

BHARAT INSTITUTE OF ENGINEERING & TECHNOLOGY



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LECTURE NOTES ON

**ENTREPRENEURSHIP AND
MANAGEMENT & SMART
TECHNOLOGY (TH-1)**

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Types of Entrepreneurs

Based on their working relationship with the business environment they are functioning in, various types of entrepreneurs can be found. The chief categories are these four types of entrepreneur:-

- Innovative entrepreneurs.
- Imitating entrepreneurs.
- Fabian Entrepreneurs.
- Drone Entrepreneurs.

Innovative Entrepreneur:-

This type of an entrepreneur is more interested in introducing some new ideas into the market, organization or in the nation. They are drawn towards innovation and invest a lot of time and wealth in doing research and development.

Imitating Entrepreneurs

These are often disparagingly referred as 'copy cats'. They observe an existing successful system and replicate it in a manner where all the deficiencies of the original business model are addressed and all its efficiencies are retained.

These entrepreneurs help to improve an existing product or production process and can offer suggestions to enhance the use of better technology.

Fabian Entrepreneurs :-

These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn't fit their narrative.

Drone Entrepreneur :-

These are entrepreneurs who do not like a change. They are considered as 'old school'. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition to even outdated methods of doing business.

Functions of an Entrepreneur :-

The following points highlight the top five functions of an entrepreneur. And the functions are :-

- Decision making
- Management control
- ⇒ Devision of Income
- ⇒ Risk Taking and uncertainty - Bearing
- ⇒ Innovations.

⇒ Decision Making :-

The primary task of an entrepreneur is to decided the policy of production. An entrepreneur is to determine what to produce, how much to produce, how to produce, where to produce, how to sell, and so forth. Moreover, he is to decide the scale of production and the proportion in which he combines the different factors he employs. In brief, he is to make vital business decisions relating to the purchase of productive factors and to the sale of ~~productive factors~~ and the finished goods or services.

⇒ Management Control :-

Earlier writers used to consider the management control one of the chief functions of the entrepreneur. Management and control of the business are conducted by the entrepreneur himself. So, the latter must possess a high degree of management ability to select the right type of person to work with him. But, the importance of this function has declined, as business nowadays is managed more and more by paid managers.

⇒ Division of Income :-

The next major function of the entrepreneur is to make necessary arrangements for the division of total income among the different factors of production employed by him. Even if there is a loss in the business, he is to pay rent, interest, wages and other contractual incomes out of the realised sale proceeds.

⇒ Risk-Taking and Uncertainty Bearing :-

Risk taking perhaps the most important function of an entrepreneur. Modern production is very risk as an entrepreneur is required to produce goods or services in anticipation of their future demand.

Broadly, there are two kinds of risk which he has to face. Firstly, there are some risks, such as risk of fire, loss of goods in transit, theft etc. which can be insured against. These are known as measurable and insurable risks. Secondly, some risks, however, cannot be insured against because their probability cannot be calculated accurately. These constitute what is called uncertainty. The entrepreneur undertakes both these risks in production.

⇒ Innovations :-

Another distinguishing function of the entrepreneur, as emphasised by Schumpeter, is to make frequent ~~in~~ inventions - invention of new products, new techniques and discovering new markets - to

Barriers to Entrepreneurship :-

Below are the points discussed for the barriers to entrepreneurship.

- I) Environmental barriers
- II) Financial constraint
- III) Personal barriers.

I) Environmental Barriers :-

a) Raw Materials :-

Non-availability of raw materials required for production during the peak season. This leads to an increase in the price of raw materials due to competition.

(b) Labor :-

- (i) Shortage of skilled labor.
- (ii) Lack of committed and loyal employees.
- (iii) Quality and quantity of labor.

(c) Machinery :-

Machines are necessary but they are also expensive and due to top change in technology they become obsolete and require replacement which requires cash in hand. It becomes very difficult for the small business organization to keep its production process updated.

(iv) Land and Buildings :-

The acquisition of land and construction of a building at a prominent place requires huge expenditures. If the land is rented, it becomes a fixed cost and a constant concern for the entrepreneur.

(v) Infrastructure Structure :-

Adequacy of electricity, proper road, water and drainage facilities, etc. Development authorities have little support due to ~~red-tapism~~ red-tapism and corruption.

II Financial Constraint :-

The availability of funds is a major concern. Dealy in starting or running business results in dealy in the source of finance.

III Personal Barriers :-

These are due to the emotional block of a person. They cause a mental blockage. They are -

(a) Lack of Confidence :-

They feel that they will never get a successful business idea and will be unable to attract the necessary resources. Therefore, they reject the idea of being self employed.

(b) Lack of dependence on others :-

The entrepreneur's aim is to gain their additional expertise through trial and error and experience rather than seeking further development or personal help from others.

(c) Motivation :-

Loss interest and lack of motivation when thoughts do not work.

(d) Lack of Patience :-

When entrepreneurs faced with business challenges/problems in the first attempts, the desire to achieve success or to become rich immediately, in which they ~~lose~~ lose interest. They give up during the initial loss.

(e) Inability to Dream :-

Sometimes entrepreneurs are short of vision or satisfied with what they have achieved till now and lose interest in further expansion of their business enterprise.

Difference Between Entrepreneur And Manager

Entrepreneur

- (i) An entrepreneur is a visionary that converts an idea into a business. He is also the owner of the business. So he bears all the financial and other risks.
- (ii) The focus of an entrepreneur is starting the business and later expanding the business.
- (iii) For an entrepreneur the key motivation is achievements.
- (iv) The reward for all the efforts of an entrepreneur is the profit he earns from the enterprise.
- (v) The entrepreneur can be informal and casual in his role.
- (vi) The entrepreneur by nature is a risk taker. He has to take calculated risks to drive the company further.

Manager

- (i) A manager is an employee, he works for salary. So he does not have to bear any risks.
- (ii) A manager will focus on the daily smooth functioning of the business.
- (iii) On the other hand the managers, the motivation comes from the power that comes with their position.
- (iv) The manager is an employee, so his remuneration is the salary he draws from the company.
- (v) However, a manager's approach to every problem is very formal.
- (vi) A manager, on the other hand, is risk averse. His job is to maintain the status quo of the company. So he cannot afford risks.

Different forms of Business Organization:

Business Organization are made depending on how they are started and managed, they are classified as:-

- * Sole Proprietorship
- * Partnership
- * Cooperative Society.
- * Joint stock company.

Sole- Proprietorship / Single Ownership:-

When a business started by a single person it is known as sole proprietorship. One man he use his own resources skills and manage the business along all the profit earned belongs to sole - proprietorship.

Features of sole Proprietorship:-

- It is owned by a single individual.
- It is controlled by the same individual invest its own capital.
- He bears all the risk to which business is exposed.
- He derives the entire benefit and all profit goes to him.
- No legal formalities are necessary to start such business and quite easy to start.
- He enjoy unlimited freedom of actions so far his business and quite easy to start.

→ He enjoy unlimited liabilities and can be called upon to pay unlimited amount.

→ Since there is no separation between the owner and the business, the liability of the owner is also ~~limited~~ unlimited. So if the business is unable to meet its own liability, it will fall upon the proprietor to pay them. All his personal assets may have to be sold to meet the liabilities of the business.

Advantages of sole proprietorship :-

→ A proprietor will have complete control of the entire business, this will facilitates quick decisions and freedom to do business according to their wishes.

→ Law does not require a proprietorship to publish its financial accounts or any other such documents to any members of the public. This allows the business a great deal of confidentiality which is sometimes important in the business world.

→ The owner derives maximum incentives from the business. He does not have to share any of his profits. So the work he puts into the business is completely reciprocated in incentives.

→ Being your own boss is a great sense of satisfaction and achievement. you are answerable only to yourself and it is a great boost to your self worth as well.

Disadvantages of sole proprietorship :-

- One of the biggest limitation of sole proprietorship is the unlimited liabilities of the owner. If the business fails it can wipe out the personal wealth of the owner as well as affect his future business prospects.
- Another problem is the limited capital a sole proprietor has access to his own personal savings and money he can borrow may not be enough to expand the business.
- The life cycle of a sole proprietorship is undecided and attached to its owner. If the owner is incapacitated in any way it has a negative effect on the business, and it may even lead to the closure of the business. A sole proprietorship can not carry on without its ~~pro~~ proprietor.
- A sole proprietor has limited managerial ability. He can not be an expert in all the fields of the business. And limited resources may mean that he can not even hire competent people to help him out. This may lead to the business suffering from mismanagement and poor decisions.

Partnership :-

Sole proprietorship suffers from limited resources. As remedy, partnership emerged as a form of business organization.

Partnership as such is an agreement between two or more persons to carry on business with profit motive, carried on by all or any one of them acting for all.

Features of Partnership :-

The essential features and characteristics of a partnership are :-

1. Agreement :- The partnership arises out of an agreement between two or more persons.
2. Profit Sharing :- There should be an agreement among the partners to share the profits of the business.
3. Lawful Business :- The business to be carried on by a partnership must always be lawful.
4. Membership :- There must be at least two persons to form a partnership. The maximum number is twenty. But in case of banking business the maximum is ten members.
5. Unlimited liability :- The liability of every partner is unlimited, joint and several.
6. Principal-agent relationship :- Every partner is an agent of the firm. He can act on behalf of the firm. He is responsible for his own acts and also for the acts done on behalf of the other partners.
7. Collective management :- The firm and the partners are ~~the~~ one. When the contract is made in the name of the firm all the partners are responsible for it individually and collectively.

8. Non-transfereability of Shares:- A partner cannot transfer his share of interest to others without seeking the consent of all other partners.

Advantages of Partnership:-

As an ownership form of business, partnership offers the following advantages:-

a) Easy Formation:-

Partnership is a contractual agreement between the partners to run an enterprise. Hence, it is relatively easy to form. Legal formalities associated with formation are minimal. Though, the registration of a partnership is desirable, but not obligatory.

b) More Capital Available:-

We have just seen that sole proprietorship suffers from the limitation of limited funds. Partnership overcomes this problem, to great extent, because now there are more than one person who provide funds to the enterprise. It also increases the borrowing capacity of the firm. Moreover, the lending institutions also perceive less risk in granting credit to a partnership than to a proprietorship because the risk of loss is spread over a number of partners rather than only one.

c) Combined Talent, Judgement and Skill:-

As there are more than one owners in partnership, all the partners are involved in decision making. Usually, partners are pooled from different specialised areas to complement each other. For example, if there are three partners, one partner might be a specialist in production, another in finance and the third in marketing. This gives the firm an advantage of collective expertise for taking better decision. Thus, the old maxim of "two heads being better than one" aptly applies to partnership.

4. Diffusion of Risk :-

You have just seen that the entire losses are borne by the sole proprietor only but in case of partnership, the losses of the firm are shared by all the partners, as per their agreed profit sharing ratio. Thus, the share of loss in case of each partner will be less than that in case of proprietorship.

3. Flexibility :-

Like proprietorship, the partnership business is also flexible. The partners can easily appreciate and quickly react to the changing conditions. No joint business organization can stifle so quick and creative responses to new opportunities.

4. Tax Advantage :-

Taxation rates applicable to partnership are lower than proprietorship and company forms of business ownership.

Disadvantages of Partnership :-

In spite of above advantages, there are certain drawbacks also associated with the partnership form of business organization.

a) Unlimited Liability :-

In partnership firm, the liability of partners is unlimited. Just as in proprietorship, the partners personal assets may be at risk if the business cannot pay its debts.

b) Divided Authority :-

Sometimes the earlier stated maxim of two heads better than one may turn into "too many cooks spoil the broth." Each partner can discharge his responsibilities in his concerned individual area. But in case of areas like policy formulation for the whole enterprise, there are chances for conflicts between the partners. Disagreements between the partners over enterprise matters have destroyed many a partnership.

c) Lack of Continuity:-

Death or withdrawal of one partner causes the partnership to come to an end. So, there remains uncertainty in continuity of partnership.

d) Risk of Implied Authority:-

Each partner is an agent of for the partnership business. Hence, the decisions made by him bind all the partners. At times, an incompetent partner may lead the firm into difficulties by taking wrong decisions. Risk involved in decisions taken by one partner is to be borne by other partners also. Choosing a business partner is, therefore, much like choosing a marriage mate life partnership.

Partnership Deeds :-

① Deed means an agreement. So partnership deed means the partnership agreement. Partnership is the result of an agreement among or between partners. This agreement may be oral or in written form. When the partnership agreement is in written form, it is known as partnership deed. Partnership deed contains the rules and regulations for the internal management of the partnership. It also contains the terms and conditions of partnership. All the partners have to sign on the partnership deeds. Partnership deed contains the details of the name of the firm, its address, name and addresses of each and every partner, nature of business, capital contribution by each and every partner, the profit sharing ratio, duration of partnership, power, duties and responsibilities of partners and all other rules regarding partnership.

Cooperatives

Cooperative Society:

A cooperative society is not a new concept. It prevails in all the countries, this is almost a universal concept. The cooperative society is active in all countries worldwide and is represented in all the sectors including agriculture, food, finance, healthcare etc.

To protect the interest of weaker sections, the cooperative society is formed. It is a voluntary association of persons, whose motive is the welfare of the members.

Features of a Cooperative Society:-

- As it is a voluntary association, the membership is also voluntary. A person is free to join a cooperative society, and can also leave any time as per his desire. Irrespective of their religion, gender & caste, membership is open to all.
- It is compulsory for the cooperative society to get registration. The cooperative society is a separate legal identity to the society.
- It does not get affected by the entry or exit of its members.
- There is limited liability of the members of cooperative society. Liability is limited to the extent of the amount contributed by members as capital.
- An elected managing committee has the powers to take decisions. Members have the right to vote, by which they elect the members who will constitute the managing committee.
- The cooperative society works on the principle of mutual help & welfare. Hence, the principle of service dominates its working. If any surplus is generated, it is distributed amongst the members as a dividend in conformity with the bye-laws of the society.

Advantages of Cooperative Society :-

1. Easy formation → Compared to the formation of a company, formation of a cooperative society is easy. Any ten adult persons can voluntarily form themselves into an association and get it registered with the registers of cooperatives. Formation of a cooperative society also does not involve long and complicated legal formalities.
2. Limited liability :- Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative society.
3. Perceptual Existence :- A Cooperative society has a separate legal entity. Hence, death, insolvency, retirement, lunacy, etc, of the members do not affect the perpetual existence of a cooperative society.
4. Social Service :- The basic philosophy of cooperatives is self-help and mutual help. Thus, cooperatives foster fellow feeling among their members and inculcate moral value in them for a better living.
5. Open Membership :- The membership of cooperative societies is open to all irrespective of caste, colour, creed and economic status. There is no limit on maximum members.
6. Tax Advantage :- Unlike other three forms of business ownership, a cooperative society is exempted from income tax and surcharge on its earnings upto a certain limit. Besides, it is also exempted from stamp duty and registration fee.
7. State Assistance :- Government has adopted cooperatives as an effective instrument of socio-economic change. Hence, the Government offers a number of grants, loans and financial assistance to the cooperative societies - to make their working more effective.

Notes

Disadvantages of Cooperative Society:-

In spite of its numerous advantages, the cooperative also has some disadvantages which must be seriously considered before opting for this form of business ownership.

1. Lack of Secrecy:- A Cooperative society has to submit its annual reports and accounts with the register of cooperative societies. Hence, it becomes quite difficult for it to maintain secrecy of its business affairs.
2. Lack of Business Acumen:- The members of cooperative societies generally lack business acumen. When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently. These also cannot employ the professional managers because it is neither compatible with their avowed ends nor the limited resources allow for the same.
3. Lack of Interest:- The paid office bearers of cooperative societies do not take interest in the functioning of societies due to the absence of profit motive. Business success requires sustained efforts over a period of time which, however, does not exist in many cooperatives. As a result the cooperatives become inactive come to a grinding halt.
4. Corruption:- In a way, lack of profit motive breeds fraud and corruption in management. This is reflected in misappropriation of funds by the officials for their personal gain.
5. Lack of Mutual Interest:- The success of a cooperative society depends upon the members' utmost trust to each other. However, all the members are not found imbued with a spirit of cooperation. Absence of such spirit breeds mutual rivalries among the members.

Joint stock company :-

The simplest way to describe a joint stock company is that it is a business organisation that is owned jointly by all its shareholders. All the shareholders own a certain amount of stock in the company, which is ~~pre~~ represented by their shares.

(2b)

Features of Joint stock company :-

1. Artificial Person :- A joint stock company is an artificial person as it does not possess any physical attributes of a natural person and it is created by laws. Thus it has a legal entity separate from its members.
2. Separate legal Entity :- Being an artificial person a company has its own legal entity separate from its members. It can own assets or property, enter into contracts, ~~or~~ can be sued () by any one in the court of law. Its shareholders can not be held liable for any conduct of the company.
3. Perpetual Existence :- A company once formed continues to exist as long as it is fulfilling all the conditions prescribed by the law. Its existence is not affected by the death, insolvency or retirement of its members.
4. Limited liability of shareholders :- shareholders of a joint stock company are only liable to the extent of shares they hold in a company not more than that. Their ability is limited by guarantee or shares held by them.
5. Common Seal :- Being an artificial person a joint stock company can not sign any documents thus this common seal is the company's representative while dealing with the outsider. Any document having common seal and the signature of the officer is binding on the company.

6. Transferability of shares :- Members of a joint stock company are free to transfer their shares to anyone.

7. Capital :- A joint stock company can raise large amount of capital by issuing its shares.

8. Management :- A joint stock company has a democratic management which is managed by the elected representatives of shareholders, known as directors of the company.

9. Membership :- To form a private limited company minimum number of members prescribed in the companies Act is 2 and the maximum number is 50. But in the case of public limited company the minimum limit is 7 and no number limit for maximum members.

10. Formation :-

Generally company is formed with the initiative of group of members who are also known as promoters but it comes into existence after completing all the formalities prescribed in companies Act.] 26

Advantages of Joint Stock Company :-

following are the advantages of joint stock company.

a) Limited liability :- Liability of members of joint stock company is limited to the extent of shares held by them. Hence shareholders assets will not be on stake. This feature attracts large number of investors to invest in the company.

b) Perpetual Existence :- A company is an artificial legal person created by law which has its own independent legal status. Its existence is not affected by the death of its members.

3. Large Scale Operation:- The capacity of the corporate organization to raise the funds is comparatively high which provide capital for large scale operations. Hence opens the scope for expansion.

4. Transferability of shares:- In joint stock company it is easy to transfer shares to anyone. But the same is not permitted to private limited company.

5. Raising of funds:- It is easy to raise a large amount of funds as the number of persons contributing to the capital are more.

Disadvantages of joint stock company:-

1. Formation is not easy:- To act as a legal entity a company has to fulfill various legal and procedural formalities making it a complicated process.

2. Double Taxation:- This is the biggest disadvantages which the company faces. Firstly company need to pay tax for the earned profits and again the share holders are taxed for the earned income.

3. Excessive Govt. Control:- A company has to comply with provisions of several acts, non-compliance of which can cause a company heavy penalty. This affects the smooth functioning.

4. Delay in Policy Decision:- All the legal and procedural formalities which are required to fulfill before making policies of the company delay the policy decisions.

5. Control by Board of Directors:- After electing directors of the company which manage the business for the company the shareholders become ignorant of their responsibilities. This may be due to lack of interest and lack of proper and timely information.

(I) INDUSTRY :

The term industry refers to the production of goods and services through the utilization of various resources like man, material, money by completing some specific processes. Depending on the nature of the industrial activities, industries can be classified into five categories.

(a) Manufacturing Industries.

(b) Extractive Industries.

(c) Genetic Industries.

(d) Construction Industries.

(e) Service Industries.

(a) Manufacturing Industries :-

The industries which are involved in converting or transforming raw materials or semi-processed materials into finished goods are known as manufacturing industry. Manufacturing industries are understood to be the factories and mills. The raw materials are introduced and finished products are found.

Manufacturing industries are further classified into following four categories.

(i) Assembling industries

(ii) Processing industries

(iii) Analytical industries

(iv) Mixed type or synthetic industries.

(i) Assembling Industries :-

Assembling industries are those industries which assemble or combine various types of components or parts to produce usable products. Example - bicycle industries, automobile industries, watch industries, Tv industries etc.

(ii) Processing Industries :-

In this type of industries, raw materials are processed through different stage of production to obtain the final product under this type of industries raw materials are introduced at a particular point and it travel from one process to another until its completion is finished.

Under the arrangements some types of processing, modifying, grinding, polishing, shaping, heating etc. are done at different stage at different processes.

Examples :- Furniture making, textile industries, paper making, jute mill etc.

(iii) Analytical Industries :-

Analytical industries are those industries, raw materials introduced at one point and several products come out at the end of different processes by Segregation, separation, analysis etc.

For example :- Milk is introduced into the plant for processing and different products like ghee, cheese, butter, curd, milk powder, condensed milk etc.

(iv) Mixed type or Synthetic Industries :-

Under this type industries, different raw materials are combined at different process or stage and after further processing finished products come out at the end of the process.

(B) Extractive Industries :-

These industries which are closely associate with the extraction of materials and products having the commercial value from the nature such as air, climate, soil etc. This type of industries are engaged in the process of extraction of different materials from nature like mining of ore, collection of forest products, deep sea fishing, collection of marine products, hunting etc.

These types of industries are directly depending on nature

and their activities are directed towards exploiting the nature to collect something useful for their business activities.

(c) Genetic Industries :-

Those industries on which plants and animals are produced for generating value are called genetic industries. This type of industries are engaged in the process of reproduction or multiplication of the products which involves certain life. It takes time to complete the life cycle for the reproduction processes. Example :- poultry & which ~~means~~ covers the stage of eggs, hatching (a bird like hen sit on the egg to incubate (warm) them) the eggs, bringing up the chick, allow to grow into hens and again laying eggs. This is the continuous process involving different stages of the life cycle of a living objects. Examples :- fisheries, seeds cultivation.

(d) Construction Industries :-

These industries which are involved in constructional developmental work are called constructional development industries. For example they build road, dam, bridge, canal, flyover, building etc.

(e) Service Industries :-

This type of industries are provides services of various types to the people. These types industries generally provides services for the needy. Service station & garage for automobiles, cinema halls, services consultancy organization, hotel and lodging, courier services, cable operators, internet, telephones hospitals etc.

Concept of Start-ups :-

The term start up refers to a company in the first stage of its operations. startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is a demand. These companies generally start with high cost and limited revenue which is why they look for capital from variety sources

Startups are companies that are focused around a single product or service that the founders want to bring to market. These companies typically don't have a fully developed business model and more importantly, lack of adequate capital to move on to the next phase of business.

ROLE OF DIC (DISTRICT INDUSTRIAL CENTERS)

- Technical support for Preparation of project Report.
- Information on sources of machinery & Equipment.
- Priority in power supply / Telephone connection.
- Promotion of new Industrial Estate / Growth centers.
- Land / Shed in industrial Estate.
- Approval of project Reports of special types
- Promotions of electronics industries.

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Role of NSIC - (The National Small Industries Corporation)

- Provides financial assistance by way of high-purchase scheme for purchase of machinery and equipment, required for the setting up industries.
- Provides various equipments on lease basis.
- Assist in the marketing SSI's products.
- Helps in exporting a small scale industries products.
- Provides training to workers for better trade practice.
- They purchase good amount of raw material and sell them at affordable price to the SSI's.

ROLE OF OSIC :- (Odisha Small Industry Corporation)

- To provide quality raw material to MSME of the state.
- To provide quality building material to MSME sector.
- To assist marketing the products of the MSME sector.
- To act as syndicate leader of MSME as per the IPR of the Govt. of Odisha.
- To act as a Nodal Agency for Seeb contract exchange for MSME sector and large industries.

ROLE OF SIDBI (Small Industries Development Bank of India)

- Initiates steps for technology adoption, exchange, upgradation and modernisation of existing units.
- Participates in the equity types of loans on soft terms.
- Facilitates timely flow of credit for both term loans and working capital to SSI.
- Enlarges marketing capabilities of the product.

Role of NABARD :- (National Bank for Agriculture and Rural Development)

- It is an apex institution which has power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic activities in the rural areas.
- It is a refinancing agency for those institutions that provide investment and production credit for promoting the several developmental programs for rural development.
- It is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, ~~reconstruction~~ restructuring of credit institutions, and training of personnel.
- It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Govt. and also RBI and other national level institutions that are concerned with policy formulation.
- ⇒ It prepares rural credit plans, annually, for all districts in the country.
- ⇒ It also promotes research in rural banking, and the field of agriculture and rural developments.

Role of Commercial Bank

- Trade development: The commercial banks provide capital, technical assistance and other facilities to businessmen according to their need, which leads to development in trade.
- Support to Agricultural development.
- Support to in Industrial development.
- Capital formation (Capital formation means increase in numbers of production units, technology, plant and machinery.)

CHAPTER-3

Project Report Preparation

Meaning of Project Report

A Project Report is a document which **provides details on the overall picture of the proposed business**. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project Report is a **written document** relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

The project report contains detailed information about Land and buildings required, Manufacturing Capacity per annum, Manufacturing Process, Machinery & equipment along with their prices and specifications, Requirements of raw materials, Requirements of Power & Water, Manpower needs, Marketing Cost of the project, production, financial analyses and economic viability of the project.

Contents of a Preliminary Project Report(PPR)

1. General Information

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured

and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. Executive Summary

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. Organization Summary

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. Project Description

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,

- Area required for the workshed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. Marketing Plan

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,

- It must indicate potential users of products and distribution channels to be used for distributing the product.

6. Capital Structure and operating cost

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost

7. Management Plan

The project report should state the following.

- a. Business experience of the promoters of the business,
- b. Details about the management team,
- c. Duties and responsibilities of team members,
- d. Current personnel needs of the organization,
- e. Methods of managing the business,
- f. Plans for hiring and training personnel,
- g. Programmes and policies of the management.

8. Financial Aspects

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It

must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

9. Technical Aspects

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. Project Implementation

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. Social responsibility

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and

infrastructure. The output of the business must be indicated in the project report.

DETAILED PROJECT REPORTS (DPR)

Detailed Project Reports (DPRs) are the outputs of planning and design phase of a project. DPR is a very detailed and elaborate plan for a project indicating overall programme, different roles and responsibilities, activities and resources required for the project. To be more precise,

A DPR is a final, detailed appraisal report on the project and a blue print for its execution and eventual operation.

It provide details of the basic programme the roles and responsibilities, all the activities to be carried out and the resources required and possible risk with recommended measure to counter them.

- Whether the project was completed on time.
- Whether actual cost of project was within reasonable limits of escalation.
- Whether after completion of the project it was able to deliver the products of desired quality and in adequate quantity to clients satisfaction at profitable costs.
- Whether the project gestation period was within planned duration.

The design stage is a blue print which on paper gives a great length and detail what has to be done to convert the corporate investment in a feasible project idea and ultimately a profit making enterprise. The top management policy guidelines, its impact on the project life, appraisal in terms of financial viability are dealt in great detail. The DPR is the basic of specification, contract drawings, detailed technical feasibility, financial feasibility, execution of project from practical point of

view. The DPR should also highlight the nature of inherent risks in the project & potential external risks that will influence the outcome of the project. Also the DPR should give the measures for risk management and risk mitigation.

TECHNO ECONOMIC FEASIBILITY

Introduction:

Objective of Techno-Economic Feasibility Studies/ Detailed Project Reports is to determine the technical feasibility and financial viability of the project, assess the risks associated with the project and enumerate imminent actions that are required to be taken. It helps a client get a detailed evaluation of a project.

Coverage:

Techno-Economic Feasibility Studies/ Detailed Project Reports cover the following based on the clients requirement:

- **Markets:** It covers estimated future sales revenue of the project based on estimated sales volumes and price.
- **Raw Materials & Fuel:** It estimates the adequacy of the quality and quantity of the raw materials and fuel for the project, make an estimate of its cost.
- **Plant Siting, Location & Infrastructure:** It assesses the existing infrastructure and actions required to develop the infrastructure necessary to set up the project.
- **Project Technical Concept:** This is core deliverable of the project and covers plant capacity, equipment sizing, storages, plant auxiliaries, system engineering, electrical engineering, civil engineering, Control & Automation engineering, Quality Control & Assurance, Captive Power Plant and Waste Heat recovery system (WHR) based on the project requirement.
- **Logistics:** Inbound and outbound logistics and logistics planning.
- **Environment:** Applicable Regulatory Framework and Environmental Impact of Project.

- **Implementation Planning.**
- **Human Resources:** Requirement and cost.
- **Investment Cost:** Fund requirement.
- **Operating Cost:** It covers cost of raw material, utilities, overheads, etc.
- **Financial Appraisal:** It covers project profitability, IRR, NPV, payback, etc.

Project Viability

Every small-business project has stated outcomes that need to be met in order for it to be “viable,” or prudent and profitable. For example, if you decide to launch a new marketing campaign, the project’s viability -- or its positive outcomes -- will be judged on whether the new business the campaign attracts will be worth the time and costs associated with designing and launching the campaign initially. Determining the viability of a project requires an evaluation of a number of different factors, and viability potential will differ from one small business to the next.

Cost

A project is not typically considered viable if its value exceeds its costs. Sometimes the cost viability of a project can change over the course of the project’s development or implementation. For example, if you have a particular amount of money designated for a project, and it appears actual costs will exceed the budget, the project is likely to lose its viability. Many factors can impact costs, such as an increase in the cost of supplies or materials or the scope of the project.

Time

A project that is not on track from a deadline perspective can lose its viability. For example, if you have a project to design and print invitations for a grand opening event, if time delays result in the invitations going to print the day before the event, the project loses its viability. Invitations issued after an event has taken place are worthless, and continuing to pursue their production wastes time and money. Likewise, delays that

result in additional fees -- such as rushed late printing fees -- may also render a project non-viable.

Manpower

Losing key members of your staff can cause a project to lose its viability. For example, if you have a graphic designer on staff who is developing your new logo, and that person quits without notice, the project may lose its viability, because the manpower anticipated for the role no longer exists. The project has the potential to regain its viability if someone else can take over the task or it can be effectively outsourced to another party.

Quality

If the quality of a project is not attainable as anticipated, it can lose its viability. For example, if you own a small construction business and provide an estimate for building a custom home, that estimate is based largely on the current price of home-building materials. If the price goes up suddenly or the same quality of materials is no longer available, the project, as planned, loses its viability. It can regain its viability if materials of equal quality and similar price can be obtained.

CHAPTER-4

Management Principle

Definition: Management can be defined as the **process of administering and controlling the affairs of the organization**, irrespective of its nature, type, structure and size. It is an act of creating and maintaining such a **business environment** wherein the members of the organization can work together, and achieve business objectives efficiently and effectively.

Management acts as a guide to a group of people working in the organization and coordinating their efforts, towards the attainment of the common objective.

Principles of Management

- ❖ **Division of Work** – When employees are specialized, output can increase because they become increasingly skilled and efficient.
- ❖ **Authority** – Managers must have the authority to give orders, but they must also keep in mind that with authority comes responsibility.
- ❖ **Discipline** – Discipline must be upheld in organizations, but methods for doing so can vary.
- ❖ **Unity of Command** – Employees should have only one direct supervisor.
- ❖ **Unity of Direction** – Teams with the same objective should be working under the direction of one manager, using one plan. This will ensure that action is properly coordinated.
- ❖ **Subordination of Individual Interests to the General Interest** – The interests of one employee should not be allowed to become more important than those of the group. This includes managers.
- ❖ **Remuneration** – Employee satisfaction depends on fair remuneration for everyone. This includes financial and non-financial compensation.

- ❖ **Centralization** – This principle refers to how close employees are to the decision-making process. It is important to aim for an appropriate balance.
- ❖ **Scalar Chain** – Employees should be aware of where they stand in the organization's hierarchy, or chain of command.
- ❖ **Order** – The workplace facilities must be clean, tidy and safe for employees. Everything should have its place.
- ❖ **Equity** – Managers should be fair to staff at all times, both maintaining discipline as necessary and acting with kindness where appropriate.
- ❖ **Stability of Tenure of Personnel** – Managers should strive to minimize employee turnover. Personnel planning should be a priority.
- ❖ **Initiative** – Employees should be given the necessary level of freedom to create and carry out plans.
- ❖ **Esprit de Corps** – Organizations should strive to promote team spirit and unity.

Functions of Management



Planning: It is the first and foremost function of management, i.e. to decide beforehand what is to be done in future. It encompasses formulating policies, establishing targets, scheduling actions and so forth.

Organizing: Once the plans are formulated, the next step is to organise the activities and resources, as in identifying the tasks, classifying them, assigning duties to subordinates and allocating the resources.

Staffing: It involves hiring personnel for carrying out various activities of the organization. It is to ensure that the right person is appointed to the right job.

Directing: It is the task of the manager to guide, supervise, lead and motivate the subordinates, to ensure that they work in the right direction, so far as the objectives of the organization are concerned.

Controlling: The controlling function of management involves a number of steps to be taken to make sure that the performance of the employees is as per the plans. It involves establishing performance standards and comparing them with the actual performance. In case of any variations, necessary steps are to be taken for its correction.

Coordination is an important feature of management which means the integration of the activities, processes and operations of the organization and synchronisation of efforts, to ensure that every element of the organization contributes to its success.

Levels of Management



- **Top-Level Management:** This is the highest level in the organizational hierarchy, which includes **Board of Directors and Chief Executives**. They are responsible for defining the objectives, formulating plans, strategies and policies.
- **Middle-Level Management:** It is the second and most important level in the corporate ladder, as it creates a link between the top and lower-level management. It includes **departmental and division heads and managers** who are responsible for implementing and

controlling plans and strategies which are formulated by the top executives.

- **Lower Level Management:** Otherwise called as functional or operational level management. It includes **first-line managers, foreman, supervisors**. As lower-level management directly interacts with the workers, it plays a crucial role in the organization because it helps in reducing wastage and idle time of the workers, improving the quality and quantity of output.

The three management levels form the management hierarchy, that represents the position and rank of executives and managers in the chart.

CHAPTER 5

Inventory Management

B) Inventory Management

Definition: inventory management is an approach for keeping track of the flow of inventory. It starts right from the procurement of goods and its warehousing and continues to the outflow of the raw material or stock to reach the manufacturing units or to the market, respectively. The process can be carried out manually or by using an automated system.

Need for Inventory Management

1) Saves time

An inventory management system saves you time. If you are still doing manual inventory, this means that you have to reconcile sales receipts with your physical inventory. Depending on the size of your store and the number of products you sell, you will understand how time consuming this can be. With an integrated inventory management system that combines financial accounting, point-of-sale (POS) system and master inventory, the individual processes becomes automatic and interrelated, so all you or manager needs to do is print out the report daily, where you can see which stock need to be replenished at a glance.

2) Better control of stock levels

You'll be able to plan accurately when you have better control of the levels of your stock. With a good inventory management software, you'll be able to stay ahead of seasonal changes and can stock up on the proper amount of products for high demand curves.

3) Accurate

You will always have accurate reports with a computerized inventory system. There is always that possibility that errors can occur when inventory is done by hand and it could easily be overlooked. Wrong calculation and typo errors could mean losses or additional expenses.

4) Consistent

When you are busy attending to your business to ensure that it grows and continue to give you profit, your processes should be consistently maintained and executed. You are assured of getting your orders, inventory and other financial reports that are uniform in

presentation and professional in appearance, despite being prepared by different persons.

5) Organised

Who wouldn't want their warehouse to be organised? You'll have one when you use an inventory system. You can optimise your warehouse by knowing which products enjoy the highest sales, so you can group them together for easier access. You can even categorise your stock for better identification and order processing.

6) Increase in productivity and efficiency

If you want to increase the productivity and efficiency of your business processes and your staff, a good inventory management system will provide that. An inventory management program and devices like barcode scanners will significantly improve your productivity and efficiency as you can do away with manual processes. Your staff will be able to focus on other business areas that need human supervision rather than automation.

7) Customer satisfaction

You'll have happier customers who'll want to come back to your store more. It is difficult to gain customer loyalty when you cannot satisfy their needs when they want it. A good computerised inventory system allows you to quickly meet customer demands by having the right products as soon as your customer comes to order them. For small and medium-sized businesses, the best solution is to find the right inventory management software that is affordable and robust to meet your needs. It should also be easy to understand and use as well as scalable and can be expanded alongside your business growth.

Inventory management techniques

- [Bulk Shipments](#)
- [ABC Analysis](#)
- [Just in Time \(JIT\) method](#)
- [Material requirement planning](#)
- ECONOMIC ORDER QUANTITY (EOQ) MODEL
- MINIMUM SAFETY STOCKS
- VED ANALYSIS
- FAST, SLOW & NON-MOVING (FSN) METHOD

1. Bulk shipments

This method banks on the notion that it is almost always cheaper to purchase and ship goods in bulk. bulk shipping is one of the predominant techniques in the industry, which can be applied for goods with high customer demand.

the downside to bulk shipping is that you will need to lay out extra money on warehousing the inventory, which will most likely be offset by the amount of money saved from purchasing products in huge volumes and selling them off fast.

ABC ANALYSIS

ABC analysis stands for Always Better Control Analysis. It is an inventory management technique where inventory items are classified into three categories namely: A, B, and C. The items in A category of inventory are closely controlled as it consists of high-priced inventory which may be less in number but are very expensive. The items in B category are relatively lesser expensive inventory as compared to A category and the number of items in B category is moderate so control level is also moderate. The C category consists of a high number of inventory items which require lesser investments so the control level is minimum.

JUST IN TIME (JIT) METHOD

In Just in Time method of inventory control, the company keeps only as much inventory as it needs during the production process. With no excess inventory in hand, the company saves the cost of storage and insurance. The company orders further inventory when the old stock of inventory is close to replenishment. This is a little risky method of inventory management because a little delay in ordering new inventory can lead to stock out situation. Thus this method requires proper planning so that new orders can be timely placed.

MATERIAL REQUIREMENTS PLANNING (MRP) METHOD

Material Requirements Planning is an inventory control method in which the manufacturers order the inventory after considering the sales forecast. MRP system integrates data from various areas of the business where inventory exists. Based on the data and demand in the market, the manager would carefully place the order for new inventory with the material suppliers.

ECONOMIC ORDER QUANTITY (EOQ) MODEL

Economic Order Quantity technique focuses on taking a decision regarding how much quantity of inventory should the company order at any point of time and when should they place the order. In this model, the store manager will reorder the inventory when it reaches the minimum level. EOQ model helps to save the ordering cost and carrying costs incurred while placing the order. With the EOQ model, the organization is able to place the right quantity of inventory.

MINIMUM SAFETY STOCKS

The minimum safety stock is the level of inventory which an organization maintains to avoid the stock-out situation. It is the level when we place the new order before the existing inventory is over. Like for example, if the total inventory in an organization is 18,000 units, they place a new order when the inventory reaches 15,000 units. Therefore, the 3,000 units of inventory shall form part of the minimum safety stock level.

VED ANALYSIS

VED stands for Vital Essential and Desirable. Organizations mainly use this technique for controlling spare parts of inventory. Like, a higher level of inventory is required for vital parts that are very costly and essential for production. Others are essential spare parts, whose absence may slow down the production process, hence it is necessary to maintain such inventory. Similarly, an organization can maintain a low level of inventory for desirable parts, which are not often required for production.

FAST, SLOW & NON-MOVING (FSN) METHOD

This method of inventory control is very useful for controlling obsolescence. All the items of inventory are not used in the same order; some are required frequently, while some are not required at all. So this method classifies inventory into three categories, fast-moving inventory, slow-moving inventory, and non-moving inventory. The order for new inventory is placed based on the utilization of inventory.

Conclusion

Inventory management is an essential part of every business. With an effective inventory management system in place, the business can significantly reduce its various costs like warehousing cost, inventory carrying cost, ordering cost, cost of obsolescence, etc. It improves the supply chain of the business. Managers are able to forecast the level of production at which they need to place new orders for inventory. Hence, organizations should take all the necessary steps to maintain an effective inventory management and control system.

Chapter-5

d)Marketing Management

Meaning:

Marketing management facilitates the activities and functions which are involved in the distribution of goods and services.

According to Philip Kotler, “Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives.

Importance of Marketing Management:

(i) Introduction of new products in the market.

(ii) Increasing the production of existing products.

(iii) Reducing cost of sales and distribution.

(iv) Export market.

(v) Development in the means of communication and modes of transportation within and outside the country.

(VI) Rise in per capita income and demand for more goods by the consumers.

Marketing Management - Concepts

Marketing concept is the philosophy that companies should examine the requirements of their customers and then make decisions to satisfy those needs in a better manner than the competitors.

Today, most of the companies have adopted various marketing concepts, but this has not always been the case. Let us now understand major marketing concepts.

The major marketing concepts are –

- Production concept
- Sales concept
- Marketing concept

Production Concept

According to the production concept, a company should focus on those items that it can produce most efficiently and also focus on creating supply of low-cost items that create the demand for the products.

The key questions that a company needs to ask itself before producing an item are –

- Can we produce the item?
- Can enough of it be produced?

This concept worked fairly during the 1920s as the items that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose task was to complete the transactions at a price fixed by the cost of production. All in all, this concept prevailed until the late 1920's.

Sales Concept

According to this concept, the companies would not only produce the items but would also try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were –

- Can we sell the item?
- Can we account enough for it?

This concept paid little attention to whether the item actually was required. The goal simply was to beat the competition with little focus on customer satisfaction. Marketing was an operation performed after the product was developed and produced and many people came to relate marketing with hard selling. Even today, people use the word "marketing" when they actually mean "sales."

Marketing Concept

The marketing concept relies upon marketing studies to define market segments, their size, and their requirements. To satisfy those requirements, the marketing team makes decisions about the controllable parameters of the marketing mix.

This concept was introduced after World War II as the customers could afford to be selective and buy only those items that precisely met their changing needs and these needs were not immediately obvious. The key questions changed to –

- What do customers actually want?
- Can we improve it while they still want it?
- How can we keep the customers satisfied?

In reply to these discerning customers, companies began to adopt marketing concepts, which includes –

- Focusing on customer requirements before developing a product
- Aligning all operations of the company to focus on those needs
- +Realizing a gain by successfully satisfying customer needs over the long-term

When companies began to adopt this concept, they actually set up separate marketing departments whose objective was to satisfy customer needs. Mostly, these departments were sales departments with expanded responsibilities. While this widened sales department structure can be found in some enterprises today, many of them have structured themselves into marketing organizations having a worldwide customer focus.

4 Ps of Marketing

The 4 Ps of marketing are

- ❖ Place
- ❖ Price
- ❖ Product
- ❖ Promotion.

By carefully integrating all of these marketing strategies into a marketing mix, companies can ensure they have a visible, in-demand product or service that is competitively priced and promoted to their customers.

Place refers to where and how people buy your product. Some examples of places consumers can buy products and services include online via a web browser, through a Smartphone app, retail locations, through trade shows or events, through marketplace channels like Amazon or Walmart, or through a sales professional.

Price refers to how much your product or service costs. How you price your product depends on your competitors, demand, cost to produce the product, and what consumers are willing to spend. Companies also need to consider their pricing models, including choosing between one-time purchases and subscription models.

Product refers to the product or services your business provides to your target audience. The product a company provides can vary significantly depending on the type of company and what they do. For example, McDonald's provides consistent fast food, including hamburgers, french fries, and chicken products, whereas Sales force provides customer relationship management (CRM) software and marketing automation tools for businesses.

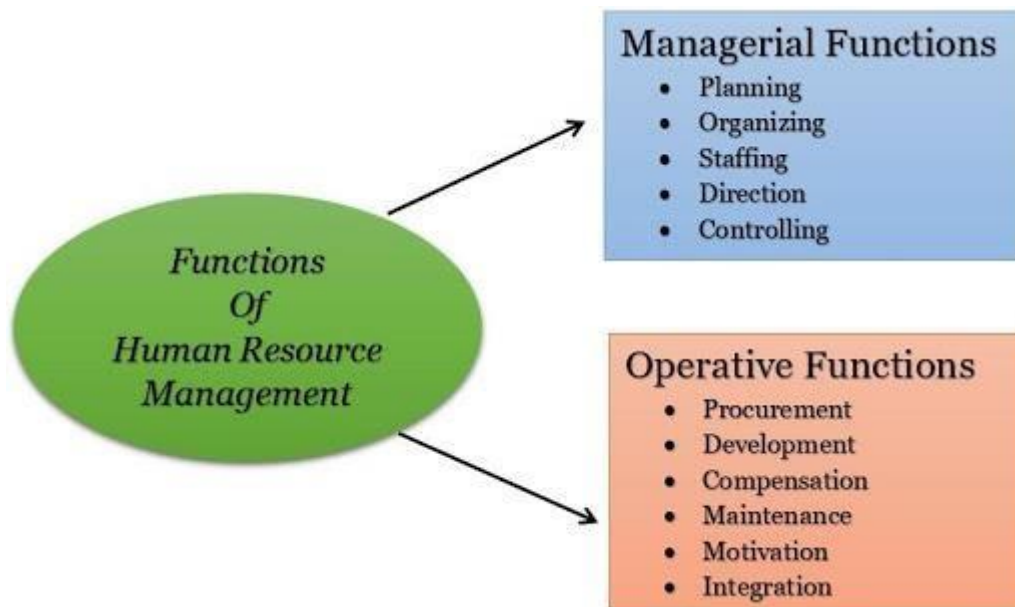
Promotion refers to specific and thoughtful advertising that reaches a company's target market. A company might use an Instagram campaign, a PR campaign that showcases a product, or an email campaign to reach its audience at the right place and the right time.

E) Human Resource Management

Definitions of HRM Human resources management (HRM) is a management function concerned with hiring, motivating and maintaining people in an organization. It focuses on people in organizations. Human resource management is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

Functions of Personnel Management

Functions of personnel management may be discussed under two broad categories:



A. Managerial Functions:

Management aims at getting things done by others. Managerial functions deal with planning, organizing, directing, coordinating and controlling the activities of employees in an enterprise. These functions are discussed as follows:

1. Planning:

Planning involves thinking in advance. It is the determination of strategies, programmes, policies, procedures to accomplish organizational objectives. Planning is a difficult task which involves ability to think, to predict, to analyze, and to come to decisions. In the context of personnel management, it requires the determination of human resource needs.

Planning would involve:

- a. Determining the needs of persons;
- b. Deciding the sources of procuring them;
- c. Determining training needs of personnel;
- d. Selecting motivators for getting good performance from employees.

The first step in planning is the determination of human resource needs. The estimations should be based on the requirements of different departments. There should be sufficient number of persons in the organization so that all jobs are properly performed. Not only present but also future needs of persons should be properly determined.

After determining personnel needs, there should be a decision to employ them. Right type of persons should be employed for getting good performance from them. The training needs of workers should also be pre-determined so that proper steps are taken to improve right type of training. To motivate workers for improving their performance a number of financial and non-financial incentives should be selected.

2. Organizing:

Organization is a process of allocating the task among its members for achieving organizational objectives. This is done by designing the structure or relationship among jobs, personnel and physical factors. For achieving enterprise goals a number of plans, policies and programmes are decided upon. Organization is a channel for implementing them and achieving good results. The assignment of tasks and fixing of responsibilities will be the function of personnel management.

It decides who should do what. Who is responsible to whom? These decisions will help in smooth working of the organization. Everybody will be assigned the task according to his capacity and calibre. There will be a system assessing performance and communicating it to the appropriate persons. Setting up a good organizational structure where everybody is clear about his role is the responsibility of personnel management.

3. Directing:

It is the basic function of managerial personnel. Directing means telling people to do a particular work. It does not mean only issuing orders to employees but also ensures that they perform as per the directions. The employees are also given instructions for carrying out their task. The orders and instructions should be clear and precise so that these are obeyed properly.

Motivating employees to accomplish their task is also a part of directing function. The circumstances, psychology, economic and social factors influencing employees should be taken into consideration while selecting the techniques of motivation. Though all these decisions are taken by the top level management but personnel department is consulted at every stage. The effectiveness of various plans and policies for motivating employees is also undertaken by personnel department.

4. Coordinating:

Organizational objectives will be achieved only if group activities in the enterprise are coordinated effectively. There may be a problem of each group or department trying to pursue its own goals without bothering about overall objectives. A coordinated approach will help in achieving common goals. Coordination of personnel is required at all levels of management. Personnel department coordinates the task of developing, interpreting and reviewing personnel policies and programmes related to employees. The final decisions may be left to line managers but personnel department makes suggestions for improvements.

5. Controlling:

Controlling is the act of checking, regulating and verifying whether everything occurs as per the standards set and plans adopted. The performance of persons is regularly reviewed to find out whether it is going according to the standards or not. In case, performance is low then steps are taken to improve it in future. Controlling function involves reviewing performance and taking corrective measures.

B. Operative Functions:

These functions are related to the procuring, developing, compensating, integrating and maintaining a work-force for attaining organizational goals. These functions are also known as service functions. Various operative functions are discussed as follows:

1. Procurement:

This function relates to the procuring of sufficient and appropriate number of persons for carrying out business work. The needs of the organization should be assessed to find out the requirements of persons. Besides number, the procurement of suitable persons is also essential. For this purpose, the requirements of various jobs should be studied for fixing the educational and technical experience of

persons expected to man those jobs. Only the right type of persons will be able to give satisfactory results.

2. Development:

The development function is concerned with the development of employees by increasing their skill and proficiency in work. The persons are given proper training *through* various methods so that their performance is better in undertaking the jobs. Proper job description will enable the employees to know their weak points in performing various jobs. Training programmes are made suitable to cover up deficiencies in workers' performance.

Sometimes employees are given on-the-job training to acquaint them with real work situation. There can be lectures, discussions, demonstrations to improve the skill of employees. To give wide experience of various jobs a method of rotation may also be followed. In this method employees are put on various jobs in rotation so that they have the experience of all of them. All these methods are followed to improve the skill of employees for making them suitable for the jobs.

3. Compensation:

It is concerned with securing adequate and equitable remuneration to persons working in the organization. Job analysis will enable in fixing the remuneration for various jobs. The needs of the jobs and qualifications of persons who will take up those jobs should be taken into consideration while fixing remuneration. If the employees are paid less than they should have got, they may leave the job at an earliest opportunity. So compensation should be fixed in such a way that it is able to attract and retain suitable persons in the organization.

4. Maintenance:

This function deals with sustaining and improving conditions that have been established. Better conditions of work should be maintained at all times. The employees will feel happy to work under such conditions. These conditions include establishment of health, sanitation and safety standards. If working conditions deteriorate, then employees will be prompted to leave the enterprise. Personnel department is put in charge of providing and maintaining healthy and conducive working conditions in the enterprise..

6.Motivation

People generally work to a certain level with full efficiency. After some time, they need to be provided with some new incentives to work. Here comes the concept of motivation. This function states that the HR manager should motivate the workers with both financial and non-financial incentives.

7. Integration:

Integration is concerned with the attempt to effect reconciliation of individual, organization and social interest. It involves infusing among employees a sense of belonging to the enterprise. The employees should identify their personal interest with that of the organization. They should have a feeling that everything good of the enterprise will also be in their interest. This will bring about harmony of interests both of employees and the organization. There should be proper communication channel at all levels. The grievances of employees should be redressed at the earliest. This will help in creating good industrial relations and will integrate them.

Manpower planning

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization

Need of Manpower Planning

Manpower Planning is a two-phased process because manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes.

Manpower Planning is advantageous to firm in following manner:

Shortages and surpluses can be identified so that quick action can be taken wherever required.

All the recruitment and selection programmes are based on manpower planning.

It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.

It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.

It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.

It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.

Importance of Manpower Planning

Key to managerial functions- The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.

Efficient utilization- Efficient management of personnels becomes an important function in the industrialization world of today. Setting of large scale enterprises require management of large scale manpower. It can be effectively done through staffing function.

Motivation- Staffing function not only includes putting right men on right job, but it also comprises of motivational programmes, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans becomes an integral part of staffing function.

Better human relations- A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.

Higher productivity- Productivity level increases when resources are utilized in best possible manner. Higher productivity is a result of minimum wastage of time, money, efforts and energies. This is possible through the staffing and its related activities (Performance appraisal, training and development, remuneration)

Steps/procedure of Manpower Planning

Human Resource Planning has got an important place in the arena of industrialization. Human Resource Planning has to be a systems approach and is carried out in a set procedure. The procedure is as follows:

Analysing the current manpower inventory

Making future manpower forecasts

Developing employment programmes

Design training programmes

steps/procedure of Manpower Planning

Analysing the current manpower inventory- Before a manager makes forecast of future manpower, the current manpower status has to be analysed. For this the following things have to be noted-

Type of organization

Number of departments

Number and quantity of such departments

Employees in these work units

Once these factors are registered by a manager, he goes for the future forecasting.

Making future manpower forecasts- Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

The Manpower forecasting techniques commonly employed by the organizations are as follows:

Expert Forecasts: This includes informal decisions, formal expert surveys and Delphi technique.

Trend Analysis: Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).

Work Load Analysis: It is dependent upon the nature of work load in a department, in a branch or in a division.

Work Force Analysis: Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.

Other methods: Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

3. Developing employment programmes- Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

4. Design training programmes- These will be based upon extent of diversification, expansion plans, development programmes, etc. Training programmes depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities, knowledge of the workers.

Sources of Recruitment:

The eligible and suitable candidates required for a particular job are available through various sources. These sources can be divided into two categories...

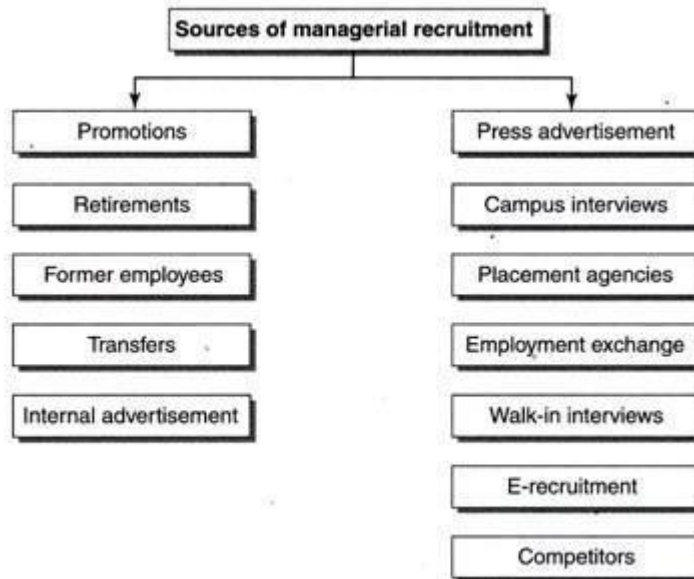


Fig. 5.5 Sources of Recruitment

Internal Sources of Recruitment:

Promotions:

The promotion policy is followed as a motivational technique for the employees who work hard and show good performance. Promotion results in enhancements in pay, position, responsibility and authority. The important requirement for implementation of the promotion policy is that the terms, conditions, rules and regulations should be well-defined.

Retirements:

The retired employees may be given the extension in their service in case of non-availability of suitable candidates for the post.

Former employees:

Former employees who had performed well during their tenure may be called back, and higher wages and incentives can be paid to them.

Transfer:

Employees may be transferred from one department to another wherever the post becomes vacant.

Internal advertisement:

The existing employees may be interested in taking up the vacant jobs. As they are working in the company since long time, they know about the specification and description of the vacant job. For their benefit, the advertisement within the company is circulated so that the employees will be intimated.

External Sources of Recruitment:

Press advertisement:

A wide choice for selecting the appropriate candidate for the post is available through this source. It gives publicity to the vacant posts and the details about the job in the form of job description and job specification are made available to public in general.

Campus interviews:

It is the best possible method for companies to select students from various educational institutions. It is easy and economical. The company officials personally visit various institutes and select students eligible for a particular post through interviews. Students get a good opportunity to prove themselves and get selected for a good job.

Placement agencies:

A databank of candidates is sent to organizations for their selection purpose and agencies get commission in return.

Employment exchange:

People register themselves with government employment exchanges with their personal details. According to the needs and request of the organization, the candidates are sent for interviews.

Walk in interviews:

These interviews are declared by companies on the specific day and time and conducted for selection.

E-recruitment:

Various sites such as jobs.com, naukri.com, and monster.com are the available electronic sites on which candidates upload their resume and seek the jobs.

Competitors:

By offering better terms and conditions of service, the human resource managers try to get the employees working in the competitor's organization.

Selection Process

Definition: The **Selection** is a process of picking the right candidate with prerequisite qualifications and capabilities to fill the jobs in the organization.

Selection Process

The selection procedure comprises of following systematic steps:



Preliminary Interview: The preliminary interview is also called as a screening interview wherein those candidates are eliminated from the further selection process who do not meet the minimum eligibility criteria as required by the organization.

Here, the individuals are checked for their academic qualifications, skill sets, family backgrounds and their interest in working with the firm. The preliminary interview is less formal and is basically done to weed out the unsuitable candidates very much before proceeding with a full-fledged selection process. **Receiving Applications:** Once the individual qualifies the preliminary interview he is required to fill in the application form in the prescribed format. This application contains the candidate data such as age, qualification, experience, etc. This information helps the interviewer to get the fair idea about the candidate and formulate questions to get more information about him.

Screening Applications: Once the applications are received, these are screened by the screening committee, who then prepare a list of those applicants whom they find suitable for the interviews. The shortlisting criteria could be the age, sex, qualification, experience of an individual. Once the list is prepared, the qualified candidates are called for the interview either through a registered mail or emails.

Employment Tests: In order to check the mental ability and skill set of an individual, several tests are conducted. Such as intelligence tests, aptitude tests, interest tests, psychological tests, personality tests, etc. These tests are conducted to judge the suitability of the candidate for the job.

Employment Interview: The one on one session with the candidate is conducted to gain more insights about him. Here, the interviewer asks questions from the applicant to discover more about him and to give him the accurate picture of the kind of a job he is required to perform.

Also, the briefing of certain organizational policies is done, which is crucial in the performance of the job. Through an interview, it is easier for the employer to understand the candidate's expectations from the job and also his communication skills along with the confidence level can be checked at this stage. **Checking References:** The firms usually ask for the references from the candidate to cross check the authenticity of the information provided by him. These references could be from the education institute from where the candidate has completed his studies or from his previous employment where he was formerly engaged. These references are checked to know the conduct and behavior of an individual and also his potential of learning new jobs.

Medical Examination: Here the physical and mental fitness of the candidate are checked to ensure that he is capable of performing the job. In some organizations, the medical examination is done at the very beginning of the selection process while in some cases it is done after the final selection. Thus, this stage is not rigid and can take place anywhere in the process. The medical examination is an important step in the selection process as it helps in ascertaining the applicant's physical ability to fulfill the job requirements.

Final Selection: Finally, the candidate who qualifies all the rounds of a selection process is given the appointment letter to join the firm.

Thus, the selection is complex and a lengthy process as it involves several stages than an individual has to qualify before getting finally selected for the job.

Methods of Training and development

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development. There are two methods through which managers can improve their knowledge and skills.

They are:-

On the job training

Off the job training

On-the-job training methods are as follows:

On the job method is a flexible method. It is a less expensive method. The trainee is highly motivated and encouraged to learn. Much arrangement for the training is not required.

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem.

This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved done by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes gives great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point

B)Motivation

Introduction to Motivation:

The 'love or will to do' (called motivation) depends on the strength of people's motives. Motives are the expressed needs and could be conscious or subconscious. They are always directed towards goals. Motivating people to perform better and thus to achieve organizational objectives has been the greatest challenge to managers. Motivating people to perform, higher than their normal physical and mental capacities, and to keep them satisfied is a very complex function of management.

Definition of motivation

The term 'Motivation' is derived from the Latin word "Movere" which means 'to move'. Thus, Motivation stands for movement.

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

A willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organization.

Characteristics of motivation:

Based on motives: Motivation is based on individual's motives which are internal to the individual. These motives are in the form of feeling that the individual lacks something.

1. Internal Feeling:

Motivation is an inner feeling consisting of the urges, needs, desires, aspirations etc. of an individual which influence human behaviour. For example, an individual may have need for having a car, comfortable house, reputation in the society etc.

2. Goal Directed Behaviour:

Motivation results in behaviour directed towards goals. For example, if an employee wants high pay, he will try to improve his performance.

3. Both Positive and Negative:

Motivation can be both positive and negative but the main aim of both is to inspire the people to work in the required manner. Examples of positive motivators are promotion, bonus, respect, recognition etc. whereas negative motivators are warning, demotion, stopping increments etc.

4. Complex Process

Motivation is a complex process. All individuals do not have same needs, desires and reactions. A particular motivator may not obviously satisfy the internal feelings of all the individuals.

Importance of Motivation

Motivation helps to change from negative attitude to positive attitude. Without motivation the employees try to perform minimum activities in the organization. But the motivation fills in the desire to perform to their maximum level. All the resources of the organization are of no use unless and until the employees use these resources. The motivated employees make best use of the resources.

Motivation improves performance level of employees. The motivation improves the efficiency level of employees which means the employees start performing the job to the best of their ability with minimum wastage of time and resources because motivated employees always go for best utilization of resources. The motivation bridges the gap between the ability to work and willingness always improves efficiency.

Help in achieving the [organizational goals](#). The motivated employees always try to achieve the organizational goal and contribute their best efforts for the realization of organizational goal as they know with the achievement of organizational goal only they can achieve their personal goal. All the employees contribute their efforts in one direction of accomplishment of goal.

Motivation creates [supportive work environment](#). In motivation the relations between superior and subordinates are always improved. When the employees get their need satisfied or get the recognition and respect in the organization then they always offer a supportive hand to superiors. There is more co-operation and co-ordination in the organization and all the employees work with the team spirit.

Motivation helps the managers to introduce changes. The motivated employees show less [resistance in accepting the changes](#) according to [changes in the business environment](#) because they know if the changes are not implemented in the organization, not only the organization will lose by this but the employees also will find it difficult to get their needs fulfilled. Motivated employees are always supportive and co-operative in [accepting changes in the organization](#).

Reduction in [Employee Turnover](#). The motivation creates confidence in the employees to get their need satisfied in the organization itself. They always select the alternative to remain in the organization and increase their earning rather than leaving the organization and increasing their earnings. With motivation employee turnovers are less because the satisfied employees never leave the job.

Top Factors affecting Motivation



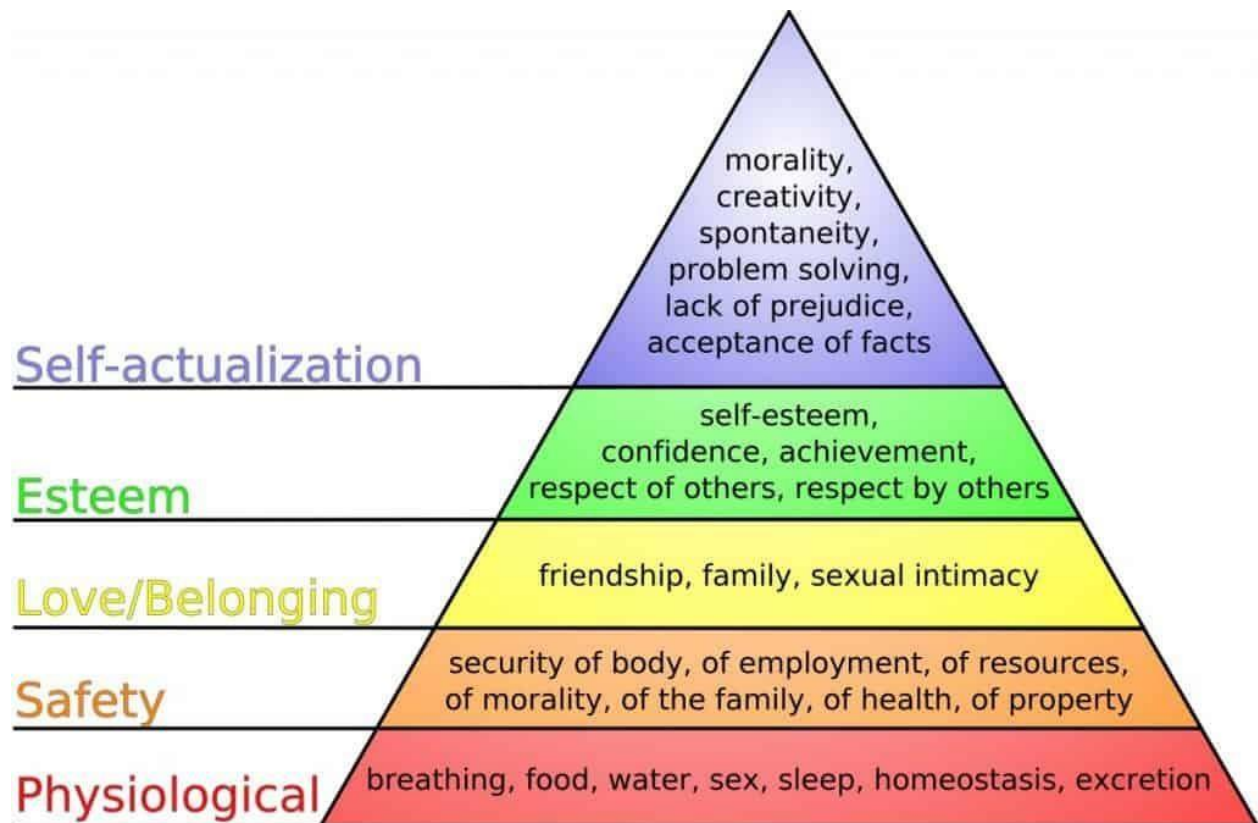
Keeping employees motivated is the biggest challenge for companies for ensuring that they give a high productive output at work and help in achieving company goals. A positive motivation amongst employees helps drive the business positively & enhances creativity. On the other hand, a demotivated employee will not contribute efficiently and slowdown progress at workplace. The key elements & top factors which influence employees in business or people in general are as follows:

1. Salary: Monetary compensation & benefits like gross salary, perks, performance bonuses etc are the biggest motivation factors. The better the salary and monetary benefits, the higher is the motivation level & passion of a person towards a job.
2. Recognition: Rewards, recognition, accolades etc are important for ensuring high enthusiasm levels for an employee. If the hard work of an individual is appreciated, it keeps them motivated to perform better.
3. Work Ethics: Ethical working environment, honesty etc are important factors for any individual. Good work ethics in a company helps keep employees motivated at work place.
4. Transparency with Leadership: The leadership in an organization helps in employee motivation if there are transparent discussion and flatter hierarchies. The senior management has to ensure that all subordinates are happy, focused & motivated.
5. Culture at Work: A good, vibrant, positive culture at workplace is always an important factor. People from different backgrounds, religions, countries etc working together helps create a social bond at workplace.
6. Learning and Development: Another factor influencing is the training and development opportunities that a person gets. L&D helps individuals develop more skills and have better opportunities in their professional career.
7. Work Life Balance: Having a good quality of work life (QWL) helps in the motivation of people. A good work life balance ensures that a person can give quality time to both office work as well as family.
8. Career Growth Opportunities: Career development opportunities have a positive influence on the motivation of any person. If a person knows their future & career path is secure, they tend to work with more passion.
9. Health Benefits: Health benefits, insurance & other incentives act as a source of motivation for people. If the medical bills, hospitalization charges etc are taken care of by the company, it helps build a strong trust.
10. Communication: A positive & transparent communication between managers and subordinates gives a sense of belonging and adds to the employee's motivation. Discussion related to work as well as personal life help make a friendly bond at workplace.

There are not finite factors influencing positive attitude of an employee. These keep on changing depending upon the type of environment, job responsibility, experience in life etc. Hygiene Factors of motivation are also given by the Hygiene Theory.

Maslow's Hierarchy of Needs Theory

One of the most popular needs theories is Abraham Maslow's hierarchy of needs theory. Maslow proposed that motivation is the result of a person's attempt at fulfilling five basic needs: physiological, safety, social, esteem and self-actualization. According to Maslow, these needs can create internal pressures that can influence a person's behavior.



1. **Physiological needs** - These are biological requirements for human survival, e.g. air, food, drink, shelter, clothing, warmth, sex, sleep.

If these needs are not satisfied the human body cannot function optimally. Maslow considered physiological needs the most important as all the other needs become secondary until these needs are met.

2. **Safety needs** - Once an individual's physiological needs are satisfied, the needs for security and safety become salient. People want to experience order, predictability and control in their lives. These needs can be fulfilled by the family and society (e.g. police, schools, business and medical care).

For example, emotional security, financial security (e.g. employment, social welfare), law and order, freedom from fear, social stability, property, health and wellbeing (e.g. safety against accidents and injury).

3. **Love and belongingness needs** - after physiological and safety needs have been fulfilled, the third level of human needs is social and involves feelings of belongingness. The need for interpersonal relationships motivates behavior

Examples include friendship, intimacy, trust, and acceptance, receiving and giving affection and love. Affiliating, being part of a group (family, friends, work).

4. **Esteem needs** are the fourth level in Maslow's hierarchy - which Maslow classified into two categories: (i) esteem for oneself (dignity, achievement, mastery, independence) and (ii) the desire for reputation or respect from others (e.g., status, prestige).

Maslow indicated that the need for respect or reputation is most important for children and adolescents and precedes real self-esteem or dignity.

5. **Self-actualization needs** are the highest level in Maslow's hierarchy, and refer to the realization of a person's potential, self-fulfillment, seeking personal growth and peak experiences. Maslow (1943) describes this level as the desire to accomplish everything that one can, to become the most that one can be.

Methods of Improving Motivation

1. Ask for employee input

Regularly survey employees for their satisfaction. Conduct anonymous polls to show employees that you care about their opinions and value their input. Ask for suggestions of ways that you can improve working conditions. You also have to take action after getting the results of your poll back. This will show employees that you truly value their opinion, want them to be happy in their positions and will take the steps necessary to make that happen. It will show that you are loyal to them just as you want them to be loyal to you, which will go a long way towards motivating them to perform at their best.

2. Offer personal enrichment programs

Creating a personal enrichment program could mean that you offer tuition reimbursement or send employees to workshops and seminars where they can improve their skills. This will allow you to more easily promote from within. Look for opportunities to encourage employees to engage in professional development.

3. Validate good work

Help inspire the efforts of your team members by validating their good work. And show your appreciation in person—compliments or expressions of gratitude usually have the most impact in this fashion. Give specific examples of the things that they did that benefited the team, the organization or you personally. You may also want to consider taking the time to write a handwritten thank-you note on stationery, as this extra effort will have a bigger impact on the recipient.

If you're speaking to someone in person, you might say something like, "I can tell you worked really hard on that presentation. You did a great job presenting it to the team and the effort you put into it really shows."

4. Set intermittent goals

Smaller, measurable goals are a valuable way to stay motivated during work on a project. Whether your team has a system to keep track of completed work or you develop a tracking system of your own, helping your team to set goals that are reasonable and achievable can keep employees motivated and encouraged when they hit notable milestones.

For example, if your team has been tasked with updating the office space of a client, you might encourage them to set smaller goals such as interviewing general contractor candidates, setting up a contract with the one they choose, meeting with architects and making design and finishing choices. Each of these tasks brings your employees closer to the finished office space and it can be rewarding to check these items off the larger list to show measurable progress.

5. Celebrate milestones and achievements

Particularly if a project has a long-term goal, celebrating smaller milestones along the course of the project can help everyone on the team stay connected to the work and focused on the larger goal. Gratitude and validation are an important part of recognizing those milestones, but tangible rewards can also help. Financial bonuses, a lunch party, time off or a gift certificate for meeting milestones can motivate everyone.

6. Radiate positivity

Creating a positive culture is a great way to maintain the motivation of your employees. The easiest way to do this is to radiate positivity yourself. Play music, joke around, play games, laugh and just have fun. Research shows that happiness can significantly boost the productivity of your workplace. Enjoy being in the office and consistently showcase high energy.

7. Create a mentorship program

A good mentor can offer encouragement, advice and understanding about the trials and successes employees encounter. If your employees work in a specialized field that friends and family do not understand well, a mentor can be invaluable in helping them sort through concerns and appreciate their successes. Create a mentorship program within your department where you pair more experienced employees with ones who have less experience to guide them along their career journey and offer words of advice and encouragement daily.

8. Create a comfortable and inspiring workspace

Establish an office environment that is both comfortable and inspirational. Add color to the walls and put up motivational posters. If your workplace uses cubicles, encourage your employees to decorate their own space in a way they enjoy. Also, encourage your team to keep their workspaces clean and tidy, as clutter can rapidly begin to feel chaotic.

9. Encourage mindfulness

Encourage employees to de-stress and take breaks during the workday. This could mean a brief walk outside on a nice day or a trip to a nearby coffee shop. You might consider offering yoga or meditation classes over a lunch break or encourage your team to participate in these activities when they feel stuck about the direction of a project or need to take a short break. Sometimes just taking a few moments of quiet can provide the motivation they need to meet tight deadlines.

10. Share profits to improve performance

By offering a profit-sharing program, employees will recognize that they have a stake in the financial success of the organization. Profit-sharing gives employees a sense of pride in what they have accomplished and a feeling of accomplishment seeing their earnings increase. It can improve performance and reduce turnover as well.

11. Take benefits to the next level

Employees generally expect standard benefits like paid time off, health insurance and even flexibility. You can motivate employees by taking your benefits to the next level. Add game rooms to help employees de-stress throughout the day, a snack bar to keep energy levels up or even implement a work-from-home day each week or month. Childcare or wellness compensation plans are also a great way to incentivize employees. These kinds of benefits boost health, increase team motivation and encourage people to stay with your company longer.

12. Offer an incentive program

Create an incentive program that rewards employees for consistently working hard—separate from celebrating milestones or successes. You could implement non-financial incentives like extra vacation days, compressed work weeks or a choice of parking spots. Your incentive program doesn't even have to be connected to performance. For example, you could use it to encourage your team to participate in training programs—the team members who watch the most videos each week could receive a reward.

Importance of Communication in Business Organisation

Communication is one of the most important functions of management. It may cement an organisation or disrupt. It promotes managerial efficiency and induces the human elements in an organisation to develop a spirit of cooperation. It has become one of the most vital factors in the efficient performance of management.

1. Efficient and Smooth Running of an Enterprise:

The smooth and efficient functioning of an enterprise entirely depends upon the effectiveness of the system of communication. It is the very heart of the process of organising. It provides the necessary basis of direction and leadership. It actuates people to action in accordance with the desires of the management. Without proper communication, performance and achievements of the goals may not be possible. It is essential to secure cooperation between any two persons.

2. Basis of Decision Making:

Communication is the basis of decision making. It helps the management to take essential decision and conduct vital operations. The quality of decisions made in an organisation entirely depends on the amount and quality of information available to the management. The quality of information depends upon effective communication, and the quality of communication exercises considerable influence on the quality of decision making.

In the absence of effective communication it may not be possible for the top management to come in closer contacts with each other. Effective communication also helps in implementing the decisions of the management.

3. Proper Planning and Coordination:

Communication is very helpful in planning and coordinating the activities of business. If the system of communication is good, useful suggestions will come from the subordinates to the superiors. This would be helpful in the formation of plans. Participation of employees is now regarded essential for getting the task done, and this, can effectively be secured only through the media of communication.

4. Higher Productivity at Minimum Cost:

Effective communication between employers and employees plays a vital role in obtaining maximum production with the minimum of cost. Communication provides necessary will to work. Effective communication will make the employee feel more secure and more interested in his work. It will increase the understanding of the employees and secure their willing acceptance of the business plans.

It will increase the productivity on the part of workers. 'For this, management has to sell ideas, motivate the workers to work with a will and build up high morale in the company. Communication, as an influence process, plays a vital role here. It becomes thus, a part of education, propaganda, leadership, and guidance function of the management.

5. Morale Building:

Communication in industry is the basis for morale building. Under an effective system of communication, it is quite convenient for the employees to bring their grievances to the notice of the management and get a proper adjustment. It creates mutual trust and faith, and that ultimately ensures job satisfaction amongst the employees, creates confidence in the ability of managers and promotes their loyalty towards the enterprise.

It satisfies their personal and social needs and stimulates their job interest and enthusiasm. 'The result of good communication is increased efficiency as well as good morale. It is possible to have good morale without efficiency; it is not possible to have efficiency without good morale'.

6. Democratic Management:

Effective communication is the basis for democratic management. It ensures co-operation through understanding. The management has been forced to recognize the maintenance of sound system in democracy which necessitates understanding and support of workers. Adequacy and clarity of communication facilitates effective leadership and maintenance of man to man relationship.

7. Binds People Together:

Effective communication induces the human elements in an organisation to develop a spirit of cooperation and produces the will to do work before actually doing it. In this way, effective communication binds the people of an organisation together.

8. Creates Mutual Trust and Confidence:

Effective communication creates mutual trust and confidence between the management and the labour. It gives job satisfaction to the workers. It is essential for healthy industrial relations. Sharing ideas and experiences with workers eliminates their fears and misunderstanding and helps in winning over their trust and confidence.

Types of communication

There are actually five types of communication:

Verbal,

Non-verbal,

Written,

Listening,

Visual.

VERBAL COMMUNICATION

Verbal communication occurs when we engage in speaking with others. It can be face-to-face, over the telephone, via Skype or Zoom, etc. Some verbal engagements are informal, such as chatting with a friend over coffee or in the office kitchen, while others are more formal, such as a scheduled meeting. Regardless of the type, it is not just about the words, it is also about the caliber and complexity of those words, how we string those words together to create an overarching message, as well as the intonation (pitch, tone, cadence, etc.) used while speaking. And when occurring face-to-face, while the words are important, they cannot be separated from non-verbal communication.

NON-VERBAL COMMUNICATION

What we do while we speak often says more than the actual words. Non-verbal communication includes facial expressions, posture, eye contact, hand movements, and touch. For example, if you're engaged in a conversation with your boss about your cost-saving idea, it is important to pay attention to both the their words and their non-verbal communication. Your boss might be in agreement with your idea verbally, but their nonverbal cues: avoiding eye contact, sighing, scrunched up face, etc. indicate something different.

WRITTEN COMMUNICATION

Whether it is an email, a memo, a report, a Facebook post, a Tweet, a contract, etc. all forms of written communication have the same goal to disseminate information in a clear and concise manner – though that objective is often not achieved. In fact, poor writing skills often lead to confusion and embarrassment, and even potential legal jeopardy. One important thing to remember about written communication, especially in the digital age, is the message lives on, perhaps in perpetuity. Thus, there are two things to remember: first, write well – poorly constructed sentences and careless errors make you look bad; and second, ensure the content of the message is something you want to promote or be associated with for the long haul.

LISTENING

The [act of listening](#) does not often make its way onto the list of types of communication. Active listening, however, is perhaps one of the most important types of communication because if we cannot listen to the person sitting across from us, we cannot effectively engage with them. Think about a negotiation – part of the process is to assess what the opposition wants and needs. Without listening, it is impossible to assess that, which makes it difficult to achieve a win/win outcome.

VISUAL COMMUNICATION

We are a visual society. Think about it, televisions are running 24/7, Facebook is visual with memes, videos, images, etc., Instagram is an image-only platform, and advertisers use imagery to sell products and ideas. Think about from a personal perspective – the images we post on social media are meant to convey meaning – to communicate a message. In some cases that message might be, look at me, I'm in Italy or I just won an award. Others are carefully curated to tug on our heartstrings – injured animals, crying children, etc.

Barriers of Communication

1. Physical Barriers:

A communication is a two-way process, distance between the sender and the receiver of the message is an important barrier to communication. Noise and environmental factors also block communication.

2. Personal Barriers:

Personal factors like difference in judgment, social values, inferiority complex, bias, attitude, pressure of time, inability to communicate, etc. widen the psychological distance between the communicator and the communicatee. Credibility gap i.e., inconsistency between what one says and what one does, also, acts as a barrier to communication.

3. Semantic or Language Barriers:

Semantic is the science of meaning. The same words and symbols carry different meanings to different people. Difficulties in communication arise when the sender and the receiver of the message use words or symbols in different senses. The meaning intended by the sender may be quite different from the meaning followed by the receiver. People interpret the message in terms of their own behaviour and experience. Sometimes, the language used by the sender may not at all be followed by the receiver.

4. Status Barriers (Superior-Subordinate Relationship):

Status or position in the hierarchy of an organization is one of the fundamental barriers that obstructs free flow of information. A superior may give only selected information to his subordinates so as to maintain status differences. Subordinates, usually, tend to convey only those things which the superiors would appreciate.

This creates distortion in upward communication. Such selective communication is also known as filtering. Sometimes, “the superior feels that he cannot fully admit to his subordinates those problems, conditions or results which may affect adversely on his ability and judgment. To do so would undermine his position as a superior being in the formal organization.” This causes distortion in downward communication. A subordinate may also feel reluctant to report his shortcomings or may not seek clarification on instructions which are subject to different interpretations for fear of loss of prestige in the eyes of the superior.

5. Organizational Structure Barriers:

Effective communication largely depends upon sound organizational structure. If the structure is complex involving several layers of management, the breakdown or distortion in communication will arise. It is an established fact that every layer cuts off a bit of information. In the words of W.C. Bennis, “Communication gets distorted particularly as it goes up the hierarchy.”

Moreover, information travelling through formal structure introduces rigidity and causes delay because of long lines of communication. Similarly, lack of instructions for further conveying information to the subordinates and heavy pressure of work at certain levels of authority also act as barriers to effective communication.

6. Barriers Due to Inadequate Attention:

Inadequate attention to the message makes communication less effective and the message is likely to be misunderstood. Inattention may arise because of over business of the communicate or because of the message being contrary to his expectations and beliefs. The simple failure to read notices, minutes and reports is also a common feature.

Whatever be the reason, communication remains only a one-way process and there is no understanding of the message, if the receiver pays little attention to the message. In the words of Joseph Doohar. "Listening is the most neglected skill of communication." "half listening is like racing your engine with the gears in neutral. You use gasoline but you get nowhere."

7. Premature Evaluation:

Some people have the tendency to form a judgment before listening to the entire message. This is known as premature evaluation. As discussed in the previous point, "half-listening is like racing your engine with the gears in neutral. You use gasoline but you get nowhere." Premature evaluation distorts understanding and acts as a barrier to effective communication.

8. Emotional Attitude:

Barriers may also arise due to emotional attitude because when emotions are strong, it is difficult to know the frame of mind of other person or group. Emotional attitudes of both, the communicator as well as the communicate, obstruct free flow of transmission and understanding of messages.

9. Resistance to Change:

It is a general tendency of human beings to stick to old and customary patterns of life. They may resist change to maintain status quo. Thus, when new ideas are being communicated to introduce a change, it is likely to be overlooked or even opposed. This resistance to change creates an important obstacle to effective communication.

10. Barriers Due to Lack of Mutual Trust:

Communication means sharing of ideas in common. "When we communicate, we are trying to establish a commonness." Thus, one will freely transfer information and understanding with another only when there is mutual trust between the two. When there is a lack of mutual trust between the communicator and the communicate, the message is not followed. Credibility gaps, i.e., inconsistency in saying and doing, also causes lack of mutual trust which acts as a basic obstacle to effective communication.

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11. Other Barriers:

There may be many other barriers, such as un-clarified assumptions, lack of ability to communicate, mirage of too much knowledge of closed minds, communication overload, shortage of time, etc., which cause distortion or obstruction in the free flow of communication and thus make it ineffective. Failure to retain or store information for future use becomes a barrier to communication when the information is needed in future.