RVS AGRICULTURAL COLLEGE

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ARM 301 ENTREPRENEURSHIP DEVELOPMENT AND BUSINESS MANAGEMENT (1+1)

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PREFACE

This book is prepared for undergraduate agricultural course of ’Entrepreneurship Development and Business Management' as per revised curriculum for B.Sc. (Hons.) Agriculture degree programme. The main aim of this book is to assist the students to develop an understanding of the concepts of Entrepreneurship, Agribusiness and Management etc.

This book is divided into five units based on the syllabi of the subject of 'Entrepreneurship Development and Business Management' in B.Sc. (Hons.) Agriculture course offered in the State Agricultural Universities. This book is comprehensive and especially chapters like concepts of Entrepreneurship, Rural Entrepreneurship, Innovation, Business Environment, Agribusiness Opportunities, MSME Classifications, KVIC Classifications, Management Functions - POSDCORB is Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting. Functional Areas of Management - Operations Management, Total Quality Management, Supply Chain Management, Marketing Management and Financial Management.

In addition, Get better our tomorrow by putting endeavour on our today's' should be the basic mantra of all the stakeholders of our farming community and this book may play a little effort in this path.

Last but not the least time comes, we forgot about the mass production, rather think about production by masses. It is only possible if we are more accountable in our agricultural production, distribution and consumption. Then we can persuade the farming community to tilt the toil and set the soil for more production and productivity. This rule of the agriculture and our today's Agribusiness.

Author

CONTENTS

Concept and Types of Entrepreneurship

Entrepreneurship in a broader sense can be described as a creative and innovative response to the environment. Entrepreneur is an innovator who introduces something new into the economy, a new method of production not yet tested by the experience in the branch of manufacture concerned, a product with which the consumers are not familiar or of new market hithar-to unexploited and other similar innovations.

Entrepreneur is an Economic Agent who plays a vital role in the economic development of a country. Economic development of a country refers steady growth in the income levels. This growth mainly depends on its entrepreneur. An entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits.

The Concept of Entrepreneur

The word “Entrepreneur” is derived from the French verb *entrepredre*. It means to undertake. The word itself, derived from 17th –century French word “entreprendre” that refers to individuals who were “undertakers”, meaning those who “undertook” the risk of new enterprise. They were “contractors” who bore the risks of profit or loss, and many early entrepreneurs were soldiers of fortune, adventurers, builders, merchants and incidentally, funeral directors.

Entrepreneurship is a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

According to the management guru **Peter F Drucker**, an entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is an instrument of entrepreneurship. An entrepreneur innovates and creates resources because there is no such thing as resource until someone finds a use for something and endows economic value to it. Entrepreneurs convert a material into a resource or combine the existing resources in a new or more productive configuration. In layman’s language, **entrepreneur** is a person or group of people who decide to tap market opportunities. It must be clearly understood, that the Entrepreneurs are generally of the “first generation”.

Examples of Entrepreneurs

- Eddie hopes that his entrepreneurial gamble will pay off as well as the gambles of other well-known entrepreneurs, such as:
- Bill Gates, founder of Microsoft. There are probably not many people that have not been touched by one of his products, such as Microsoft Windows, Microsoft Office and Internet Explorer.
- Steve Jobs, co-founder of Apple computers, which produce Macs, iPods and iPhones, as well as Apple TV.
- Mark Zuckerberg, the founder of Facebook.
- Pierre Omidyar, founder of eBay.
- Caterina Fake, co-founder of Flikr, which hosts images and videos on the Internet.

The Concept of Entrepreneurship

The process of developing a business plan, launching and running a business using innovation to meet customer needs and to make a profit is entrepreneurship.

According to Higgins "Entrepreneurship is meant the function of foreseeing investment and production opportunities, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new resources or raw materials an selecting top managers for day to day operations of the enterprise".

Entrepreneur Vs Entrepreneurship

The term "entrepreneur" is often used interchangeably with "entrepreneurship". But conceptually they are different. These can be perceived as the two sides of coin.

Entrepreneur	Entrepreneurship
Refers to a person	Refers to a process
Visualizer	Vision
Creator	Creation
Organizer	Organization
Innovator	Innovation
Technician	Technology
Initiator	Initiative
Decision-Maker	Decision
Planner	Planning
Leader	Leadership
Motivator	Motivation
Programmer	Action
Risk-Taker	Risk-Taking
Communicator	Communication
Administrator	Administration

Entrepreneurship management is basically concerned the development and co-ordination of entrepreneurial functions. It can be said that **“entrepreneur precedes entrepreneurship”**

Types of Entrepreneurship

A. Clarence Danhof Classification:

Clarence Danhof classifies entrepreneurs into four types.

- ***Innovative:*** Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production
- ***Imitative*:** Imitative entrepreneur is also known as adoptive entrepreneur. He immediately adopts successful innovation introduced by other innovation.
- ***Fabian:*** These types of entrepreneurs are skeptical about the changes to be made in the organization. They do not initiate any inventions but follow only after they are satisfied with its success rate. They wait for some time before the innovation becomes well tested by others and do not result in a huge loss due to its failure.
- ***Drone Entrepreneurs*:** These entrepreneurs are reluctant to change since they are very conservative and do not want to make any changes in the organization. They are happy with their present mode of business and do not want to change even if they are suffering the losses.

B. Aruther H. Cole Classification:

Aruthur H. Cole classifies entrepreneurs as

- *Empirical:* He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.
- *Rational:* The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.
- *Cognitive:* Cognitive entrepreneur is well informed, draws upon the advice and services of experts scheme of enterprise.

C. Classification on the Basis of Ownership:

- *Private:* Private entrepreneur is motivated by profit and it would not enter those sectors of the economy in which prospects of monetary rewards are not very bright.
- *Public Entrepreneurship:* In the undeveloped countries Government will take the initiative to start enterprise.

D. Classification Based on the Scale of Enterprise:

1. *Small Scale:* This classification is especially popular in the undeveloped countries. Small entrepreneurs do not posses the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.

2. *Large Scale:* In the developed countries most entrepreneurs, deal with large scale enterprises. They possess the financial capacity and necessary recourses to initiate and introduce new technical changes. The result is that in developed countries entrepreneurs are able to sustain and develop a high level of technical progress.

Other than these, the Entrepreneurs have been broadly classified according to

- Type of business
- Use of professional skill
- Motivation
- Growth
- Stages of development

E. Entrepreneur According to Types of Business

1. **Business Entrepreneurs** are those individuals who conceive an idea for a new product or service and then translate the same into business reality. They tap both production and marketing resources to develop a new business opportunity and set up big establishment or small unit such as printing press, textile processing house, advertising agency, readymade garments or confectionary. In majority of cases, entrepreneurs are found in small trading and manufacturing business. Entrepreneurship flourishes when the size of business is small.
2. **Industrial Entrepreneur** is essentially a manufacturer who identifies potential needs of customers and develops a product or service to meet the marketing needs. He has the ability to convert economic resources and technology into a profitable venture, and is found in industrial units as the electronic industry, textile units, machine tools, videocassette tape etc.
3. **Corporate Entrepreneur** also known as Intrapreneur, an individual who demonstrates his innovative skill in organizing and managing corporate undertaking. He plans, develops and manages a corporate body
4. **Agricultural Entrepreneurs** are the ones who undertake crops, fertilizers and other inputs of agriculture. They are motivated to improve agriculture through mechanization, irrigation, and application of technologies for dry land agricultural products.

F. Entrepreneurs in Technology

1. **Technical Entrepreneur** is the one who is essentially a "craftsman". He develops improved quality of goods because of his craftsmanship and concentrates more on production than marketing. He demonstrates his innovative capabilities in matter of production of goods and rendering of services.
2. **Non-Technical Entrepreneurs** are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing and distribution strategies to promote their business.
3. **Professional Entrepreneur** is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established. He sells out the running business and starts another venture with the sale proceeds.

G. Entrepreneurs and Motivation

An Entrepreneur is motivated

- To achieve or prove his excellence in job performance
- To influence others by demonstrating his business acumen

1. **Pure Entrepreneur** is an individual who is motivated by psychological and economic rewards and undertakes entrepreneurial activity for his personal satisfaction in work, ego and status.
2. **Induced Entrepreneur** is one who is induced to take up an entrepreneurial task due to policy measures of the government that provides assistance, incentives, concession and other necessary facilities to start a venture. He enters business due to financial, technical and other facilities provided to them by the state agencies to promote entrepreneurship.
3. **Motivated Entrepreneur** comes into being because of the challenge involved in developing and marketing a new product for the satisfaction of consumers. If the product succeeds, the entrepreneur is further motivated for launching of newer products.
4. **Spontaneous Entrepreneur** is the individual with initiative, boldness and confidence in his ability. He has a strong conviction about his action

H. Growth Entrepreneur is the one who takes up a high growth industry, which has substantial growth prospects. Super Growth Entrepreneurs are those who show enormous growth or performance in their venture.

I. Entrepreneur and Stages of Development

1. **First generation Entrepreneur** is the one who starts an industrial unit by his innovative skill and who combines different technologies to produce a marketable product or services.
2. **Modern Entrepreneur** is one who undertakes those ventures, which go well with the changing demand in the market particularly those ventures that suit the current market needs.
3. **Classic Entrepreneur** is one who is concerned with maximizing the economic returns at consistent level. He is concerned more about the survival of the firm with or without an element of growth.

Apart from the above, there are Entrepreneurs who can be classified into **Innovative and Imitative** categories.

Innovating Entrepreneurs are generally aggressive in collecting information, analyzing and experimenting attractive possibilities into practice. They are quick to convert old established products or services by changing their utility, their value, and their economic characteristics into something new, attractive and utilitarian.

Imitative Entrepreneurs are ready to adopt and are more flexible in imitating techniques developed by others. They exploit opportunities as they come and are mostly on a small scale.

They are more of organizers of factors of production than creators. In the context of a poor country, they are definitely change agents and hence are important in undeveloped countries.

Characteristics of an Entrepreneurs and Entrepreneurial Skills

Characteristics of an Entrepreneur

An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual, who has following characteristics.

1. Entrepreneurs are action oriented, highly motivated individuals who take risks to achieve goals.
2. Entrepreneurs will have unwavering determination and commitment. They ate creative and result-oriented. They work hard in return for personal and financial rewards.
3. Entrepreneurs accept responsibilities with enthusiasm and endurance.
4. Entrepreneurs have self-confidence; they are dedicated, setting self-determined goals and markets for their ideas responding to existing market.
5. Entrepreneurs are thinkers and doers, planners and workers.
6. Entrepreneurs can for see the future, as a salesman's persuasiveness, a financial talent for manipulating funds, as an auditors etc.,
7. Entrepreneurs depend on the intelligence, imagination and strength of purpose of the individual.

The characteristics of an entrepreneur that contribute to the success are the result of his achievement motivation. Therefore a successful entrepreneur must be an individual with technical competence, initiative, good judgment, intelligence, leadership qualities, self-confidence, energy, positive attitude, creativeness, fairness, honesty, tactfulness and emotional stability

Qualities of an Entrepreneur

Essential Qualities of Entrepreneurs are as Follows:

1. **Success and Achievement:** The entrepreneurs are self-determined to achieve high goals in business, this achievement motive strengthened them to surmount the obstacles, suppress anxieties, repair misfortunate and desire expedients, to run a successful business.
2. **Risk Bearer:** Entrepreneur accepts risk they select a moderate risk situation, rather than gambling or avoiding risk, they understand and manage risk.
3. **Opportunity Explorer:** Always entrepreneur identifies opportunities. He seize opportunity and convert them into realistic achievable goals.

4. **Perseverance:** Entrepreneur makes extreme efforts and work hard till the goal is successfully accomplished. They are deterred by uncertainties risks and difficulties coming in the way of achievement of ultimate goal.
5. **Facing Uncertainty:** Achievement oriented people tend to tackle an un familiar but increasing situation. They go ahead with solutions for the problems even without the guidelines.
6. **Feedback:** Entrepreneur likes to have prompt immediate feedback of their performance.
7. **Independence:** Entrepreneur likes to be their own master and want to be responsible for their own decision. An entrepreneur is a job giver and not a job seeker.
8. **Flexibility:** Entrepreneur makes decisions based on the prevailing situations. Successful entrepreneur do not hesitate in revising their decision. Entrepreneur is a person with open minds not rigid.
9. **Planner:** Entrepreneur frames realistic business plans and follow them rigorously to achieve the objectives in a stipulated time limit.
10. **Self Confidence:** Entrepreneur directs his abilities towards the accomplishment of goals with the help of this strengths and weakness.
11. **Motivator:** Entrepreneur influence and initiate people and make them think in his way and act accordingly.
12. **Stress Taker:** Entrepreneur as a focal point he will make many right decisions which may involve lot of physical and emotional stress. He keeps cool under a lot of tension while decision making.

Functions of an Entrepreneur

S.No.	Primary Functions	S.No.	Other Functions
1.	Planning	1.	Management of scarce resources
2.	Organization	2.	New product engineering
3.	Decision making	3.	Diversification of production
4.	Management	4.	Expansion of the enterprise
5.	Innovation	5.	Human resources management
6.	Risk bearing	6.	Marketing Management
7.	Uncertainty bearing	7.	Coordination with other agencies

Distinction between as Entrepreneur and a Manager

Point or Distinction	Entrepreneur	A Manager
Goal Management	An entrepreneur starts a venture by setting up a new enterprise for his personal gratification.	But the main aim of a manager is to render his service in an enterprise already set up by someone.
Status	Entrepreneur is the owner of enterprise.	A manager is the servant in the enterprise.
Risk	As Entrepreneur bears all risks and uncertainty involved in the enterprise.	A manager being a servant does not bear any risk involved in the enterprise.
Rewards	Entrepreneur for his risk bearing role he receives profits. It is only uncertain and irregular but can at times be negative.	A manager receives salary as reward for service rendered which is fixed and regular can never be negative.
Innovation	As an innovator he is called as change agent who introduces goods and services to meet changing needs of the customer.	A manager executive the plans of the entrepreneur. Thus a manager translates the ideas into practice.

Entrepreneurial Skills

1. Curiosity. Great entrepreneurs are tasked to discover new problems, reveal potential niche opportunities, refractor their original business process, and innovate. This is contingent on being passionate about different fields of study and business cases outside of one’s comfort zone.

2. Time management. Careful priority planning, defining milestones, execution, and iteration are all important. None of that would lead toward progress without the right project management and time allocation methodology that gets the work done.

3. Strategic thinking. Learning to decompose a problem to its core and reveal opportunities for growth. Figuring out creative solutions and identifying the low-hanging fruits. Defining the scope for an MVP and testing concepts within limited time and with a low budget.

4. Efficiency. You need high performance when it comes to solving a problem. Applying the 80/20 rule and other techniques for yielding higher results in less time. Switching between different chores and progressing effectively day-to-day.

5. Resilience. Handling rejections, stress, burnouts, lack of focus, slow progress. Determination and eagerness to fight the same dragon every morning are instrumental when it comes to building a business from scratch.

6. Communication. Crisp and concise communication is paramount for each and every interaction with clients, partners, peers, clients, prospects.

7. Networking. Growing a network facilitates business opportunities, partnership deals, finding subcontractors or future employees. It expands the horizons of PR and conveying the right message on all fronts.

8. Finance. Finance management will make or break a business. Handling resources properly and carefully assessing investments compared to ROI is a solid requirement for entrepreneurs.

9. Branding. Building a consistent personal and business brand tailored to the right audience. Igniting brand awareness in new verticals.

10. Sales. Being comfortable doing outreach and creating new business opportunities. Finding the right sales channels that convert better and investing heavily in developing them. Building sales funnels and predictable revenue opportunities for growth.

Entrepreneurial Process and Importance of Entrepreneurship

Definition: The **Entrepreneur** is a change agent that acts as an industrialist and undertakes the risk associated with forming the business for commercial use. An entrepreneur has an unusual foresight to identify the potential demand for the goods and services.

The entrepreneurship is a continuous process that needs to be followed by an entrepreneur to plan and launch the new ventures more efficiently.

<u>Entrepreneurial Process</u>

1. **Discovery/Identification and Evaluation:**

An entrepreneurial process begins with the idea generation, wherein the entrepreneur identifies and evaluates the business opportunities. The identification and the evaluation of opportunities is a difficult task; an entrepreneur seeks inputs from all the persons including employees, consumers, channel partners, technical people, etc. to reach to an optimum business opportunity. Once the opportunity has been decided upon, the next step is to evaluate it.

An entrepreneur can evaluate the efficiency of an opportunity by continuously asking certain questions to himself, such as, whether the opportunity is worth investing in, is it sufficiently attractive, are the proposed solutions feasible, is there any competitive advantage, what are the risk associated with it. Above all, an entrepreneur must analyze his personal skills and hobbies, whether these coincides with the entrepreneurial goals or not.

2. **Developing a Business Plan:**

Once the opportunity is identified, an entrepreneur needs to create a comprehensive business plan. A business plan is critical to the success of any new venture since it acts as a benchmark and the evaluation criteria to see if the organization is moving towards its set goals.

An entrepreneur must dedicate his sufficient time towards its creation, the major components of a business plan are mission and vision statement, goals and objectives, capital requirement, a description of products and services, etc.

3. **Resourcing:**

The third step in the entrepreneurial process is resourcing, wherein the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.

4. **Managing the Company:**

Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.

5. **Harvesting:**

The final step in the entrepreneurial process is harvesting wherein, an entrepreneur decides on the future prospects of the business, i.e. its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations is undertaken accordingly, by an entrepreneur.

The entrepreneurial process is to be followed, again and again, whenever any new venture is taken up by an entrepreneur, therefore, it’s an ever ending process.

Aspects of the Entrepreneurial Process

1. Identification and evaluation of the opportunity	2. Development of the business plan	3. Determination of required resources	4. Management of resulting enterprise
✓ Opportunity assessment ✓ Creation and length of opportunity ✓ Risk and perceived value of opportunity ✓ Risk and returns of opportunity ✓ Opportunity versus personal skills and goals ✓ Competitive environment	✓ Title page ✓ Table of contents ✓ Executive Summary ✓ Major section ✓ Description of business ✓ Description of Industry ✓ Technology plan ✓ Marketing plan ✓ Finance plan ✓ Production plan ✓ Organization plan ✓ Operational plan ✓ Summary	✓ Determine resources needed ✓ Determine existing resources ✓ Identify resource gaps and available suppliers ✓ Develop access to needed resources	✓ Develop management style ✓ Understand key variables for success ✓ Identify problems and potential problems ✓ Implement control systems ✓ Develop growth strategy

Importance of Entrepreneurship

Entrepreneurship is important as it has the ability to improve standards of living and create wealth, not only for the entrepreneurs, but also for related businesses. There are some **importance's of Entrepreneurship**:-

1. Add to National Income
2. Create social changes
3, Community development
4. Inspiring the people
5. Job creation
6. Innovations
7. Political and Economic integration of outsiders
8. Promote research and development
9. Self-reliance
10. Development (nationally and internationally)

1. Add to National Income

An entrepreneur venture creates wealth in the country. If an entrepreneur creates the new business and run the business successfully then it will increase employment and contribution to the national income in the form of higher tax revenue that the revenue used by the government to invest in other sector and human capital.

2. Create Social Changes

Enterpreneur create social changes with their unique offer of new goods and their services. Entrepreneur indirectly supports freedom because they reduce the dependence on social system and technology available with us. This can improve the social life style and quality of life improve morale and economic freedom.

We can understand this with an example if a region have scarcity of water and the water supply in such region at time, the force of people to stop working to collect the water and this will impact their productivity, social life, business and income but if an innovative entrepreneur invent the pump that can fill the public water containers automatically, than this type of invention can overcome the people’s problems of water and they will be able to focus on the job without any tension. So from this the impact on their business income social problems will be reduce.

3. Community Development

Importance of entrepreneurship *in the development of community* – Entrepreneurs also invest in the community project and by investing they provide financial support to the local people and charities.

This will develop beyond their own business some of the famous entrepreneurs like Bill Gates who used the money for the education and public health. This will make the other entrepreneur to do something for the community development and motivate them.

4. Inspiring the People

“Importance of Entrepreneurship” is for the individual to become successful in their life and many people's are getting inspire from the successful entrepreneur like Mukesh Ambani, Bill Gates, Vijay Sharma Shekhar (CEO of Paytm) and they also wants to become like that.

Today’s life, we are seeing that there are many people's are working for the companies and doing jobs. That’s good but they are not getting freedom to choose their working and family times. They have a fix time to do their jobs in the other’s company.

Such peoples are very talented and they have skill and they can think like an entrepreneur, but they are working for others, if they start their own business they can achieve more happiness income and solve many others problem in a very less time.

5. Create Job Opportunities

If an entrepreneur starts their own business, he/she cannot manage the whole business so they will offer job to the deserving people in their company or business.

The business contributes to the largest share of new job so it provides different types of jobs so necessary training and gaining experience for the worker.

The enterprises are the only sector that provides a large portion of total employment every year in the country.

6. Innovation

An entrepreneur is always invent new innovation like new goods, new service, new products, new technology with the new idea and this type of innovation is invented by innovative entrepreneur.

This It provides an easy and comfortable lifestyle to us with their new technologies, new products, quality of goods and services and it is increasing the gross domestic products and improving the living standard of people.

7. Political and Economic integration of outsiders

Entrepreneurship is the only effective ways of integrating those people who always disposed and isolated into the economy. Many minorities, migrants and females are safely integrated into the entrepreneurship and it will help to develop a well society.

8. Promotes Research and Development

Entrepreneur always research the new thing, new products, it is because of the competition in the market. Every entrepreneur always research and want to invent something new which is benefit for the economy and for the people and hence innovative ideas of goods and services have to be tested by experts.

Entrepreneurship provides funds for research and development to the research team. This will promote the research and development of the economy and we can get benefit from directly or indirectly.

Entrepreneurship is the pioneering zeal that always provides events in the economic and in the society.

9. Self-Reliance

Enterprises are the corner store of the country. It helps us to manufacture indigenises product which we needs. We don’t need from others and it reduces the dependency on others country.

There is a possibility of exporting product to the other country from this we can earn foreign exchange. By manufacturing the indigenises product, country become Self-reliance.

10. Development (Nationally and Internationally

At last *importance of Entrepreneurship,* when an entrepreneur provide such product or services that wins the people's hearts and it become very successful in his own country. There is no doubt the business will explain to the other country. So their product and activities they choose to do may impact the nationally as well as internationally. All the entrepreneur of a country acts as a catalyst to national development.

Innovation - Principles of Innovation - Sources of Innovative Opportunities

Innovation:

The process of translating an idea or invention into a good or service that creates value or for which customers will pay. **Innovation** in its modern meaning is "a new idea, creative thoughts, and new imaginations in form of device or method".

Innovation = Invention + Implementation

Principles of Innovation

The great researcher and professor in the field of management and entrepreneurship Peter F. Drucker (1993), lists several principles which should be respected by innovators. He has grouped these principles in 'Do's'and 'Don'ts' in the process of innovation.

I. The 'Do's' are listed as follows:

Innovation starts with analysis of opportunities:

It starts with the seven opportunities for innovation. They are unexpected events, disagreements in the process, requirements of the process (the need for a new process), and unexpected changes in industry or market structure, demographic changes, changes in perception, importance and new knowledge.

Innovation is a conceptual and perceptual activity:

The second imperative of the innovation is to go out and see, ask and hear. Successful innovators work analytically on the question regarding what should the innovation be in order to satisfy an opportunity. Afterwards, they go out and see the customers/users and find out what their expectations, their values, and their needs are.

Innovation, in order to be successful, should be simple and focused:

If the innovation is not simple, it will not succeed. Everything new gets into trouble: if it is complicated, then it cannot be corrected or solved. All the successful innovations are surprisingly simple. In fact, the greatest acknowledgment for an innovation is when people say: 'This is so obvious. Why didn't I think of this?'

Innovation should start as 'small':

Innovation should not be grandiose. It should hold up to something specific and concrete. In the beginning, it should only require a small amount of money, some people and a small limited market.

A successful innovation aims towards leadership:

If an innovation at the very beginning does not aim towards leadership, it is highly probable that it will not be 'innovative' enough.

II. The ‘Don’ts’ are listed as follows:

Innovations should not be very ‘smart’:

Innovations should be led by simple people. Everything that is done in a very ‘smart’ way, either for the designing or the completion, is set to failure by high probability.

Many things should not be done at a time:

Innovations have a need for concentrated energy and common effort. They also require that people who effectuate the innovation should have mutual understanding.

Don’t innovate for the future, but for the present:

One innovation can have a long-term impact, but it demands a longer time to reach its maturity. It should be a solution for the problems in the present.

Sources of Innovative Opportunities

Peter F. Drucker, known as the inventor of modern management, has left us with valuable resources on leadership, management, business, innovation, and entrepreneurship. He has made a tremendous impact in the business world, leaving his lasting legacy as a guidance and inspiration to business leaders and entrepreneurs.

In his famous book “Innovation and Entrepreneurship” he talks about the power and necessity of systematic innovation, which can be inspired by the following seven sources of innovative opportunity:

S.No.	Sources of Innovative Opportunity	Description
1.	The Unexpected	The unexpected success, the unexpected failure, the unexpected outside event. Such opportunities require more than mere luck or intuition. They demand that the enterprise search for innovation, be organized for it, and be managed so as to exploit it.
2.	The Incongruity	Between reality as it actually is and reality as it is assumed to be or as it ‘ought to be’. The assumptions on which a product or service, its design or its marketing strategy, were based may no longer fit reality.
3.	Innovation Based on Process Need	In innovation that is based on process need, everybody in the organization always knows that the need exists. Yet usually no one does

		anything about it. However, when the innovation appears, it is immediately accepted as ‘obvious’ and soon becomes ‘standard’.
4.	Changes in Industry Structure or Market Structure that catch everyone unawares	When market or industry structure changes, the producers or suppliers who are today’s industry leaders will be found neglecting the fastest-growing market segments.
5.	Demographics	Of all external changes, demographics – defined as changes in population, its size, structure, composition, employment, educational status, and income. They are unambiguous. They have the most predictable consequences.
6.	Changes in perception, mood and meaning	Timing is of the essence. In exploiting changes in perception, ‘creative imitation’ does not work. One has to be first. Because it is so uncertain whether a change of perception is a fad or permanent, and what the consequences really are, perception-based innovation has to start small and be very specific.
7.	New knowledge, both scientific and non-scientific	Knowledge-based innovation differs from all other innovations in its basic characteristics: time span, casualty rate, predictability, and in the challenges it poses to the entrepreneur. Like most ‘super-stars’, knowledge-based innovation is temperamental, capricious, and hard to manage.

Business Environment - Micro and Macro Environment

Introduction

A business enterprise is a part of the society and the business environment has a direct relationship with the policy of the enterprise. The environment may impose several constraints on the enterprise as it has a tremendous impact and influence. The enterprise on the other hand, has very little control over its environment. Therefore, the success of an enterprise depends to a very large extent on its adaptability to the environment.

The term business environment generally refers to the external environment and includes factors outside the firm which can lead to opportunities or threats to the firm. Although there are many external factors, the most important factors are suppliers, customers, marketing intermediaries, public, and competitors, social, technological, economical, political, international and natural.

The external environment can be divided into two namely, micro environment and macro environment.

Micro Environment

The micro environment comprises the forces close to the company that affect its ability to serve its customers. This includes the suppliers, customers, marketing intermediaries, public and competitors.

Suppliers

These are the firms and individuals who supply the inputs like raw materials and components to the enterprise. Development in the supplier's environment can have a substantial impact on the company's business and marketing operations. Supply shortages or delays, labour strikes and other events can affect sales in the short run and damage customer goodwill in the long run. It is very risky to depend on a single supplier. Hence, the enterprise should have multiple sources of supply.

Customers

Every business enterprise must study its customer markets closely. The success of an enterprise depends upon its ability to create and sustain markets viz., consumer markets, business markets, reseller markets, Government markets and international markets. A consumer market consists of individuals, and households. They buy goods and services for personal consumption. Business markets consist of producers and organizations who buy goods and services for further processing or for use in their production process. Reseller markets buy goods and services with a view to resell at a profit. Government markets consist of Government agencies who buy goods and services with a view to produce public services or transfer the goods and services to others who need them. International markets consist of foreign buyers, including consumers, producers, resellers and governments. Each customer market has its own special characteristics. Hence, the seller should study each type of market carefully.

Marketing Intermediaries

These are the firms that help the enterprise to promote, sell and distribute its goods and services to the final buyers. They include middlemen, physical distribution firms, marketing service agencies and financial intermediaries. Middlemen such as wholesalers and retailers buy merchandise and resell. Physical distribution firms such as warehouses and transportation firms help the company to stock and move goods from their point of origin to their destination. Marketing service agencies such as marketing research firms, advertising agencies and marketing consulting firms help the company in targeting and promoting its products to the right markets. Financial intermediaries such as banks, credit companies and insurance companies help in financial transactions or insure against the risks associated with the buying and selling of goods. The company has to develop strong relationships with all these for the successful operation of its business.

Competitors

The success of an enterprise depends upon its ability to satisfy the needs and wants of consumers better than its competitors. Hence, the business concern should gain strategic advantage by positioning its good strongly against the competitor's goods in the minds of consumers. The strategists should examine the state of competition the firm must face. The following three factors should be analyzed: entry and exit of major competitors, substitutes and complements for current products/services and major strategic changes by current competitors.

Public

A company's environment is surrounded by several types of public. There are several types of public, such as financial public, media public local public, general public and internal public. Financial public includes banks, financial institutions and stock holders. They influence the company's ability to obtain funds. Media public consists of newspapers, magazines, radio and T.V. They carry news, features and editorial opinion. Local public is constituted of neighborhood residents and community organizations. An enterprise should consider the general public's attitude towards its products and services. The internal public of an enterprise consists of its workers, managers, volunteers and the board of directors. Some organizations use newsletters and other means to inform and motivate their internal public. It is to be noted that all these groups are not threats to business; some of the actions of the public may create problems for the business while others may create opportunities.

Macro Environment

The macro environment consists of the larger societal factors that affect the whole micro environment. They are more uncontrollable than the micro environmental factors. Let us examine the important macro environmental factors.

Sociological Environment

Sociological environment influence on the business to a greater extent. Sociological environment denotes the influence made by certain factors which are beyond the control of the business. Such factors are people's attitude to work and wealth, role of family, education, ethical issues and social responsiveness of business.

Technological Environment

Technology affects the manner in which the resources of the economy are converted into output. Technological changes affect production methods, processes and the raw materials used in the manufacture of a product. Technological changes may enable a firm to achieve its objectives or threaten the existence of the firm. A firm which is not able to cope with changing technology may not survive.

Economic Environment

Economic environment refers to all those economic factors which have a bearing on the functioning of a business unit. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and it is not surprising because, as it is rightly said business is one unit of the total economy.

Political Environment

The influence of political factors on business is enormous. The political factors may have international, national as well as regional implications. The political system prevailing in a country decides, promotes and controls the business activities of that country. A political system which is stable, honest and efficient is a primary factor for the growth of business. If there is political instability it will have a telling effect upon the business policies of a firm. Political factors may cause either opportunities or threats to a business firm.

International Environment

The international environment is very important for certain categories of business, for industries directly depending on imports or exports and import-competing industries. A liberalization of imports may help some industries which use imported items, but may adversely affect import-competing industries.

Natural Environment

Geographical and ecological factors such as natural resource endowments, weather and climatic conditions, topographical factors, location aspects in the global context all influence business. Today, environmental pollution and the disturbance of the ecological balance have caused great concern, Government policies aim at the preservation of environmental purity, ecological balance and conservation of non-replenish able resources etc. These have resulted in additional responsibilities and problems for business.

MSME Classification - Opportunities for Rural Entrepreneurship, KVIC Classification, Start-up and Business Incubators

MSME

The government has given a new turnover based classification of MSMEs in February 2018. As per this new classification, the MSMEs are categorized in term of business turnover including goods & service sector. This is in place of the previous classification based on investment made in plant and machineries if they are operating in the manufacturing sector and investment in equipment for service sector companies.

Though the primary responsibility of promotion and development of MSMEs is of the State Governments, the center has passed an Act in 2006 to empower the sector and also has formed a Ministry (Ministry of MSMEs). It was the Micro, Small and Medium Enterprises Development (MSMED) Act which was notified in 2006 that defined the three tiers of micro, small and medium enterprises and set investment limits.

The new turnover criteria will better suit with the GST Network (GSTN) and other formats of segregating the MSMEs.

The New Turnover Based Classification of MSMEs

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing **goods and rendering services** in terms of **annual turnover** as follows:

A micro enterprise will be defined as a unit where the annual turnover does not exceed Rs 5 crores;

A small enterprise will be defined as a unit where the annual turnover is more than Rs 5 crore but does not exceed Rs 75 crore

A medium enterprise will be defined as a unit where the annual turnover is more than Rs 75 crore rupees but does not exceed Rs 250 crore

Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.

Table: MSME Classification: (Based on annual turnover) - Goods & Services category

Classification of the MSME	New Classification (Annual turnover)	Previous Classification - Ceiling on Investment in Plant and Machinery (in Rs.)
Micro	Up to Rs. 5 Cr	Below 25 lakhs
Small	Between Rs. 5 Cr to 75 Cr	25 lakhs to 5 crores
Medium	Between Rs. 75 Cr to 250 Cr	5 crores to 10 crores

Under the previous classification a separate methodology was adopted for service sector. Now the classification was made similar to the goods MSMEs as the general turnover-based criteria were made applicable to service sector also.

In 2015, the government has introduced an amendment bill to change the limit in all categories and it was adopted in February 2018.

Though the primary responsibility of promotion and development of MSMEs is of the State Governments, the center has passed an Act in 2006 to empower the sector and also has formed a Ministry (Ministry of MSMEs).

Rural Entrepreneurship

Rural Entrepreneurship can be defined as entrepreneurship emerging at village level which can take place in a variety of fields of Endeavour such as business, industry, agriculture and acts as a potent factor for economic development.

Opportunities for Rural Entrepreneurship:

Support &Motivation to Local People:

Rural entrepreneurs have a lot of support from the rural people. Rural village people always encourage and give the motivation to the entrepreneurs.

Low Establishment Cost:

When compared to the urban areas, rural entrepreneurs' business establishment cost is very low. There is no need to construct or facilities huge infrastructure and buildings.

Competitive Advantages / Availability of Labour:

In India seventy percent of the people are living in the village. Majority of the rural people are depending on the agriculture. The agriculture work is not available throughout the year. That is the reason why rural entrepreneurs have the competitive advantage in easily acquiring unskilled and semiskilled labour.

Government Policies and Subsidies:

The government of India is continuously monitoring and introducing the new policies for encouraging the rural entrepreneurship. These policies are very flexible, innovative, liberalized and giving continues support to rural entrepreneurs. At the same time government has also announced huge subsidies for promoting the rural entrepreneurship.

Availability of Raw Materials.

Most of the times the rural entrepreneurs are depending upon the farm based products as raw materials, which are available through-out the year. These raw materials are available in the rural area that is the reason there is no transportation cost and flotation cost.

Cost of Production:

Rural entrepreneurs cost of production is very low when compared to the urban industries. The factors of production are available with low cost; automatically the cost of production is also low. Because of this rural entrepreneurs can sell their goods and services with cheaper cost.

Optimum Utilization of Produces:

Optimum utilization of farm produces is only possible through the rural entrepreneurship only. Most of the rural entrepreneurs depend upon the farm produces as raw materials.

Employment Generation for Rural Youth:

Rural entrepreneurs are providing hundred percent jobs for rural youth. If the rural entrepreneurs are succeeding in this activity the migration of the people to urban from rural will be immediately stopped to a maximum extent.

Promotion Cost:

There is no promotion cost for rural entrepreneurs; in fact the competition is very less. Particularly there is no need for advertising and other promotional activities for their products.

Potential Customer:

In this twenty-first century rural villagers are economically strong and also heavily populated. This heavy population can be converted as potential customers. That is the reason all the MNC's are concentrated in rural villages for their potentiality.

Building the Goodwill:

Rural entrepreneurs have a lot of scope building the goodwill. Most of the rural entrepreneurs have ethical values and also these people do not work for pure profits.

Khadi and Village Industries Commission (KVIC)

The **Khadi and Village Industries Commission** (KVIC) is a statutory body formed by the Government of India, under the Act of Parliament, 'Khadi and Village Industries

Commission Act of 1956'. It is an apex organisation under the Ministry of Micro, Small and Medium Enterprises. In April 1957, it took over the work of former All India Khadi and Village Industries Board. Its head office is in Mumbai.

The functions of the KVIC are generally to "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development.

The Khadi and Village Industries programme plays a predominant role in providing employment opportunities to rural artisans more specifically the socioeconomic weaker stratum of the society.

The Objectives of the KVIC

The broad objectives for which the KVIC was established are:

(i) To promote and develop Khadi and Village Industries and produce Khadi and Village Industries products.

(ii) The social objective of providing employment.

(iii) The wider objective of creating self-reliance amongst the people and building up of a strong rural community spirit.

(iv) To provide opportunity to the rural population to undertake creative and productive activities which would generate self-employment and income.

Classification of KVIC Products

KVIC products can be classified as agro-based, wood related textiles, chemicals, metal wares and other products.

Agro based	Ghani oil, processing of cereals, pulses, spices, condiments
Wood related	Carpentry, match industry, bamboo and cane work, agarbathties, handmade paper, photo farming.
Textiles	Handlooms, khadi, manufacture of ‘Poly Vastra’* hosieries.
Chemicals	Inks, dyes, gums, resins, manufacture of shellac, fireworks, Non-edible oils and soap, candle and wax making
Metal wares	Aluminium vessels, brass wares, blacksmithy, pins and clips
Miscellaneous	Pickles, lime, bee keeping, biogas, forest produce processing, leaf cup making, stone cutting, village leather

*Note: *“Poly-vastra” which means any cloth woven on handlooms in India from yarn, handspun, man-made fibre with either cotton, silk or wool.*

Start-up and Business Incubators - Meaning, Process and Role in Entrepreneurship

Business incubation provides a nurturing, instructive and supportive environment for entrepreneurs during the critical stages of starting up a new business. The goal of incubators is to increase the chance that a start-up will succeed, and shorten the time and reduce the cost of establishing and growing its business.

Business Incubators are defined as a location in which entrepreneurs can receive pro-active, value-added support, and access to critical tools, information, education, contacts, resources and capital that may otherwise be unaffordable, inaccessible or unknown.

Definition: *Business Incubator is an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.*

Incubators provide numerous benefits to owners of startup businesses. Their office and manufacturing space is offered at below-market rates, and their staff supplies advice and much-needed expertise in developing business and marketing plans as well as helping to fund fledgling businesses. Companies typically spend an average of two years in a business incubator, during which time they often share telephone, secretarial office, and production equipment expenses with other startup companies, in an effort to reduce everyone's overhead and operational costs.

The Importance of Business Incubators

Business incubators support the development of start-ups by providing them with advisory and administrative support services. According to the National Business Incubation Association, an incubator's primary objective is to produce successful and financially viable firms that can survive on their own. Early incubators focused on technology companies or on a combination of industrial and service companies, but newer incubators work with companies from diverse industries

Finance

Incubators help start-ups save on operating costs. The companies that are part of an incubator can share the same facilities and share on overhead expenses, such as utilities, office equipment rentals, and receptionist services. Start-ups can also take advantage of lower lease rates if the incubator is located in low-rent industrial parks. Incubators may also help start-ups with their financing needs by referring them to angel investors and venture capitalists, and helping them with presentations. Start-ups may have better luck securing financing if they have the stamp of approval of incubator programs.

Management

In addition to financial help, start-ups also need guidance on how to compete successfully with established industry players. Incubators can tap into their networks of experienced entrepreneurs and retired executives, who can provide management guidance and operational assistance. For example, a biotechnology start-up would benefit from the counsel of retired pharmaceutical executives who have first-hand experience of the drug development and clinical approval process. Similarly, a restaurant entrepreneur could learn about the difficulties of overseas expansion from retired hospitality-industry executives. Start-ups usually benefit from having respected individuals on their boards of directors and scientific advisory panels, because these individuals bring invaluable connections and experience to the table.

Synergy

The close working relationships between an incubator's start-ups create synergies. Even after the start-ups leave an incubator, the connections and networks established through these relationships can endure for a long time. Start-up entrepreneurs can provide encouragement to one another, and employees may share ideas on new approaches to old problems. Start-ups may plan joint marketing campaigns and cooperate on product development initiatives. These synergies do not necessarily exist among start-ups funded by venture capitalists, because, as Kenneth Liss points out in a March 2000 Harvard Business School Working Knowledge article, the companies that receive the funds do not necessarily know one another and they may be located in different geographic locations.

Economy

By helping new businesses prosper, incubators assist in creating long-lasting jobs for their host communities. In a March 2003 Association for Small Business and Entrepreneurship conference paper hosted by the University of Central Arkansas Small Business Advancement National Center, Northwestern Oklahoma State University professor Patti L. Wilber and her colleague cited research to write that start-ups in incubation programs have greater viability and show superior financial performance over the long term. They create long-lasting jobs for new graduates, experienced mid-career personnel, and veteran executives. This benefits communities and drives economic growth.

Incubators are generally characterized by following features: A small management team with core competencies

Main Roles of Incubators are

- Selection: attracting, selecting and admitting the most promising entrepreneurs and their business ideas
- Infrastructure: A managed working space with shared facilities providing logistics support
- Business support and monitoring: coaching, mentoring, training, financial and innovation services
- Mediation and networking: connecting entrepreneurs to tangible and intangible resources, which can be internally or externally available

Types of Business Incubators

Incubators come in many formats, mostly fitting in the following four types:

- **Public or Non-Profit Incubators**: Government and non-profit organization, whose primary objective is to promote economic development.
- **Private Incubators**: These are run by venture and seed capital investment groups, or by corporations and real estate development partnerships. These incubators generally seek a return on their investment.
- **Academic-Related Incubators**: There are started with academic objectives also focus on faculty development, and on creating business-spin-offs from faculty research
- **Public/Private Incubators**: These are joint efforts between government and non-profit agencies. This type of incubation offers the advantage that government funding can often be secured to support private sector expertise and financing.

Importance of Business Incubators

1. Improve access to finance
   - Provide funding internally
   - Connect entrepreneurs with investor
2. Enhance human capital
   - Trainings programmes
   - Formal and informal mentoring by experts
   - Sharing between incubated founders
   - Academic incubators
3. Improve support system
   - Provide infrastructure (e.g. working space)
   - Boost networking with external stakeholders and professionals
4. Improve culture
   - Legitimize entrepreneurial activity
   - Promote successful stories
   - Decrease risk of starting up a business
5. Improve access to markets
   - Provide easier access to the local and global value chain (suppliers and customers)

The Role of Agribusiness Incubators

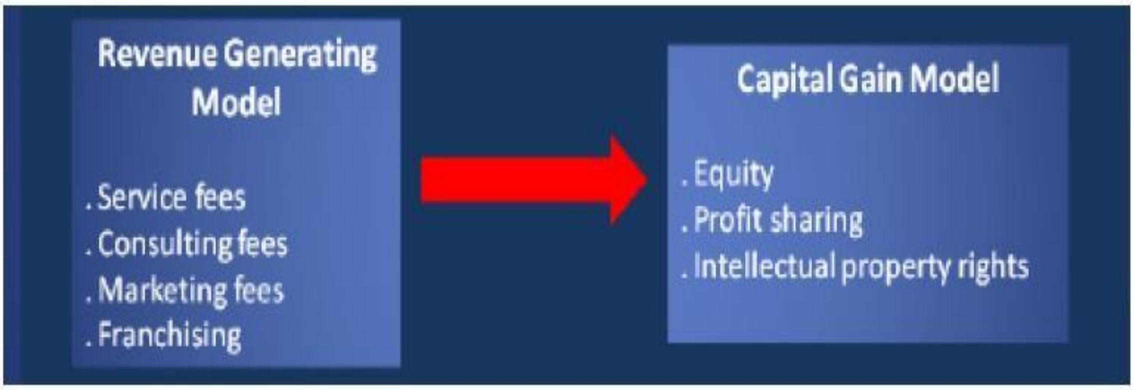
The role of agribusiness incubators is to stimulate innovation and new firm entry. The role is to demonstrate that new business models can operate profitably can create sustainable wealth and new employment in rural space. Their additional role is to communicate this information to persons who may be interested in forming new businesses.

1. Promoting Innovative "Agro- preneurs":

A number of agribusiness entrepreneurs with a clear view of value-adding opportunities are emerging in developing countries. These entrepreneurs are linked to agriculture by birth right; they are pragmatic and practical but also aware of the need for a new agriculture based on effective competition in value added markets, including healthy food markets, convenience, modern packaging and functional food. These "Agro-preneurs" understand that the growing global consensus that agriculture needs to be sustainable and eco-friendly opens up many new opportunities to create competitive advantage from innovative value chain design, innovative technology, new forms of partnership along value chains, new ways to measure and manage carbon footprints, etc. Agribusiness incubators identify and mobilize this small cohort of emerging entrepreneurs.

2. Enhancing Sector Competitiveness:

Agribusiness incubators operate in business environments which are dynamic and in which the competitiveness of an entire sector is determined, in large part, by the sector's ability to learn more rapidly than its competition. The process of competitive enhancement entails continuous learning: learning about new technologies, new market trends and new challenges, which competitors are initiating. Incubators can play a significant role in this process of continuous sector level learning. Agribusiness incubators can assist, for example, with the development of competitively robust agribusiness spaces in which knowing more and more about an increasingly narrower sector/market domain becomes a generally accepted strategy among industry leaders. They can provide information through market research, new product testing, and commercial demonstration projects. Incubators can help early-stage small agribusinesses identify best available technologies and absorb them more quickly. They can assist with developing value chain structures, which serve increasingly refined market segments.



Agribusiness - Importance, Opportunities and Challenges

Agribusiness

Agri-business as a concept was born in **Harvard University** in **1957** with the publication of a book “A concept of Agri-business”, written by ***John David*** *and* ***A. Gold Berg***. It was introduced in Philippines in early 1966, when the University of the Philippines offered an Agri-business Management (ABM) programme at the under-graduate level. In 1969, the first Advanced Agribusiness Management seminar was held in Manila.

Definition of Agri-business

“Agri-business is the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, storage, processing and distribution of farm commodities and items made from them” (*John David and Gold Berg).*

“Agribusiness includes all those business and management activities performed by firms that provides inputs to the farm sector, produce farm products, and/or process, transport, finance, handle or market farm products."- Downey and Erickson (1987)

Agribusiness denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. Agribusiness is one of the main generators of employment and income worldwide.

A business earns most or all of its revenues from agriculture. An agribusiness tends to be a large-scale business operation and may dabble in farming, processing and manufacturing and the packaging and distribution of product. The business sector encompassing farming and farming- related commercial activities. Agribusiness involves all the steps required to send an agricultural good to market: production, processing, and distribution. It is an important component of countries with arable land, since agricultural products can be exported.

Agribusiness treats the different aspects of raising agricultural products as an integrated system. Farmers raise animals and harvest fruits and vegetables with the help of sophisticated harvesting techniques, including the use of to direct harvesting operations. Manufacturers develop more efficient machines that can drive themselves. Processing plants determine the best way to clean and package livestock for shipping. While each subset of the industry is unlikely to interact directly with the consumer, each is focused on operating efficiently in order to keep prices reasonable.

Market forces have a significant impact on the agribusiness sector. Changes in consumer taste alter what products are grown and raised. For example, a shift in consumer tastes away from red meat may cause demand and prices for beef to fall, while increased demand for produce may shift the mix of fruits and vegetables that farmers raise. Businesses unable to rapidly change in accordance to domestic demand may look to export their product abroad, but if that fails they may not be able to stay in business.

Importance of Agribusiness

Agribusiness denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products. Agribusiness includes all the activities within the agricultural food and natural resource industry involved in the production of food and fiber. Individual agribusinesses may sell items to farmers for production; provide services to other agricultural businesses; or be engaged in the marketing, transportation, processing, and distribution of agricultural products. Agri service is activities of value to the user or buyer. The activities are an intangible product. Marketing is providing the products and services that people want when and where they want them.

Agribusiness provides people with food, clothing, and shelter. It also provides jobs for millions of people in science, research, engineering, education, advertisement, government agenda and their distribution to final trade organizations, and commodity organizations. Agribusiness pertains to the public and private sectors. The public sector is the economic and administrative functions of dealing with the delivery of goods and services by and for the government. The private sector is the part of the economy associated with private profit and is not controlled by government.

Agribusinesses process inputs into outputs. An input is a resource used in production. An output is the result of the production process. Agribusiness denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. Agribusiness is one of the main generators of employment and income worldwide. Agribusiness is characterized by raw materials that are mostly perishable, variable in quality and not regularly available. The sector is subject to stringent regulatory controls on consumer safety, product quality and environmental protection. Traditional production and distribution methods are being replaced by more closely coordinated and better planned linkages between agribusiness firms, farmers, retailers and others in the supply chains.

Scope of Agribusiness in India

1. India is endowed with varied ago-climate, which facilitates production of temperate, sub-tropical and tropical agricultural commodities.
2. There is growing demand for agricultural inputs like feed and fodder, inorganic fertilizers, bio- fertilizers.
3. Biotechnology applications in agriculture have vast scope in production of seed, bio-control agents, industrial harnessing of microbes for bakery products.
4. Export can be harnessed as a source of economic growth. As a signatory of World Trade Organization, India has vast potential to improve it present position in the World trade of agricultural commodities both raw and processed form. The products line include cereals, pulses, oilseeds and oils, oil meal, spices and condiments, fruits and vegetables, flowers, medicinal plants and essential oils, agricultural advisory services, agricultural tools and implements, meat, milk and milk products, fish and fish products, ornamental fish, forest by products etc.
5. At present processing is done at primary level only and the rising standard of living expands opportunities for secondary and tertiary processing of agricultural commodities.
6. The vast coastal line and internal water courses provides enormous opportunity for production of marine and inland fish and ornamental fish culture gaining popularity with increase in aesthetic value among the citizens of India.
7. The livestock wealth gives enormous scope for production of meat, milk and milk products, poultry products etc.
8. The forest resources can be utilized for production of by-products of forestry.
9. Beekeeping and apiary can be taken up on large scale in India.
10. Mushroom product ion for domestic consumption and export can be enhanced with improvement in the state of art of their production.
11. Organic farming has highest potential in India as the pesticide and inorganic fertilizer application are less in India compared to industrial nations of the world. The farmers can be encouraged and educated to switch over for organic farming.
12. There is wide scope for production and promotion of bio-pesticides and bio-control agents for protection of crops.
13. Seeds and hybrid crops have the highest potential in India in the future, since the productivity of high yielding varieties has reached a plateau.

14. Micro-irrigation systems and labour saving farm equipment's have good potential for the years to come due to declining groundwater level and labour scarcity for agricultural operations like weeding, transplanting and harvesting.
15. Production of vegetables and flowers under greenhouse conditions can be taken up to harness the export market.
16. Trained human resources in agriculture and allied sciences will take on agricultural extension system due to dwindling resources of state finance and downsizing the present government agricultural extension staff as consulting services.
17. The enhanced agricultural production throws open opportunities for employment in marketing, transport, cold storage and warehousing facilities, credit, insurance and logistic support services.

Types of Agribusiness

Agricultural Products Business

Agribusiness based on agricultural products is a type of agricultural business that deals with the the production of agricultural products (Plants and animal) for commercial purposes so as to make profit.

Agro business that is focused on agro products usually use agribusiness services like agricultural marketing or agricultural advertising in reaching their buyers. The agricultural products are either sold to local buyers or international buyers. Agricultural product exporters export agricultural products to importers of agricultural products who import agricultural products. These products are for immediate consumption by consumers or for production of other products.

The sellers of agricultural products who sell agricultural products are able to reach agricultural products by using various means of agricultural products marketing (agricultural marketing- one of the agricultural business services) which could be by advertising agricultural products online or offline.

Agricultural Equipment Business or Agricultural Machinery Business

Just like agricultural products business, agricultural equipment business or agricultural machinery business is focused on manufacturing and selling of agricultural equipment or agricultural machinery. So many commercial farmers depend on farm equipment or farm machinery for farm mechanization. Thus agricultural equipment are either sold to local buyers or international buyers of such farming equipment. In other words, agricultural equipment exporters export agricultural equipment to importers of agricultural equipment who imports agricultural equipment. Agricultural equipment are either sold online or offline.

Agricultural Services Business

This type of agricultural business provides agricultural services for profit. Without agricultural services, there will be difficulty in the success of agricultural products business and agricultural equipment business in terms of agricultural education, agricultural research, agricultural marketing, agricultural logistics, agricultural financing, agricultural insurance, agriculture jobs, veterinary services, pet services, etc. These agricultural services are either carried out online or offline.

Agrochemicals Business (Agricultural Chemicals or Agrichemicals)

This is a type of agricultural business that is concerned with the manufacturing and selling of chemicals used in agriculture for profit. These chemicals are either used to increase agricultural products yield (e.g fertilizers), control weeds (e.g herbicides), control pests (e.g pesticides), etc. Agro-allied Business: This refers to a business that either derives agricultural products and agricultural services or businesses that provide products, equipment, chemicals or services for agricultural sectors. The products are called agro-allied products while their services are called agro-allied services. Agro-allied businesses are part of agro-allied industries.

Agribusiness Opportunities

India has Opportunities to do business with Indian Agriculture are enormous. Fruit pulp, concentrates, flavours, extracts, frozen fruits, frozen vegetables, pickled products, assorted products. Fruits, Vegetables, Food grains, Mushrooms and Medicinal and Aromatic plants etc. They are discussed in detail.

Vermicompost-Organic Fertilizer Production:-

Vermicompost - organic fertilizer production has now become a major component of agro-business models across the country with a very low initial investment. An entrepreneur can start this business with the proper know-how of the production process.

Dried Flower Business:-

Dried Flower Business in specialty flower is a very profitable venture now worldwide. Flower production is one of the fastest growing crop trends in agriculture today with a strong demand for all types of flowers, especially unique and hard-to-grow varieties. The interest in cut dry flowers has increased consistently over the last ten years.

Fertilizer Distribution Business:-

Fertilizer distribution business in India is highly controlled by Government regulation. It is one of the profitable agriculture business ideas one can start with moderate capital investment.

Organic Farm Green House:-

An organic farm greenhouse business has a high potential to grow and succeed because steadily the demand for organically grown farm products has grown considerably. Organic farm greenhouse business has been normally done on small, family-run farms. But since the demand for organically grown food products is now increasing, people are investing in land for organic farming.

Poultry Farming:-

Poultry farming in India has transformed into a techno-commercial industry from the status of backyard farming since three decades. Poultry farming is the fastest growing sector in agriculture and farming business. The annual growth rate is 8-10% in egg and 12-15% in the broiler industry.

Mushroom Farming:-

A mushroom farming business can be a mean of big profit in just a few weeks with considerably low start-up capital investment to start a business. A person who has a little bit of idea in the science and technology of mushroom growing and has an own building for having the farm –mushroom farming business will be the perfect option for him to start.

Hydroponic Retail Store:-

A person having passion in plantation technology can start the hydroponic retail store business to turn his hobby into a profit-making venture. Hydroponics is a new plantation technology that has been increasing in demands over the past decades as a soil free way of plantation both for commercial and home use.

Snail Farming:-

Snail farming business opportunity demands discipline and specific knowledge in modern technology. Snail farming is the process of raising land snails specifically for human consumption. It has a high rate of protein, iron, low fat and almost all the amino acids thatare needed for human body.

Sunflower Farming:-

In starting sunflower farming business, the primary requirement is the land. In India, sunflower is often called a commercial cash crop. Growing sunflower for oilseed with maintaining right process is a viable business opportunity. An entrepreneur passionate about agriculture and having owned land can start sunflower farming business.

Guar Gum Manufacturing:-

Guar gum, locally called guaran, is a galactomannan. It is basically the ground endosperm of guar beans. The guar seeds are dehusked, milled and screened to obtain the guar gum. It is typically produced as a free-flowing, off-white powder. It is a natural food thickener, similar to locust bean gum, corn-starch or tapioca flour.

Bee Keeping:-

Beekeeping business opportunity demands day-to-day monitoring with close supervision to the bees. With the increasing awareness about the health, demand for honey is growing globally. Beekeeping for selling honey and other products like wax is a profitable venture to start with less start-up investment.

Fish Farming:-

Commercial fish farming business is a lucrative investment that can spin money at any time of the year continuously. With the implementation of modern techniques and having owned space, an entrepreneur can start this business with moderate capital investment.

Fruits and Vegetables Export:-

An entrepreneur can start an export business of fresh fruits and vegetables by collecting them from local farmers. One can start this business from a home location only having a phone and computer with internet connection.

Micronutrient Manufacturing – Foliar and Soil Application:-

Micronutrient has an immense potential in agriculture business. Having a strong distribution strategy, one can start this manufacturing business with substantial capital investment.

Florist:-

One of the very profitable agriculture business ideas. Having a retail space and connection with the flower growers, one can start this business. An entrepreneur also can generate a substantial online sale by offering customers door-step delivery.

Livestock Feed Production:-

This business is small scale manufacturing. Having confidence in distribution, one can start this business to make money out of livestock feed production.

Frozen Chicken Production:-

Frozen chicken is a hot product now. The demand for this product is increasing globally. An entrepreneur living in a metro or suburban city can start this business with proper planning.

Botanical Pesticide Production:-

The botanical pesticide is one of the most profitable agriculture business ideas. It is an essential and mandatory product for organic farming and the demand for this product is increasing highly.

Basket and Broom Production:-

Basket and broom are very common products in rural agriculture scenario. An entrepreneur can start this business by sourcing these products from rural makers and after giving ornamentation, it can be sold as utility or decor item through retail and online both. To start profitable basket-weaving business one requires thoughtful planning and a high level of creative mind having a flair for design. Using a wide range of raw material an entrepreneur can initiate customized basket-weaving business from a home location with moderate capital investment. Broom production technical process is simple and the project can be initiated with proper planning and moderate capital investment. Broom has been used from centuries to sweep up dirt and dust, in and around homes and workplaces.

Flour Milling:-

Flour milling business has many diversified fields. An entrepreneur can start this business with a proper business plan. Establishing your own brand product is highly profitable in this business.

Fruit juice-Jam-Jelly Production:-

Fruit juice-jam-jelly production business has the huge market opportunity. Most important thing is the production process is not that complex and can be initiated small-scale basis.

Groundnut Processing:-

Having confidence in the source of raw material ground nut an entrepreneur can start this business with moderate capital investment. Processed groundnut has very good market potential globally.

Cashew-nut Processing:-

Processed cashew nut is a consumer durable product and has huge market potential. An entrepreneur can initiate this venture semi-automatic small scale basis.

Quail Egg Farming:-

Commercial quail farming is all about raising quails commercially for the purpose of profitable eggs and meat production. Globally quail farming is playing an important role in fulfilling the daily family nutrition demands and earning livings.

Shrimp Farming:-

Shrimp farming is an aquaculture business that exists in the freshwater environment, producing shrimp or prawn for human consumption. The demand for this product is increasing globally.

Fish Hatchery:-

A fish hatchery is a place for artificial breeding, hatching and rearing through the early life stage of finfish and shellfish in particular. Hatcheries produce larval and juvenile fish primarily to support the aquaculture industry where they are transferred to on-growing systems.

Piggery:-

Having a sufficient land holding an entrepreneur can start a piggery business. Among the various livestock species, piggery is most potential source for meat production and pigs are more efficient feed converters after the broiler. The major facility is pig farming requires a small investment in buildings and equipment.

Soya Beans Processing:-

Commercially soya beans processing to produce milk, soy flour, soya sauce, soya bean oil, natto etc. is a very profitable agriculture business ideas to start with moderate capital investment. With proper marketing strategy, an entrepreneur can start this business in small scale also.

Spice Processing:-

Rising global demand gives a boost to spice processing industry recently. Good quality processed spice has very good demand. Processing and packaging methods are not very complex. The margin is also very satisfying in spice processing business.

Vegetable Farming:-

Vegetable farming is one the most profitable agriculture business ideas. Having sufficient land an entrepreneur can start good quality vegetable farming with quality seed and fertilizers.

Chicks Hatchery:-

Chick’s hatchery business is all about making money by selling commercially produce chicks to local egg and poultry farmers. It is a highly profitable business to start with a small capital and as such no specialized knowledge is required.

Tea Growing:-

Tea growing business has huge potential and demand for the product is increasing globally. Tea plants typically fare best in acidic soil and regions with heavy rainfall around 40 inches per year, although they can be grown anywhere from sea level to altitudes as high as 1.3miles above sea level.

Grocery E-Shopping Portal:-

Grocery E-shopping portal is a most trending business in recent phenomena. This tech-based business opportunity demands proper planning and strong online marketing strategy to start.

Medicinal Herbs Farming:-

Growing medicinal herbs commercially are one of profitable agriculture business ideas. Having sufficient land and knowledge about the herbs marketing, an entrepreneur can initiate medicinal herbs farming with moderate capital investment.

Cactus Arrangements:-

Cactus is the most favourable item as plant décor item. This is ideal for table top gardens, and many plants can coexist happily in the same container. Creating and selling cactus arrangements is a very profitable and self-rewarding business to start. It can initiate from a home location with low start-up capital.

Dairy Farming:-

Commercial dairy farming is one of the most profitable agriculture business ideas. Apart from milk, it produced a quantity of manure. There is a tremendous scope/potential for increasing the milk production through profitable dairy farming.

Goatery Farming:-

Goats are among the main meat-producing animals in India. This meat is one of the choicest meats and has huge domestic demand. Due to its good economic prospects, goat rearing under an intensive and semi-intensive system for commercial production has been gaining momentum for the past couple of years.

Jatropha Farming:-

Commercial Jatropha farming for Bio-diesel is one of the most trending agriculture business ideas. By exploring the modern technology marginal farmers and cultivators can produce Jatropha as a raw material for bio-diesel.

Potato Powder:-

Potato powder has wide application in the processed and snack food industries, it can be used in any recipe which requires mashed potatoes. Potato powder is used as a thickener or base for the preparation of ready to eat vegetable gravies and soups. The processing method is also not very complex. Potato powder processing business can be initiated semi-automatic small scale basis.

Corn Farming:-

Corn (Maize) is one of the most versatile emerging crops having wider adaptability under varied agro-climatic conditions. Globally, maize is known as the queen of cereals because it has the highest genetic yield potential among the cereals. Commercial corn farming by using modern technology with quality seed is one of the most profitable agriculture business ideas.

Certified Seed Production:-

Seed certification is a quality assurance system whereby seed intended for marketing is subject to official control and inspection. At its simplest, the system certifies that a sack, packet or box of seed contains what it says on the label and that the seed was produced, inspected and graded, in accordance with the requirements of a Certification Scheme. To initiate this business you don’t have any requirement of land, just start the venture by contract farming.

Soil Testing Lab:-

Soil Testing is agronomically sound, beneficial and environmentally responsive tool used for monitoring the nutrient as well as making precise fertilizer recommendations for various crops and cropping sequences ensuring no damage to the environment. Establishing a soil testing lab with a Government certification is one of ideal agriculture business ideas.

Horticulture Crop Farming:-

Horticulturists produce fruits, flowers, and plants in greenhouses and nurseries. Selection of the crops and method is important in this business.

Fodder Farming for Goats and Cows:-

Fodder is any agricultural foodstuff used specifically to feed domesticated livestock, such as chickens, horses, pigs, cattle and goats. The term refers to food given to animals, rather than the food they forage for themselves. Types of plants typically grown for fodder include alfalfa, barley, oats, clover, grass and wheat.

Agriculture Consulting:-

As with other consulting services, agriculture consulting requirement is surely expected to grow with coming days. People with experience and knowledge in a specified field of farming activity can consider offering consulting services to organizations and farmers.

Rabbit Rearing:-

There is no law prohibiting the keeping of rabbits in Towns and Cities. A backyard can serve as a good source of additional income, food and employment; thus reducing poverty, hunger and idleness. Rabbit do not compete with humans for food, as kitchen leftovers, cut grasses and formulated or compounded feed can sustain them. Rabbit keeping does not require much capital for investment and maintenance. As little space is needed, most rabbits could be kept in the backyard or in the abandoned sheds.

Grass Cutter Farming:-

Grass cutter is worth considering for use in husbandry in the humid forest where poor grazing and harsh environment limits the performance of conventional livestock. Ranching of grass cutter as a backyard mini livestock would therefore improve the lot of the peasant farmers, provide an alternative source of animal protein and create job opportunities for urban dwellers.

Coconut Juice Production:-

From fresh chunks of meat to milk, creams, and powders, the flavor of coconut is a distinctive addition to hundreds of sweet and savory recipes. One can make good money by selling in wholesale to retail outlets and supermarket, but make sure the product is well branded, with company’s name and contact.

Local Drinks or Dry Gin Production:-

A lot of villagers has come to the city and still love to take local drinks, if well packaged, and accessible, you can start making money by selling to some beer palour, while Ogogoro can be supplied to some companies that uses this product as one of their raw materials.

Agricultural Brokerage and Consulting:-

One can start a business in agricultural brokerage by linking sellers of agricultural produce with buyers and get commission for it. One can also become a consultant and offer expert advice or organize trainings and seminars.

Agribusiness Challenges

Agriculture is the main source of livelihood in rural India, which is home to 75% of the nation's poor. Though it provides livelihoods to more than half of India's workforce, the sector contributes to less than one-fifth of the country's GDP. The per capita income of farmers is a fraction of the national average. Such low incomes are a result of a deteriorating natural resource base, disconnected value chains, fragmented landholdings, weak infrastructure, inadequate knowledge and multiple intermediaries. A majority of the farmers are trapped in a vicious cycle of low productivity and low investments.

Though technological solutions can be found to address the challenges of low productivity, the critical problem lies in making the farmer capable of implementing them. Transfer of technology, including know how and information, customization and capacity building are crucial in empowering the farmer to raise productivity and adopt sustainable agricultural practices. Given the complexity of geographical spread, diversity of crops and the large number of farmers involved in agriculture, innovative models of engagement are essential to ensure robust sustainable agricultural practices as well as avenues for livelihood creation.

Such innovation need to address some of the inherent conflicts in the agricultural sector. Some of the conflicts that need to be resolved are as follows:

- Food vs fuel/fibre/fodder: Competing land usage
- Today's vs tomorrow's income: Building capacity to enhance risk appetite to invest for long-term benefits
- Consumer vs farmer: Producing what the consumer demands vs consuming what the farmer produces
- Market vs government: Well-meaning government interventions that may lead to market distortions

In the modern context, the private sector can play a vital and complementary role in ensuring an increase in agricultural productivity. Investments by large agribusinesses can ensure coordination of the availability of inputs, facilitation of finance for crops and capital investments and augmentation of resources. This will enable the delivery of customised extension services to improve productivity through technology, regenerate and enrich land fertility, enable better usage of scarce water resources and adopt best practices in crop management.

Policy reforms in the agriculture sector need to cognise for several conflicting needs mentioned above that impact the value chain from the farmer to consumer. There is also need for an enabling policy framework that boosts the provision of rural infrastructure so that wastage can be eliminated and farmers can receive better returns.

The trends in global agribusiness are changing at a rapid pace and the traditional practices in agriculture seem obsolete today. Now this sector is more concerned with delivering customer value and diversification rather than increasing quantity of production only.

The consumer is more conscious of a number of product attributes before making a decision about the product like low nutritive value, good taste, convenient packaging, easy availability and "Green" products.

The regulations in agribusiness have also approached to it sever highest standards. The environmental protection, food health and safety standards and child labor issues are at the core of consumer welfare theory. Agribusiness firms are exploring other ways to maximize profit i.e. exploitation of niche markets, product innovation, market segmentation, targeting specific customers, product positioning, product differentiation etc.

Sustainability of agribusiness to ensure consumer and producer's welfare is the need of the time. Recent food crisis in the country wheat flour, sugar, pulses, rice, milk etc. demand prime focus of the policy makers. The major pro-active motivators for the globalization of agribusiness are the price differentials between national and international markets while the market distortions shortage, hoarding, black marketing etc. at local level are the reactive motivators. The more is the difference between national and international market prices, the more will be the market distortions.

The global arena is very dynamic with continuous quality improvements and cost competitiveness. The local infrastructure regarding implementation of food safety standards and quality control is not satisfactory. Another major problem is ever increasing prices for agricultural inputs i.e. fertilizers, high yielding seed, fuel, agricultural credit, plant protection measures and farm machinery which put this sector in less productive profile. Hence the increased cost of production put the exporters in a no situation in the international market. At national level, these price hikes have crushed the purchasing power of the consumers.

Agribusiness sector is characterized by much functional and institutional inefficiency. All the marketing functions being performed in transferring the agricultural products from producer to consumer exhibit inefficiency. The functioning of wholesale markets is not satisfactory due to many reasons like lack of storage facilities, unhygienic display sites, exploiting behavior and illegal deductions by the market intermediaries, lack of availability of accurate and transparent market information, nonprime setting mechanism, lack of market research and development efforts, lack of production and price forecasts etc. The modern marketing concepts like future markets and crop insurance do not exist altogether. One of the major reasons resulting in these functional and institutional inefficiencies is lack of skilled management. In the absence of management agricultural graduates, it becomes a little difficult job to yield quality results from this sector.

Productivity of the farmers may be enhanced meaningfully by connecting agricultural research more closely to the needs of farmers and the food industry. An integrated approach, collaborating the efforts of research institutions, universities and industry should be adopted. International compliance to emerging and changing trends is the need of the time. This target may be achieved by adopting a more proactive approach. In a nutshell, the country’s future lies in agribusiness and we should not only try to add value but create value as well. We should move towards a more integrated approach to remove deficiencies and inefficiencies in this sector. Improving quality, economizing on cost of production, well-articulated marketing efforts, effective regulatory framework and compliance to increasing international standards are some of the core policy issues confronting agribusiness sector. Policy reforms in changing preferences and attitudes can serve the purpose by adopting a well-integrated approach involving all the stakeholders.

Management Functions - Planning - Types of plans and Steps in Planning

Management:

The art of getting things done through people. Management is the process by which human efforts are coordinated and combined with other resources to accomplished organizational goals and objectives.

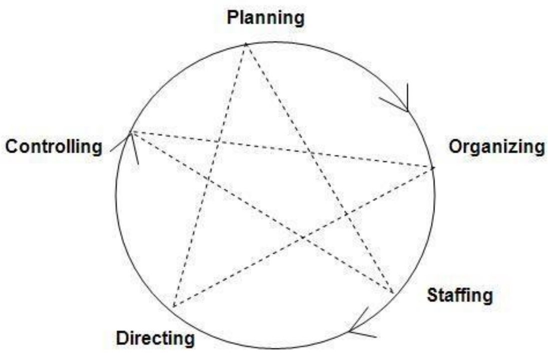
Many management thinkers have defined management in their own ways. For example, Van Fleet and Peterson define management, '**as a set of activities directed at the efficient and effective utilization of resources in the pursuit of one or more goals**.'

According to F.W. Taylor , ' **Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way** '.

Management Function

Different experts have classified functions of management. According to *George & Jerry*, "There are four fundamental functions of management i.e. planning, organizing, actuating and controlling". According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



1. **Planning**

   It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. **Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer.

4. **Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. **Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

a. Establishment of standard performance.

b. Measurement of actual performance.

c. Comparison of actual performance with the standards and finding out deviation if any.

d. Corrective action.

Planning

Planning is an attempt to prepare for future by assessing existing resources and capabilities and then determining future line of action with a view to achieve organizational objectives. It means deciding in advance what is to be done, how and where is to be done, who will do it and how results are to be evaluated. Planning is the basic function of management. Proper planning is must for ant business activity. The affairs of any organization are likely to be affected without thought out plan. Planning is necessary to ensure proper utilization of human, financial and physical resources to achieve the objectives of enterprise. Planning offers many advantages to an enterprise as follows;

i. Planning give direction on objectives: Activities of an organization get a definite objective to move due to planning without planning everything may be haphazard and purposeless.

ii. Planning focuses attention on activities: Planning helps to focus attention on objectives. This helps in their proper pursuit and fulfillment.

iii. Planning helps to affect the change and uncertainty: Since planning is done with the object of off-setting change and uncertainty, it helps to eliminate risk and avoid loss caused by changing factors.

iv. Planning facilitate control: Managerial control are facilitated by the planning because the actual performance can be compared with planned performance.

v. Planning helps in the economical operations: Planning lays down procedures, policies, objectives and operations. The staff gets a clear-cut idea about an operation, targets and goals.

vi. Planning accounts for growth: Growth of a firm and expansion of its activities are greatly facilitated. This is so because the firm has a clear- cut idea about its future activities. It may therefore plan to grow. This means that the time and cost of growth are minimum.

vii. Planning helps to avoid bottlenecks in production: Since everything is planned scientifically (i.e timely and appropriate provision of land, labour, capital and organization), bottlenecks are avoided and production goes on smoothly.

Types of Plan

The plans employed by various levels of management can be classified in a number of ways:

1. Operational, tactical and strategic plan
2. Proactive and reactive plan
3. Formal Vs informal plan
4. Functional and Corporate plan

1. a) Operational Plan

Operational plans are short – range plans. They are usually made in a specific and detailed manner. They provide content and form to long range plans. It is usually done at lower levels. Its primary concern is efficiency (doing things right) rather than effectiveness (doing the right things). Operational planning involves gathering information, evaluating alternatives and choosing the most effective courses of action. It is usually guided by a set of single use plans and standing plans.

Standing plans focus on organizational situations that recur repeatedly. Standing plans include policies, procedures and rules.

Single use plans are also used to guide managerial decisions and to obtain uniformity of action, but they serve these purposes only for a specified period of time. They are specially developed to implement courses of action, which are relatively unique and are unlikely to be repeated. They are designed to deal with novel situations and may never be major types of single use plans.

Operational planning is concerned with day to day operations. Usually functional aspects of the production of goods and services are covered in operational plans. Market plans, production plans and financial plans are typical examples of operational planning.

b) Tactical or Coordinative (intermediate) Plan

Tactical plans are less detailed than the short-range plans. They are concerned with implementing strategic plans by coordinating the work of different departments in the organization. They try to integrate various organizational units and ensure commitment to strategic plans. Based on results obtained by implementing short range plans, a mid term review is undertaken. The success or failure of operational plans is assessed and the need for readjustment is indicated. This helps in shifting the gears whenever pitfalls occur while implementing the short range or long range plans.

c) Strategic Plan (Long-range Plan)

The determination of how the organizational objectives will be achieved is referred to as long range strategic plan. Essentially, strategy is a plan of action that will define the way in which goals can be accomplished. It links the human and other resources of an organization on the one hand, with the challenges and risks posed by the outside world, on the other.

Planning period is long term-long range planning period – if the planning environment is stable. It may be five to ten years or more. In India, cement, petroleum, paper, petrochemicals plan for a period of five years, whereas chemicals and textiles plan for a period of three years.

2) Proactive Vs Reactive Plan

In proactive plans consideration is given for the future changes and it forces the managers to be dynamic, active and creative. Through proactive plan mangers take the initiative and attempt to shape the future and create a more desirable environment. It helps the managers to command the future rather than commanded by it.

In reactive plan we do not give consideration to what we desire the future to be like and as a result the future of the organization is left to the vagaries of societal forces.

3) Formal Vs Informal Planning

A Formal plan can be defined as a written, documented plan developed through an identifiable process. Formal planning is hard mental work and it forces the managers, to observe the rule "look before you leap" strictly. When planners do not record their thoughts but carry them around in their minds, informal plan results in. in informal plan managers do not plan for contingencies and there is no provision for anticipated situations. They merely wait for the lightning to strike.

<u>Steps in Planning:</u>

i. Establishing Objectives

The first step in planning itself is to establish planning objectives for the entire enterprise and then for each subordinates unit. Objectives specifying the results expected indicate the end points, of what is to be done, where primary emphasis is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budget and programmes. Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, in turn, control the objectives of subordinates departments, and so on, down the line.

ii. Collection and Analysis of Information

Necessary facts and information for the activities related to planning are collected, after determination of the objectives or goals of planning.

This information may be obtained from internal and external sources. For it, old records, files, experience and observation of the activities of the competitive institutions are used.

After the collection of information, there are suitably analysed while analysing the situation, it should be known, how these facts and information may affect planning and may prove useful.

ii. Establishment of Planning Premising

After collection and analysis of information relating to planning, the premises of planning established. These premises forecasts are a type of those assumptions, which are related to future conditions. Hence, proper estimation of future conditions is quite essential for the success of planning. These premises provide necessary information for uncertain circumstances of the future.

iv. Determining Alternative Courses of Action

The third step in planning is to reach for and examine alternative course of action. There is seldom a plan for which reasonable alternatives do not exist and quite often an alternative that is not obvious proves to be the best. The most common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is limit to the number of alternatives that may be examined. It is, therefore, usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating through the process of approximation, the least promising ones.

v. Evaluating Alternative Courses of Action

Having sought out alternative courses and examined their strong and weak points, the fourth step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback: another may be less profitable but involve less risk; still another may better suit the agribusiness organization’s long range objectives.

vi. Selecting the Course of Action

The fifth planning step, selecting the course of action, is the point at which the plan is adopted to the real point of decision making. Occasionally an analysis and evaluation of alternative courses will disclose that two or more are advisable and the manager may decide to follow several courses rather than the best course.

vii. Formulating a Derivative Plans

At the point where decision is made, planning is seldom complete, a sixth step is to formulate derivative plan. There are almost invariably derivative plans required to support the basic plan.

viii. Numbering Plans by Budgeting

After decisions are made and plans are set the final step to give them meaning is to numbered them to budgets. Each departments or programme of agribusiness or other enterprise can have its own budgets, usually of expenses and capital expenditure, which tie into the over- all budget. If planned well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

Mid Semester Examination

Organizing - Principles and Departmentation.

Organization

Organization is the foundation upon which the whole organization is built. Without efficient organization, no management can perform its function smoothly. Sound organization contributes greatly to the continuity and the success of organization. A poor organization structure makes good performance impossible, no matter how good the individuals are. The term organization connotes different things to different people. For example to the sociologists, organization means a study of interactions of people, classes or hierarchy of an enterprise. To the psychologists organization means an attempt to explain, predict and influence the behaviour of individuals in an enterprise.

The word 'organization' is also used widely to connote a group of people and the structure of relationships. In order to understand the meaning and characteristics of organization, we shall study it under the following heads:

(1) Organization as a group of persons.

(2) Organization as a structure of relationship.

(3) Organization as a function of management.

(4) Organization as a process.

Steps in Organizing

While organizing, a manager differentiates and integrates the activities of his organization. By differentiation is meant the process of departmentalization or segmentation of activities on the basis of some homogeneity. Integration is the process of achieving unity of effort among various departments, segments or subsystems. Organization involves the following interrelated steps:

(1) ***Consideration of objectives*****:** The first step in organizing is to know the objectives of the enterprise. Objectives determine resources and the various activities which need to be performed and the type of organization which needs to be built for this purpose. Objectives also serve as guidelines for the management and workers. They bring about unity of direction in the organization.

(2) ***Identification and grouping of activities*****:** If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the total activities of an enterprise may be divided into major functions like production,

purchasing, marketing, finance etc., and such function is further subdivided into various jobs. For example, in production department separate sections may be created for research, industrial engineering etc. The jobs then can be classified and grouped to ensure the effective implementation of other steps.

(3) ***Assignment of duties*:** After classifying and grouping the activities into various jobs, they should be allotted to the individuals for ensuring certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that.

(4) ***Delegation of authority*:** Authority without responsibility is dangerous and responsibility without authority is an empty vessel. Hence, corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance.

Principles of Organization

In order to facilitate the achievement of objectives, management thinkers have laid down certain principles of organization. The principles are guidelines for planning organization structure. Therefore, thorough understanding of the principles of organization is essential for good organization. The principles of organization are discussed below:

(1) ***Objectives*:** The objectives of the enterprise influence the organization structure. Every part of the organization and organization as a whole should be geared to the basic objective determined by the enterprise.

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

(3) ***Span of control*:** A manager can directly supervise only a limited number of executives. Hence, it is necessary to have a proper number of subordinates answerable to a manager. A maximum of six may be prescribed for this purpose.

(4) ***Exception*:** This principle requires that organization structure should be so designed that managers are required to go through the exceptional matters only.

All the routine decisions should be taken by subordinates, where as problems involving unusual matters and policy decision should be referred to higher levels.

(5) ***Scalar principle*:** This is also known as chain of command. There must be clear lines of authority running from the top to the bottom. Authority is the right to decide, direct and coordinate. Every subordinate must know who his superior is and to whom policy matters beyond his own authority must be referred for decision.

(6) ***Unity of command*****:** Each subordinate should have only one supervisor whose command he has to obey. Dual subordination must be avoided, for it causes uneasiness, disorder, and indiscipline and undermine of authority.

(7) ***Delegation*****:** Proper authority should be delegated at the lower levels of the organization also. The authority delegated must be equal to responsibility i.e., the manager should have enough authority to accomplish the task assigned to him.

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

(9) ***Authority*****:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. The authority and responsibility must be co-extensive in the organization.

(10) ***Efficiency*****:** The organization should be able to attain the mission and objectives at the minimum cost.

(11) ***Simplicity*****:** The organization structure should be as simple as possible with minimum number of levels. A large number of levels of organization means difficulty of effective communication and coordination.

(12) ***Flexibility:*** The organization should be flexible, should be adaptable to changing circumstances. It should permit expansion and replacement without dislocation and disruption of the basic design. A sound organization must avoid complicated procedures, red-tape and excessive complication of control so that it may adapt itself easily and economically to business and technical changes.

(13) ***Balance:*** There should be reasonable balance in the size of various departments, between centralization and decentralization. There must be balance in the formal structure as regards to factors having conflicting claims.

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

(15) ***Personal abilities:*** As organization is a formal group of people there is need for proper selection, placement and training. Organization structure must ensure optimum use of human resources.

Departmentation:

The first real task in designing an organisation structure is the identification of activities and to group them properly. The process of **grouping the activities** is commonly known as departmentation. The terms used to denote the departments that result from departmentation vary a great deal. In business organisations, such as division, department, and section are used; in government, these are called as branch, department, bureau, and sections etc.

Need and Importance

Departmentation is necessary because it involves grouping of people or activities into a single department or unit to achieve organisational goals. Departmentation is essential because of the following reasons:

- It permits an organisation to take advantage of specialisation.
- Enables each person to know the particular part he is expected to play in the total activities of the company.
- Facilitates communication, coordination and control and contributes to the organisational success.
- Enables a manager to locate the sources of information, skills and competence to take certain vital managerial decisions.

Bases of Departmentation

There are several key ways in which an organisation may decide about the pattern that will be used in grouping the various, similar activities performed. Various bases of departmentation may be:

1. Function
2. Product
3. Customer
4. Territory
5. Process / Equipment
6. Marketing channels
7. Time

Some of these bases are **internal operation-oriented** like **function, process, time** while others like **product, territory and customer** are **output- oriented**.

Departmentation by Function

The basic aim of functionalisation is to simplify complexity by grouping all the work to be done into major functional departments such as production, engineering, sales, marketing, finance etc. It is best suited to **medium-size** organisations

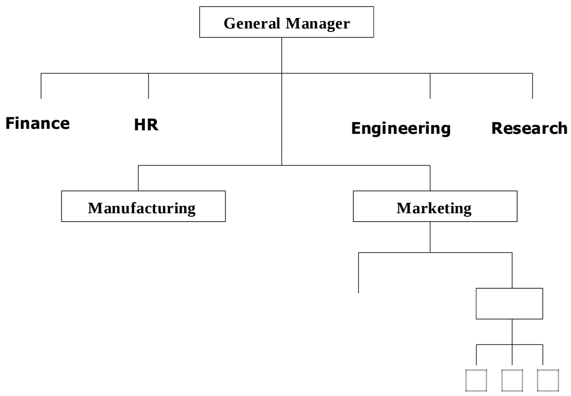
Strengths

- A firm can employ a great variety of skills and utilize the same efficiently.
- Minimises the costly duplication of personnel and equipment within organisation.

Weaknesses

- Very difficult to achieve coordination between and among functions, especially when organisation balloons to gigantic and unmanageable proportions.
- Managers develop 'tunnel vision' and it is difficult to develop executives with cross-functional perspectives.

Functional Pyramid



Departmentation by Product

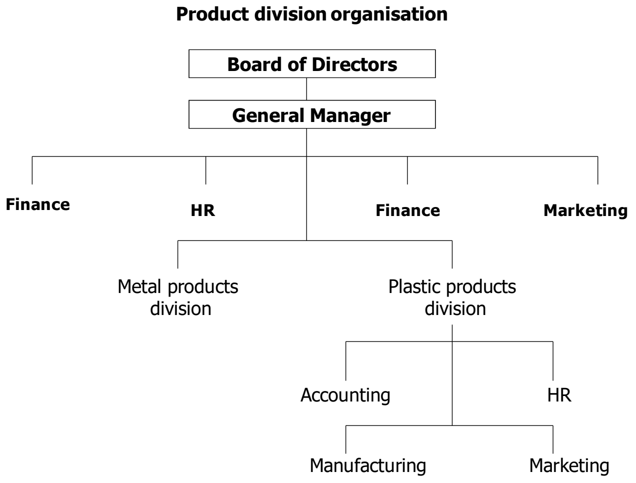
It is adopted in the case of a **multi-product enterprise**. The product structure is organised according to organisational output. The structure is divided into several fairly autonomous units. Each unit is relatively self-contained and is headed by a product manager who is responsible for the company's investment in capital, facilities as well as for the unit's progress.

Strengths

- High product visibility and the accountability are clear.
- Prevents some products from being slighted and others being overemphasized.

Weaknesses

- Results in duplication of money and resources.
- Poor coordination across the product lines.



Departmentation by Territory

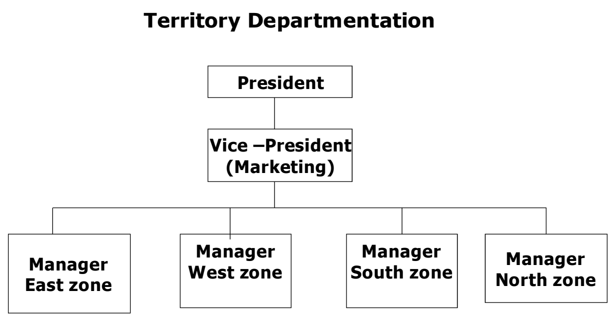
Departmentation by territory**,** also known as **geographic departmentation**, facilitates adaptation to the territorial differences. Large companies that distribute products on a massive scale nationally often cannot coordinate all regions from the headquarters. Each region of the country has distinct needs, tastes and facilities that demand coordination. Decisions regarding product design, pricing and marketing may be left to the direction of the territorial managers who are close to customers and know their needs better.

Strengths

- Enables the local manager to consider the local customers, their habits, customs, styles, cultures, and social forces.
- Reduces transport costs.

Weaknesses

- Gives rise to the problem of communication.
- May leave some inevitable gap between zonal offices and branch offices; between head office and zonal offices etc.



Departmentation by Customer

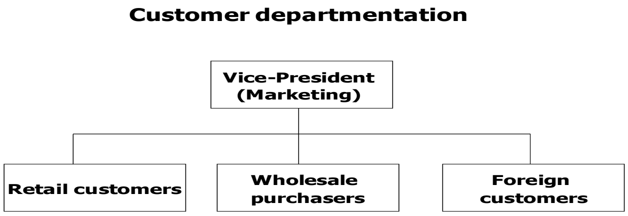
Under the departmentation by customer, separate departments are created to serve the needs of particular customers. Such an organisation helps managers to satisfy the customer's requirements more conveniently and successfully. Such forms of departmentation are more common **in banking, book publishing and food industry.**

Strengths

- Organisation can concentrate on clearly identified and potential customers.
- Can consider the needs of baffling variety of customers.

Weaknesses

- Organisations may discriminate the 'rich and first class customers' from 'poor customers'.
- It is almost impossible to consider all the customers, their interests, habits and customs.



Departmentation by Process or Equipment

Here the activities are grouped on the basis of various manufacturing processes. Similar types of labour and equipment are brought together. It permits intensive and economical usage of costly equipment. It is better suited to **manufacturing companies**.

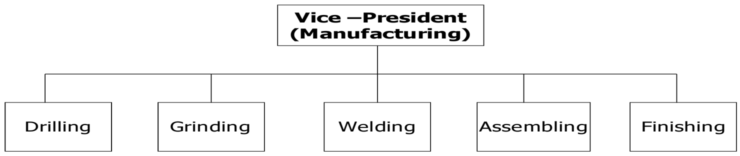
Strengths

- This is advantageous when machines or equipment used require special operating skills.
- Optimum maintenance of equipment and resources.

Weaknesses

- Coordination of various functions and products difficult.
- Results in conflicts between different managers at different levels.

Process / Equipment Departmentation



Departmentation by Marketing Channel

In this form, same product is marketed through two or more different channels (unlike customer departmentation). Each channel may ultimately sell to the same customers. Major departments are organised around each of the firm's marketing channel to meet the unique and diverse channel demands.

Departmentation by Time

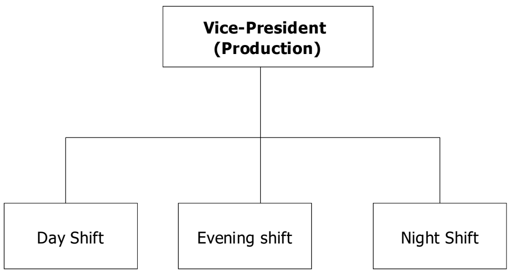
In some organisations that work round-the-clock, mostly applied in **public utilities** (for example, public utilities like Railways, Post and Telegraph offices, Hospitals etc.) departmentation is based on time. We often notice the doctors, nurses and railway employees changing shifts on the basis of day, evening, and night.

Strength

- ♦ It makes manpower utilization efficient.
- ♦ Highly convenient.

Weakness

- ♦ Workers may ignore 'total system' view of organisation; rather concentrate on the narrow, specified and technical aspects of organisation.



Staffing - Job Analysis, Human Resource Planning Process, Recruitment and Selection

Staffing:

Staffing is defined as, "filling and keeping filled, positions in the organizational structure. This is done by identifying work-force requirements, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning the careers, compensating, training, developing existing staff or new recruits, so that they can accomplish their tasks effectively and efficiently."

Staffing is a critical organizational function which consists of the process of acquiring, deploying, and retaining a workforce of sufficient quantity and quality to create positive impacts on the effectiveness of the organization. It is one of the significant functions of the management.

Steps in the Process of Staffing Function

- **Manpower Planning**: It is the very first step of the staffing function. It involves forecasting and determining the future manpower needs of the organization. It is the estimation of the required manpower keeping in view the present and future needs of the organization. It is regarded as the quantitative and qualitative measurement of work force required by the organization

- **Recruitment**: Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organization. It is the process of creating the application pool. It is the process to attract maximum number of applicants so as to have more options for the selection. In other words, recruitment stands for discovering the source from where potential employees are likely to be selected.

- **Selection**: It is the screening step of staffing in which the solicited applications of those candidates which are not found suitable as per the requirements of the notified post are screened out. It is the process of elimination of the candidates who appear unpromising for the post.

- **Placement and Orientation**: Once selection process is over, the selected candidates are appointed. After this, the placement of the appointed employees takes place by putting right man on the right job. It means putting the appointed employee on the job for which he is selected. Orientation is the introduction of the appointed employee with the job. He is made familiar to the work units and work environment through the orientation programmes.

- **Training**: After appointment of an employee, the most important and established part of the personnel programme is to impart training to the new comer. With the rapid technological changes, the need for training employees is being increasingly recognized so as to keep the employees in touch with the new developments. Training is generally given according to the nature of activities and scope of expansion in it. It is given to acquaint the appointed employees with the processes and the procedures which they are required to follow for the job. It provides the appointed employees benefits of in depth knowledge of their functional areas.

- **Development**: A sound staffing policy in the organization calls for the process of the development of the employees so that they can take higher responsibilities. The process of development is for preparing the employees for variety of jobs.

- **Promotion**: Promotion implies upgrading of an employee to a higher position involving increase in rank, prestige or status. It generally consists of shifting the employee to a higher job which requires bigger responsibilities. Generally increase in pay and enhancement of powers accompanies promotion but it is not essential ingredients.

- **Transfer:** It normally implies movement of the employees from one job to another without any increase in pay, status or responsibilities. Usually employees are transferred to different work units and branches of the organization. Normally transfer takes place between jobs paying approximately the same salaries but sometimes employees are also transferred during their promotion. Employees of the organization who have been identified for taking up of higher positions in the organization are being transferred to different departments so that they can learn intricacies of the functioning of different departments.
- **Appraisal**: Appraisal of employees reveals as to how efficiently the employee is performing in his job. Appraisal of the employees is also done to know their aptitudes and other qualities necessary for performing the job assigned to them. The qualities for which the employees are generally apprised through performance appraisal include (i) ability to do work, (ii) spirit of cooperation, (iii) job knowledge, (iv) discipline and sincerity, (v) managerial ability, (vi) self-confidence, (vii) initiative, (viii) problem solving abilities, and (ix) intelligence etc. The main objective of performance appraisal is to improve the efficiency of the employees by mobilizing their best possible efforts and through them achievement of the objectives and the goals of the organization.
- **Remuneration:** It is a kind of compensation provided monetarily to the employees for their work performances. This is given according to the nature of job- skilled or unskilled, physical or mental, etc. Remuneration forms an important monetary incentive for the employees. Fixation of remuneration is the most difficult and complex function of the management since there are no definite or exact means to determine the correct wages.

Job Analysis

Job analysis is a process of identifying, analyzing, and determining the duties, responsibilities, skills, abilities, and work environment of a specific job.

Edwin B.Flippo, “Job analysis as the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job description and job specifications”.

Job analysis can be defined as an assessment that describes job and the behaviors necessary to perform them.

The information collected under job analysis is :

1. Nature of jobs required in a concern.
2. Nature/ size of organizational structure.
3. Type of people required to fit that structure.

4. The relationship of the job with other jobs in the concern.
5. Kind of qualifications and academic background required for jobs.
6. Provision of physical condition to support the activities of the concern. For example-separate cabins for managers, special cabins for the supervisors, healthy condition for workers, adequate store room for store keeper.

Job Description

Job description is an organized factual statement of job contents in the form of duties and responsibilities of a specific job. The preparation of job description is very important before a vacancy is advertised. It tells in brief the nature and type of job. This type of document is descriptive in nature and it constitutes all those facts which are related to a job such as:

1. Title/ Designation of job and location in the concern.
2. The nature of duties and operations to be performed in that job.
3. The nature of authority- responsibility relationships.
4. Necessary qualifications that is required for job.
5. Relationship of that job with other jobs in a concern.
6. The provision of physical and working condition or the work environment required in performance of that job.

Job Specification is a statement which tells the minimum level of qualifications, skills, experience, judgment and attributes required for performing job effectively. Job specification translates the job description into human qualifications so that a job can be performed in a better manner. Job specification helps in hiring an appropriate person for an appropriate position. The contents are:

1. Job title and designation
2. Educational qualifications for that title
3. Physical and other related attributes
4. Physique and mental health
5. Special attributes and abilities
6. Maturity and dependability
7. Relationship of that job with other jobs in a concern.

Human Resource Planning Process:

Definition: The **Human Resource Planning** is the process of finding the right number of people for the right kind of a job, at a right time and the right place, by forecasting the organization's demand for and supply of human resources in the near future.

Human Resource Planning Process

The Human Resource Planning is a process of forecasting the organization's demand for and supply of manpower needs in the near future.

Determining the Objectives of Human Resource Planning

The foremost step in every process is the determination of the objectives for which the process is to be carried on. The objective for which the manpower planning is to be done should be defined precisely, so as to ensure that a right number of people for the right kind of job are selected.

The objectives can vary across the several departments in the organization such as the personnel demand may differ in marketing, finance, production, HR department, based on their roles or functions.

Analyzing Current Manpower Inventory

The next step is to analyze the current manpower supply in the organization through the stored information about the employees in terms of their experience, proficiency, skills, etc. required to perform a particular job.

Also, the future vacancies can be estimated, so as to plan for the manpower from both the internal (within the current employees) and the external (hiring candidates from outside) sources. Thus, it is to be ensured that reservoir of talent is maintained to meet any vacancy arising in the near future.

Forecasting Demand and Supply of Human Resources

Once the inventory of talented manpower is maintained; the next step is to match the demand for the manpower arising in the future with the supply or available resources with the organization.

Here, the required skills of personnel for a particular job are matched with the job description and specification.

Analyzing the Manpower Gaps

After forecasting the demand and supply, the manpower gaps can be easily evaluated. In case the demand is more than the supply of human resources, that means there is a deficit, and thus, new candidates are to be hired.

Whereas, if the Demand is less than supply, there arises a surplus in the human resources, and hence, the employees have to be removed either in the form of termination, retirement, layoff, transfer, etc.

Employment Plan/Action Plan

Once the manpower gaps are evaluated, the action plan is to be formulated accordingly. In a case of a deficit, the firm may go either for recruitment, training, interdepartmental transfer plans whereas in the case of a surplus, the voluntary retirement schemes, redeployment, transfer, layoff, could be followed.

Training and Development

The training is not only for the new joinees but also for the existing employees who are required to update their skills from time to time.

After the employment plan, the training programmes are conducted to equip the new employees as well as the old ones with the requisite skills to be performed on a particular job.

Appraisal of Manpower Planning

Finally, the effectiveness of the manpower planning process is to be evaluated. Here the human resource plan is compared with its actual implementation to ensure the availability of a number of employees for several jobs.

At this stage, the firm has to decide the success of the plan and control the deficiencies, if any.

Thus, human resource planning is a continuous process that begins with the objectives of Human Resource planning and ends with the appraisal or feedback and control of the planning process.

Recruitment

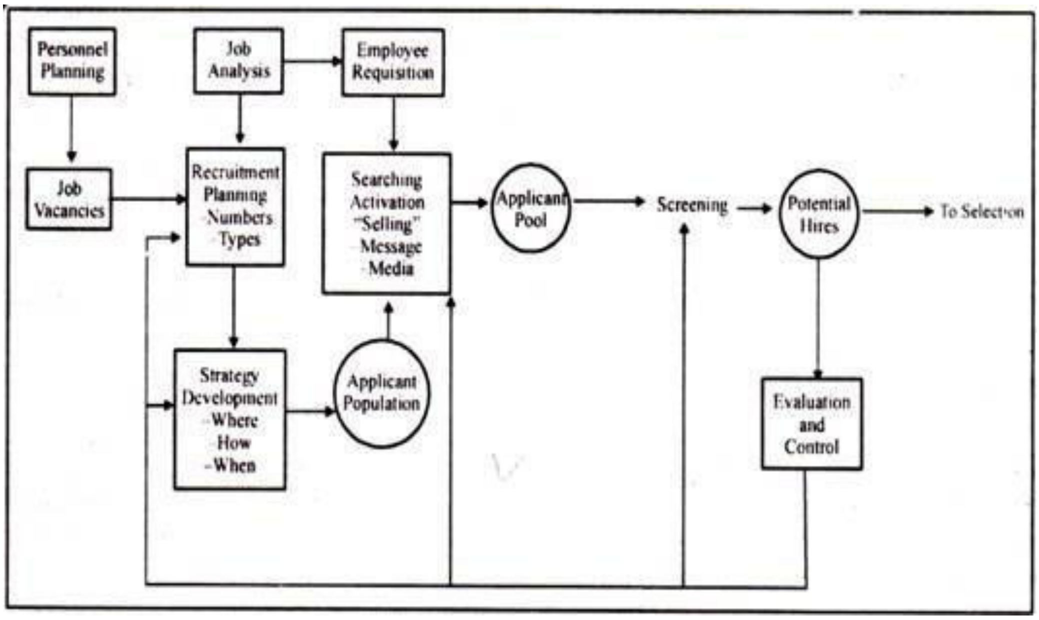
Recruitment is defined as the process of identifying the sources for perspective candidates and to stimulate them to apply for the jobs. In other words, recruitment is the generating of applicants for specific positions.

According to Dalton E. McFarland, it is the process of attracting potential employees to the company.

Recruitment Process

The five steps involved in recruitment process are as follows:

1. Recruitment Planning
2. Strategy Development
3. Searching
4. Screening
5. Evaluation and Control.



1. Recruitment Planning

Recruitment planning is the first step of the recruitment process, where the vacant positions are analyzed and described. It includes job specifications and its nature, experience, qualifications and skills required for the job, etc.

A structured recruitment plan is mandatory to attract potential candidates from a pool of candidates. The potential candidates should be qualified, experienced with a capability to take the responsibilities required to achieve the objectives of the organization.

Identifying Vacancy

The first and foremost process of recruitment plan is identifying the vacancy. This process begins with receiving the requisition for recruitments from different department of the organization to the HR Department, which contains –

- Number of posts to be filled
- Number of positions
- Duties and responsibilities to be performed
- Qualification and experience required

After identifying the vacancy proper job analysis is done with the help of job specification and description.

Job Analysis

Job analysis is a process of identifying, analyzing, and determining the duties, responsibilities, skills, abilities, and work environment of a specific job. The immediate products of job analysis are **job descriptions** and **job specifications**.

2. Strategy Development

The next step is to decide a strategy that is adopted while recruiting the prospective candidates in the organization. The following strategic considerations should be kept in mind:

- **Make or Buy Employees**, which means the firm either decides to select less skilled employees and invest in training and education programmes or hire skilled professionals.
- **Methods of Recruitment,** the firm decide on the methods used for recruiting the individuals. Such as the internet provides detailed information about the prospective candidates and helps in shortlisting the best-qualified individuals.
- **Geographical Area,** the next decision is related to the area from where the candidates shall be searched. The firm looks for those areas where the handful amount of qualified employees is concentrated, with a view to curtailing a search cost.
- **Sources of Recruitment,** there are two sources of recruitment: Internal source (within the organization), external source (outside the organization). The firm must decide the source from where the candidates are hired.

Internal sources

The **Internal Sources of Recruitment** means hiring people from within the organization. It is the process of seeking applicants for the job positions from those who are currently employed with the firm.

Transfer: Transfer means shifting an employee from one job to another, typically of similar nature, without any change in his rank and responsibility.

Promotion: It is the most common form of internal recruitment wherein the employees are moved to the upper levels of the organization with more responsibility and prestige. When the higher level positions fall vacant companies recruit from within the organization so as to capitalize one of the following benefits:

- The employee is familiar with the working of the organization.

- Less cost is incurred as compared to hiring the person from the external sources.
- The chances of selection are bright since the performance card of the individual is readily available with the firm.
- It boosts the morale of the employee.
- The others in the organization also get motivated to work harder to get promoted to the higher levels of the organization.

Employee Referrals: The present employees can refer their friends and family to the job. They are well aware of the organizational culture, working conditions and job requirements. If they find their friends or family suitable for such position can recommend their names to the management for recruitment.

The organizations encourage employee referrals as the cost and time could be saved than from hiring people from the external sources. Some organizations, in order to motivate employees to pay **"finders fees"** in the form of incentives for each successful hire.

External Sources

The **External Sources of Recruitment** means hiring people from outside the organization. In other words, seeking applicants from those who are external to the organization.

There are several methods for external recruiting. The firm must carefully analyze the vacant positions and then use the method which best fulfills the requirement. Following are the different types of external sources of recruitment:

Media Advertisement: The advertisement is the most common and preferred source of external recruiting. The ads in newspapers, professional journals, give a comprehensive detail about the organization, type, and nature of job position, skills required qualification and experience expected, etc. This helps an individual to self-evaluate himself against the job requirements and apply for the jobs which best suits him.

Employment Exchange: The details about the job seekers such as name, qualification, experience, etc. is stored in this organization and is given to the employers who are searching for employees for their organizations. For certain job vacancies, it is mandatory for every organization to provide details about it to the employment exchange.

Direct Recruitment: The direct recruitment also called as factory gate recruitment is an important source of hiring, especially the unskilled workers who are paid on a daily-wage basis. Here, the company puts up a notice on a notice board or on the factory gate regarding the jobs available, such that the applicant sees it and apply for the job directly.

Casual Callers: The casual callers, also called as unsolicited applications are the job seekers who come to the well-renowned organizations casually and either mail or drop in their job applications seeking the job opportunity. This could be considered as an important source of external recruitment as the personnel department maintains the folder of unsolicited applications and call those who fulfill the job requirements, whenever the vacancy arises.

Educational Institutions or Campus Placement: Creating a close liaison with the educational institutes for the recruitment of students with technical and professional qualifications has become a common practice of external recruitment. Here, the companies visit the technical, management and professional colleges to recruit the students directly for the job positions. The recruitment from educational institutions is also termed as campus recruitment.

Labor Contractors: The labor contractors are either employed with the firm or have an agreement to supply workers to the firm for the completion of a specific type of a task. This method is again used for hiring the unskilled and semi-skilled workers. The contractor keeps in touch with the workers and sends them to the places where their need arises. In doing so, the contractors get the commission for each worker supplied.

Walk-Ins: This is again a direct form of recruitment wherein the prospective candidates are invited through an advertisement to come and apply for the job vacancy. Here, the specified date, venue, and time are mentioned, and the candidates are requested to come and give interviews directly without submitting their applications in advance.

E-recruiting: The e-recruiting means searching and screening the prospective candidates electronically. There are several online job portals that enable the job seekers to upload their resume online which are then forwarded to the potential hirers. Such as naukri.com, monster.com, shine.com, etc. are some of the well renowned online job portals.

Management Consultants: There are several private management firms that act as a middleman between the recruiter and the recruit. These firms help the organization to hire professional, technical and managerial personnel, and they specialize in recruiting middle level and top level executives.

These firms maintain data of all the job seekers, such as education, qualification, experience, etc. and give their details to the companies who are looking for men. Nowadays, the engineers, accountants, lawyers help their counterparts to get suitable jobs in industrial organizations.

3. Searching

Once the strategy is prepared the search for the candidates can be initialized. It includes two steps: **source activation and selling**. The source activation means, the search for the candidate activates on the employee requisition i.e. until and unless the line manager verifies that the vacancy exists, the search process cannot be initiated.

The next point to be considered is selling, which means the firm must judiciously select that media of communication that successfully conveys the employment information to the prospective candidates.

4. Screening

The screening means to shortlist the applications of the candidates for further selection process. Although, the screening is considered as the starting point of selection but is integral to the recruitment process. This is because the selection process begins only after the applications are scrutinized and shortlisted on the basis of job requirements. The purpose of recruitment is to remove those applications at an early stage which clearly seems to be unqualified for the job.

5. Evaluation and Control

Evaluation and control is the last stage in the recruitment process wherein the validity and effectiveness of the process and the methods used therein is assessed. This stage is crucial because the firm has to check the output in terms of the cost incurred.

The costs incurred in the recruitment process are to be evaluated and controlled effectively. These include the following −

1. Salaries to the Recruiters
2. Advertisements cost and other costs incurred in recruitment methods, i.e., agency fees.
3. Administrative expenses and Recruitment overheads
4. Overtime and Outstanding costs, while the vacancies remain unfilled
5. Cost incurred in recruiting suitable candidates for the final selection process
6. Time spent by the Management and the Professionals in preparing job description, job specifications, and conducting interviews.

The recruitment is a costly process as it includes the salaries of recruiters, time spent by the management, cost of advertisement, cost of selection, a price paid for the overtime and outsourcing in case the vacancy remains unfilled. Thus, a firm is required to gather all these relevant information to evaluate the performance of a recruitment process effectively.

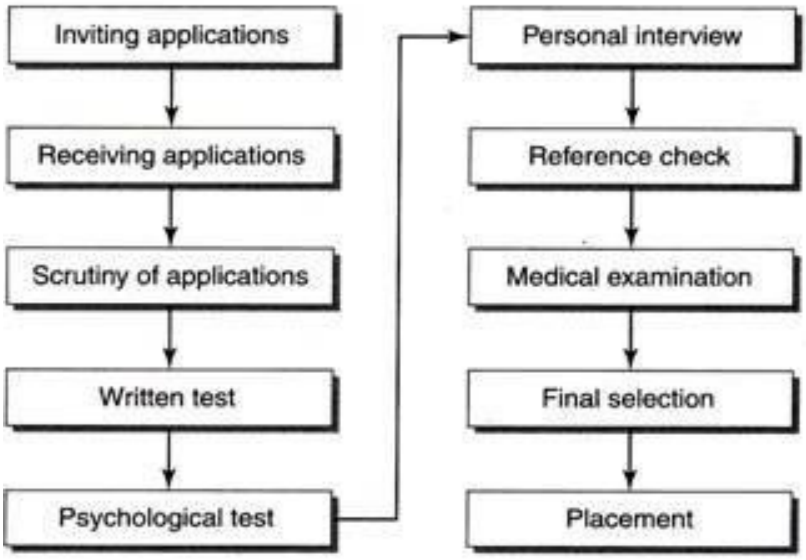
<u>Selection</u>

Selection is the process of picking or choosing the right candidate, who is most suitable for a vacant job position in an organization. In others words, selection can also be explained as the process of interviewing the candidates and evaluating their qualities, which are required for a specific job and then choosing the suitable candidate for the position.

- Employee selection is a process of putting a right applicant on a right job.
- Selection of an employee is a process of choosing the applicants, who have the qualifications to fill the vacant job in an organization.
- Employee selection is a process of matching organization's requirements with the skills and the qualifications of individuals.

Steps Involved in Selection Process

The procedure for selection should be systematic so that it does not leave any scope for confusions and doubts about the choice of the selected candidate.



Brief details of the various steps in selection procedure are given as follows:

1. Inviting applications: The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement to attract a large number of candidates from various areas.

2. Receiving applications: Detailed applications are collected from the candidates, which provide the necessary information about personal and professional details of a person.

3. Scrutiny of applications: As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

4. Written tests: As the final list of candidates becomes ready, the written test is conducted. For understanding the technical knowledge, attitude and interest of the candidates. This process is useful when the number of applicants is large.

5. Psychological tests: These tests are conducted individually and they help for finding out the individual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

6. Personal interview: Candidates proving themselves successful through tests are interviewed personally. The interviewers may be individual or a panel. It generally involves officers from the top management.

The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

7. Reference check: Generally, at least two references are asked for by the company from the candidate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

8. Medical examination: Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

9. Final selection: At this step, the candidate is given the appointment letter to join the organization on a particular date. The appointment letter specifies the post, title, salary and terms of employment. Generally, initial appointment is on probation and after specific time period it becomes permanent.

10. Placement: This is a final step. A suitable job is allocated to the appointed candidate so that they can get the whole idea about the nature of the job. They can get adjusted to the job and perform well in future with all capacities and strengths.

Difference between Recruitment and Selection

Recruitment	**Selection**
Recruitment is defined as the process of identifying and making the potential candidates to apply for the jobs	Selection is defined as the process of choosing the right candidates for the vacant positions
Recruitment is called as a positive process with its approach of attracting as many candidates as possible for the vacant jobs	Selection is called as a negative process with its elimination or rejection of as many candidates as possible for identifying the right candidate for the position

Directing - Principles, Techniques and Supervision

Direction/ Directing

Direction represents one of the essential functions of management because it deals with human relations. Direction is the managerial function of guiding, motivating, leading, and supervising the subordinates to accomplish desired object. It is a connecting and activating link between various functions of management. It is a process around which all performance revolves.

Direction is defined as the process of instructing, counseling, guiding, motivating and leading the human factor to achieve organizational goals effectively.

Principles of Directing

1. Maximum Individual Contribution

One of the main principles of directing is the contribution of individuals. Management should adopt such directing policies that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

2. Harmony of Objectives

Sometimes there is a conflict between the organizational objectives and individual objectives. For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked really hard for it.

3. Unity of Command

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superiors at the same time, it will create confusion, conflict, and disorder in the organization and also he will not be able to prioritize his work.

4. Appropriate Direction Technique

Among the principles of directing, this one states that appropriate direction techniques should be used to supervise, lead, communicate and motivate the employees based on their needs, capabilities, attitudes and other situational variables.

5. Managerial Communication

According to this principle, it should be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

6. Use of Informal Organization

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information. There should be a free flow of information among the seniors and the subordinates as an effective exchange of information are really important for the growth of an organization.

7. Leadership

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing.

8. Follow Through

As per this principle, managers are required to monitor the extent to which the policies, procedures, and instructions are followed by the subordinates. If there is any problem in implementation, then the suitable modifications can be made.

Elements / Techniques of Direction

Direction is one of the essential functions in administration. A good direction involves the following elements:

- **Good instructions:** Every instruction given by the manager in the process of directing the employees must be reasonable, complete, and clear. The instructions must be in writing. Written instructions are desirable when several individuals are subject to or directly affected by instructions.
- **Follow-up of instructions:** Another well-recognized principle is that once the orders are issued, they should be followed up to see whether they are executed properly. If the executive is indifferent in follow-up, it will lead to administration lax, time schedules become insignificant and will result in inefficiency. Insistence on execution of instructions is essential to ensure efficiency in direction.
- **Standard Operating Procedures (SOPs):** The use of Standard Operating Procedures (SOPs) and customary ways of doing things is an essential part of direction. Standard practice simplifies the instruction to be given by a manager. Another associated aspect of standard practice is the indoctrination. Indoctrination means instilling in subordinates a set of beliefs and attitudes so that they look upon an operating situation in a desirable fashion.
- **Explanations:** While issuing instructions, the manager should explain why the order is given.

- **Consultative direction:** Before an order is issued, the people responsible for executing it will be consulted about its feasibility, workability and the better ways of accomplishing the results.

Supervision

Supervision is an act or instance of directing, managing, or oversight.

Supervisor or also known as foreman, boss, overseer, facilitator, monitor, area coordinator, or sometimes gaffer, is the job title of a low level management position that is primarily based on authority over a worker or charge of a workplace.

Therefore, a supervisor should be concerned with performing the following functions:

1. **Planning and Organizing -** Supervisor's basic role is to plan the daily work schedule of the workers by guiding them the nature of their work and also dividing the work amongst the workers according to their interests, aptitudes, skills and interests.
2. **Provision of working conditions -** A supervisor plays an important role in the physical setting of the factory and in arranging the physical resources at right place. This involves providing proper sitting place, ventilation, lighting, water facilities etc. to workers. His main responsibility is here to provide healthy and hygienic condition to the workers.
3. **Leadership and Guidance -** A supervisor is the leader of workers under him. He leads the workers and influences them to work their best. He also guides the workers by fixing production targets and by providing them instruction and guidelines to achieve those targets.
4. **Motivation -** A supervisor plays an important role by providing different incentives to workers to perform better. There are different monetary and non-monetary incentives which can inspire the workers to work better.
5. **Controlling -** Controlling is an important function performed by supervisor. This will involve
    i. Recording the actual performance against the time schedule.
    ii. Checking of progress of work.
    iii. Finding out deviations if any and making solutions
    iv. If not independently solved, reporting it to top management.
6. **Linking Pin -** A supervisor proves to be a linking pin between management and workers. He communicates the policies of management to workers also passes instructions to them on behalf of management. On the other hand, he has a close contact with the workers and therefore can interact the problems, complaints,

suggestions, etc. to the management. In this way, he communicates workers problems and brings it to the notice of management.

7. **Grievance Handling -** The supervisor can handle the grievances of the workers effectively for this he has to do the following things :-
    i. He can be in direct touch with workers.
    ii. By winning the confidence of the workers by solving their problems.
    iii. By taking worker problems on humanitarian grounds.
    iv. If he cannot tackle it independently, he can take the help and advice of management to solve it.
8. **Reporting -** A supervisor has got an important role to report about the cost, quality and any such output which can be responsible for increasing productivity. Factors like cost, output, performance, quality, etc. can be reported continually to the management.
9. **Introducing new work methods -** The supervisor here has to be conscious about the environment of market and competition present. Therefore he can innovate the techniques of production. He can shift the workers into fresh schedules whenever possible. He can also try this best to keep on changing and improving to the physical environment around the workers. This will result in
    i. Higher productivity,
    ii. High Morale of Workers,
    iii. Satisfying working condition,
    iv. Improving human relations,
    v. Higher Profits, and
    vi. High Stability
10. **Enforcing Discipline -** A supervisor can undertake many steps to maintain discipline in the concern by regulating checks and measures, strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the indiscipline workers. All these above steps help in improving the overall discipline of the factory.

Controlling - Process and Types

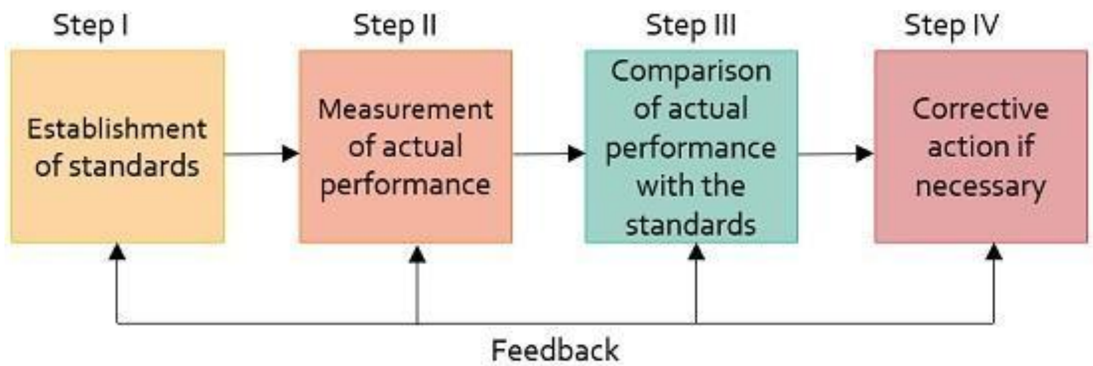
Controlling

Control is a primary goal-oriented function of management in an organisation. It is **a process of comparing the actual performance with the set standards of the company** to ensure that activities are performed according to the plans and if not then taking corrective action.

Control as an element of management process involves analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. The word control is also preceded by an adjective to designate a control problem, such as, quality control, inventory control, production control, or even administrative control

Process of Controlling

Control process involves the following steps as shown in the figure:



- **Establishing standards**: This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.
- **Measurement of actual performance**: The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard**: This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions**: It is initiated by the manager who corrects any defects in actual performance.

Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

Types of Control

Control may be of different types and these can be classified on the basis of elements to be controlled and stage at which control can be exercised in controlling the work outcome.

Based on **elements** to be controlled, control can be divided into two forms:

- Strategic and
- Operational control.

Based on the **stages**, control can be in three forms:

- Feedback control (post action control based on feedback from the completed action),
- Feed forward control (control of inputs that are required in an action) and
- Concurrent or real-time or steering control (control at different stages of action process).

Strategic and Operational Control

Strategic control is the process of taking into accounts the changing planning premises, both external and internal to the organisation, on which the strategy is based, continuously evaluating the strategy as it is being implemented, and taking corrective actions to adjust the strategy to the new requirements.

Operational control is concerned with action or performance and is aimed at evaluating the performance of the organisation as a whole or its different components such as strategic business units, divisions, and departments.

Factors	**Strategic Control**	**Operational Control**
Aim	Proactive, continuous questioning of the basic direction of the strategy	Allocation and use of organisational resources
Main Concern	Steering the future direction of the organisation	Action Control
Focus	External Environment	Internal Environment
Time horizon	Long - term	Short - term
Exercise of control	Exclusively by top management, may be through lower-level support	Mainly by executive or middle management on the direction of top management
Main Techniques	Environmental Scanning, Information gathering, questioning and review	Budgets, Schedules and MBO

Stages of Control

Feedforward Control: Feedforward control involves evaluation of inputs taking corrective action before a particular sequence of operation is completed. Thus, it attempts to remove the limitations of time lag in taking corrective action, Feedforward control monitors inputs into a process to determine whether the inputs are as planned. If inputs are not as planned, corrective action is taken to adjust inputs according to the plan so that the desired results are achieved within planned inputs.

Concurrent Control: Concurrent control is exercised during the operation of a programme. It provides measures for taking corrective action or making adjustments while the programme is still in operation and before any major damage is done. In the organisational context, many control activities are based on this type of control, for example, quality control during the operation, or safety check in a factory. Here, the focus is on the process itself. Data provided by this control system is used to adjust the process.

Feedback Control: Feedback control is based on the measurement of the results of an action. Based on this measurement, if any deviation is found between performance standards and actual performance, the corrective action is undertaken. The control aims at future action of the similar nature so that there is conformity between standards and actuals. In the business organizations, top management control is mostly based on feedback. To make feedback control effective, it is essential that corrective action is taken as soon as possible.

Functional Areas of Management – Operation Management – Meaning - Scope

Functional Areas of Management

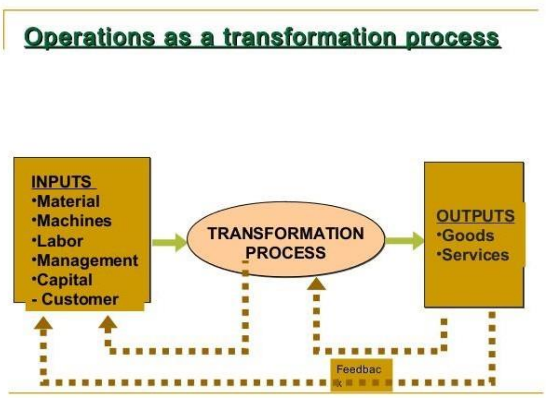
Functional areas of management mean the sum total of all those activities which are performed in an organisation to achieve the objectives of the organisation. These functions can be different types but operations, Supply chain, Total quality, marketing and financial activities have a special importance.

Operations Management

Operations Management concern with the conversion of inputs into outputs, using physical resources, so as to provide the desired utilities to the customer while meeting the other organizational objectives of effectiveness, efficiency and adoptability. It distinguishes itself from other functions such as personnel, marketing, finance, etc. by its primary concern for 'conversion by using physical resources'.

Operations management is an area of management concerned with designing and controlling the process of production and redesigning business operations in the production of goods or services.

- Operations management is the administration of business practices to create the highest level of efficiency possible within an organization.
- Operations management is concerned with converting materials and labour into goods and services as efficiently as possible.



Scope of Operations Management

1. **Location of Facilities**: The most important decision with respect to the operations management is the selection of location, a huge investment is made by the firm in acquiring

the building, arranging and installing plant and machinery. And if the location is not suitable, then all of this investment will be called as a sheer wastage of money, time, and efforts.

So, while choosing the location for the operations, company's expansion plans, diversification plans, the supply of materials, weather conditions, transportation facility and everything else which is essential in this regard should be taken into consideration.

2. **Product Design**: Product design is all about an in-depth analysis of the customer's requirements and giving a proper shape to the idea, which thoroughly fulfils those requirements. It is a complete process of identification of needs of the consumers to the final creation of a product which involves designing and marketing, product development, and introduction of the product to the market.
3. **Process Design**: It is the planning and decision making of the entire workflow for transforming the raw material into finished goods; It involves decisions regarding the choice of technology, process flow analysis, process selection, and so forth.
4. **Plant Layout**: As the name signifies, plant layout is the grouping and arrangement of the personnel, machines, equipment, storage space, and other facilities, which are used in the production process, to economically produce the desired output, both quality wise and quantity wise.
5. **Material Handling**: Material Handling is all about holding and treatment of material within and outside the organisation. It is concerned with the movement of material from one godown to another, from godown to machine and from one process to another, along with the packing and storing of the product.
6. **Material Management**: The part of management which deals with the procurement, use and control of the raw material, which is required during the process of production. Its aim is to acquire, transport and store the material in such a way to minimize the related cost. It tends to find out new sources of supply and develop a good relationship with the suppliers to ensure an on-going supply of material.
7. **Quality Control**: Quality Control is the systematic process of keeping an intended level of quality in the goods and services, in which the organization deals. It attempts to prevent defects and make corrective actions (if they find any defects during the quality control process), to ensure that the desired quality is maintained, at reasonable prices.
8. **Maintenance Management**: Machinery, tools and equipment play a crucial role in the process of production. So, if they are not available at the time of need, due to any reason like downtime or breakage etc. then the entire process will suffer.

Supply Chain Management - Importance, Drivers and Flows and Total Quality Management - Meaning and Principles

Supply Chain

A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers.

The supply chain encompasses all of those activities associated with moving goods from the raw-materials stage through to the end user

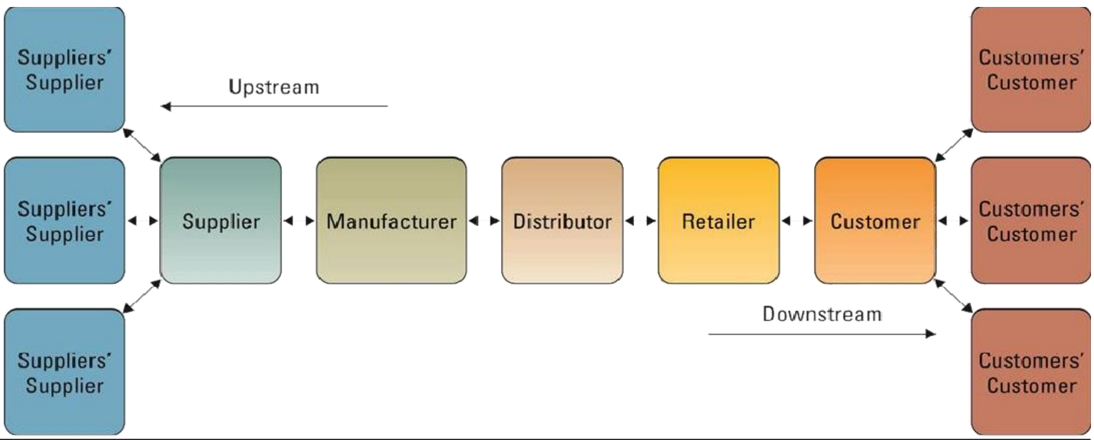
Supply Chain Management (SCM)

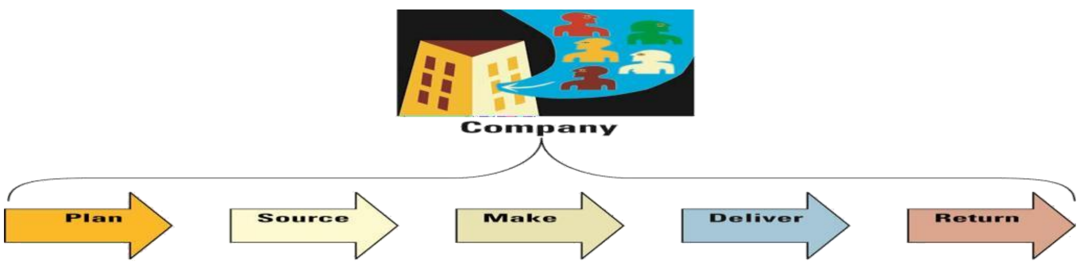
Supply Chain Management is the management of a network of all business processes and activities involving procurement of raw materials, manufacturing and distribution management of finished goods. SCM is also called the art of management of providing the Right Product, At the Right Time, Right Place and at the Right Cost to the Customer.

SCM involves a series of key activities and processes that must be completed in an efficient (fuel-conserving, cost-reducing, etc.) and timely manner. Otherwise, product will not be available when needed by consumers.

Basics of Supply Chain

Supply chain management improves ways for companies to find the raw components they need to make a product or service, manufacture that product or service, and deliver it to customers





Plan – This is the strategic portion of supply chain management. A company must have a plan for managing all the resources that go toward meeting customer demand for products or services. A big piece of planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less, and delivers high quality and value to customers.

Source – Companies must carefully choose reliable suppliers that will deliver goods and services required for making products. Companies must also develop a set of pricing, delivery, and payment processes with suppliers and create metrics for monitoring and improving the relationships.

Make – This is the step where companies manufacture their products or services. This can include scheduling the activities necessary for production, testing, packaging, and preparing for delivery. This is by far the most metric-intensive portion of the supply chain, measuring quality levels, production output, and worker productivity.

Deliver – This step is commonly referred to as logistics. **Logistics** is the set of processes that plans for and controls the efficient and effective transportation and storage of supplies from suppliers to customers. During this step, companies must be able to receive orders from customers, fulfill the orders via a network of warehouses, pick transportation companies to deliver the products, and implement a billing and invoicing system to facilitate payments.

Return – This is typically the most problematic step in the supply chain. Companies must create a network for receiving defective and excess products and support customers who have problems with delivered products.

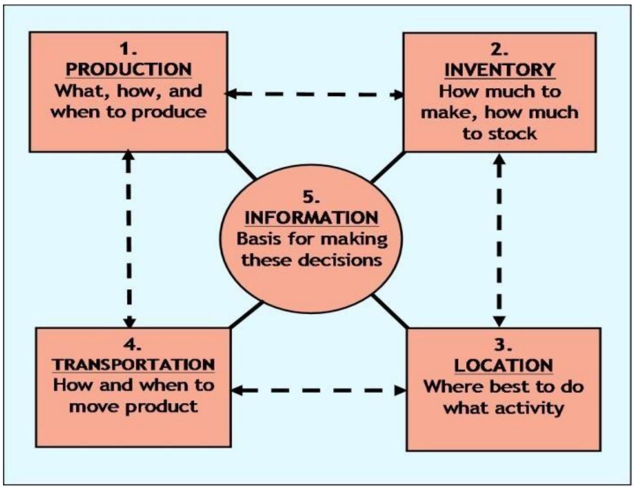
Supply Chain Drivers

Supply chain capabilities are guided by the decisions you make regarding the five supply chain drivers.

1. Production
2. Inventory
3. Location
4. Transportation
5. Information

Each of these drivers can be developed and managed to emphasize **responsiveness** or **efficiency** depending on changing business requirements.

The five drivers provide a useful framework in which to think about supply chain capabilities. Decisions made about how they operate will determine the mix of responsiveness and efficiency a supply chain is capable of achieving. The five drivers are illustrated in the diagram below



There is a basic pattern to the practice of supply chain management. Each supply chain has its own unique set of market demands and operating challenges and yet the issues remain essentially the same in every case. Companies in any supply chain must make decisions individually and collectively regarding their actions in five areas:

1. Production

What products does the market want? How much of which products should be produced and by when? This activity includes the creation of master production schedules that take into account plant capacities, workload balancing, quality control, and equipment maintenance.

This driver can be made very responsive by building factories that have a lot of excess capacity and use flexible manufacturing techniques to produce a wide range of items. To be even more responsive, a company could do their production in many smaller plants that are close to major groups of customers so delivery times would be shorter. If efficiency is desirable, then a company can build factories with very little excess capacity and have those factories optimized for producing a limited range of items. Further efficiency can also be gained by centralizing production in large central plants to get better economies of scale, even though delivery times might be longer.

2. Inventory

What inventory should be stocked at each stage in a supply chain. How much inventory should be held as raw materials, semifinished, or finished good. The primary purpose of inventory is to act as a buffer against uncertainty in the supply chain. However, holding inventory can be expensive, so what are the optimal inventory levels and reorder points.

Responsiveness can be had by stocking high levels of inventory for a wide range of products. Additional responsiveness can be gained by stocking products at many locations so as to have the inventory close to customers and available to them immediately. Efficiency in inventory management would call for reducing inventory levels of all items and especially of items that do not sell as frequently. Also, economies of scale and cost savings can be gotten by stocking inventory in only a few central locations such as regional distribution centers (DCs).

3. Location

Where should facilities for production and inventory storage be located? Where are the most cost efficient locations for production and for storage of inventory? Should existing facilities be used or new ones built? Once these decisions are made they determine the possible paths available for product to flow through for delivery to the final consumer.

A location decision that emphasizes responsiveness would be one where a company establishes many locations that are close to its customer base. For example, a fast-food chain like McDonald's uses location to be very responsive to their customers by opening up lots of stores in high volume markets. Efficiency can be achieved by operating from only a few locations and centralizing activities in common locations. An example of this is the way Dell serves large geographical markets from only a few central locations that perform a wide range of activities.

4. Transportation

How should inventory be moved from one supply chain location to another? Air freight and truck delivery are generally fast and reliable but they are expensive. Shipping by sea or rail is much less expensive but usually involves longer transit times and more uncertainty. This uncertainty must be compensated for by stocking higher levels of inventory. When is it better to use which mode of transportation?

Responsiveness can be achieved by a transportation mode that is fast and flexible such as trucks and airplanes. Many companies that sell products through catalogs or on the Internet are able to provide high levels of responsiveness by using transportation to deliver their products often within 24 hours. FedEx and UPS are two companies that can provide very responsive transportation services. And now Amazon is expanding and operating its own transportation services in high volume markets to be more responsive to customer desires. Efficiency can be emphasized by transporting products in larger batches and doing it less often. The use of transportation modes such as ship, railroad, and pipelines can be very efficient. Transportation can also be made more efficient if it is originated out of a central hub facility or distribution center (DC) instead of from many separate branch locations.

5. Information

How much data should be collected and how much information should be shared? Timely and accurate information holds the promise of better coordination and better decision making. With good information, people can make effective decisions about what to produce and how much, about where to locate inventory and how best to transport it.

The power of this driver grows stronger each year as the technology for collecting and sharing information becomes more wide spread, easier to use, and less expensive. Information, much like money, is a very useful commodity because it can be applied directly to enhance the performance of the other four supply chain drivers. High levels of responsiveness can be achieved when companies collect and share accurate and timely data generated by the operations of the other four drivers. The supply chains that serve the electronics markets are some of the most responsive in the world. Companies in these supply chains from manufacturers, to distributors, to the big retail stores collect and share data about customer demand, production schedules, and inventory levels.

The table below summarizes what can be done to guide the five supply chain drivers toward **responsiveness** or **efficiency**.

Supply Chain Drivers	Responsiveness	Efficiency
1. Production	- Excess capacity - Flexible manufacturing - Many smaller plants	- Little excess capacity - Narrow focus - Few central plants
2. Inventory	- High inventory levels - Wide range of items	- Low inventory levels - Fewer items
3. Location	- Many locations close to customers	- Few central locations serve wide areas
4. Transportation	- Frequent shipments - Fast & Flexible modes	- Few large shipments - Slower and cheaper modes
5. Information	- Collect & share timely and accurate data	- Cost of information drops while other costs rise

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Supply Chain Management Process Flows

Supply chain management flows consists of these three main flows:

1) The product flow/material flow

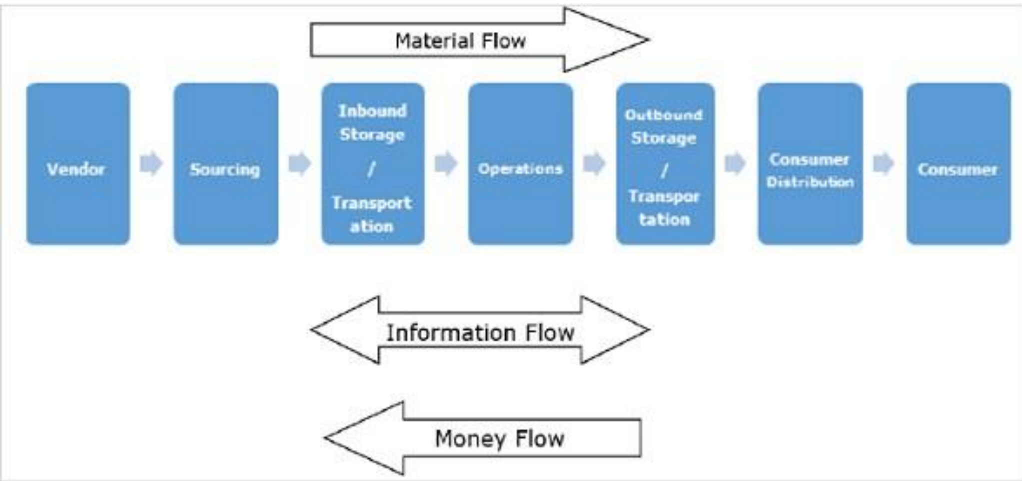
2) The information flow

3) The finances flow/money flow

The **product flow** usually involves movement of products from a supplier to a customer, and also the back end process such as any customer returns or service needs.

The **information flow** involves the flow of information on orders and updating the status of delivery.

The **financial flow** consists of credit terms, payment schedules, and consignment and title ownership arrangements.



Importance of Supply Chain Management

Supply chain management is an integral part of most businesses and is essential to company success and customer satisfaction.

1. Boost Customer Service

- Customers expect the correct product assortment and quantity to be delivered.
- Customers expect products to be available at the right location.
- Right Delivery Time – Customers expect products to be delivered on time
- Right After Sale Support – Customers expect products to be serviced quickly. (i.e., customer satisfaction diminishes when a home furnace stops operating in the winter and repairs can't be made for days)

2. Reduce Operating Costs

- **Decreases Purchasing Cost** – Retailers depend on supply chains to quickly deliver expensive products to avoid holding costly inventories in stores any longer than necessary.
- **Decreases Production Cost** – Manufacturers depend on supply chains to reliably deliver materials to assembly plants to avoid material shortages that would shutdown production.
- **Decreases Total Supply Chain Cost** – Manufacturers and retailers depend on supply chain managers to design networks that meet customer service goals at the least total cost. Efficient supply chains enable a firm to be more competitive in the market place.

3. Improve Financial Position

- **Increases Profit Leverage** – Firms value supply chain managers because they help control and reduce supply chain costs. This can result in dramatic increases in firm profits
- **Decreases Fixed Assets** – Firms value supply chain managers because they decrease the use of large fixed assets such as plants, warehouses and transportation vehicles in the supply chain.
- **Increases Cash Flow** – Firms value supply chain managers because they speed up product flows to customers.

4. Improve Quality of Life

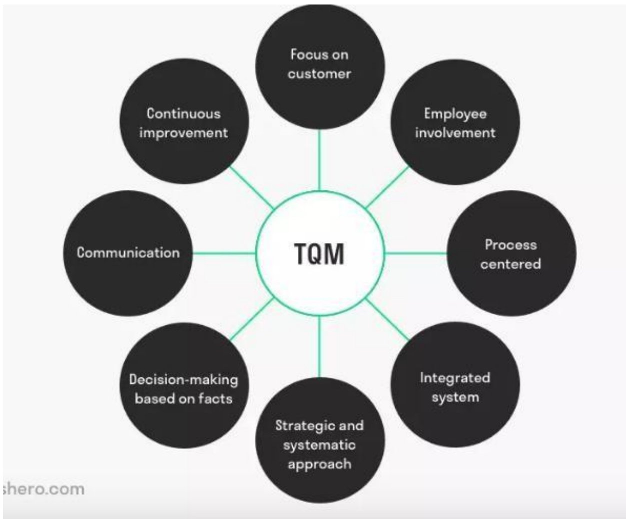
- **Foundation for Economic Growth** – Societies with a highly developed supply chain infrastructure (modern interstate highway system, vast railroad network, numerous modern ports and airports) are able to exchange many goods between businesses and consumers quickly and at low cost. As a result, the economy grows.
- **Improves Standard of Living** – Societies with a highly developed supply chain infrastructure (modern interstate highway system, vast railroad network, numerous modern ports and airports) are able to exchange many goods between businesses and consumers quickly and at low cost. As a result, consumers can afford to buy more products with their income thereby raising the standard of living in the society.
- **Job Creation** – Supply chain professionals design and operate all of the supply chains in a society and manage transportation, warehousing, inventory management, packaging and logistics information. As a result, there are many jobs in the supply chain field.
- **Opportunity to Decrease Energy Use** – Supply chain activities involve both human and product transportation. As a by-product of these activities, scarce energy is depleted. For example, currently transportation accounts for 30% of world energy use and 95% of global oil consumption. As designers of the network, supply chain professionals have the role of developing energy-efficient supply chains that use fewer resources.

Total Quality Management (TQM)

Total quality management (TQM) is the continual process of detecting and reducing or eliminating errors in manufacturing, streamlining supply chain management, improving the customer experience, and ensuring that employees are up to speed with training. Total quality management aims to hold all parties involved in the production process accountable for the overall quality of the final product or service.

TQM was developed by William Deming, a management consultant whose work had a great impact on Japanese manufacturing. While TQM shares much in common with the Six Sigma improvement process, it is not the same as Six Sigma. TQM focuses on ensuring that internal guidelines and process standards reduce errors, while Six Sigma looks to reduce defects.

Principles of TQM



Focus on Customer

When using total quality management it is of crucial importance to remember that only customers determine the level of quality. Whatever efforts are made with respect to training employees or improving processes, only customers determine, for example through evaluation or satisfaction measurement, whether your efforts have contributed to the continuous improvement of product quality and services.

Employee Involvement

Employees are an organization's internal customers. Employee involvement in the development of products or services of an organization largely determines the quality of these products or services. Ensure that you have created a culture in which employees feel they are involved with the organization and its products and services.

Process Centered

Process thinking and process handling are a fundamental part of total quality management. Processes are the guiding principle and people support these processes based on basis objectives that are linked to the mission, vision and strategy.

Integrated System

Following principle Process centered, it is important to have an integrated organization system that can be modeled for example ISO 9000 or a company quality system for the understanding and handling of the quality of the products or services of an organization.

Strategic and Systematic Approach

A strategic plan must embrace the integration and quality development and the development or services of an organization.

Decision-making Based on Facts

Decision-making within the organization must only be based on facts and not on opinions (emotions and personal interests). Data should support this decision-making process.

Communication

A communication strategy must be formulated in such a way that it is in line with the mission, vision and objectives of the organization. This strategy comprises the stakeholders, the level within the organization, the communications channels, the measurability of effectiveness, timeliness, etc.

Continuous Improvement

By using the right measuring tools and innovative and creative thinking, continuous improvement proposals will be initiated and implemented so that the organization can develop into a higher level of quality.

Marketing Management - Market Segmentation and Marketing Mix

Marketing

Marketing is the study and management of exchange relationships. Marketing is the business process of creating relationships with and satisfying customers. Because marketing is used to attract customers, it is one of the primary components of business management

Marketing Management

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.

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

Market Segmentation

Definition

Market segmentation is a method of dividing a large market into smaller groupings of consumers or organisations in which each segment has a common characteristic such as needs or behaviour.

Market segmentation is the sub-dividing of market into homogeneous sub-sections of customers, where any sub-section may conceivably be selected as a market target to be reached with a distinct marketing mix.(***Philip Kotler)***

Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several submarkets or segments, each of which tends to be homogeneous in all significant aspects.(***W.J. Stanton)***

Bases for Market Segmentation

Markets may be segmented on the basis of geographic, demographic, socio-economic, psychographic and buyer behaviour variables. The common bases of marketing segmentation are as follows:

- Geographic Segmentation
- Demographic Segmentation
- Economic Segmentation
- Psychographic Segmentation
- Buyer Behaviour Segmentation
- Volume Segmentation
- Benefit Segmentation

(i) Geographic Segmentation

Here, a marketer divides the target market into different geographical units such as nations, states and regions. He may decide to operate in one or more than one geographical areas. Example: A particular brand may be popular only in North India, then the North Indian market can be divided on the bases of zones, villages, cities, climate, etc. A classic example of geographic segmentation is Amul which was initially marketed only in Gujarat.

(ii) Demographic Segmentation

In demographic segmentation, a marketer divides the market on the bases of demographic factors like age, sex, family size, marital status, religion and language. For example: Cosmetic manufacturers and food manufacturers particularly keep in mind the age-categories.

(iii) Economic Segmentation

Market segmentation on the basis of income levels is used by most of the marketers of consumer goods. Most of marketing research activities and studies of consumer behaviour are also based on the income levels of the consumers. *Example:* Proctor & Gamble and HLL Products.

(iv) Psychographic Segmentation

It involves developing sub-group identification on the basis of psychological characteristics. For example, perceptions, attitudes, opinions, interests or a combination of these.

(v) Buyer Behaviour Segmentation

In the case of buyer behaviour segmentation, the market is divided on the basis of purchase decisions made by various groups.

(vi) Volume Segmentation

In the case of volume segmentation, quantity purchased is the basis for segmentation. For example, bulk buyers, small-scale buyers, regular buyers and one-time buyers.

(vii) Benefit Segmentation

Benefit segmentation involves classifying buyers according to the benefits they get from the product.

Marketing Mix

The marketing mix is one of the most famous marketing terms. The marketing mix is the tactical or operational part of a marketing plan. The marketing mix is also called the 4Ps and the 7Ps. The 4Ps are product, place, price, promotion. The services marketing mix is also called the 7Ps and includes the addition of people, process, physical evidence.

The marketing mix is the set of controllable tactical marketing tools - product, place, price, and promotion – that the firm blends to produce the response it wants in the target market (Kotler and Armstrong , 2010).

Marketing Mix is a tool used by businesses and Marketers to help determine a product or brands offering. The 4 Ps have been associated with the Marketing Mix since their creation by ***E. Jerome McCarthy*** in 1960.

Product - The Product should fit the task consumers want it for, it should work and it should be what the consumers are expecting to get.

Place - The product should be available from where your target consumer finds it easiest to shop. This may be High Street, Mail Order or the more current option via e-commerce or an online shop.

Price - The Product should always be seen as representing good value for money. This does not necessarily mean it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually happy to pay a little more for something that works really well for them.

Promotion - Advertising, PR, Sales Promotion, Personal Selling and, in more recent times, Social Media are all key communication tools for an organisation. These tools should be used to put across the organisation's message to the correct audiences in the manner they would most like to hear, whether it be informative or appealing to their emotions.

In the late 70's it was widely acknowledged by Marketers that the Marketing Mix should be updated. This led to the creation of the Extended Marketing Mix in 1981 by Booms & Bitner which added 3 new elements to the 4 Ps Principles. This now allowed the extended Marketing Mix to include products that are services and not just physical things.

The Extended 7 Ps:

People - All companies are reliant on the people who run them from front line Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services you are offering.

Processes - The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for.

Physical Evidence - Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible.

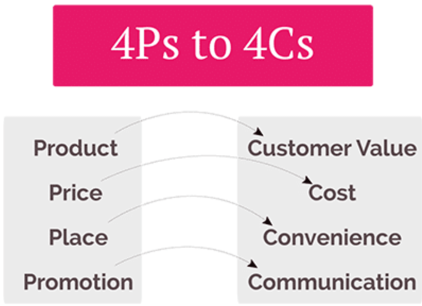
Though in place since the 1980's the 7 Ps are still widely taught due to their fundamental logic being sound in the marketing environment and marketers abilities to adapt the Marketing Mix to include changes in communications such as social media, updates in the places which you can sell a product/service or customers' expectations in a constantly changing commercial environment.

The 8th P of the Marketing Mix:

Productivity & Quality - This P asks "is what you're offering your customer a good deal?" This is less about you as a business improving your own productivity for cost management, and more about how your company passes this onto its customers.

Even after 31 years (or 54 in the case of the original P's) the Marketing Mix is still very much applicable to a marketer's day to day work. A good marketer will learn to adapt the theory to fit with not only modern times but their individual business model.

Marketing Mix 4C’s



The 4Cs marketing model was developed by Robert F. Lauterborn in 1990. It is a modification of the 4Ps model. It is not a basic part of the **marketing mix definition**, but rather an extension. Here are the components of this marketing model:

Cost - According to Lauterborn, price is not the only cost incurred when purchasing a product. Cost of conscience or opportunity cost is also part of the cost of product ownership.

Customer Value/Consumer Wants and Needs - A company should only sell a product that addresses consumer demand. So, marketers and business researchers should carefully study the consumer wants and needs.

Communication - According to Lauterborn, “promotion” is manipulative while communication is “cooperative”. Marketers should aim to create an open dialogue with potential clients based on their needs and wants.

Convenience - The product should be readily available to the consumers. Marketers should strategically place the products in several visible distribution points.

Financial Management - Meaning, Objectives and Scope

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It is an ideal practice for controlling the financial activities of an organization such as procurement of funds, utilization of funds, accounting, payments, risk assessment and every other thing related to money.

Scope/Elements

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.
3. Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:
    a. Dividend for shareholders - Dividend and the rate of it has to be decided.
    b. Retained profits - Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

1. To ensure regular and adequate supply of funds to the concern.
2. To ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.
3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.
5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.