

ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

E-Notes

ENTREPRENEURSHIP

Generally anyone who runs the business is called entrepreneur.

1.1 ENTREPRENEUR:- J.B. Say, a French economist, has defined an entrepreneur as the economic agent who unites all means of production – land of one, the labour of another and the capital of yet another and thus produces our product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit.

Qualities of an entrepreneur:-

Some people believe that entrepreneur are born and can't be made. Other people believe that entrepreneur and made not born. According to the person with proper knowledge and skills acquired through education and experience can become successful entrepreneur. Some essential qualities for a successful entrepreneur:-

1. Initiator
2. Opportunity seeker
3. Calculated risk taker
4. Proper planner
5. Self-confident
6. Efficient supervisor
7. Leadership
8. Courageous
9. Good human relations
10. Some technical know-how.

Function of an entrepreneur:-

1. **Innovation:-**Innovation is doing new things or doing things that are already being done in new ways.
2. **Risk taking:-** An entrepreneur assumes the responsibility for loss that may arise due to unforeseen contingencies in future.
3. **Organization Building:-** An entrepreneur brings together various factors of production, organizes them properly and performs the decision making functions of administration.

1.2 Entrepreneurship:-It is the process identifying opportunity in the market, mobilizing the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains.

1.3 Intrapreneur:-the Intrapreneur are top executives encouraged to catch hold of new ideas to convert the into products

Intrapreneur	Entrepreneur
<ol style="list-style-type: none"> 1. An Intrapreneur is dependent on the owner. 2. Funds are not raised by the Intrapreneur. 3. An Intrapreneur does not bear the risk involved in the enterprise. 4. An Intrapreneur operates from within the organization itself. 5. An Intrapreneur does not have the ownership of the new venture. 	<ol style="list-style-type: none"> 1. Entrepreneur is independent in his operations. 2. Funds are raised by an entrepreneur himself 3. Entrepreneur himself bears the whole risk involved in the business. 4. An entrepreneur operates from outside. 5. Entrepreneur has complete ownership of the new venture established by him.

1.4 Barriers in Entrepreneurship / Causes of entrepreneurial failure

Following factors are responsible for the failure of an enterprise:-

1. Management factors
 - (a) Incompetency
 - (b) Inexperience in line
 - (c) Inexperience in management
2. Production factors
 - (a) Poor raw materials
 - (b) Lack of technical knowhow
 - (c) Lack of production planning and control
 - (d) Frequent power cuts
 - (e) Frequent mechanical breakdown
 - (f) Labour breakdown
 - (g) Insufficient quality control
 - (h) Wastage in material
 - (i) High rate of rejection
3. High fixed cost
 - (a) Heavy instrument in land and building
 - (b) High administrative and other overhead expenditure
 - (c) Market borrowing at high interest
4. Marketing problems
 - (a) Competition from large and already established enterprises in same line
 - (b) Low quality of finished goods
 - (c) Recession
5. Financial problems

- (a) Sale on credit
 - (b) Utilizing short term funds for long term uses
 - (c) Willful diversion of funds for investment in assets not connected with production
6. Neglect of business, fraud or disaster etc.

1.5 SOLE PROPRIETORSHIP

According to Wheeler, “the sole proprietorship is that form of business organization which is owned and controlled by a single individual. He receives all the profits and bears in the success or failure of the enterprise.”

Salient features of sole proprietorship:

- i. Single ownership
- ii. One man control
- iii. Unlimited liability
- iv. Undivided risks
- v. No separate legal entity of the firm

Merits of sole proprietorship

- i. One man control
- ii. Ease of formation
- iii. Quick decision
- iv. Business secrecy
- v. Personal touch, belongingness and direct motivation
- vi. Flexibilities of operations
- vii. No chance of disputes regarding assets and liabilities

Demerits of sole proprietorship

- i. Limited funds
- ii. Limited scope of expansion
- iii. Lack of specialization
- iv. Unlimited liabilities

The sole proprietorship is suitable in following case

- i. Where small amount of capital is required
- ii. Where quick decision is very important
- iii. Where limited risk is involved
- iv. Where personal attention to individual taste and fashion of customer is required
- v. Where the demand is local, seasonal or temporary
- vi. Where fashion changes quickly

- vii. Where the business operation is simple and does not require skilled management

1.6 PARTNERSHIP FIRMS

According to partnership act 1932 “a partnership is an arrangement among two or more person to carry jointly powerful business and to share the profit arising there form person who enter into such arrangement are known as individually as partner and correctively as firm”

Characteristics of partnership firms:

- i. Two or more persons
- ii. Agreement – written or oral
- iii. Low full business
- iv. Sharing of profits
- v. Unlimited liability
- vi. No separate legal entry of the firm
- vii. Restriction on transfer of interest

Merits of partnership firms

- i. Ease of formation
- ii. Larger financial resources
- iii. Specialized and balanced approach
- iv. Flexibility of operations
- v. Personal interests and supervision
- vi. Chances of survival more
- vii. Better human and public relations
- viii. Business secrecy

Demerits of partnership firms

- i. Unlimited liabilities
- ii. Limited resources
- iii. Lack of harmony
- iv. Lack of continuity
- v. Non transferability of interest

Need of institutional supports for new entrepreneur

An entrepreneur interested to start a new enterprise has to face a number of problems and many have to run from pillar to post and spent a lot of time and energy to get his problems solved. Some new entrepreneurship may be total raw and may not have knowledge on production, marketing and finance etc.

Type of assistant available to entrepreneur from different agencies

- i. Industrial sheds
- ii. Subtracted power supply
- iii. Registration with state directorate of industry
- iv. Financial assistant
- v. Machinery on installments
- vi. Availability of raw materials
- vii. Marketing assistance
- viii. Miscellaneous assistance

Various institutions providing support to small entrepreneur

- i. Commercial banks state financial corporations
- ii. District industry centers
- iii. Small industries service institutes
- iv. Small industries development bank of India
- v. National bank for agriculture and rural development
- vi. National small industries development organization
- vii. Small scale industries board
- viii. Entrepreneurial guidance bureau
- ix. Khadi and village industries commission
- x. Technology business incubator

1.7 District industry center

Governments, both central and state, have in the past taken the number of measures for the development of small and village industries, but the actual achievements have been far below expectations.

Function of DIC

- i. Identification of entrepreneurs
- ii. Selection of projects
- iii. Registration under SSI
- iv. Clearances from various departments
- v. Recommending application to various other departments
- vi. Arranging seed money
- vii. Assistance to raw material supplies
- viii. Financial assistance
- ix. Subsidy schemes
- x. Grant of purchase preferences

1.8 Commercial bank and entrepreneur development

State bank of India

State bank of India is the oldest and largest commercial bank in our country. In order to accelerate the development of backward areas by monitoring potential entrepreneurs to take up risky new ventures, the SBI launched entrepreneurship development programs in 1978.

- i. Initiation phases
- ii. Development phases
- iii. Support phases
- iv. Liberalized scheme
- v. Entrepreneur scheme
- vi. Equity fund scheme

Punjab national bank

Through its merchants banking division it offers similar package of assistance to small scale units.

State financial corporations

A. Financing schemes

- i. Composite loan scheme
- ii. Scheme for technical entrepreneur
- iii. Tiny unit scheme
- iv. Scheme for physically handicapped persons
- v. Special scheme for ex-servicemen
- vi. Scheme for scheduled caste /scheduled tribe entrepreneur
- vii. Scheme for women entrepreneur
- viii. Incentives for export-oriented units

B. Promotional schemes

- i. Special capital scheme
- ii. Seed capital assistance
- iii. Bridging loan scheme
- iv. Modernization scheme
- v. Equipment refinance scheme
- vi. Scheme for rehabilitation of sick unit

2.1 SCANNING OF BUSINESS ENVIRONMENT

Business environment scanning can be defined as "the study and interpretation of the political economic, social and technological events and trends which influence a business an industry or even a total market ". The factors which need to be considered for environmental scanning are events, trends, issues and expectations of the different interest groups.

The six environmental factors of PESTEL analysis are the following:

- Political factors
- Economical factors
- Socio-cultural factors
- Technological factors
- Environmental factor
- Legal factors

2.2 DATA COLLECTION FOR SETTING UP SMALL VENTURES

During the preliminary stages of project planning, a new entrepreneur needs lot of information on various aspects of the proposed project.

1. Raw materials data
2. Machinery and equipment's data
3. Market data
4. Financial data
5. Personnel data
6. General data

2.3 ASSESSMENT OF DEMAND AND SUPPLY IN POTENTIAL AREAS OF GROWTH

The entrepreneur is required to know the demand of the product likely to be manufactured. In other words, he must know the estimate of sale potential of the firm in future. All manufacturing units are based on the sale forecasts. This forecast helps the management in determining as to how much will be the turnover, how much profits to manufacture and what shall be the requirement of men, machine and money.

2.4 IMPORTANCE OF ASSESSMENT OF DEMAND & SUPPLY

- It helps to determine production volumes considering availability of facilities like equipment, capital, manpower etc.

- It helps taking decisions about the plant expansion and resources for manufacturing other products.
- It facilitates in deciding the extent of advertising etc.

2.5 FACTORS FOR SALES FORECASTING

COMPETITION: To assess demand, it is most important to know about the existing and new competitors and their future program, quality of their product.

CHANGES IN TECHNOLOGY: With the advancement of technology new products are coming in the market and taste and likings of the customers go on changing with the advancement and change of technology.

GOVERNMENT POLICIES: Depending upon the government policies and rules also the sales of three products is affected.

2.6 METHODS USED FOR FORECASTING THE DEMAND

1. Customer's views
2. Salesmen's opinion
3. Trends projections

1. CONSUMER'S VIEWS

This is the most direct method for making forecasting for short term, in which customers are asked what they are thinking to buy in near future.

In this method, everything depends upon the customer's views which may misjudge or mislead or may be uncertain about the quantity to be purchased by them in near in future.

2. SALESMEN'S OPINION

In this method, forecasting depends upon the salesmen's estimation for their respective area. As the salesmen are closest to the customers, they can estimate more properly about the customer's reaction, about the product and their future requirements. All the estimates of salesmen are consolidated to know the total estimate of the sales.

3. TRENDS PROJECTION

A well established firm has considerable data on sales. These data are arranged in a chronological order, which is known as 'time series'. Thus time series are analysed before making the forecasts. The trends line is projected by some statistical method generally by least square method.

2.7 IDENTIFYING BUSINESS OPPORTUNITY

To establish an enterprise, one needs a situation in which his ideas can be converted into project and profits. One has to catch the right opportunity and use this opportunities in his favour to establish a new enterprise. There are a lot of opportunities Available in the world of business, but

they are not visible to everybody. An entrepreneur is not expected to be an expert in searching and analyzing business opportunities.

But before selecting an opportunity, the entrepreneur has to ensure two things:

- There must be a good demand for the product he is going to design
- There must be a good return on the investment

2.8 CONSIDERATIONS IN PRODUCT SELECTION

The product to be selected must meet one of the following criteria:

- The product is the pioneer in the market and will satisfy a presently unserved need.
- The product is such that for which there is already more demand than the existing supply in the market.

The product is such that which can successfully compete with existing similar product in the market due to its improved design or lower price etc.

3.1 PROJECT REPORT

An entrepreneur has to work out the details of his business well in advance. The document which contains the required details like the personal bio-data of the entrepreneur, the product to be manufactured, its design, manufacturing process, raw material, machines and equipments required, staff needed, the amount of money required, the source of finance, cost of goods to be produced, market demand of the product and the likely profits anticipated etc. is called a project report.

3.2 NEED OF A PROJECT REPORT

Or

NEED OF A PROJECT REPORT

1. The project report is like a roadmap. It describes the direction the enterprise is going in, what its goals are, where it wants to be and how it is going to get there. It also enables the entrepreneur to know whether he is proceeding in the right direction.
2. It helps the entrepreneur in getting provisional permanent registration of the project from the district industries centre.
3. It helps in allotment of industrial plot or shed for the project from state industrial development corporation.
4. It helps the entrepreneur in establishing techno-economic viability of the project.

3.3 CONTENTS OF A PROJECT REPORT

A well prepared project report is a must for success of the proposed project.

- Objective and scope of the report.
- Promoter's profile
- Location
- Land and building
- Plant and building
- Plant and machinery
- Production process
- Other utilities
- Raw materials
- Market potential

3.4 PRELIMINARY PROJECT REPORT(P.P.R.)

A preliminary project report is a brief summary of a project describing the expected inputs and outputs like finance, manpower, machinery, materials, technology, expenses, production, sales and profits etc. of a project before the project is actually implemented. A preliminary project report justifies the techno-economic feasibility of a project. It is a short description of the project by the entrepreneur.

3.5 DETAILED PROJECT REPORT

Detailed project report is nothing but a detailed elaboration of each and every information and estimates mentioned in the preliminary project report. While preparing a Detailed Project Report(D.P.R.) the entrepreneur may take the help of experts to do the job.

3.6 PROJECT APPRAISAL

The exercise of project appraisal simply means the assessment of a project in terms of its economic, technical, social and financial viability. Simply speaking project appraisal means the assessment of a project. Hence project appraisal is a multi-dimensional analysis of the project i.e. a complete scanning of the project.

3.7 NEED OF PROJECT APPRAISAL

Project appraisal is a costs and benefits analysis of different aspects of proposed project with an objective to adjudge its viability. A project involves employment of scarce resources. An entrepreneur needs to appraise various alternative projects before allocating the scarce resources for the best project.

3.8 STAGES OF PROJECT APPRAISAL

Project appraisal is a scientific tool. It follows a specific pattern. The appraisal of a project is usually carried out by and official from financial institutions or a team of institutional officials. The appraisal of a project is undertaken by the financial institutions with the twin objectives of determining the market potential of a project an optimum strategy. The main stages of the system of project appraisal are the following:

1. Economical Analysis
 2. Financial Analysis
 3. Technical Feasibility
 4. Managerial Competence
 5. Market/Commercial Analysis
- 1. ECONOMICAL ANALYSIS**

The economic aspects of appraisal are fundamental as they logically precede all other aspects because the bank will not finance a project unless it stands assured that the project represents a high priority use of a region's resources.

In view of the limited availability of financial resources the financial institutions would like to finance those projects which are relatively better than others in terms of socio-economic benefits likely to accrue from implementation of the proposed projects.

- The project should create adequate direct and indirect employment.
- The project should substitute imported goods, if any.
- The investment in the project should result in adequate cash generation which is higher than the anticipated inflationary rates.

2. FINANCIAL ANALYSIS:

Finance is one of the most important pre-requisites to establish an enterprise. It is finance only that facilitates an entrepreneur to bring together the labour of one, machine of another and raw materials of yet another to combine them to produce goods. An entrepreneur conceives the idea of starting a new enterprise with the ultimate objective of making profits.

- Fixed capital or capital expenditure
- Recurring expenditure or working capital
- Cost analysis
- Pricing
- Financing

3. TECHNICAL FEASIBILITY

While making project appraisal, the technical feasibility of the project also needs to be taken into consideration. In the simplest sense, technical feasibility implies to mean the adequacy of the proposed plant and equipment to produce the product within the prescribed norms. As regards know-how, it denotes the availability of technical knowledge for the proposed plants and machinery. It should be ensured whether that know-how is available with the entrepreneur or is to be procured from elsewhere. If the project requires any collaboration then the terms and conditions of the collaboration should also be spelt out comprehensively and carefully.

➤ **Process technology:**

Certain products can be manufactured by using alternative manufacturing technologies. The choice and suitability of the particular manufacturing technology identified by the entrepreneur for his project should be justified in the project report.

➤ **Economic size of the project:**

For each project there exists a certain minimum economic size below which the project will not be viable.

➤ **Technical know-how and consultancy:**

Certain projects need sophisticated technologies and project consultant. Arrangements made for technical know-how consultants identified for implementation of the project may be mentioned in the project report.

4. MANAGERIAL COMPETENCE:

Managerial ability or competence plays an important role in making an enterprise a success or otherwise. Strictly speaking, in the absence of managerial competence, the projects which are otherwise feasible may fail. On the contrary, even a poor project may become a successful one with good managerial ability. Hence, while doing project appraisal, the managerial competence or talent of the promoter should be taken into consideration. Research studies report that most of the enterprises fall sick because of lack of managerial competence or mismanagement.

If a proper appraisal of the managerial aspects is made in the beginning itself, future problems in this area can be avoided to a large extent. It is, therefore, necessary that the overall background of the promoters, their academic qualifications, business and industrial experience, their past performance etc. are looked into in greater detail to assess their capabilities for implementing the project for which financial assistance has been sought.

5. MARKET/COMMERCIAL ANALYSIS:

Before the production actually starts the entrepreneur needs to anticipate the possible market for the product. He has to anticipate who will be the possible customers for this product and where and when his product will be sold. This is because production has no value for the producer unless it is sold.

The project report should have all information which could help in identifying the size of present demand, gap between present demand and supply and future potential of demand of the proposed products or services. It is, therefore, suggested that the report should contain the following information:

- The size and composition of the present demand.
- Market segments identified for the proposed project.
- Short and long-term demand projection of the overall market and of the segments identified for the proposed project.
- The market penetration ratio that the proposed project is expected to achieve over the projected period.
- Broad pricing structure on the basis of which future demand has been projected and market penetration ratio has been calculated.

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

- Opinion poll method
- Life cycle segmentation analysis

In the life cycle segmentation analysis, the product life cycle passes through following five stages:

- Introduction
- Growth
- Maturity

- Saturation
- Decline

4.1 Management

Management is essential for organized life and necessary to run all types of management. Good management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

Management is a set of principles relating to the functions of planning, organizing, directing and controlling, and the application of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals.

4.2 The Role of a Functional Management

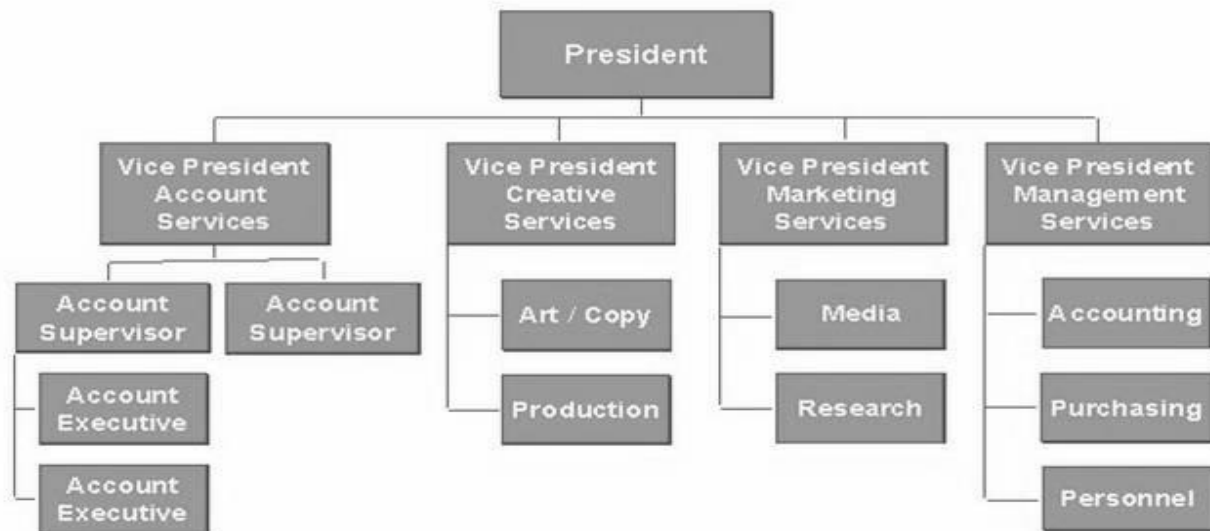
Functional management is focused on the execution of a specific organizational task within functional areas, through organizing and leading an organization's talent in a given field. Functional managers have a high level of technical knowledge and skills relative to the area they manage and focus their efforts on achieving best practices.

Let's quickly explore an example of a functional manager to clarify the role and responsibilities. A human resources manager in an organization would be expected to oversee all operations within the scope of human resources. At a medium or larger sized organization, this could include managing specialists in payroll, recruitment, talent development, legal, and a variety of other specializations within the scope of a human resources team.

The manager shouldn't execute each specific task, but instead understand what is required to complete these tasks. The manager must have the broad technical knowledge required to ensure each individual within that functional team has the skills, resources, and alignment necessary to effectively carry out these functions.

A simple way to understand how this all plays out in an organization is a simple organizational chart. By taking a look at how the departments are divided, it becomes easy to assume what types of management areas exist from a functional view. When you start a job to understand who reports to whom, and regarding what tasks, it becomes clear how management areas are divided from a functional perspective.

Agency Department System



4.3 Types of Management

Management Levels:

An organization can have many different managers, across many different titles, authority levels, and levels of the management hierarchy.

Most organizations have three management levels:

1. Low-level managers: Low-level managers focus on controlling and directing. They serve as role models for the employees they supervise.
2. Middle-level managers: Middle-level managers are responsible for executing organizational plans which comply with the company's policies. These managers act as an intermediary between top-level management and low-level management.
3. Top-level managers: Top-level managers are responsible for controlling and overseeing the entire organization.

These managers are classified in a hierarchy of authority, and perform different tasks. In many organizations, the number of managers in every level resembles a pyramid.

Below, you'll find the specifications of each level's different responsibilities and their likely job titles.

1. Top-level managers

The board of directors, president, vice-president, and CEO are all examples of top-level managers.

These managers are responsible for controlling and overseeing the entire organization. They develop goals, strategic plans, company policies, and make decisions on the direction of the business.

In addition, top-level managers play a significant role in the mobilization of outside resources. Top-level managers are accountable to the shareholders and general public.

2. Middle-level managers

General managers, branch managers, and department managers are all examples of middle-level managers. They are accountable to the top management for their department's function.

Middle-level managers devote more time to organizational and directional functions than top-level managers. Their roles can be emphasized as:

- Executing organizational plans in conformance with the company's policies and the objectives of the top management;
- Defining and discussing information and policies from top management to lower management; and most importantly
- Inspiring and providing guidance to low-level managers towards better performance.

Some of their functions are as follows:

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

3. Low-level managers

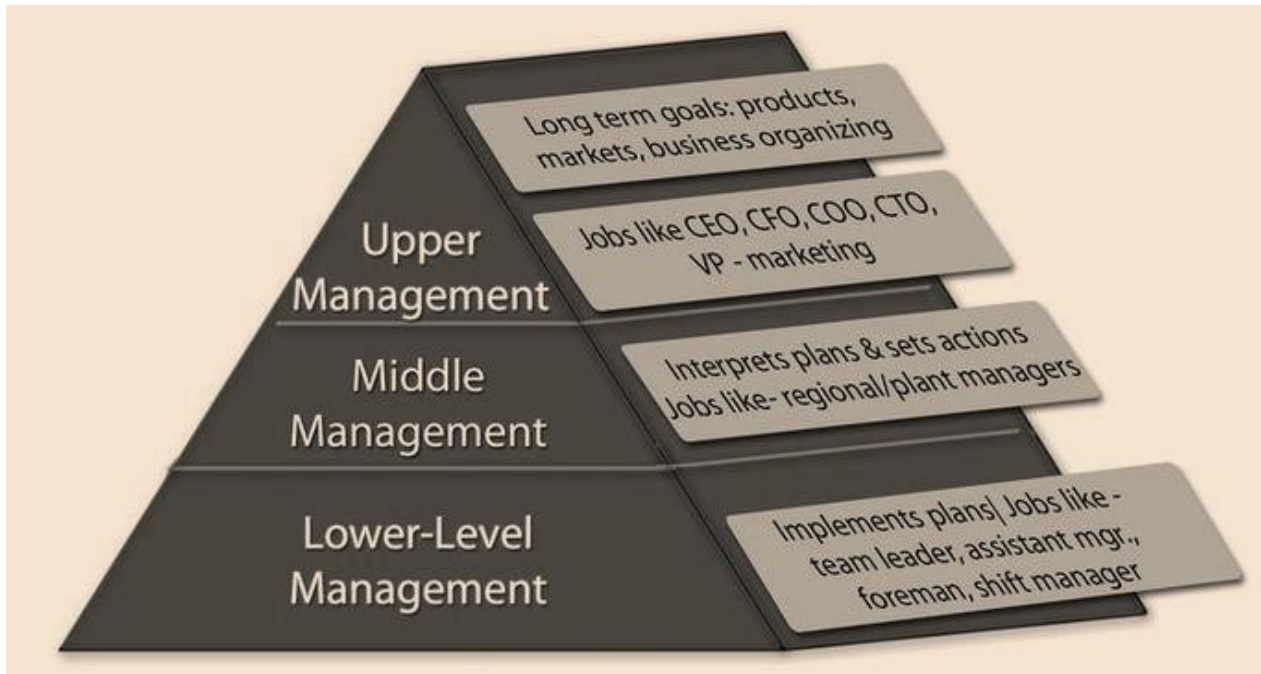
Supervisors, section leads, and foremen are examples of low-level management titles. These managers focus on controlling and directing.

Low-level managers usually have the responsibility of:

- Assigning employees tasks;
- Guiding and supervising employees on day-to-day activities;
- Ensuring the quality and quantity of production;
- Making recommendations and suggestions; and
- Up channeling employee problems.

Also referred to as first-level managers, low-level managers are role models for employees. These managers provide:

- Basic supervision;
- Motivation;
- Career planning;
- Performance feedback; and
- Staff supervision.



Management Levels: Hierarchical view of management in organizations

4.4 Principles of Management of Henri Fayol

1. Division of Work

In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to Henri Fayol specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed. This management principle of the 14 principles of management is applicable to both technical and managerial activities.

2. Authority and Responsibility

In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to Henri Fayol, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.

3. Discipline

This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

4. Unity of Command

The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion

which may lead to possible conflicts for employees. By using this principle, the responsibility for mistakes can be established more easily.

5. Unity of Direction

This management principle of the 14 principles of management is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities. Focus areas are the efforts made by the employees and coordination.

6. Subordination of Individual Interest

There are always all kinds of interests in an organization. In order to have an organization function well, Henri Fayol indicated that personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.

7. Remuneration

Motivation and productivity are close to one another as far as the smooth running of an organization is concerned. This management principle of the 14 principles of management argues that the remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

8. The Degree of Centralization

Management and authority for decision-making process must be properly balanced in an organization. This depends on the volume and size of an organization including its hierarchy. Centralization implies the concentration of decision making authority at the top management (executive board). Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as decentralization by Henri Fayol. Henri Fayol indicated that an organization should strive for a good balance in this.

9. Scalar Chain

Hierarchy presents itself in any given organization. This varies from senior management (executive board) to the lowest levels in the organization. Henri Fayol's "hierarchy" management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels). This can be seen as a type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy. Especially, when it concerns reports about calamities to the immediate managers/superiors.

10. Order

According to this principle of the 14 principles of management, employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

11. Equity

The management principle of equity often occurs in the core values of an organization. According to Henri Fayol, employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

12. Stability of Tenure of Personnel

This management principle of the 14 principles of management represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative

Henri Fayol argued that with this management principle employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization according to Henri Fayol. This encourages the employees to be involved and interested.

14. Esprit de Corps

The management principle 'esprit de corps' of the 14 principles of management stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

4.5 Forms of Organisational Structure: Line, Functional, and Line and Staff Organisation

The adoption of a particular form of organisational structure largely depends upon the nature, scale and size of the business. The organisational structure is primarily concerned with the allocation of activities or tasks and delegation of authority.

1. Line Organisation:

Line organisation is the simplest and the oldest type of organisation. It is also known as scalar organisation or military type of organisation. In the words of J.M. Lundy, "It is characterized by direct lines of authority flowing from the top to the bottom of the organizational hierarchy and lines of responsibility flowing in an opposite but equally direct manner."

An important characteristic of such type of organisation is superior-subordinate relationship. Superior delegates authority to another subordinate and so on, forming a line from the very top to the bottom of the organisation structure. The line of authority so established is referred as "line authority." Under this type of organisation authority flows downwards, responsibility moves upwards in a straight line. Scalar principle and unity of command are strictly followed in line organisation.

This type of organisation resembles with the army administration or military type of organisation. As in case of military, commander-in-chief holds the top most position and has the entire control over the army of the country, which in turn is developed into main area commands under major-generals.

Each area has brigade under brigadier-generals, each brigade is fabricated into regiments under its colonels, each regiment into battalions under majors, each battalion into companies under captains, each company sub-divided under its lieutenants and so on drawn to corporal with his squad.

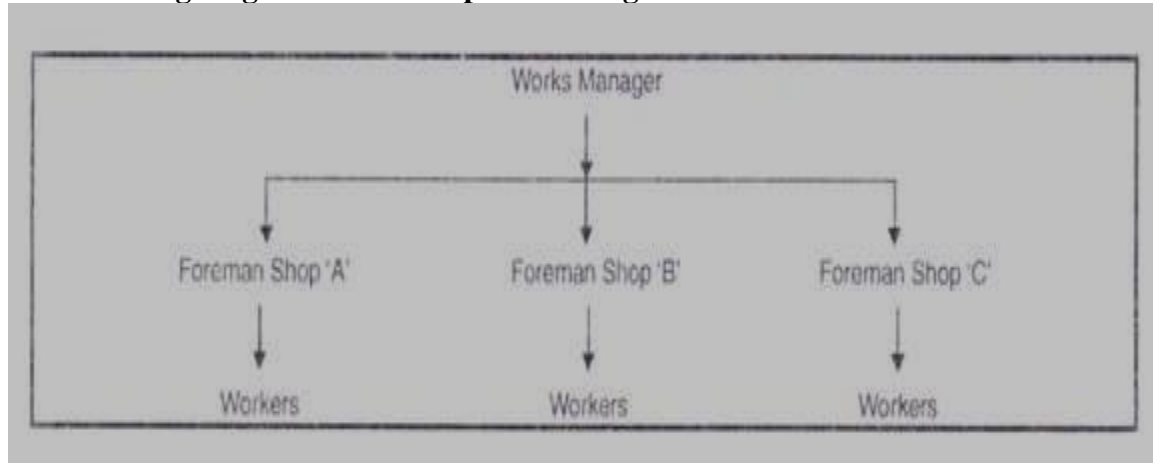
4.6 Types of line organization:

Line organisation is of two type's viz. (a) Simple or Pure Line Organisation (b) Departmental Line Organisation

1.1 Simple or Pure Line Organisation:

In the 'Pure Line organisation' the activities (at any level of management) are the same with each man performing the same type of work and the divisions primarily exist for the purpose of control and direction. In practice, such type of organisation rarely exists.

The following diagram shows the pure line organisation:



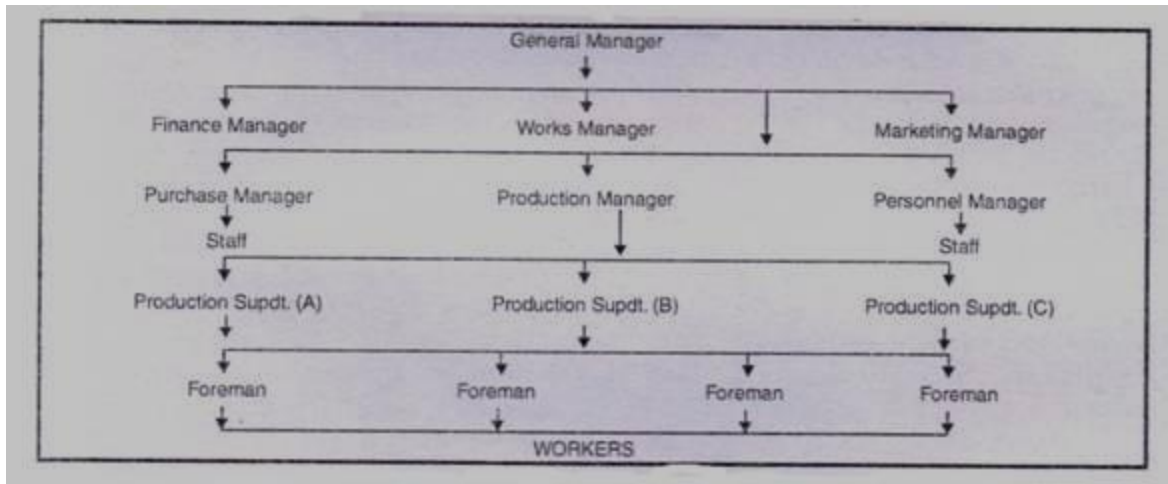
In this type of organisation all the workers perform the same type of work. The departmental divisions are made only for the sake of convenience of supervision and management.

1.2 Departmental line organisation:

Under this type of organisation, an organisation is divided into various departments headed by different departmental heads. All the departments operate under the ultimate control of general manager. The orders flow directly from the general manager to all the departmental heads that in turn pass on to their respective subordinates.

Likewise, the subordinates, intern, communicate the orders to the workers under them. The various departmental heads will be perfectly independent of each other and they will enjoy equal status the central idea, in the formation of such departments is not similarity or dis-similarity of functions or activities, but unity of control and line authority and responsibility from the top of the organisation to the bottom.

The line organisation can be successfully followed where (a) scale of operations is limited or business is on small scale basis, (b) work is simple and routine in nature, (c) business is being done in continuous type of industries like oil refining, sugar, spinning and weaving etc., (d) the labour management problems are not complex and can be easily resolved, (e) the machinery is automatic, and (f) the workers are disciplined.



4.7 Characteristics of line organization:

1. Orders and instructions flow from top to the bottom, whereas requests and suggestions move from bottom to top.
2. The principle of unity of command is the most salient feature of this type of organisation. In simple words, the orders are received by the subordinates from one boss.
3. The subordinates are accountable to their immediate superior.
4. There are limited numbers of subordinates under one superior.
5. This is simple to operate and control.
6. Co-ordination can be easily achieved.

4.8 Advantages of line organization:

1. Simplicity:

It is very simple to establish and operate. It can be easily understood by the employees.

2. Fixed responsibility:

Duties and responsibilities are clearly defined for each individual with reference to the work assigned to him. As a result everybody knows to whom he is responsible and who are responsible to him. Nobody can avoid responsibility.

3. Discipline:

This type of organisation ensures better discipline in the enterprise. Singleness of responsibilities facilitates discipline in the organisation. The workers at the lower levels will be more loyal and responsible to one single boss rather than to a number of bosses.

4. Flexibility:

It is flexible in the sense that it is subject to quick adjustments to suit to changing conditions. In the words of Wheeler, "It permits rapid and orderly decisions in meeting problems at various levels of organisation". In simple words, it is more adaptive to the changed circumstances.

5. Co-ordination:

It helps to achieve effective co- ordination. All the activities pertaining to single department are controlled by one person.

6. Direct communication:

As there will be direct communication between the superior and the subordinates at different levels it would be helpful in achieving promptness in performance.

7. Unity of command:

Every worker is accountable to one boss in the department under this type of organisation. In this manner it is in accordance with the principle of unity of command.

8. Economical:

It is not complex and expensive. It is simple and economical in operation. It does not need any expert and specialised personnel.

9. Quick decisions:

On account of its simple operation and unified control and responsibility, decisions can be taken promptly. The process of decision-making is further quickened as the decision is taken by one person.

10. Executive development:

Under this organisation, the department head is fully responsible for every activity in his department. He discharges his responsibilities in an efficient manner. He comes across many problems and obstacles in performing his duties.

This provides him an ample opportunity to enhance his capabilities and organisational abilities and is greatly helpful in his overall development and performance.

4.9 Disadvantages of line organization:

1. Overloading:

The main disadvantage of this system is that it tends to overload the existing executive with too many responsibilities. The work may not be performed effectively on account of innumerable tasks before the single executive.

2. Lack of specialization:

Absence of managerial specialisation is the major drawback of this system. On account of many functions and complexities it is very difficult for a single individual to control all the matters effectively.

The executive may not be expert in all aspects of managerial activities. The burden of responsibilities on the shoulders of the manager can crush him under the heavy workload.

3. Scope for favoritisms:

There may be a good deal of favoritism and nepotism under this type of organization. As the concerned officer will judge the performance of the persons at work according to his own norms, it is possible that efficient people may be left behind and inefficient or 'yes men' may get higher and better posts.

4. Lack of co-ordination:

In reality it is very difficult to achieve proper coordination among various departments operating in an organisation. This is because each departmental manager or head carries the functioning of his department in accordance with the ways and means suitable to him.

This leads to lack of uniformity in operation among various departments which is detrimental in achieving proper coordination in the overall functioning of the various departments operating in the organisation.

5. Lack of initiative:

Under line organization, ultimate authority lies in the hands of top management and departmental managers or heads have little powers. This adversely affects their initiative and enthusiasm to motivate the subordinates working under them.

6. Lack of communication from lower ranks:

Under line organisation suggestions move from down to upwards the superiors usually do not pay attention to suggestions sent by lower ranks. This leads to inadequacy of communication from subordinates to superiors.

2. Functional Organisation:

F.W. Taylor, who is better known as the father of scientific management developed the concept of 'Functional Organisation'. As the very name suggests, functional organisation implies that the organisation should be based on various functions. Taylor's functional approach is mainly based on principle of specialization and tries to bring about organisational balance.

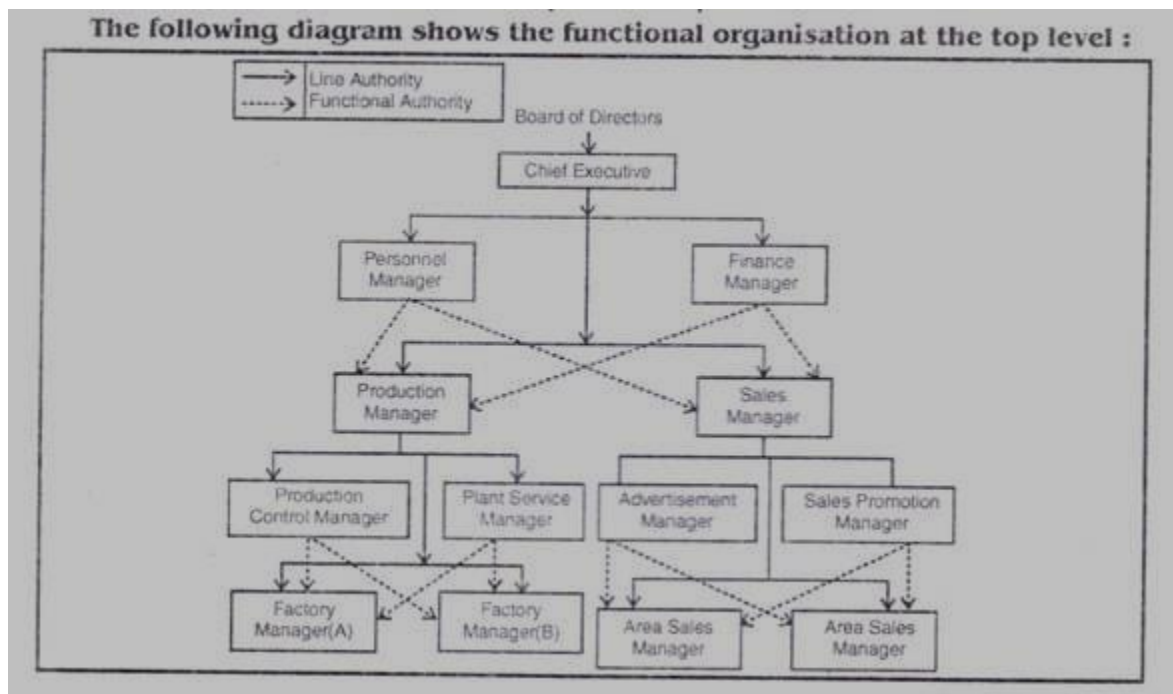
The principle of specialisation embodies the concept that both the workers and the supervisors can develop a higher degree of proficiency by separating the manual from the mental requirements. Taylor recommended that there should be functionalization even at the shop level where workers have to produce goods. He felt that the usual practice of putting one foreman incharge of some 40 to 50 workers should be avoided.

Taylor's concept of Functional Foremanship (as he puts it), is a system comprising of eight different foremen discharging different functions. Every worker in the organisation is directly connected with these foremen.

While developing the concept of Functional Foremanship, F.W. Taylor suggested that it is unscientific to overload a foreman with entire responsibility of running a department. He advocated that direction of work should be decided by functions and not be mere authority.

He thought that to be successful in performing his duties a foreman should possess various qualities viz., education, special or technical knowledge, manual dexterity or strength, tact, energy, honesty, common sense and good health".

Spiegel has nicely explained Functional Organization. "Each worker, instead of coming into contact with one superior, would receive his orders from a group of specialised supervisors, each of whom performs a particular function."



Functional organisation also operates at higher level of management. The whole work in the organisation is divided in various departments. Similar type of work and transactions are put in one department under the control of a departmental manager or head. Various departments are also known as functional areas of management viz., Purchases, Sales, Finance, Production, and Personnel etc. The respective managers of these departments will be responsible for carrying out various activities of their departments in the organisation.

For example, marketing manager will be responsible for carrying out marketing activities and personnel manager will be responsible for looking after the personnel matters in all the departments of the organisation.

The underlying idea of functional organisation at the top level of management is that a subordinate anywhere in the organization will be controlled and commanded directly by number of managers operating in different departments.

4.10 Advantage of functional organisation.

1. Specialisation:

This system derives the benefits of specialisation. As every functional incharge is an expert in his area, he will guide using his specialisation and with the help of the subordinates, try to attain the specified objectives.

2. Increased efficiency:

This type of organisation ensures enhanced efficiency as the workers operate under the expert and competent personnel and perform limited operations.

3. Limited duties:

The functional foremen have to carry out the limited number of duties concerning their area of work. This considerably reduces the burden of work and makes possible for the foreman to carry out the work in the best possible manner.

4. Scope for expansion:

Functional organisation offers a great scope for expansion of business enterprise without any dislocation and loss of efficiency as each man grows on account of his own specialty.

5. Flexibility:

It is flexible pattern of organisation. A change in organisation can be made without disturbing the whole organisation. In the words of Louis A. Allen, "Function as a whole can be cut by eliminating positions at the lower levels without seriously affecting its total performance."

4.11 Disadvantages of Functional Organization:

1. Conflict in authority:

The authority relationship violates the principle of 'unity of command'. It creates several bosses instead of one line authority. It leads to conflict and confusion in the minds of the workers to whom they should obey and whom they should ignore.

2. Difficulty in pinpointing responsibility:

On account of the non-application of the principle of 'unity of control', it is very difficult for the top management to fix the responsibility of a particular foreman. There arises a tendency for shirking of responsibility.

3. Expensive:

This pattern of organisation is quite impracticable and expensive. Multiplicity of experts increases the overhead expenditure. The small organisations cannot afford to install such a system.

4. Discipline is slackened:

Discipline among the workers as well as lower supervisory staff is difficult to maintain as they are required to work under different bosses and this may hamper the progress of the organisation.

5. Lack of co-ordination:

Appointment of several experts in the organisation creates the problem of co-ordination and delay in decision-making especially when a decision requires the involvement of more than one specialist.

3. Line and Staff Organisation:

The line and staff organisation is an improvement over the above mentioned two systems viz, line organisation and functional organisation. The line organisation concentrates too much on control whereas the functional system divides the control too much.

The need was, therefore, for a system that will ensure a proper balance between the two. The need has been fulfilled by line and staff organisation. The system like line organisation also owes its birth to army.

The commanders in the field who are line officers are assisted by the staff that helps them in formulating strategies and plans by supplying valuable information. Similarly in organisation, line officers get the advice of the staff which is very helpful in carrying on the task in an efficient manner. However, staff's role is advisory in nature. Line officers are usually assisted by staff officers in effectively solving various business problems.

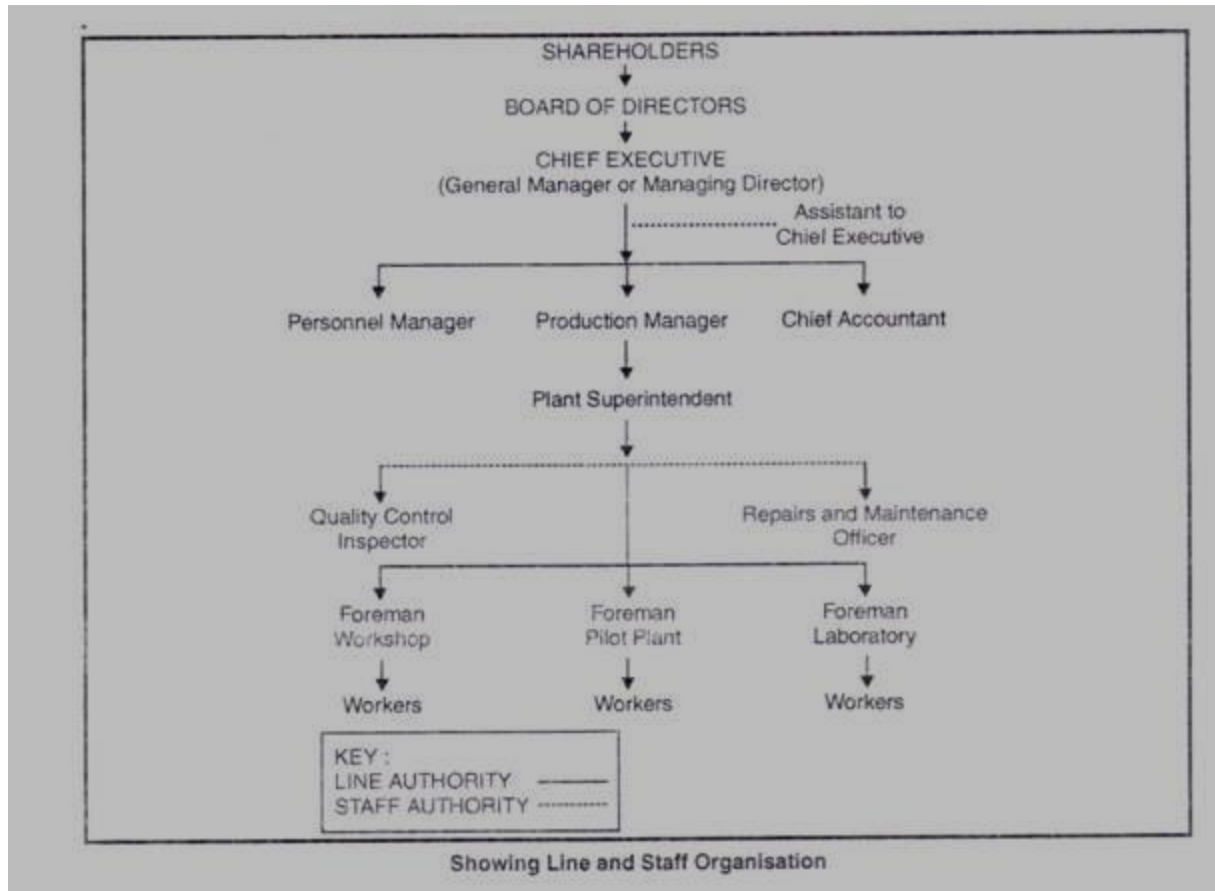
4.12 The staff is usually of three types:

1. Personal Staff:

This includes the personal staff attached to Line Officers. For example, personal assistant to general manager, secretary to manager etc. The personal staff renders valuable advice and assistance to Line Officers.

2. Specialized Staff:

This category includes various experts possessing specialized knowledge in different fields like accounting, personnel, law, marketing, etc. They render specialized service to the organization. For example, a company may engage a lawyer for rendering legal advice on different legal matters. Similarly, it may engage a chartered accountant and a cost accountant for tackling accounting problems.



3. General Staff:

This comprises of various experts in different areas who render valuable advice to the top management on different matters requiring expert advice.

4.13 Advantages of Line and Staff Organization

1. Specialization:

This type of organization is based on planned specialization and brings about the expert knowledge for the benefit of the management.

2. Better decisions:

Staff specialists help the line manager in taking better decisions by providing them adequate information of right type at right time.

3. Lesser Burden on line officers:

The work of the line officers is considerably reduced with the help of staff officers. Technical problems and specialized matters are handled by the Staff and the routine and administrative matters are the concern of Line Officers.

4. Advancement of research:

As the work under this type of organization is carried out by experts, they constantly undertake the research and experimentation for the improvement of the product. New and economical means of production are developed with the help of research and experimentation.

5. Training for line officer:

Staff services have proved to be an excellent training medium for Line Officers.

4.14 Disadvantages of Line and Staff Organisation:

1. Conflict between line and staff authorities:

There may be chances of conflict between line and staff authorities. Line Officers resent the activities of staff members on the plea that they do not always give correct advice. On other hand staff officials complain that their advice is not properly carried out.

2. Problems of line and staff authority:

There may be confusion on the relationship of line and staff authorities. Line Officers consider themselves superior to Staff Officers. The Staff Officers object to it.

3. Lack of responsibility:

As the staff specialists are not accountable for the results, they may not perform their duties well.

4. The system is quite expensive:

The appointment of experts involves a heavy expenditure. Small and medium size organisations cannot afford such a system.

5. More reliance on staff:

Some of the line officers excessively rely on the staff. This may considerably reduce the line control.

Motivation

Motivation is a goal-oriented characteristic that helps a person achieve his objectives. It pushes an individual to work hard at achieving his or her goals. An executive must have the right leadership traits to influence motivation. However, there is no specific blueprint for motivation.

As a leader, one should keep an open perspective on human nature. Knowing different needs of subordinates will certainly make the decision-making process easier.

Both an employee as well as manager must possess leadership and motivational traits. An effective leader must have a thorough knowledge of motivational factors for others. He must understand the basic needs of employees, peers and his superiors. Leadership is used as a means of motivating others.

Given below are important guidelines that outline the basic view of motivation:

1. Harmonize and match the subordinate needs with the organizational needs. As a leader, the executive must ensure that the business has the same morals and ethics that he seeks in his employees. He should make sure that his subordinates are encouraged and trained in a manner that meets the needs of the business.
2. Appreciation and rewards are key motivators that influence a person to achieve a desired goal. Rewarding good/ exceptional behavior with a small token of appreciation, certificate or letter can be a great motivator. If a certificate is awarded to a person, it should mention the particular act or the quality for which the individual is being rewarded.
3. Being a role model is also a key motivator that influences people in reaching their goals. A leader should set a good example to ensure his people to grow and achieve their goals effectively.
4. Encouraging individuals to get involved in planning and important issues resolution procedure not only motivates them, but also teaches the intricacies of these key decision-making factors. Moreover, it will help everyone to get better understanding of their role in the organization. The communication will be unambiguous and will certainly attract acknowledgement and appreciation from the leader.
5. Developing moral and team spirit certainly has a key impact on the well-being of an organization. The mental or emotional state of a person constitutes his or her moral fabric. A leader's actions and decisions affect the morale of his subordinates. Hence, he should always be aware of his decisions and activities. Team spirit is the soul of the organization. The leader should always make sure his subordinates enjoy performing their duties as a team and make themselves a part of the organization's plans.
6. A leader should step into the shoes of the subordinates and view things from subordinate's angle. He should empathize with them during difficult times. Empathizing with their personal problems makes them stronger-mentally and emotionally.
7. A meaningful and challenging job accomplished inculcates a sense of achievement among employees. The executive must make their employees feel they are performing an important work that is necessary for the organization's well-being

5.2 Motivation Theories

1. Maslow's Need Hierarchy Theory:

It is probably safe to say that the most well-known theory of motivation is Maslow's need hierarchy theory. Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man. Maslow identified five levels in his need hierarchy as shown in figure



Fig. 17.2: Maslow's Need Hierarchy

1. Physiological Needs:

These needs are basic to human life and, hence, include food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of human life. They exert tremendous influence on human behavior. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

2. Safety Needs:

After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

3. Social Needs:

Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socializing and belongingness why individuals prefer to work in groups and especially older people go to work.

4. Esteem Needs:

These needs refer to self-esteem and self-respect. They include such needs which indicate self-confidence, achievement, competence, knowledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organization. However, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

5. Self-Actualization Needs:

This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self-actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self-actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unlimited. However, Maslow's need hierarchy-theory is not without its detractors.

2. Herzberg's Motivation Hygiene Theory:

The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory. Herzberg conducted a widely reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.

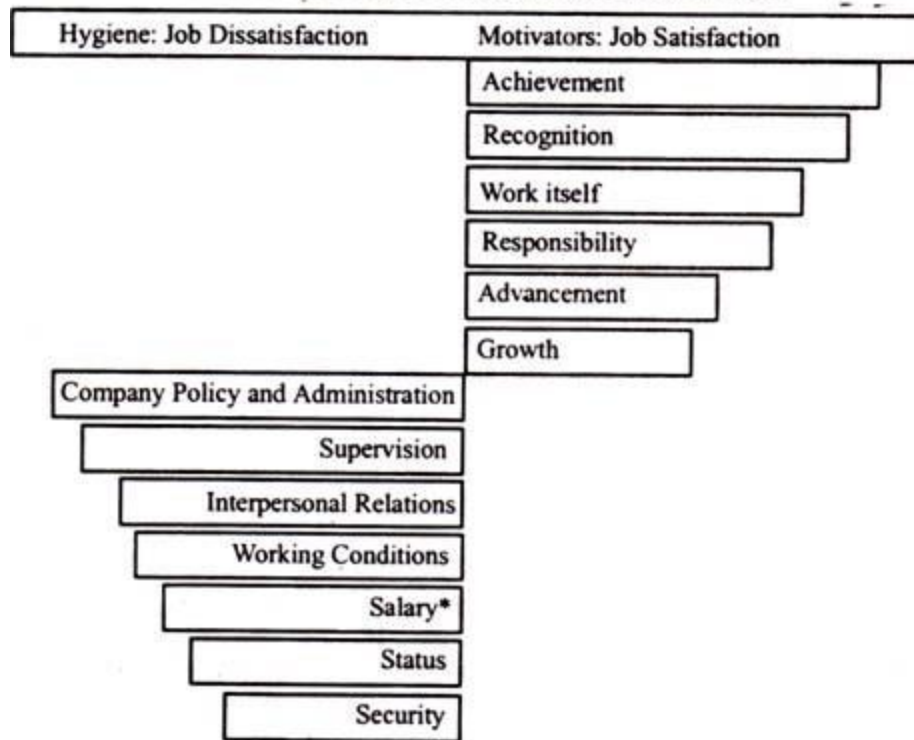
He asked these people to describe two important incidents at their jobs:

- (1) When did you feel particularly good about your job, and
- (2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.

The responses when analyzed were found quite interesting and fairly consistent. The replies respondents gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Reported good feelings were generally associated with job satisfaction, whereas bad feeling with job dissatisfaction. Herzberg labelled the job satisfiers motivators, and he called job dissatisfies hygiene or maintenance factors. Taken together, the motivators and hygiene factors have become known as Herzberg's two-factor theory of motivation

Herzberg's motivational and hygiene factors have been shown in the following Table

Table 17.1: Herzberg's Motivational and Hygiene Factors



According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying characteristics from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisfaction'. According to Herzberg, today's motivators are tomorrow's hygiene because the latter stop influencing the behavior of persons when they get them. Accordingly, one's hygiene may be the motivator of another.

3. McGregor's Participation Theory:

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

5.3 Theory X is based on the following assumptions:

1. People are by nature indolent. That is, they like to work as little as possible.
2. People lack ambition, dislike responsibility, and prefer to be directed by others.
3. People are inherently self-centered and indifferent to organizational needs and goals.
4. People are generally gullible and not very sharp and bright.

5.4 On the contrary, Theory Y assumes that:

1. People are not by nature passive or resistant to organizational goals.
2. They want to assume responsibility.

3. They want their organization to succeed.
4. People are capable of directing their own behavior.
5. They have need for achievement.

What McGregor tried to dramatize through his theory X and Y is to outline the extremes to draw the fencing within which the organizational man is usually seen to behave. The fact remains that no organizational man would actually belong either to theory X or theory Y. In reality, he/she shares the traits of both. What actually happens is that man swings from one set of properties to the other with changes in his mood and motives in changing environment.

5.5 Leadership

A leader has got multidimensional traits in him which makes him appealing and effective in behavior. The following are the requisites to be present in a good leader:

1. **Physical appearance-** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
2. **Vision and foresight-** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
3. **Intelligence-** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.
4. **Communicative skills-** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.
5. **Objective-** A leader has to be having a fair outlook which is free from bias and which does not reflect his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.
6. **Knowledge of work-** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.
7. **Sense of responsibility-** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.
8. **Self-confidence and will-power-** Confidence in himself is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power. (You can read more about Self-Confidence at :
9. **Humanist-** This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.
10. **Empathy-** It is an old adage "Stepping into the shoes of others". This is very important because fair judgement and objectivity comes only then. A leader should understand the

problems and complaints of employees and should also have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

5.6 Types of Leadership

All leaders do not possess same attitude or same perspective. As discussed earlier, few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner. Their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

Some of the important leadership styles are as follows:

- 1. Autocratic leadership style:** In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.
- 2. The Laissez Faire Leadership Style:** Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.
- 3. Democratic/Participative leadership style:** The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.
- 4. Bureaucratic leadership:** Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required.

But this leadership style discourages creativity and does not make employees self-contented.

6 Management scope in different areas

6.1 Human resources development

Human resources development is the process of increasing knowledge, capabilities and positive attitude of all people working at all levels in a business undertaking.

6.2 Manpower planning

Manpower planning is a process including forecasting, developing, implementing and controlling – by which a firm ensures that it has the right number of people and the right kind of people, at the right place and the right time doing work for which they are economically most useful.

6.3 Recruitment and selection

Recruitment is a process to discover the sources of manpower to meet the requirement of the staffing schedule and to employ effective measure for attraction the manpower in adequate number of facilities effective selection of an efficient working force

6.4 Material management

Material management is concerned with control of materials in such a manner which insure maximum return on the working capital of the enterprise.

6.5 Marketing

Marketing is very much integral to market. Market is a place where the sellers and buyers assemble to exchange their products for money and vice versa. It is also the place where the actual exchange of goods and services takes place.

6.6 Marketing management

Marketing management is defined as the process of ascertaining consumers need and wants and converting them into products and services and then moving these products and services to the final consumer to satisfy their need and wants.

6.7 Taxation

Taxation is the collection of a share of individual and organisational income and wealth by a government under the authority of law. Taxes are the major sources of government income in most countries.

6.8 Income tax

Income tax is the direct tax which is paid by the individual on the annual income to the government of India is called Income tax.

6.9 Sales tax

Sales tax is levied at the time when sale or purchase of goods takes. It is an indirect tax the burden of which is passed on to the consumer.

6.10 Excise duty

Excise duty is the tax levied necessarily on those dutiable goods which are produced or manufactured in India.

7 Miscellaneous topics

7.1 C.R.M. (customer relationship management)

C.R.M. is a business strategy to successfully attract and retain customers for maximum profit and growth.

7.2 Quality

The totality of features and characteristics of a product or service that satisfy customers is known as quality.

7.3 Quality control

The art of checking the variation in the quality of the product produced or to keep the variation within a specified limit is called quality control.

7.4 Inspection

The act of checking whether a product to be manufactured satisfies quality parameters or not is known as inspection.

7.5 Quality assurance

Quality assurance is a quality management system which focuses on providing confidence that quality requirements for a product or service will be fulfilled.

7.6 T.Q.M. (Total Quality Management)

T.Q.M. is the control of all transformation processes of an organisation to satisfy customer needs in the most economical manner.

7.7 PDCA

PDCA stands for plan do check act cycle. It is known as the Deming wheel which is used for implementation of T.Q.M. in an organisation.

7.8 J.I.T. (just in time)

JIT is defined as a philosophy of manufacturing based on planned elimination of all wastes and of continuous improvement of productivity.

7.9 Intellectual property rights

IPRs are legal property rights given to originators of products.

7.10 Patent

A patent is a grant made by the government to an inventor that excludes others from manufacturing, using or selling the invention for a specific period of time and in a specific geographical area.

7.11 Copyright

Copyright is a form of protection provided to the authors of original works of authorship including literary, dramatic, musical, artistic and certain other intellectual works, both published and unpublished.

7.12 Trademark

Trademark is any word, slogan, design, picture or other symbols used to identify or distinguish a specific product from others of the same nature offered in the market.