1997.

Now the KIADB is following ISO 9001:2000 module covering its functions of Land Acquisition, Development and Allotment functions in Bangalore Urban and Rural districts.

### **Aims and Objectives :**

- Promote rapid and orderly development of industries in the state.
- Assist in implementation of policies of government within the purview of KIAD Act.
- Facilitate for establishing infrastructure projects.
- Function on corporate lines, with —No Profit – No Loss|| policy.

### **Functions :**

- Acquire land and form industrial areas.
- Provide all infrastructure to such industrial areas.
- Acquire land for Single Unit Complexes.
- Acquire land for Government agencies for their schemes and infrastructure projects.

### **KIADB - as a premier industrial area developer**

*KIADB has also acquired lands to cater the specific needs of individual industrial units (Single Unit Complexes). The Board also acquires land for infrastructure projects of the Government. We promote projects of public importance in joint venture with organizations of international repute.*

*The vision of KIADB and world class infrastructure has made investors all over the world take notice of Karnataka as the premier destination for their startups and ventures.*

Till date, KIADB has formed 95 industrial areas spread all over the State, and acquired land for nearly 290 Single Unit Complexes ensuring balanced industrial development in all regions with well thought of infrastructures and unique features.

### Infrastructures in Industrial Area

### **Few prominent industrial areas :**

- Peenya ,Electronic City, Export Promotion Industrial Park (EPIP) in Bangalore.
- Hebbal in Mysore.
- Baikampady in Mangalore.
- Tarihal in Dharwar.
- Kakati in Belgaum.
- Auto Complex in Shimoga.

World's leading Companies have rose up in glory on the infrastructure set by KIADB. This apart, KIADB has envisaged several innovative projects up its sleeve like Agro -Tech Parks, Apparel Park, Auto Parks, Hardware Park, Bio-Tech Park, EPIPs, Special Economic Zones etc.

Some of the projects of KIADB executed with high degree of professionalism:

- Acquisition of about 4316.25 acres of lands for Bangalore International Airport Ltd .
- Acquisition of about 1850 acres of lands for Harbour at Tadri in Uttara Kannada Dist.
- Acquisition of about 1958 acres of lands for M/s MRPL at Mangalore and rehabilitation of about 610 displaced families with modern infrastructure.
- Acquiring & Developing of about 430 acres of land for M/s Toyota in Bidadi at Bangalore Dist.

### **Functional units of KIADB :-**

#### **Acquisition Wing:**

This wing conducts the proceedings of acquisition and hands over the land to KIADB. Special Deputy Commissioner heads acquisition wing and assisted by Special Land Acquisition officers at zonal level. This section is an arm of Government which conducts the proceedings. Board identifies land for development of industrial areas, for single unit complexes, projects & schemes envisaged by Government. On ascertaining the suitability of land, notifications under relevant provisions are issued under KIAD Act of 1966 with approval of Government. Thus the action of acquisition of land is initiated.

#### **Engineering Wing:**

Engineering section prepares a design & development plan taking into consideration different parameters like:

- Infrastructure requirements.
- Statutory & Regulatory requirements.
- Co-Ordination with other agencies.

Chief Engineer and Chief Development Officer heads Engineering section assisted by Development Officers who are in charge at the Zonal Offices. This wing of KIADB also provides service to the allottees by approving building plans, providing water supply connections, NOCs for obtaining power connections from supply agencies and addressing the grievances of allottees at industrial areas in the matters related to infrastructure.

**Small Industries Service Institute (SISI's)**

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally known as central small industries organization (CSIO). Attached to the ministry, SIDO administers small industries service institute (SISI's).

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI has wide spectrum of technological, management and administrative tasks to perform.

**Functions of SISI**

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for participation in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.
9. Identify the potential for ancillary development through sub-contract exchanges;
10. Organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

The Small Industries Service Institutes have been generally organizing the following types of EDPs on specialized courses for different target groups like energy conservation, pollution control, Technology up-gradation, Quality improvement, Material handling, Management technique etc. as mentioned earlier.

General EDP for educated unemployed youth, ex-service personnel etc. for a duration of four weeks. In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation.

Apart from this, exposure is given information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in matters relating to financial management, marketing, packaging and exports.

The participants also interact with successful small scale entrepreneurs as a part of their experience sharing Information of quality; possibilities of diversification and expansion are also given.

The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required. Such courses have benefitted many entrepreneurs to set up units of their own choice.



**Karnataka State Financial Corporation**

ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

KSFC is one of the fast track term lending financial institutions in the country with assistance to over 1,63,643 units amounting to nearly Rs 10,465 crore over the last 52 years in the State of Karnataka. KSFC is one of the robust and professionally managed State Financial Corporations.

The Infrastructure Sector is an integral part in the economy of the nation and it is a catalyst in boosting the development and economy of the country. Realising this vital factor there is a national focus on infrastructure development. Keeping the need and potentiality in view, KSFC has decided to contribute in this sector also. Hence, as part of the new initiative and diversification process, has decided to take up infrastructure development projects with public / private participation. The Corporation initially focus and identify valuable vacant lands in the prime localities, to start with in and around Bangalore city, owned by various Government Departments / Governmental Agencies / Registered Societies/Trusts, etc., and explore for joint development including SEZ. The Corporation would take care of all the financial tie ups for development of these properties. The expected income out of different revenue models, will be shared with the owners of the properties in appropriate ratio on mutually agreeable terms, after studying economics / viability. The joint venture infrastructure will be of world class and state of art technology. It could be IT park, Shopping Mall, Commercial complex, SEZ, etc., depending upon the location of the property and potentiality. This new activity will ensure sustained cash flow for the concerned

owner of the property as well as our Corporation by way of rentals and other earnings, which will obviously be mutually beneficial to both the institutions.

Accordingly, a separate Infrastructure Development Department (IDD) has been created and necessary approval from SIDBI has also been obtained.

### **Single Window Agency**



With a view to facilitate and expedite the various clearances and Government approvals required by entrepreneurs as also to promote investments in the State, the Governor of Meghalaya is pleased to constitute a Committee which will act as Single Window Agency for all investments in the State.

Expected Questions:

1. Explain the aims and objective of KIADB and KSSIDC **June10**
2. Explain NSIC, DIC, Single window agency, KSFC **June10, June11, Jan10, July09**
3. What is TECSOK? Explain the services offered by TESOK **Jan10, July09**
4. List out main function of SIDBI **Jan10, July09**

## Module-5

### Preparation for project

Meaning of project

a large or major undertaking, especially one involving considerable money, personnel, and equipment.

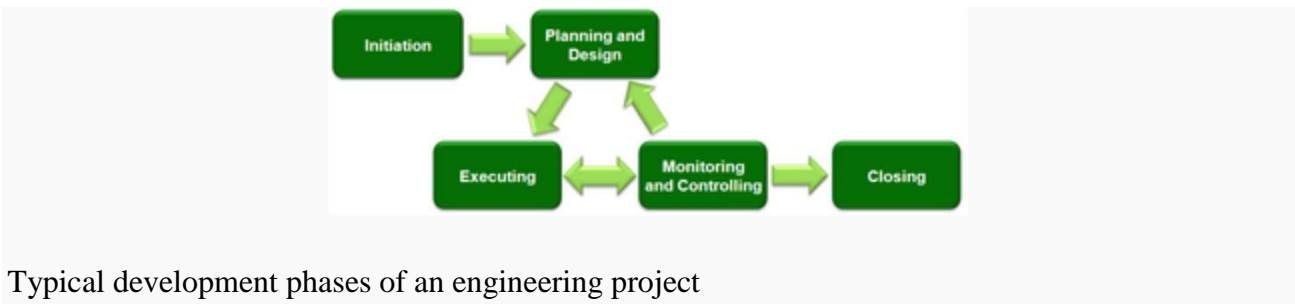
Project management

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**Project management** is the discipline of planning, organizing, securing, managing, leading, and controlling resources to achieve specific goals. A project is a temporary endeavor with a defined beginning and end (usually time-constrained, and often constrained by funding or deliverables),<sup>[1]</sup> undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value.

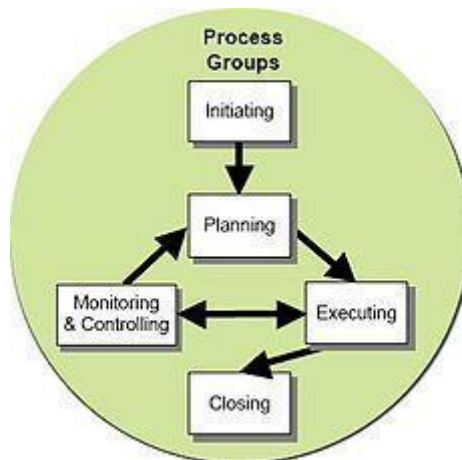
**The traditional approach**

A traditional phased approach identifies a sequence of steps to be completed. In the "traditional approach", five developmental components of a project can be distinguished (four stages plus control):



1. initiation
2. planning and design
3. execution and construction
4. monitoring and controlling systems
5. completion

### Stages of project development



### *Project selection*

Authorities are normally faced with a number of potential investment projects which they need to assess and prioritise. The ultimate goal of the project selection process is to ensure that the investments that will be carried out offer value for money.

Value for money refers to the best available outcome for society, account being taken of all benefits, costs and risks over the whole life of the project.

A necessary condition for a project to represent value for money, irrespective of the procurement option chosen to deliver it, is that the benefits to be derived from the project outweigh the costs. This is normally tested by undertaking a cost-benefit analysis of the project and its requirements.

In the project selection stage, the Authority and its advisers will look at alternative project options, sometimes following guidelines that the public sector will use to assess PPP projects.

Once the key features and specifications for a project are drawn up, the Authority and its advisers will undertake a series of preliminary studies, including supply or demand analysis, cost analysis and a preliminary environmental assessment of the potential impacts of the project.

A distinctive feature of PPP projects is that their requirements are defined in terms of outputs rather than inputs. Conventional project procurement has usually focused on inputs. PPPs therefore involve fundamental changes in the way projects are prepared and in the information that the Authority needs to provide to private sector sponsors. While the typical set of feasibility studies used in the public procurement of projects focuses on inputs, PPP projects demand a clear set of output requirements and service quality standards, which will be reflected in the PPP contract. As a result of the output nature of PPPs, the bulk of the expensive and time-consuming technical design activities for a project will be carried out by the private partner.

In order to consider the PPP procurement option, the Authority and its advisers need to answer a set of key questions:

- Is the project affordable? Will users or the Authority, or both, pay for the project? How will they pay (e.g. user charges, operating subsidies, public sector or EU grants)? Are the procurement costs significant if the project is procured as a PPP?
- What are the key sources of risk in the proposed project? What is the optimal risk allocation and risk management strategy?
- What are the financing sources for the proposed project? Will the project be —bankable (i.e. capable of raising debt finance)? Will it attract investors? Will it comply with the requisites for EU or national public funding?
- Even if the project is affordable and bankable, does the project represent value for money?
- Has the issue of the —balance sheet treatment of the project (i.e. the classification of the project as a public sector investment for the purposes of national debt and deficit under the —excessive deficit procedure of the Maastricht Treaty) been considered?

This part of the EPEC PPP Guide identifies a list of issues specific to PPPs for the Authority and its advisers when examining whether the selected project should be pursued as a PPP. It does not however offer a comprehensive catalogue of recommendations, as the assessment of the PPP option will be dependent on the specific situation of each country, notably in terms of its legal and institutional framework.

## Project appraisal

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**Project appraisal** is a generic term that refers to the process of assessing, in a structured way, the case for proceeding with a project or proposal. In short, project appraisal is the effort of calculating a project's viability<sup>[1]</sup>. It often involves comparing various options, using economic appraisal or some other decision analysis technique.

### *Process*

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- Initial Assessment
- Define problem and long-list
- Consult and short-list
- Develop options
- Compare and select

### *Project Types of appraisal*

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- Financial
  - Cost-benefit analysis
- Economic appraisal
  - Cost-effectiveness analysis
  - Scoring and weighting

## Technical Feasibility

The technical aspects for the development of the proposed project are well within the project team's capabilities to produce such a product. The project team has experience in all aspects of the technology to be used; the World Wide Web (web) and a database program, Microsoft Access.

The scope of this project encompasses both web and database development. The web development involves producing and marketing a web page that conforms to Emerald Webs Request for Proposal. The project team has developed web pages for the purpose of marketing real estate, both for commercial and private residential properties. The marketing of Warwick merchants parallels our experience in that both efforts involve the promoting the attributes of both for a desired purpose. The database to be developed is similar to our prior effort with another Warwick merchant "The Grape Vine". The scope of the database desired by Emerald Webs for this project is not as encompassing in its requirements or functionality as "The Grape Vine" project. That project tracked inventory, vendors, and provided customers the ability to match wines with an appropriate food item to be served. It also produced a variety of reports designed to maintain inventory at certain levels; hence track sales. Therefore the technical aspects of the database desired is within our capabilities to produce.

The web site to be produced will follow HyperText Mark-Up Language (HTML) guidelines that will enable a cybervisitor to easily understand the meaning of the site and to draw the visitor to explore the site. This will be achieved by its ease of understanding via a pleasant use of colors,

fonts, text and description of its content. The layout will conform to Emerald Webs desire to give it a "Main Street U.S.A" feel.

The database as with our previous project will be based in Microsoft Access, a very capable database program. Access is a very popular office application software title that is easy to use and maintain. It is also compatible with the other Microsoft Office products, Excel, Word and Power Point. User documentation will be provided for the operation of the database. We will also be available to provide technical assistance regarding the database application designed for this project.

The use of the proposed technology has little risk. As stated the team is familiar with the tools to be used. The software to be used has been in use for several years and has been updated periodically. It has been proven and is widely used in both commercial and personal projects/applications.

The scope of the project can be managed by our web and Microsoft Access experience. The constraints placed upon the project team will not hinder our ability to produce the desired product. The constraints of the technology to be used will not inhibit the production of the final product. Essentially the project scope will not exceed the capabilities of the technology used. The ever present constraint that seems present in every project is time. This constraint is also present in this project, however our team leader during this phase of the project, Linda J. Sampson, has developed a project schedule that is realistic which provides for the completion of the project on time. The size of the project team is also seen as a constraint. Since projects are not assigned unlimited resources and personnel it is very important to assess a project's scope when determining the amount of resources that are needed. In this project the scope is not beyond the resources that our team possesses. Given the size of this project and the fact that the team meets at least twice a week to discuss the project we feel that the project can be completed on time as specified. Given our frequent contact, our familiarity with the technology to be used and a solid project schedule, we are able to assess risks to the project quickly and effectively deal with them.

The risk in financial terms in using the stated technology is nil. All the project application software is provided at no cost to Emerald Webs. The time to construct the project is also being provided at no cost to Emerald Webs.

### **Feasibility study**

**Feasibility studies** aim to objectively and rationally uncover the strengths and weaknesses of the existing business or proposed venture, opportunities and threats as presented by the environment, the resources required to carry through, and ultimately the prospects for success.<sup>[1][2]</sup> In its simplest terms, the two criteria to judge feasibility are cost required and value to be attained.<sup>[3]</sup> As such, a well-designed feasibility study should provide a historical background of the business or project, description of the product or service, accounting statements, details of the operations and management, marketing research and policies, financial data, legal requirements

and tax obligations. Generally, feasibility studies precede technical development and project implementation.

### **Technology and system feasibility**

The assessment is based on an outline design of system requirements in terms of Input, Processes, Output, Fields, Programs, and Procedures. This can be quantified in terms of volumes of data, trends, frequency of updating, etc. in order to estimate whether the new system will perform adequately or not. Technological feasibility is carried out to determine whether the company has the capability, in terms of software, hardware, personnel and expertise, to handle the completion of the project. When writing a feasibility report the following should be taken to consideration:

- A brief description of the business to assess more possible factor/s which could affect the study
- The part of the business being examined
- The human and economic factor
- The possible solutions to the problems

At this level, the concern is whether the proposal is both *technically* and legally feasible (assuming moderate cost).

### **Social feasibility**

This involves questions such as how much time is available to build the new system, when it can be built, whether it interferes with normal business operations, type and amount of resources required, dependencies,

### **Cultural feasibility**

In this stage, the project's alternatives are evaluated for their impact on the local and general culture. For example, environmental factors need to be considered and these factors are to be well known.

Further an enterprise's own culture can clash with the results of the project.

### Expected Questions

1. **Explain the phases of project identification with its sources**                     **june10, jan10**
2. **Explain network analysis. What are the various techniques used for network analysis?** **June10**
3. **Explain both PERT and CPM with its advantages and disadvantages**                **june10**
4. **Explain various factors to be considered for selection of a project**             **june11**
5. **List out various contents of a project report**                                     **june11, jan10, dec10**
6. **Briefly explain the importance of project identification**                                **july09**

**7. Give the meaning of project appraisal**

**july09. Dec10**