

ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

By

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EDM

- ▣ Entrepreneurship development (ED) is the process of training and nurturing individuals to gain the skills, knowledge, and mindset needed to identify opportunities, start, and successfully manage new businesses, fostering innovation, job creation, and economic growth by turning ideas into viable ventures. It involves structured programs that build confidence, teach business planning, resource management

WHAT IS BUSINESS ENVIRONMENT?

- "The environment includes factors outside the firm which can lead to opportunities or a threat to the firm. Although there are many factors the most important of the sectors are socio-economic, technological, supplier, competitor and govt."
- Business environment can be divided into three broad dimensions:
 - Internal Environment
 - Macro Environment (External Environment)
 - Micro Environment (Relevant Environment, Competitive Environment)

MARKET SURVEY AND OPPORTUNITY IDENTIFICATION

Market survey is the survey research and analysis of the market for a particular product/service which includes the investigation into customer inclinations. A study of various customer capabilities such as investment attributes and buying potential. Market surveys are tools to directly collect feedback from the target audience to understand their characteristics, expectations, and requirements.

- The marketing environment is dynamic and keeps on changing. Thus the scanning of environment is necessary to check the impact on the working of a business firm. This can be understood on the basis of following need:
 - Identification of strength
 - Identification of weakness
 - Identification of opportunities
 - Identification of threat
 - Optimum use of resources
 - Survival and growth
 - Decision making
 - Long-term business strategy

Internal Factors

- Human Resources
- Company Image
- Management Structure
- Physical Assets
- R&D
- Technological Capabilities
- Marketing Resources
- Financial Factors

External Factors (Micro)

- Suppliers
- Customers
- Competitors
- Marketing Intermediaries
- Public

External Factors (Macro)

- Demographic
- Economic
- Technological
- Political
- Legal
- Socio-culture

INTERNAL ENVIRONMENT

- Culture and Value System: Organizational culture can be viewed as a system of shared values and beliefs that shape a company's behavioral norms
- Mission and Objectives: The business domain of the company. The mission and objectives of the company guide priorities, direction, of development, business philosophy, and business policy.
- Management Structure and Nature: Structure is the way in which the tasks and sub tasks are related. Structure is about the hierarchical relationship, span of management relationship between different functional area. Structure of top management, pattern of share holding etc.
- Human Resource: It deals with factors like manpower planning, recruitment and selection, and development, compensation, communication, and appraisal.
- Besides this internal environment includes corporate resources, production/operation of goods and services, finance and accounting system and methods, marketing and distribution.

EXTERNAL ENVIRONMENT

- Political Environment: It is the political environment of the country which decides the fortune of the business in a country.
- Regulatory and Legal Environment: The political environment governs the legal and regulatory environment of country. The regulatory environment plays a vital role by dictating the do's and don'ts of a business. Every country has a different legal environment.
- Demographic: It is the demographic environment which decides the marketing mix for an organization. It decides the type of product the organization comes out with. In India a lot of research and efforts are undertaken to reduce the cost of products and to launch products at the cheapest possible rates.
- Socio-culture: Socio-culture variables like the beliefs, value system, attitudes of people and their demographic composition have a major impact on their personality and behavior style.
- Technological: Technological advancement may dramatically affect an "organization's products, services, markets, suppliers, distributors, competitors, customers, manufacturing process, marketing practices, financial composition, and competitive position."

- Global Environment: The international environment consists of all factors that operate at the transnational, cross-cultural level and across the border.
- Economic Environment: The economic environment consists of macro level factors related to the means of production and distribution of wealth, which have an impact on the business of an organization.
- National Competitive Advantage: Despite globalisation, industrialization is clustered in a small and specific number of countries. Most successful computer and biotechnology firms are based in the US, the successful chemical and engineering industry is based in Germany, and the cream of the electronics industry is based in Japan.

MICRO ENVIRONMENT

All the business decisions - what business, pricing, distribution channel, promotion strategy, product portfolio, etc., depends on the competitive position of the firm.

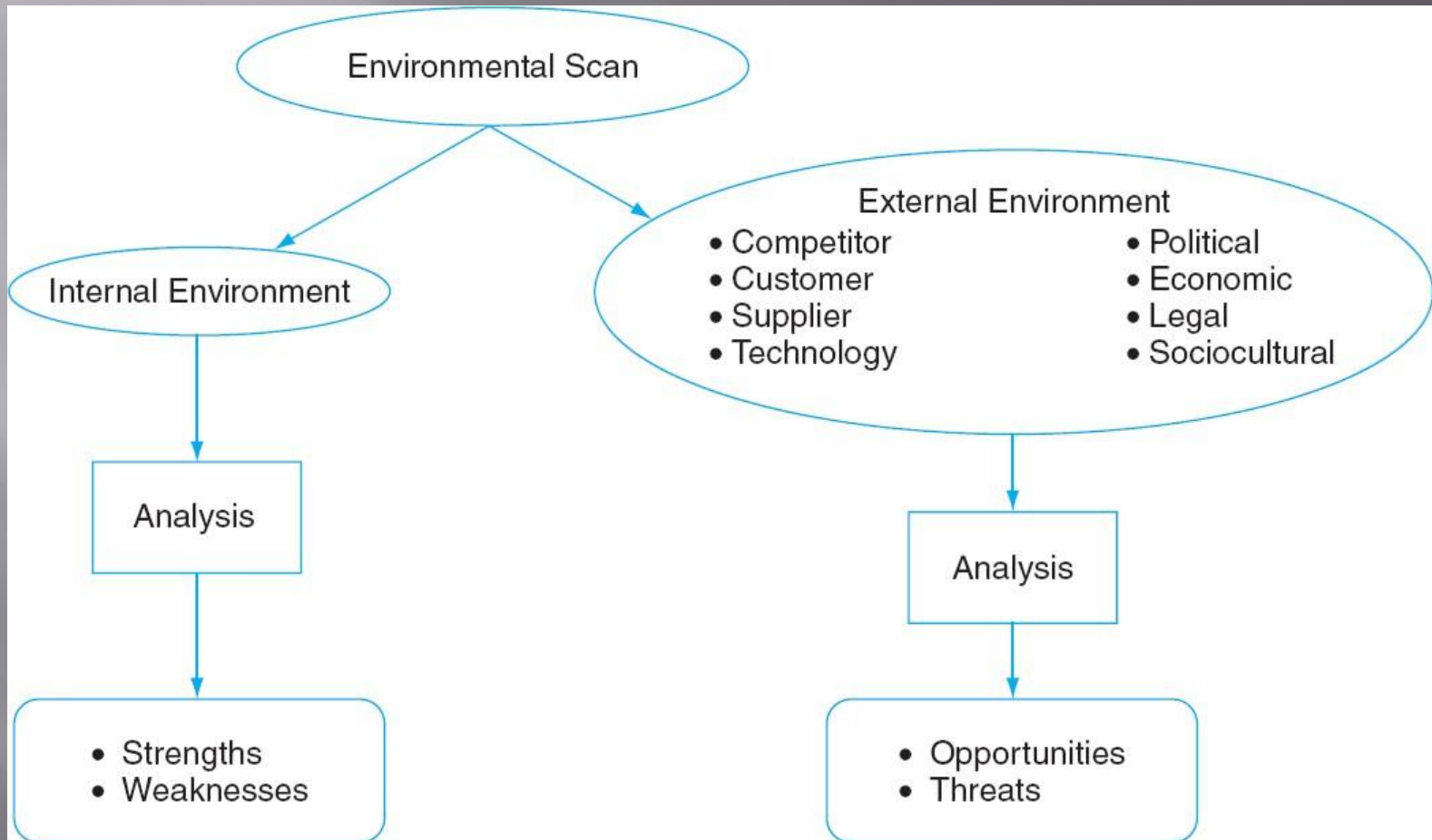
WHAT IS ENVIRONMENT SCANNING

- The process by which organization monitors their relevant environment to identify opportunities and threats affecting their business is known as environmental scanning.

FACTORS FOR ENVIRONMENT SCANNING

- **Events** are important and specific occurrences taking place in different environment sector.
- **Trends** are the general tendencies or courses of action along which events takes place.
- **Issues** are the current concerns that arise in responses to events and trends.
- **Expectations** are the demands made by interested groups in the light of their concern for issues.

DIAGRAM OF ENVIRONMENT SCANNING



PROCESS OF ENVIRONMENT SCANNING

- a. Scanning the environment to detect warning signals
- b. Monitoring specific environmental trends
- c. Forecasting the direction of future environmental changes and
- d. Assessing current and future environmental changes for their organizational implications.

SCANNING G

- Environmental scanning is aimed at alerting the organization to potentially significant external impingement before it has fully formed or crystallised. Successful environmental scanning draws attention to possible changes and events well before occurrence, giving time for suitable action

MONITORING

- ▣ The output or monitoring are threefold:
 - A specific description of environmental patterns to be forecast,
 - Identification of trends for further monitoring, and
 - Identification of patterns requiring further scanning.

FORECASTING

- Forecasting is concerned with the development of plausible projections **Notes** of directions, scope, speed and intensity of environment change, to lay out the evolutionary path of anticipatory change. There are number of key analytic tasks and outputs involved in forecasting.

ASSESSMENT

- Assessment involves identifying and evaluating how and why current and projected environmental change will affect strategic management of an organization. In assessment, the frame of reference moves from understanding the environment - the focus of scanning, monitoring and forecasting - to identifying what that understanding of environment means for the organization. Assessment thus tells about the implication of environment change on the organization.

METHODS OF SCANNING

- Ad-hoc scanning: Short term, infrequent examinations usually initiated by a crisis
- Regular scanning: Studies done on a regular schedule (say, once a year)
- Continuous scanning: (also called continuous learning) - continuous structured data collection and processing on a broad range of environmental factors

SALIENT FEATURES OF NATIONAL AND HARYANA STATE INDUSTRIAL POLICIES AND RESULTANT BUSINESS OPPORTUNITIES

SALIENT FEATURES OF NATIONAL INDUSTRIAL POLICY

The main objectives of the Industrial Policy of the Government are

- to maintain a sustained growth in productivity;
- to enhance gainful employment;
- to achieve optimal utilisation of human resources;
- to attain international competitiveness; and
- to transform India into a major partner and player in the global arena.

To achieve these objectives, the Policy focus is on deregulating Indian industry; allowing freedom and flexibility to the industry in responding to market forces; and providing a policy regime that facilitates and fosters growth. Economic reforms initiated since 1991 envisages a significantly bigger role for private initiatives. Salient features are mentioned in next slide.

- De-reservation of Public sector
- **De-licensing:** Abolition of Industrial Licensing for all projects except for a short list of industries
- **Disinvestment of Public Sector:** Government stakes in Public Sector Enterprises were reduced to enhance their efficiency and competitiveness.
- **Liberalisation of Foreign Investment:** This was the first Industrial policy in which foreign companies were allowed to have majority stake in India.
- **Foreign Technology Agreement:** Automatic approvals for technology related agreements.
- **MRTP Act** was amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. MRTP Act was replaced by the Competition Act 2002.

SALIENT FEATURES OF HARYANA STATE INDUSTRIAL POLICY AND RESULTANT BUSINESS OPPORTUNITIES

- Creating a pool of inexpensive land bank and support infrastructure for the Industry and Investor Facilitation;
- Putting in place a Business friendly regulatory system which supports Ease of Doing Business;
- Revitalizing the Industrialization in the State through specific interventions;
- Promoting labour Intensive and employment generating industries like Textiles, Agro processing etc.;
- Generating inclusive economic development through geographical dispersal of Industry;
- Bringing in labour reforms to match the aspirations of the industry and the labour;

- Initiating skill development programs in collaboration with the Industry;
- Leveraging Central Government Schemes for building and upgrading infrastructure;
- Encouraging adoption of green, clean energy business practices and technologies;
- Providing a framework which will not only stabilize and make existing industries more competitive, but also attract investments into the industrial sector in a focused and structured manner in potential areas;
- Promoting private sector investments through Public Private Partnerships;
- Strengthening Government-Industry Interface through creation of a mechanism for grievance redressal and periodic review of the Policy implementation;

- Laying greater emphasis on labour oriented Industry for employment generation and enhancement of employability through skill development programs;
- Focusing on core manufacturing sectors as a key driver of economic growth, for production of high quality goods at the most competitive prices, which establishes “Make in India - Made in Haryana” as a brand with high global recognition;
- Supporting Start-Ups and Innovation through technology Business Incubators and R&D support.

RESULTANT BUSINESS OPPORTUNITIES IN HARYANA

- Auto, Auto Components & General Engineering
- Agro-based, Food Processing & Allied Industry
- Textiles, Apparel & Handlooms
- Footwear & Accessories
- Electronics & IT/ITES
- Defence and Aerospace Manufacturing
- Transportation/Logistics Hub/Inland Port/Container Depot
- Renewable Energy & Solar Parks
- Pharmaceutical & Chemical Industry
- Research & Development
- Ancillary and Vendor Development
- Mega Projects

TYPES AND CONDUCT OF MARKET SURVEY

MARKET SURVEY

Market survey is the survey research and analysis of the market for a particular product/service which includes the investigation into customer inclinations. A study of various customer capabilities such as investment attributes and buying potential.

TYPES OF MARKET SURVEY

- Market Surveys for segmentation: An organization can spot existing and prospective customers and understand why the customers have chosen their products/services and the prospects have not yet made a purchase. This can lead to a structured market segmentation and analysis.
- Market Surveys for exploring various aspects of the target market: Get information about factors such as market size, demographic information such as age, gender, family income etc. to lay out a roadmap by considering growth rate of the market, positioning, and average market share.
- Market Surveys to probe into purchase procedure: How does a customer decide on making a purchase? What are the factors that convert product awareness into sales? This type of market survey will unveil awareness, information, free trial, purchase, and repeat.
- Market Surveys to establish buyer persona: These surveys are to build a buyer persona by knowing about customer preferences, inclination, and capabilities of purchasing a product.
- Market Surveys to measure customer loyalty: What is the degree of loyalty that the customers have towards and organization? The answer to this question can be obtained by conducting a market survey.

- Market Surveys to analyze a new feature or concept: It is essential for an organization to include market-compliant features and concepts. By carrying out a market survey to understand which features to launch, will help all the teams involved in the feature development process to do that with proper research.
- Market Surveys for competitor analysis: Healthy competition is always good for an organization's progress. Market surveys done with the motive of competitor analysis will produce results about how does the target market weigh the organization's products/services in comparison to the others in the market.
- Market Surveys to understand the impact of sales activities: Sales activities are the backbone of an organization and it becomes crucial to keep track of these activities. Market surveys for sales activities will produce a report of the impact of sales activities, whether their frequency needs to increase or any changes the audiences think should be inculcated in the sales process.
- Market Surveys to assess prices for new products/services: Affordability of products also is an aspect that drives the market for organizations. Price ranges, product variants to cater multiple price ranges, target customers for each of the products etc.
- Market Surveys for evaluation of customer service: Good customer service can lead to enhanced satisfaction levels among customers. Factors such as time taken to resolve issues, the scope of improvement, best practices of customer service etc.

CONDUCT MARKET SURVEY

- Set a clear goal - Start by setting a clear objective when starting your market research and survey.
- Know what target market to survey - This starts with knowing which market you're targeting.
- Know what you want to investigate - This will be informed by your marketing goals. If you're launching a new product, for example, you may want to investigate what the demand is, how aware people are of it, if they currently buy from a competitor, and how frequently they buy.
- Get help from the people who know surveys - This means getting access to an established panel. By turning to the experts in market survey data, you can ensure you ask the right questions to the right people, and get a sample size that gives you the most accurate insights.
- Consider the best way to get your answers - No longer exclusive to phone surveys and focus groups, surveys can now be carried out either via an interviewee or an online questionnaire. Market surveys can also be carried out in groups or on an individual basis.

- Administer the survey effectively - Once you're clear about your goals, the data you need, the people you need to talk to and the best way to gather this survey data, it's important to maximize the sample size.
- Conduct a thorough survey analysis - Once you've gathered the market survey responses, these need to be analyzed thoroughly to pull out key trends and findings and to allow you to draw actionable insights from the data.
- Uncover the wider implications - Conducting a market survey is invaluable to brands, but when carried out in isolation, can lack the real-world relevancy to action results with confidence.

ASSESSMENT OF DEMAND AND SUPPLY IN POTENTIAL A REAS OF GROWTH

DEMAND AND SUPPLY ASSESSMENT

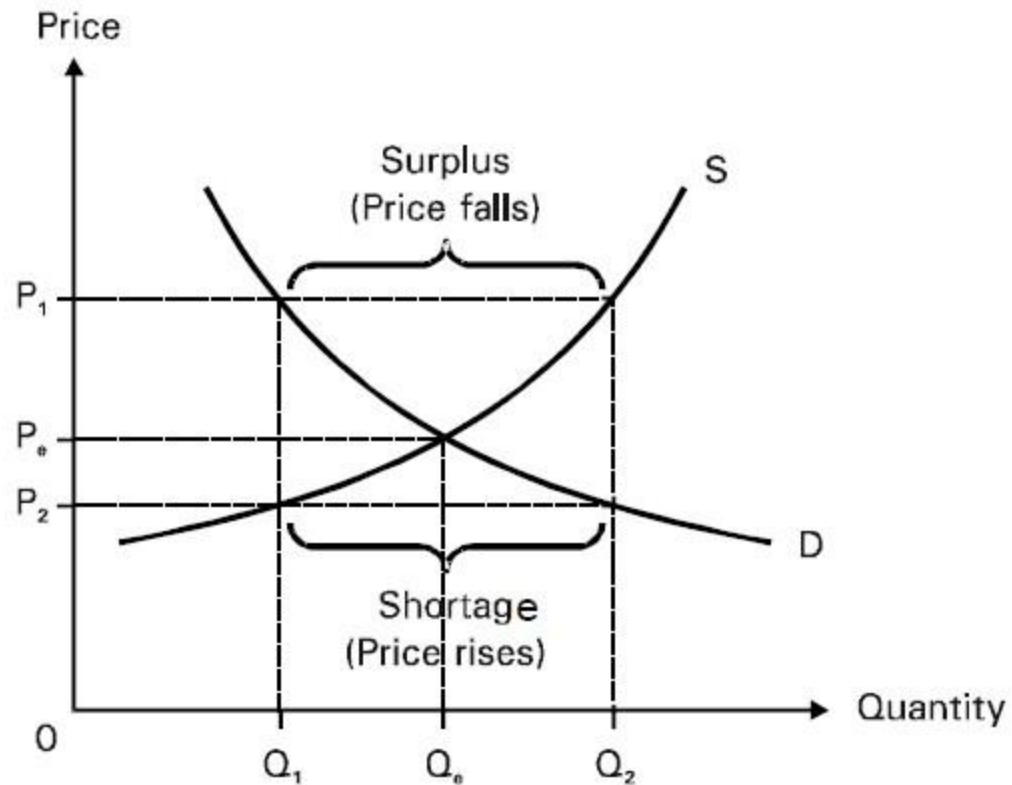
- Demand and supply assessment is the study of how buyers and sellers interact to determine transaction prices and quantities.
- Supply and demand is an economic model which states that the price at which a good is sold is determined by the good's supply, and its demand. When the supply of a good is equal to its demand (known as economic equilibrium), it reaches a stable price which buyers and sellers can agree.
- If the supply of a good is higher than its demand, then the price will drop (various sellers will have to compete with each other by offering lower prices, which will in turn create more demand), until eventually the supply and demand equalize. When the supply for a good is greater than the demand, it is referred to as a surplus.
- If the demand for a good is greater than its supply, then the opposite will occur. Suppliers will increase their prices to earn more profit with the products they already have, until eventually the supply and demand reach an equilibrium at some peak price. When the demand for a good is greater than the supply, it is referred to as a shortage.

Demand for a commodity implies:

- Desire to acquire it,
- Willingness to pay for it, and
- Ability to pay for it.
- Demand depends on not only the price of a commodity, but also income, price of related goods - both substitutes and complements - taste of consumer, price expectation and all other factors.
- According to Law of Demand, there is an inverse relationship between the price of a commodity and the quantity demanded (other things remaining equal)
- The stability and growth of business is linked to size and structure of demand.

Supply is the specific quantity of output that the producers are willing and able to make available to consumers at a particular price over a given period of time.

- According to the Law of Supply, more of a good will be supplied the higher its price, other things constant or less of a good will be supplied the lower its price, other things remaining constant.
- Price is determined by the two forces of demand and supply, in a free market. A point of balance, where demand equals supply is known as market equilibrium.



Graphically, the interaction of supply and demand curves will indicate the equilibrium point (E).

Identifying business opportunity

MARKET OPPORTUNITY

Identifying market opportunities is essential for business growth and survival. Opportunities are factors that contribute to your growing success. These are typically external and include things like:

- economic trends
- market trends
- shifting or expanding customer base
- changes in government or industry regulations
- changes in partnerships or relationship with suppliers, competitors, etc
- new or changing funding prospects (eg increase in grant funding)

METHODS OF IDENTIFYING BUSINESS OPPORTUNITIES

- SWOT Analysis - SWOT analysis is one of the most popular strategic analysis tools. It focuses on four key factors affecting your business:
 - strengths
 - weaknesses
 - opportunities
 - threats facing your business
- Segment your customers - Divide your customer base into smaller groups that share common characteristics, such as age, gender, location, or lifestyle, attitude or purchasing habits. This allows you to analyse the demand for your products or services and target each segment with specific marketing, promotions and offers, ultimately helping you to seize new business opportunities.
- Analyse your purchase situation - Look at distribution channels, payment methods and other factors around purchasing to understand how your customers buy your products or services. Then look at how you can improve them or offer alternatives to bring new customers to your business.
- Analyse your competition - research existing businesses in the market to understand their value proposition and their competitive advantage. Establish your unique selling point to set yourself apart from your competitors. Identify what draws your customers in and promote this.

- Look at other markets - exporting into other countries may open up new opportunities. Consider carefully what the market is like. To increase the likelihood of success, research the competitors, local habits and the likely demand for your products or services.
- The other ways to find an opportunity includes franchise your business, buy an existing business, find a distributor to increase your market share , explore licensing, supply chain deals, etc.

CONSIDERATIONS IN PRODUCT SELECTION

PRODUCT AND PRODUCT SELECTION

A product is anything that can be offered to a market for acquisition, use or consumption.

- The selection of required product or service is the first step towards success.
- Indeed, products provide the business with the most important and visible contact with buyers i.e. consumers. Products to the consumers represent psychological symbols of personal attributes, goals and social patterns.

PRODUCT SELECTION

In selecting a product for your business venture, the following factors must be taken into consideration:

- **Supply-gap:** The size of the unsatisfied market demand which constitutes a source of business opportunity will dictate, to a great extent the need to select a particular product. The product with the highest chances of success as reflected in its demand will be selected.
- **Fund:** The size of the funds that can be mobilized is another important factor. The adequate fund is needed to develop, produce, promote, sell and distribute the product selected.

- **Availability of and Access to Raw Materials:** Different products require different raw materials. The source quality and quantity of the raw materials needed are factors to be seriously considered, Are the raw materials available in sufficient quantities?
- **Technical Implications:** The production process for the product needs to be considered. There is a need to know the technical implications of the selected product on the existing production line, available technology, and even the labor force.
- **Technical Implications:** The production process for the product needs to be considered. There is a need to know the technical implications of the selected product on the existing production line, available technology, and even the labor force.

- **Availability of Qualified Personnel:** Qualified personnel to handle the production and marketing of the product must be available.
- **Government Policies:** This is quite often an uncontrollable factor. The focuses of government policies can significantly influence the selection of the product. For instance, a package of incentives from the government for a product with **100% local input** contents can change the direction of the business's R & D and hence the product selected.
- **Company's objectives:** The contributions of the product to the realization of the company's short and long-range objectives must be considered before selection. For instance, the company goal maybe the achievement of sale growth, sales stability or enhancement of the company's social value.

CONVERTING BUSINESS IDEA INTO OPPORTUNITY

WHAT IS BUSINESS IDEA?

Any idea that can -

- Solve a problem
- Fulfill a need
- Improve quality of life
- Improve something

CONVERTING BUSINESS IDEA INTO OPP ORTUNITY

- Identify the problem or need that you want to take as idea.
- State the ideas that address the problem that you chose.
 - Concept of idea
 - How you will deliver it?
 - Team required
 - Size of the market and target market
 - Competitive advantage
 - Business financial model
 - Risk factors
 - Funding needs
- Make a business cases for your idea.
- Improve and Implement your idea

PRELIMINARY PROJECT REPORT

PRELIMINARY PROJECT REPORT

Project Preliminary Report is a formal document that describes specific activities, events, occurrences, or subjects of a project to explain progress of the project up to a certain point in time (but not later than completion time). This document is presented and communicated at project status meetings to explain what goals, deliverables and results are produced and what activities are still in progress. The document serves as the basis for developing the final project report.

The project preliminary report describes your progress so far. It should form the basis of your final report. The preliminary report should include:

- **Problem:** A clear description of the problem you are addressing. This should be more refined and persuasive than the version in your original proposal.
- **Related work:** A good summary and analysis of the work relevant to your project. Everything you describe should be related directly to your project:
 - Why is it relevant? (Don't assume the reader can read your mind.)
 - If it attempts to solve a similar problem, why is it not a satisfactory solution?
 - What ideas in the other project can be applied to your project?

If there is related work you have not yet studied, list that in the related work section along with your plans for learning about it.

- **Proposed Solution:** Describe your idea for solving the problem. This need not yet be complete, but should include some specific ideas.
- **Research Plan:** Describe clearly exactly what you will do.
- **Evaluation Plan:** Describe how you will evaluate your work. This should include (possibly speculative) descriptions of specific sample programs you will use in your evaluation.
- **Schedule and Division of Labor:** Calendar showing specific milestones, when they will be accomplished, and how the team will split up the work.

NEED OF PPR

- The need/ purpose of making a PPR is to know the techno-economic feasibility of project after an initial investigation and initial market survey.
- The secondary reason for making PPR is its compulsion for the registration of SSI.
- Third reason is to get the finances from banks or financial institutions. We must tell where will the money, raw material, market for the product come from and how much profit for what quantity (volume) will we get. This is what the PPR contains after the Break even Analysis (Break even analysis calculates the minimum volume of production, above which we start getting profit returns).
- The final reason is to know the future demand or simply the growth aspects of the project.
- Sometimes a PPR also helps in getting Governments Clearances or sanctions, wherever necessary e.g. for polluting industries.

Detailed project report including technical, economic and market feasibility

Detailed project report is a complete document for investment decision-making, approval, planning whereas feasibility study report is a base document for investment decision-making. A Detailed project report is a base document for planning the project and implementing the project. The project report will be prepared for a plan of action to be undertaken which covers various aspects, namely:

- Technical
- Financial or Economic
- Marketing
- Management
- Social

DPR CONTENTS

- General Information of the project.
- Background and the experience of the project promoters.
- Details and working result of industrial concerns already owned and promoted by the project promoters.
- Details of the proposed project:-
 - Plant capacity
 - Manufacturing procedure adopted
 - Technical knowhow/ tie-ups.
 - Management teams for the project.
 - Details of land, buildings and plant and machinery.
 - Details of infrastructural facilities (power, water supply, transport facilities etc.)
 - Raw material requirement/ availability.
 - Effluents produced by the project & treatment procedures adopted.
 - Labour requirement and availability.
- Schedule of implementation of the project.
- Project cost.
- Means of financing projects.
- Working capital requirement/arrangements made.
- Marketing and selling arrangement made.
- Profitability and cash flow estimates.
- Mode of repayment of loans.
- Government approvals. Local body consents and statutory permissions.
- Details of collateral security that can be offered to the financial institutions.

STEPS OF PREPARING DPR

1. Client interacts with consultant.
2. Consultant takes all required inputs from client & do neces
 - ▣ sary first phase studies.
3. Client evaluates it & makes all necessary changes & reque sts consultant to do the necessary modifications.
4. Consultant submits the revised draft for approval.
5. Consultant submits the final DPR after getting approval fro m client.

TECHNICAL FEASIBILITY

This assessment focuses on the technical resources available to the organization. It helps organizations determine whether the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems. Technical feasibility also involves the evaluation of the hardware, software, and other technical requirements of the proposed system.

ECONOMIC FEASIBILITY

This assessment typically involves a cost/ benefits analysis of the project, helping organizations determine the viability, cost, and benefits associated with a project before financial resources are allocated. It also serves as an independent project assessment and enhances project credibility—helping decision-makers determine the positive economic benefits to the organization that the proposed project will provide.

MARKET FEASIBILITY

- Market feasibility studies should include a description of the industry, current market analysis, competition, anticipated future market potential, potential sources of revenue, and sales projections.

COMMON ERRORS IN PROJECT REPORT PREPARATIONS

COMMON ERRORS IN PR PREPARATION

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- Generalisation - Do not prepare a report that is too general.
- False Equivalence - When discussing an intervention in two different areas or implemented at different times in the same area, do not ignore obvious temporal and spatial variations.
- Failure to differentiate a scientific study report and a project report - Do not prepare "hybrid reports". These are neither scientific study reports nor project reports.
- Failure to point out the weaknesses of your own approach - Understandably for fear of reproach there is a tendency to highlight the positive outcomes only. Weakness if presented at all it is often done in a subtle way.
- Treating visualizations like an end goal - Do not be accustomed to preparing project reports with a standard list of calculations i.e. mean, median, range and minimum and maximum etc.

- Selective reporting - In projects that cover a wide area there is the temptation to overly focus on one area or group. A balanced report must have an accurate analysis of all groups involved in a project.
- Incomplete reporting - Do not prepare a report that leaves the reader with more questions than answers. Too many visuals. Add information, discuss add value to your images, graphs and pictures.
- Product selection - It is noticed that some entrepreneurs commit mistakes by selecting a wrong product for their enterprise.
- Capacity utilization estimates - The entrepreneurs many times make over optimistic estimates of capacity utilization.

- Market study - Production of goods is ultimately meant for sale. Hence market study plays vital role and is very important.
- Technology selection - The technology varies from product to product. Selection of wrong technology leads to wrong product or product with inferior quality. Selection of right technology is very important.
- Selection of Ownership form - Many enterprises fail merely due to the ownership form of enterprises is not suitable.

- A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.
- Project Report is a written document relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks

PREPARATION OF PR

- *General Information* - A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry.
- *Executive Summary* - A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report.

- *Organization Summary* - The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company.
- *Project Description* - A brief description of the project must be stated and must give details about the following:
 - Location of the site,
 - Raw material requirements,
 - Target of production,
 - Area required for the work shed,
 - Power requirements,
 - Fuel requirements,
 - Water requirements,
 - Employment requirements of skilled and unskilled labour,
 - Technology selected for the project,
 - Production process,
 - Projected production volumes, unit prices,
 - Pollution treatment plants required

- *Marketing Plan* - The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. Project report must state the following:
 - Type of customers,
 - Target markets,
 - Nature of market,
 - Market segmentation,
 - Future prospects of the market,
 - Sales objectives,
 - Marketing Cost of the project,
 - Market share of proposed venture,
 - Demand for the product in the local, national and the global market,
 - It must indicate potential users of products and distribution channels to be used for distributing the product.

- *Capital Structure and operating cost* - The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owner's funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project.
- *Management Plan* - The project report should state the following.
 - Business experience of the promoters of the business,
 - Details about the management team,
 - Duties and responsibilities of team members,
 - Current personnel needs of the organization,
 - Methods of managing the business,
 - Plans for hiring and training personnel,
 - Programmes and policies of the management.

- *Financial Aspects* - In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

- **Technical Aspects** - Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.
- *Project Implementation* - Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.
- *Social responsibility* - The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

- *Feasibility study report - FSR* is prepared to support the investment proposal. Feasibilities for the various aspects related to technical, commercial and financial are examined in detail by the experts and consultants brought in feasibility study report. Feasibility study report is termed as a techno economic feasibility study. It is the primary report for the formulation of the investment proposal.

EDM
LECTURE 22

**PRINCIPLES
OF
MANAGEMENT
T**

Fayol's ideas became Fayolism, or administrative theory. Fayolism consists of the 14 *principles of management*. The 14 principles articulate the types of tasks that managers are supposed to do. These 14 principles are still used today, but how they are used varies with a firm's use of technology and its culture.

1. Division of Work
2. Authority
3. Discipline
4. Unity of Command
5. Unity of Direction
6. Subordination of Individual Interest
7. Remuneration
8. Centralization
9. Scalar Chain
10. Order
11. Equity
12. Stability of Tenure of Personnel
13. Initiative—Employees should be given the necessary level of freedom to create and carry out plans.
14. Esprit de Corps

MANAGE MENT

- Introduction
- Definition
- Importance



work as a manager consists of a series of different activities or functions aimed at achieving the goals of the organization. These interconnected and interdependent functions are part of management. Successful organizations do not achieve their goals by chance but by following a deliberate process called 'management'.

“Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.” Harold Koontz and Heinz Weihrich

“Management is defined as the process of planning, organizing, actuating and controlling an organization's operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives.” Robert L. Trewelly and M. Gene Newport

“Management is the process of working with and through others to effectively achieve organisational objectives by efficiently using limited resources in the changing environment.” Kreitner



Management is a universal activity that is integral to any organization because of following reasons that have made management so important:

- (i) Management helps in achieving group goals:** Management is required not for itself but for achieving the goals of the organisation. The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation.
- (ii) Management increases efficiency:** The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.



- (iii) Management creates a dynamic organisation: All organisations** have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organization is able to maintain its competitive edge.
- (iv) Management helps in achieving personal objectives: A manager** motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organizational objective. Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success.
- (v) Management helps in the development of society: An organization** has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organization and through that it helps in the development of society. It helps to provide good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads the path towards growth and development.



FUNCTIONS OF MANAGEMENT T

Management is described as the process of planning, organising, directing and controlling the efforts of organisational members and of using organisational resources to achieve specific goals.

PLANNING

Planning is the function of determining in advance what is to be done and who is to do it. This implies setting goals in advance and developing a way of achieving them efficiently and effectively.

Planning cannot prevent problems, but it can predict them and prepare contingency plans to deal with them if and when they occur.



ORGANISING

Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Once a specific plan has been established for the accomplishment of an organisational goal, the organising function examines the activities and resources required to implement the plan. It determines what activities and resources are required. It decides who will do a particular task, where it will be done, and when it will be done. Organising involves the grouping of the required tasks into manageable departments or work units and the establishment of authority and reporting relationships within the organisational hierarchy. Proper organisational techniques help in the accomplishment of work and promote both the efficiency of operations and the effectiveness of results. Different kinds of business require different structures according to the nature of work.



STAFF ING

Staffing simply stated, is finding the right people for the right job. A very important aspect of management is to make sure that the right people with the right qualifications are available at the right places and times to accomplish the goals of the organisation. This is also known as the human resource function and it involves activities such as recruitment, selection, placement and training of personnel.



DIRECT ING

Directing involves leading, influencing and motivating employees to perform the tasks assigned to them. This requires establishing an atmosphere that encourages employees to do their best. Motivation and leadership are two key components of direction. Directing also involves communicating effectively as well as supervising employees at work. Motivating workers means simply creating an environment that makes them want to work. Leadership is influencing others to do what the leader wants them to do. A good manager directs through praise and criticism in such a way that it brings out the best in the employee.



CONTROLLING

Controlling is the management function of monitoring organisational performance towards the attainment of organisational goals. The task of controlling involves establishing standards of performance, measuring current performance, comparing this with established standards and taking corrective action where any deviation is found. Here management must determine what activities and outputs are critical to success, how and where they can be measured and who should have the authority to take corrective action.



COORDINATING

A manager has to perform five interrelated functions in the process of managing an organisation which is a system made up of different interlinked and interdependent subsystems. A manager has to link these diverse groups towards the achievement of a common goal. The process by which a manager synchronises the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities such as purchase, production, sales, and finance to ensure continuity in the working of the organisation. Coordination is sometimes considered a separate function of management.

It is however, the essence of management, for achieving harmony among individual efforts towards the accomplishment of group goals. Each managerial function is an exercise contributing individually to coordination.



ORGANISATION STRUCTURE

The organization selects and combines the efforts of men of proper characteristics so as the product desired results. The types of organization depend on the size and nature of enterprise. Different types of organization structure are as follow:-

- Line organization
- Functional organization
- Line and staff organization

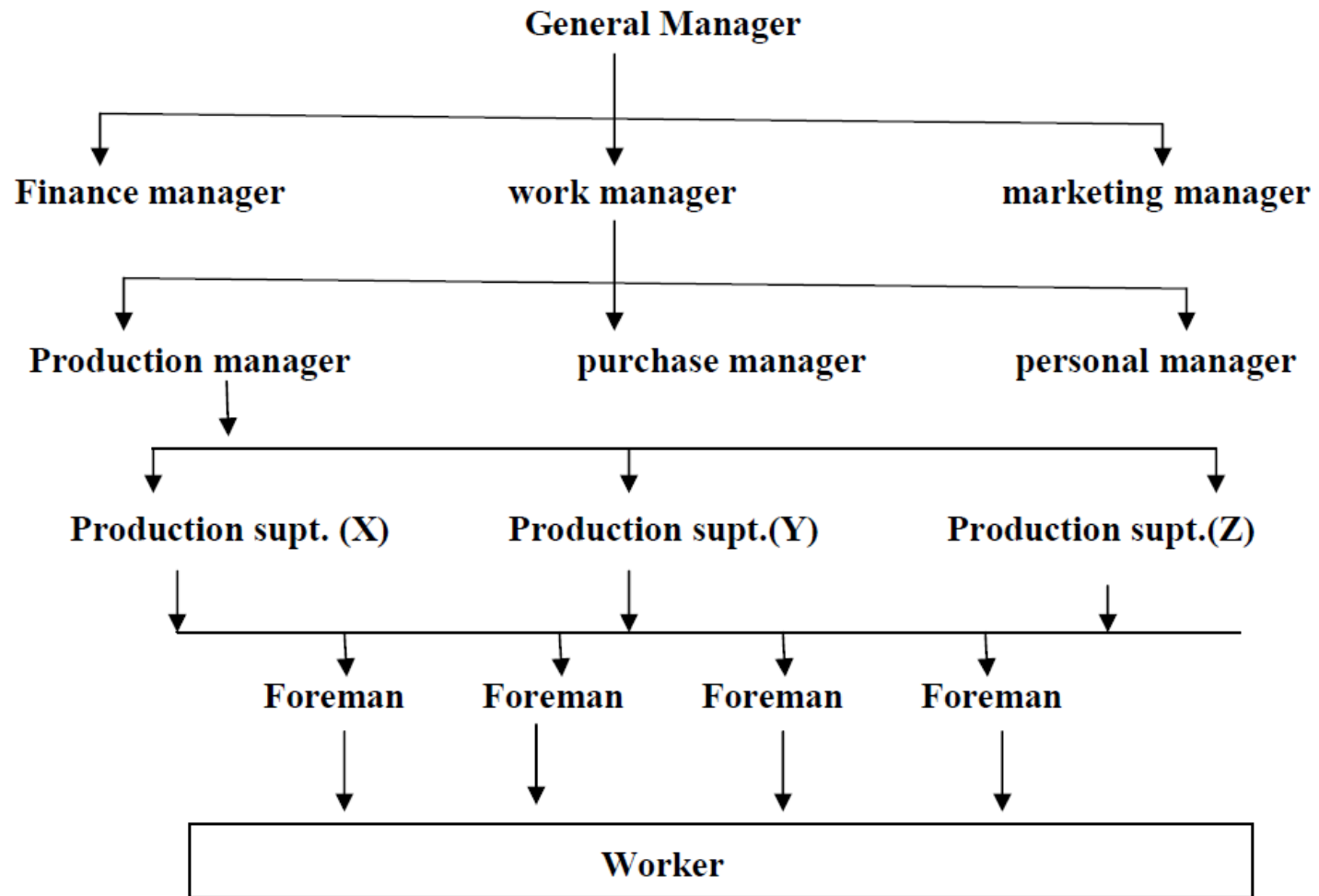


LINE ORGANISATION

The line organization is known as scalar organization, vertical organization, departmental organization etc. under this superior subordinate further delegates its authority to another and this process goes on. This is known as line authority. This type of organization structure can be divided into two parts:

- Pure line organization
- Departmental line organization





Advantages –

- Simplicity
- Fixed responsibility
- Proper discipline
- Flexibility
- Prompt decision
- Development
- Stability

Disadvantages-

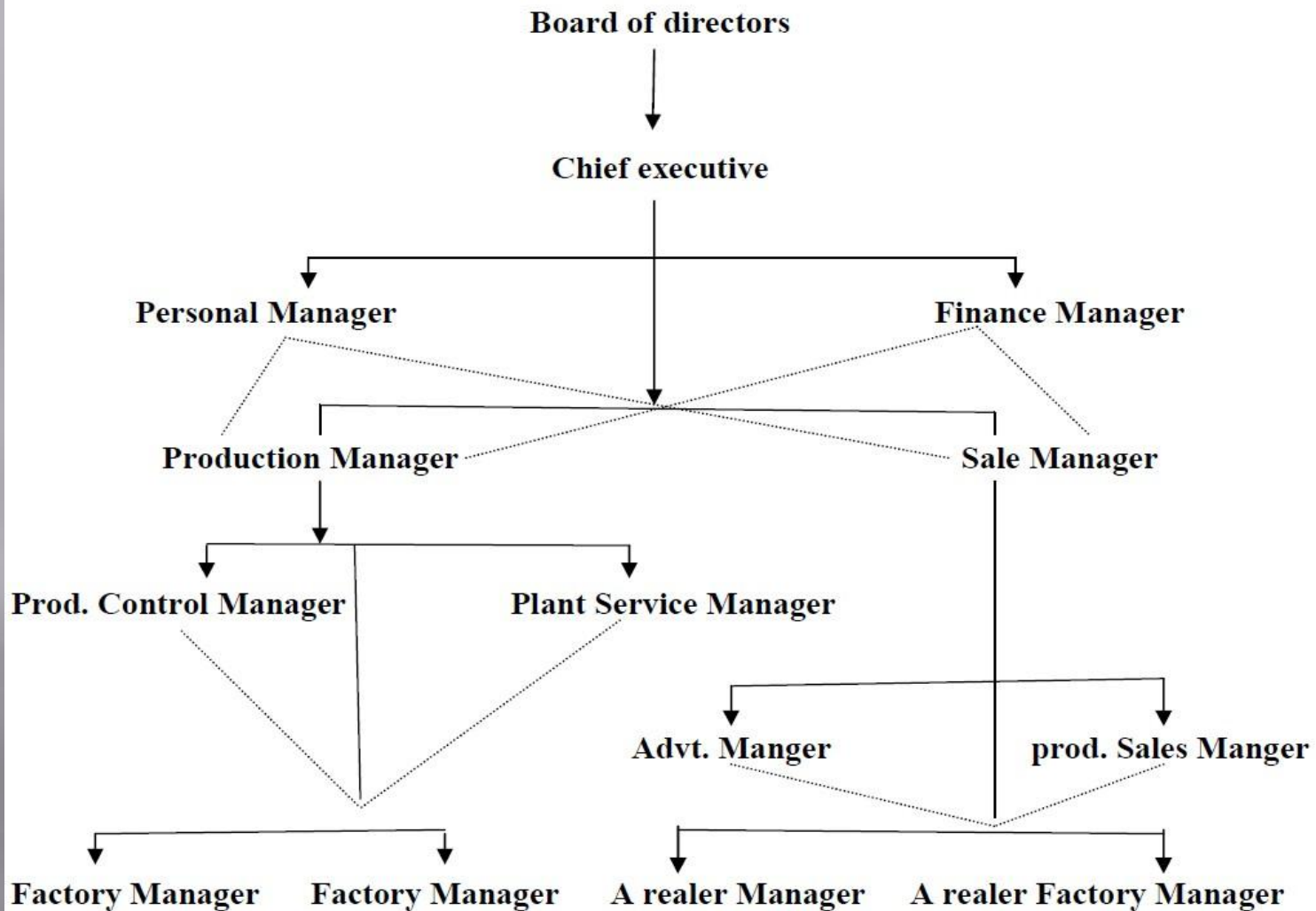
- Excessive work load
- Lack of specialization
- Lack of co-operation
- Not fit for large organization



FUNCTIONAL ORGANISATION

Under this type of organization the whole task is divided on the basis of the work involved. The normal operations to be performed in an organization are production, personal, purchase, finance and research and development. These activities are assigned to various departments and functional experts are appointed to look after these activities.





- ***Advantage :***

- Specialization
- Flexibility
- Large scale production
- Prospects of promotion
- Better supervision

- ***Disadvantage :***

- Lack of co-ordination
- Low employee morale
- Expensive

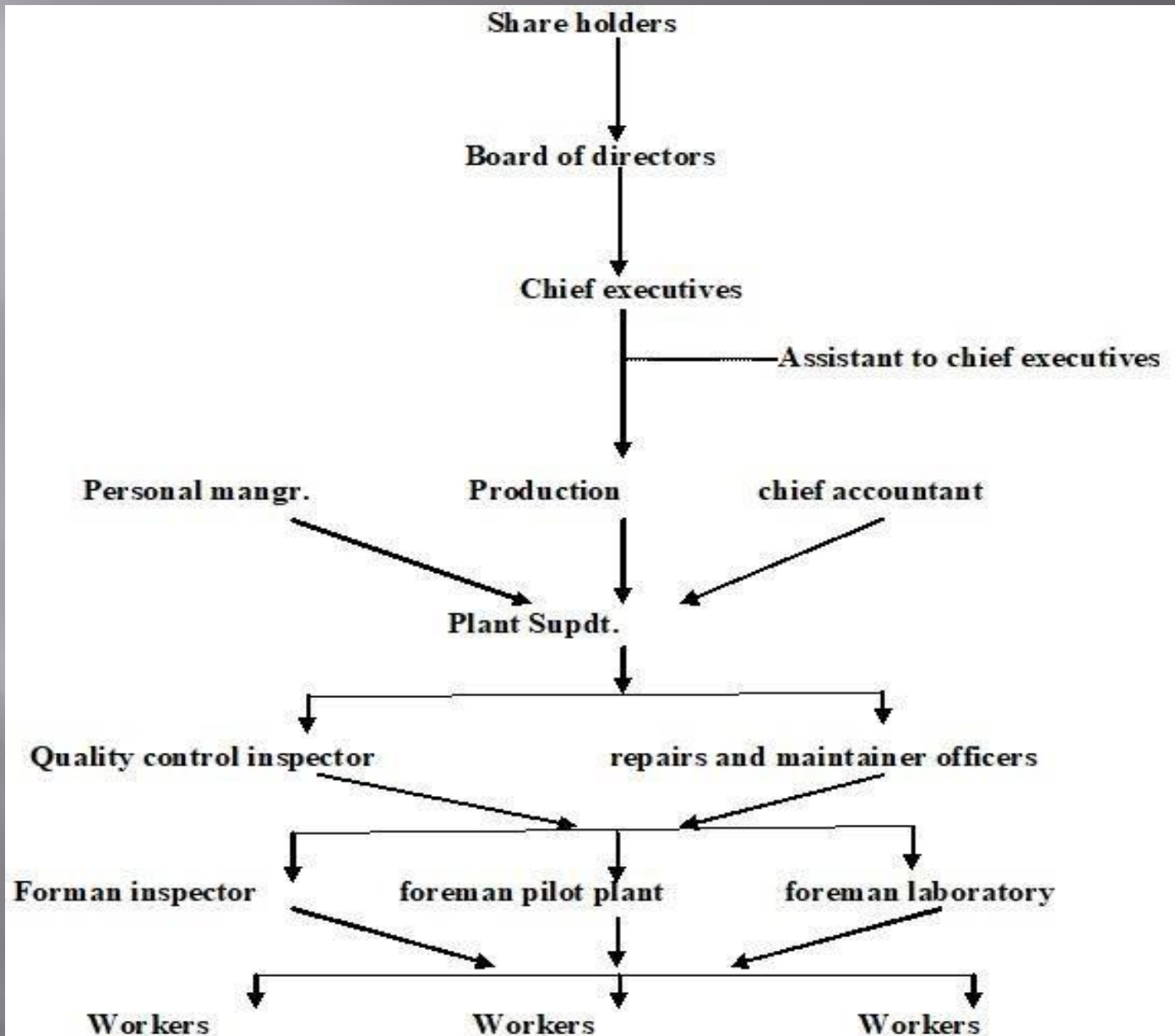


LINE AND STAFF ORGANISATION

The line organization concentrates too much on control, whereas the functional organization divides the control too much. The line and staff organization is a combination of line and functional organization. Under this type of organization, staff personnel are provided advisory staff positions.

- The personal staff
- The specialist staff
- The general staff





Advantage of line and staff organization:

- Specialization
- Sound decisions
- Advancement opportunities
- Excellent training medium
- Better discipline

Disadvantage of line and staff organization:

- Lack of co-ordination
- Expensive



DIFFERENCE B/W LINE, LINE AND STAFF AND FUNCTIONAL ORGANIZATION AT A GLANCE

<u>Point of difference</u>	<u>Line organization</u>	<u>Line and staff organization</u>	<u>Functional organization</u>
Simplicity	Very simple	Simple	Complicated
Work load on Manager	High work load	Moderate work load	Uneven work load
Suitability	Suitable for all types of enterprise	Suitable for large and medium size enterprise	Suitable for larger enterprise
Economy	Highly economical	Moderately eco.	Not economically
Unit of command	It is strictly observed	Unity of command in case of staff officers is not followed	The principle is violated
Specification	Spec. is low	Spec. is medium	Spec. is high



Hierarchical Management Structure

- A hierarchical organizational structure contains a direct chain of command from the top of the organization to the bottom.
- Senior management makes all critical decisions, which are then passed down through subsidiary levels of management. If someone at the bottom of this organizational structure wants to make a decision, they pass the request up through the chain of command for approval, for which a decision will eventually be returned.
- A hierarchical structure operates well when there are few products that are sold in high volume, so that tight control can be maintained over the design, quality, production, and distribution of goods.



ADVANT

AGES


A hierarchical system allows a few people to control all aspects of an organization, which has the following advantages:

- Control orientation. When there are just a few key products being sold, or there is a specific marketing message to be distributed, the hierarchical system works well.
- Career path. There is a clear career path through this type of organization, with employees gradually advancing through the various levels of management over a number of years. Those reaching senior positions tend to have built up massive experience with the company.
- Clear reporting. Since power is so centralized, it is easy to determine who is authorized to make a decision.
- Specialization. Employees are more likely to have niche positions that allow them to become in-depth specialists. If their expertise is used effectively, this means that a company can have a number of centers within the organization where best practices are employed.



DISADVANTAGES

Though the higher level of coordination associated with the hierarchical system is useful in some instances, there are also a number of problems with it:

- Restricted information. Information tends to flow toward the top of the organizational structure, so that the management team has a complete set of information with which to run the business. However, the reverse is not the case. There is very little downward flow of information to the lower levels of the organization, which tends to cramp any initiatives that might otherwise originate in these areas.
 - Slow decision making. The hierarchical system takes time for management decisions to percolate down through the various levels of management and be enacted.
 - Added costs. A hierarchical system requires a considerable amount of corporate overhead to support the senior management group, including extra layers of management, internal auditors, budgeting and control departments, and so forth.
- 

ADMINISTRATIVE, MANAGERIAL, OR TOP LEVEL OF MANAGEMENT

- This level of management consists of an organization's **board of directors and the chief executive or managing director**. It is the ultimate source of power and authority, since it oversees the goals, policies, and procedures of a company. Their main priority is on the strategic planning and execution of the overall business success. The roles and responsibilities of the top level of management can be summarized as follows:
- Laying down the objectives and broad policies of the business enterprise.
- Issuing necessary instructions for the preparation of department-specific budgets, schedules, procedures, etc.
- Preparing strategic plans and policies for the organization.
- Appointing the executives for middle-level management, i.e. departmental managers.
- Establishing controls of all organizational departments.
- Since it consists of the Board of Directors, the top management level is also responsible for communicating with the outside world and is held accountable towards an organization's shareholders for the performance of the enterprise.
- Providing overall guidance, direction, and encouraging harmony and collaboration.

EXECUTIVE OR MIDDLE LEVEL OF MANAGEMENT

The **branch and departmental managers** form this middle management level. These people are directly accountable to top management for the functioning of their respective departments, devoting more time to organizational and directional functions. For smaller organizations, there is often only one layer of middle management, but larger enterprises can see senior and junior levels within this middle section. The roles and responsibilities of the middle level of management can be summarized as follows:

- Executing the plans of the organization in accordance with the policies and directives laid out by the top management level.
- Forming plans for the sub-units of the organization that they supervise.
- Participating in the hiring and training processes of lower-level management.
- Interpreting and explaining the policies from top-level management to lower-level management.
- Sending reports and data to top management in a timely and efficient manner.
- Evaluating the performance of junior managers.
- Inspiring lower level managers towards improving their performance.

SUPERVISORY, OPERATIVE, OR LOWER LEVEL OF MANAGEMENT

This level of management consists of supervisors, foremen, section officers, superintendents, and all other executives whose work is mainly to give direction to operative employees. Managers at the lower level are primarily concerned with the execution and coordination of day-to-day workflow that ensure completion of projects. The roles and responsibilities of the lower level of management can be summarized as follows:

- Assigning jobs and tasks to various workers.
- Guiding and instructing workers in day-to-day activities.
- Overseeing both the quality and quantity of production.
- Acting as mediators by communicating the problems, suggestions, and recommendatory appeals, etc. of workers to the higher level of management, and in turn elucidating higher-level goals and objectives to workers.
- Helping to address and resolve the grievances of workers.
- Supervising and guiding their subordinates.
- Taking part in the hiring and training processes of their workers.
- Arranging the necessary materials, machines, tools, and resources, etc. necessary for accomplishing organizational tasks.
- Preparing periodical reports regarding the performance of the workers.
- Upholding discipline, decorum, and harmony within the workplace.

Departmentalization Introduction and its advantages

Departmentalization is the manner in which the activities are decided to be divided and formed into specialized group.

It means and involves grouping of activities into several Departmentalization is a useful activity. It increases the operating skill.

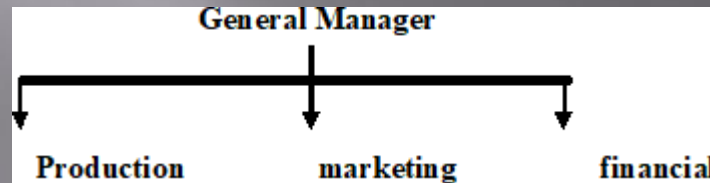
The grouping of activities is possible on any of the following ways:

- By functions
- By products
- By regions
- By processes
- By customers
- By an appropriate combination



DEPARTMENTALIZATION BY FUNCTION:

Under the pattern of Departmentalization of all functions of similar types are separated and grouped into four basic functional departments: finance, sales, production and accounting.



○ ***Advantage:***

- It follows the principle of specialization.
- It maintains power and prestige.
- It facilitates the co-ordination of departmental level.

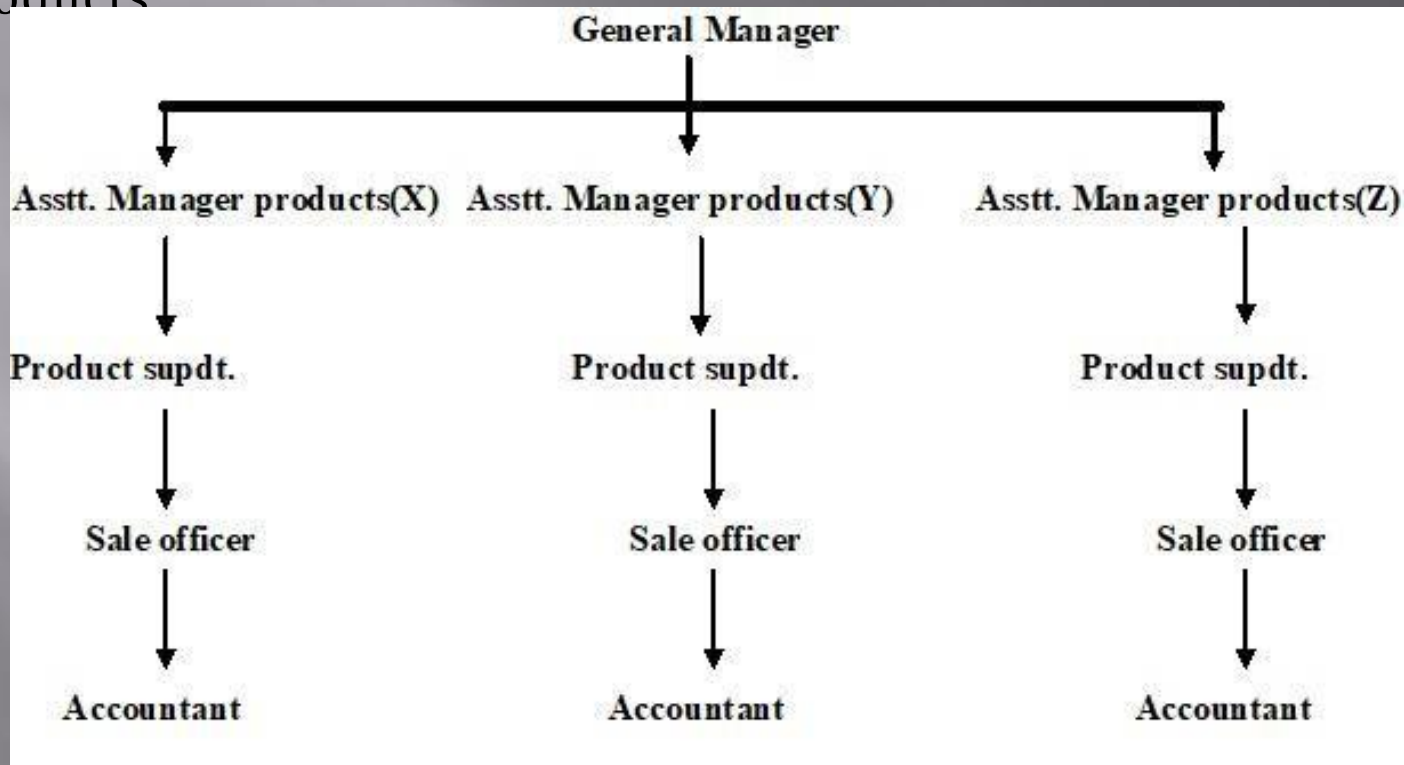
○ ***Disadvantage:***

- It may lead to excessive centralization of authority.
- The control may be defectives.
- Its utility is limited.



DEPARTMENTALIZATION BY PRODUCTS

It enterprise products a large numbers of products, then the closely related products in a products line can be organized in a product Department and an executive can be assigned all the responsibilities relating to that group of products



Advantages:

- It user specialization
- It assists in co-ordination
- It gives opportunity for all round ability.

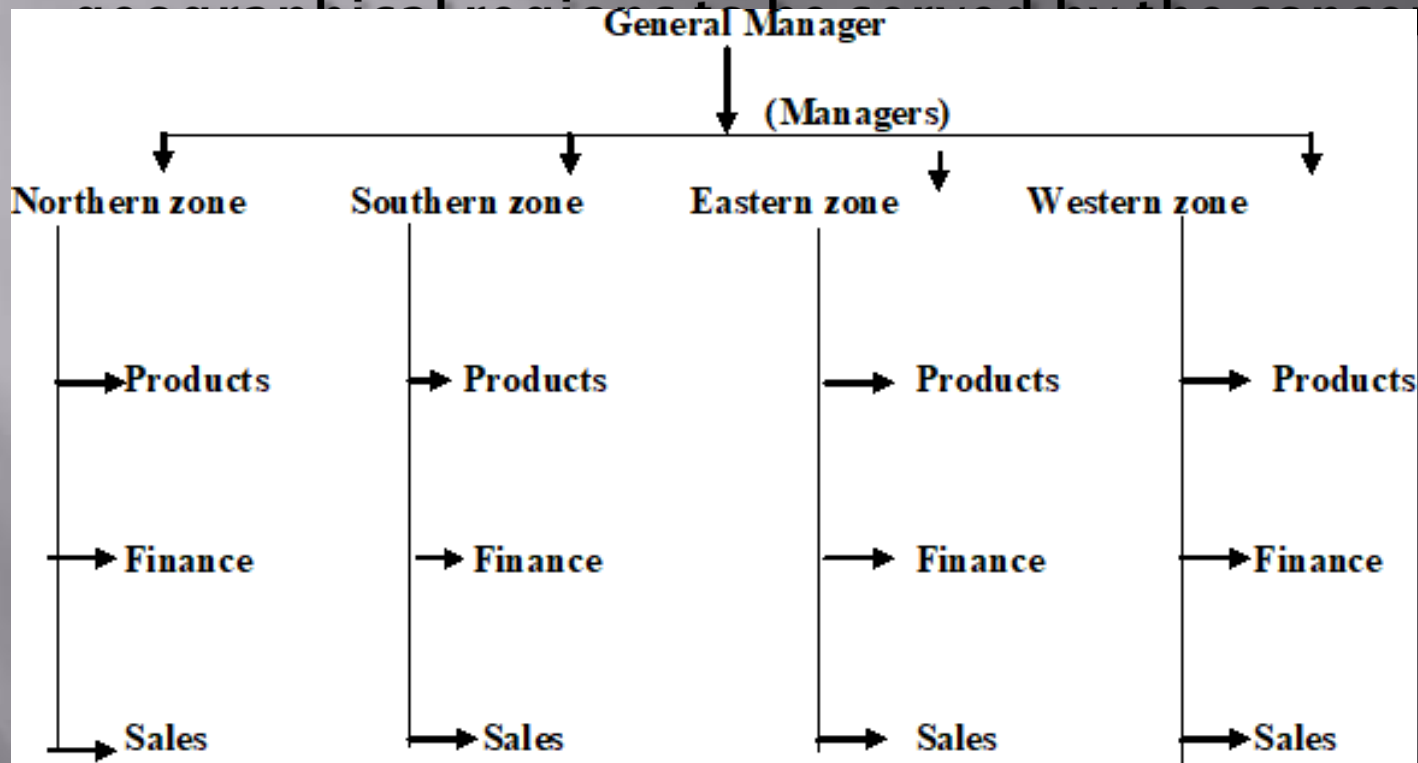
Disadvantage:

- It involves duplication of service function.
- It results into increased managerial and operating costs.
- It may cause annoyance and confusion to the customer particularly where they do not like different salesman from the same enterprise.



DEPARTMENTALIZATION BY REGIONS

It is also known as geographical Departmentalization. It involves grouping of the primary activities of business in different



Advantage:

- It enables the concern to exploit local market effect.
- It encourages local participation in decision making.
- It provides face to face communication.

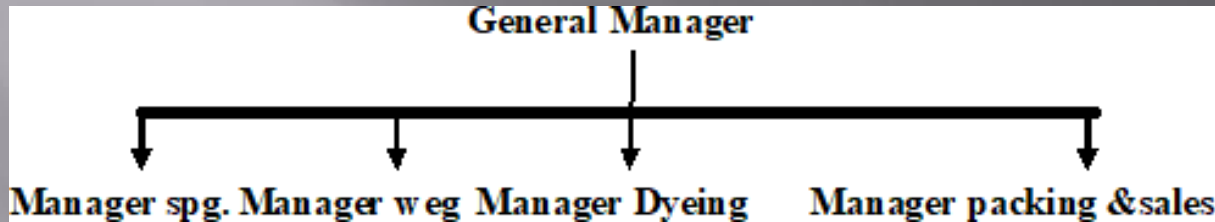
Disadvantage:

- It leads to duplication of many routine and service functions.
- It requires more persons with general managerial abilities.
- It is costly and not fit for small scale organization.



DEPARTMENTALIZATION BY PROCESS

It is also known as Departmentalization equipments. Its organization structure can be as follow:



Advantages:

- It is a scientific method.
- It is economical in operation.
- The maintains of the department is facilitated.

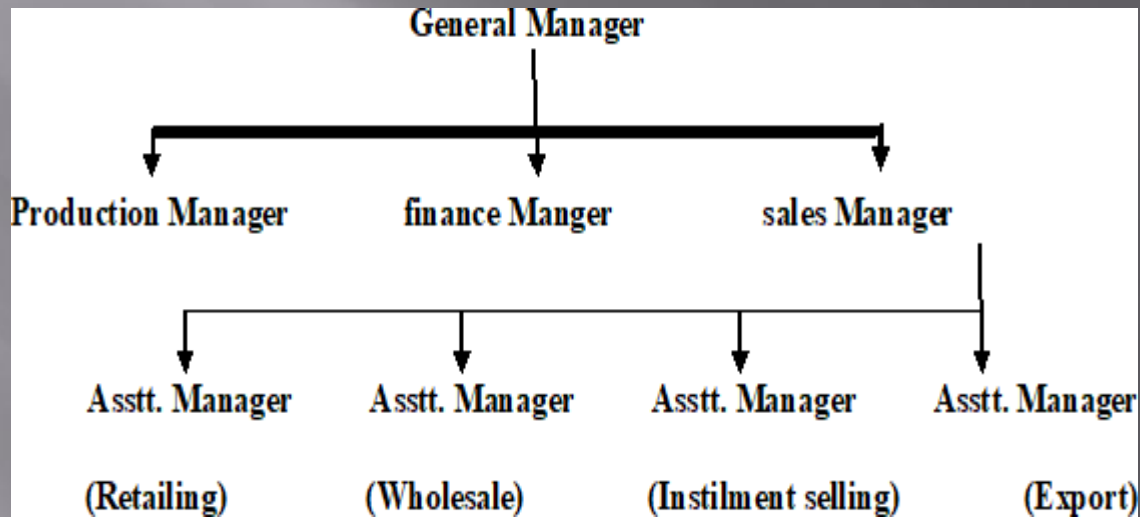
Disadvantage:

- It is costly
- It is suitable for large organization
- It requires more space
- It involves more investment.



DEPARTMENTALIZATION BY CUSTOMER

The grouping of activities of enterprise on the basis of customers is called Departmentalization by customers.



Advantage:

- It satisfies the wide and various needs of customers.
- It is suitable for large scale products.

Disadvantage:

- It is difficult in co-ordination
- Its utility is limited as all activities can't be organized



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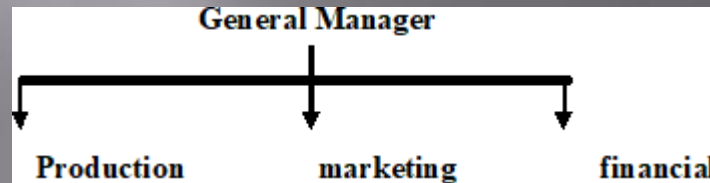
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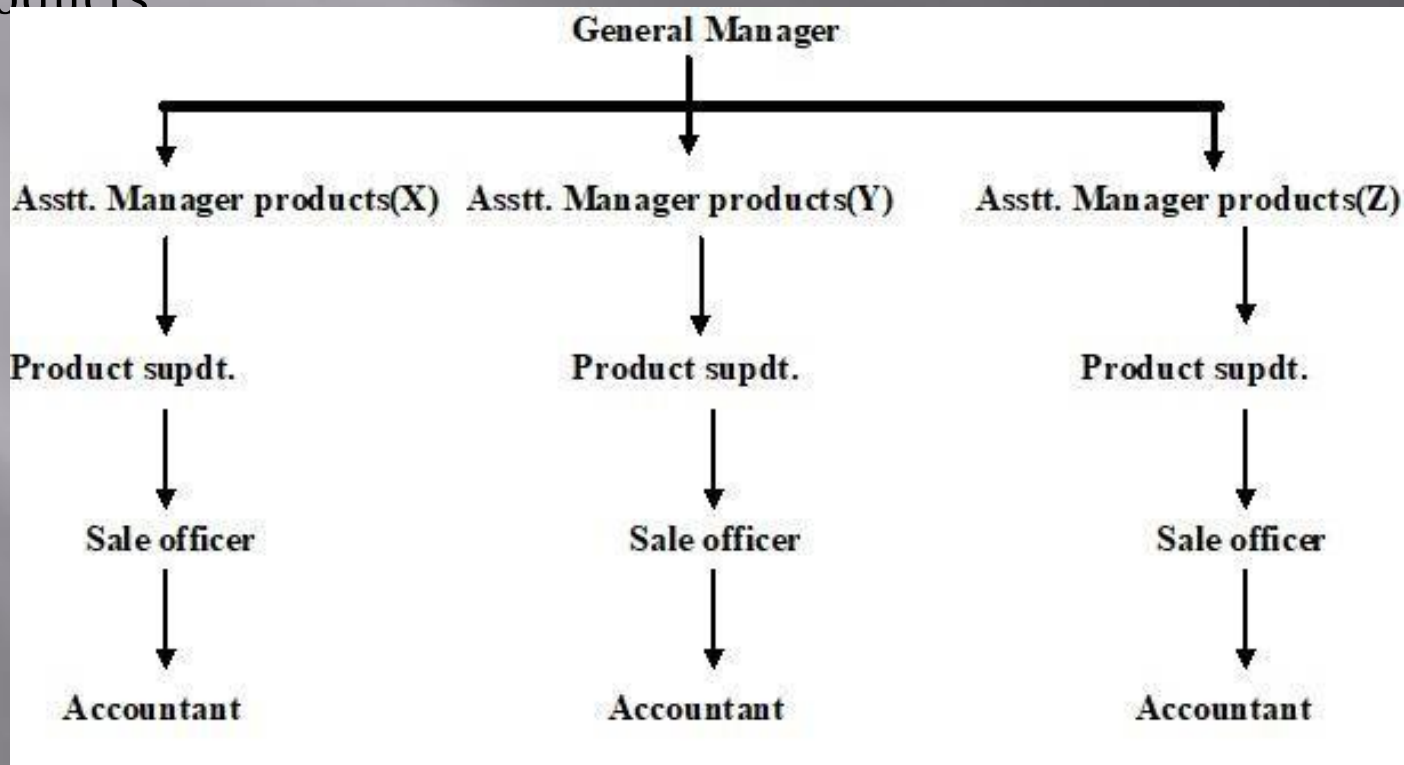


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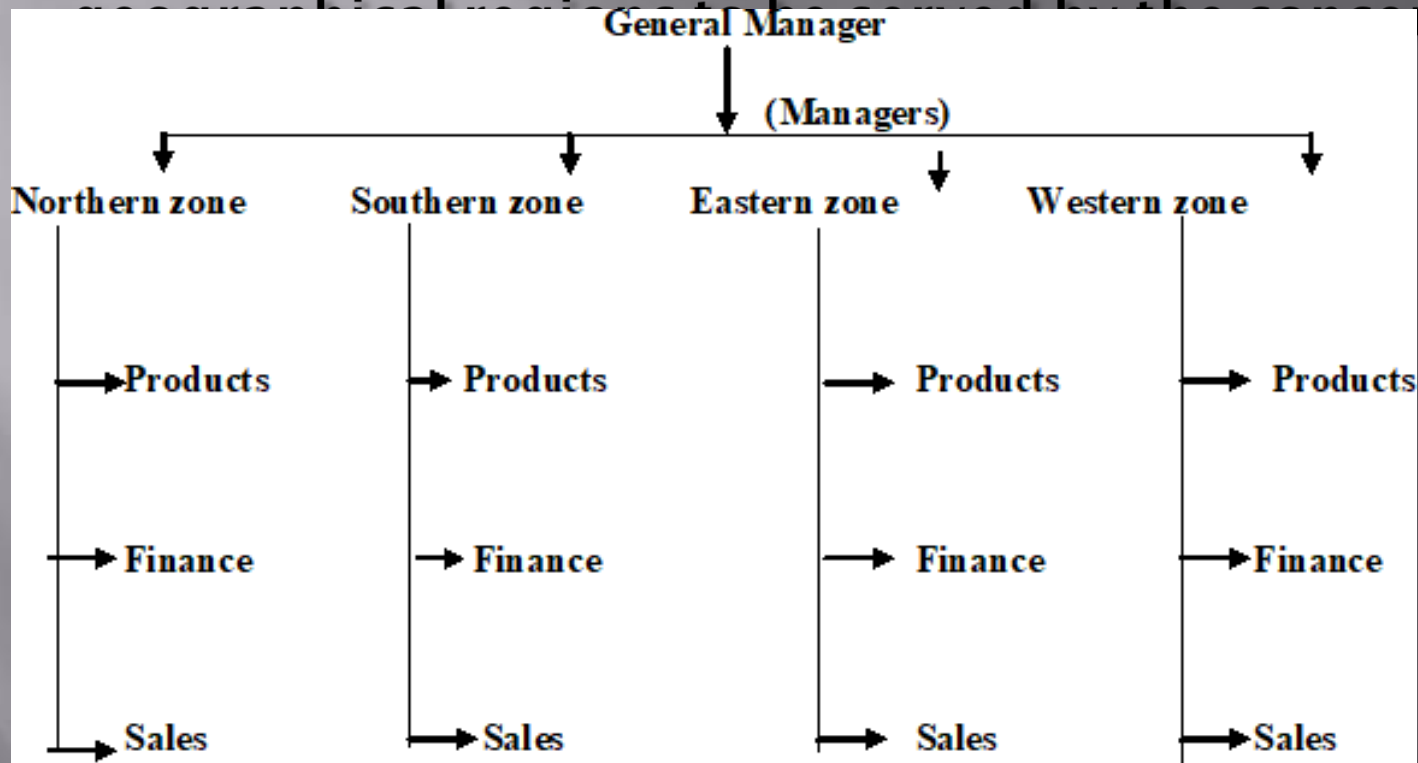
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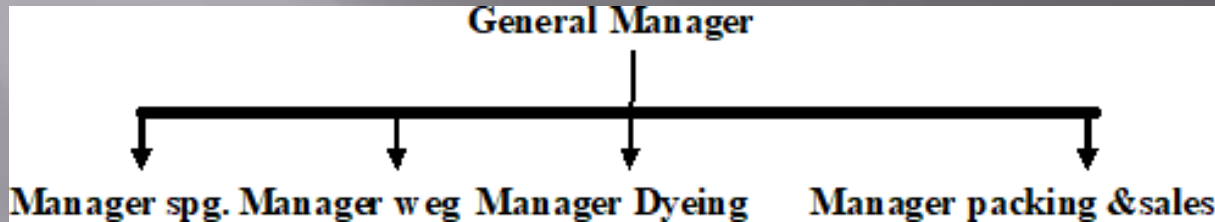
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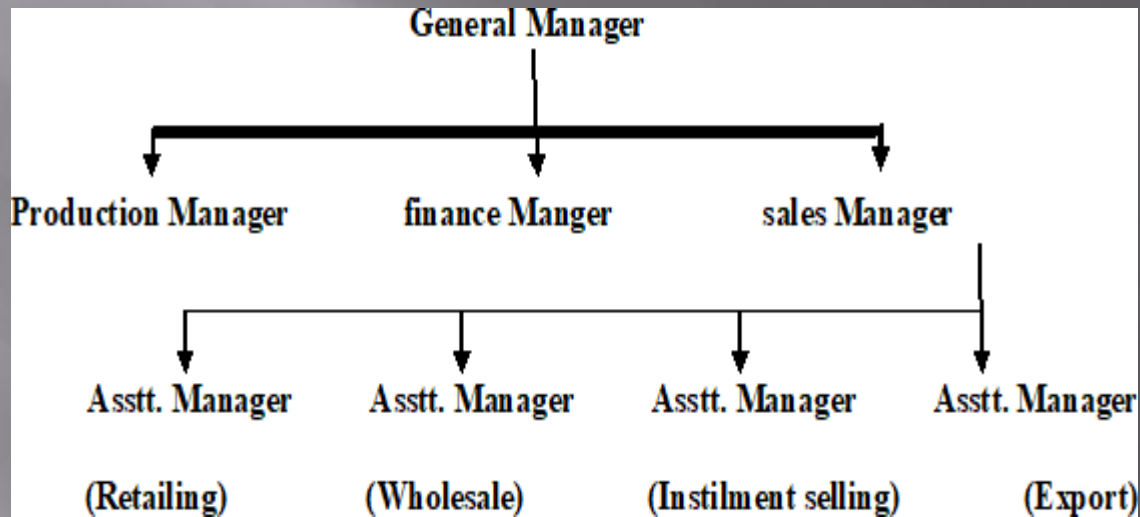
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LEADERSHIP

DEFINITION

- Leadership, according to Peter DeLisle, is the ability to influence others, with or without authority.
- Leadership is the art or process of influencing people to strive willingly and enthusiastically towards the achievement of group goals.
- It is the process of directing the behaviour of others toward the accomplishment of some common objectives.
- The skill and process to guide organisations, teams and individuals. It goes beyond management as it encompasses the capacity to lead by example, to inspire, to challenge inefficient systems and to enable others to take responsibility and act.
- The traits of a leader are inherent to all. A leader is one who uses individual capacities to enable processes enlisting the aid and support of others in defining the organisations' vision and accomplishing the corresponding tasks.



NEED OF LEADERSHIP

There are several leadership objectives and these include the following:

- To build and sustain trust with the organization's employees and other stakeholders by practicing real care for their wellbeing, concerns, suggestions and growth (Waters, 2014).
- To clarify purpose of the organization or responsibilities by communicating the vision, establishing mutual agreement, motivating employees, thinking strategically and providing adequate resources (Frank Covey, 2015).
- To identify, grow and nurture talent through promoting skills development, career growth, managing performance and engaging employees (Frank Covey, 2015).
- To lead in a strategic, organized and uncompromised way through situations involving conflict (Harvard Business School, 2015).



QUALITIES OF A GOOD LEADER

- Confidence
- Toughness and Inspiration
- Ability to communicate the vision and values
- Establish the right culture in the organisation
- Honest, integrity and transparency
- Humility
- Learn from failure and bad experiences
- Commitment
- Ability to identify and attract talent



ESSENTIAL SKILLS FOR LEADERSHIP

- Active listening
- Conscientiousness
- Empowerment
- Effective communication
- Persistence
- Consistency
- Relationship building
- Team building
- Goal setting
- Creating/communicating a vision
- Delegation of a responsibility
- Decision making



LEADERSHIP STYLES

There are many styles of leadership. No one is right or wrong, just different. The following is a list of the most common styles:

- Autocratic: Top-down approach that usually includes the leader making most of the decisions alone.
- Participatory: Leader includes followers in decision making and other processes.
- Delegatory: Leader often shares responsibilities with followers.
- Charismatic: Leader is well-liked by followers and has much influence in the organization.
- Democratic: A leader uses the opinion of the majority of the group when making decisions and when delegating responsibility.

LEADER VERSUS MANAGER

1. Leaders create a vision, managers create goals.
2. Leaders are change agents, managers maintain the status quo.
3. Leaders are unique, managers copy.
4. Leaders take risks, managers control risk .
5. Leaders are in it for the long haul, managers think short-term.
6. Leaders grow personally, managers rely on existing, proven skills.
7. Leaders build relationships, managers build systems and processes.
8. Leaders coach, managers direct.
9. Leaders create fans, managers have employees.



BASIS FOR COMPARISON	LEADER	MANAGER
Meaning	A leader is a person who influences his subordinates to achieve a specified goal.	A manager is a person who manages the organisation and is responsible for planning, direction, coordination and control
Approach	Sets Direction	Plans details
Attribute	Foresightedness	Mind
Subordinate	Followers	Employees
Style	Transformational	Transactional
Decision	Facilitates decision	Makes decision
Aim	Growth and development.	Attainment of the required result.
Focus	People	Process and Procedure
Change	Leaders promotes change.	Mangers react to change.
Conflict	Uses conflict as an asset	Avoid conflict
People	Aligns people	
Strives	For effectiveness	For efficiency

CASE STUDIES OF GREAT LEADERS

○ **Case Study #1: Southwest Airlines**

- How can an airline survive a government order to ground its entire fleet and shut down for days? After 9/11, all U.S. airlines were faced with this same crisis. One that succeeded through the difficulty was Southwest Airlines, already known for its outstanding customer service. Southwest's passengers, flight attendants, pilots and ground crews were stranded all across the country after the terrorist attacks. But unlike their competition, Southwest's leadership did more than just sit and wait. They encouraged employees to leverage their trademark fun approach to business and to help stranded customers enjoy themselves at the movies or the local bowling alley. And when the ramifications of the shutdown forced other airlines to cut staff, Southwest's then-CEO, James Parker, announced just three days after 9/11 that the company would be keeping all of its employees, as well as issuing a profit-sharing payment.
- Leadership characteristics like crisis management, creative problem solving and a strong belief in the company's vision saw Southwest through this unimaginable situation. The CEO also protected his staff, which ultimately led to a stronger airline.



○ Case Study #2: Starbucks

- Starbucks is recognized for treating its employees, also known as partners, well. The coffee giant offers insurance benefits, stock options and retirement plans. But back in 1997, Starbucks faced a crisis when tragedy struck and three employees were killed during a robbery in Washington, D.C. The outstanding leadership of CEO Howard Schultz was demonstrated when he flew straight to D.C. and spent a week with the co-workers and families of the three employees.
- While some leaders might have stayed as far away as possible from this tragic situation, Schultz's natural leadership traits prevailed. With compassion, approachability and a dedication to meeting his partners' needs, he did what was right. As a result, the public viewed him and Starbucks more favorably.



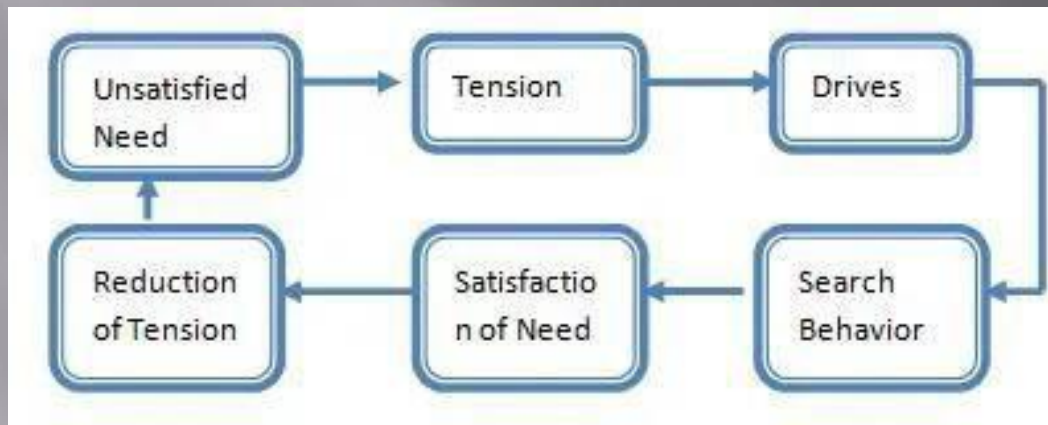
MOTIVATION

DEFINITION

- Motivation can be defined as stimulating, inspiring and inducing the employees to perform to their best capacity.
- Motivation is a psychological term which means it cannot be forced on employees. It comes automatically from inside the employees as it is the willingness to do the work.
- “Motivation is a process where by needs instigate behavior directed towards the goals that can satisfy those needs” (Joe Kelly).
- “Motivation means a process of stimulating people to action to accomplish the desired goals” (W G Scot).
- “Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired results” (Michael J Jucius)



PROCESS OF MOTIVATION



CHARACTERISTICS OF MOTIVATION

1. Motivation is a psychological phenomenon - Motivation is an internal feeling which means it cannot be forced on employees. The internal feelings such as need, desire, aspirations etc. influence human behavior to behave in a particular manner. For example, desire to have a new house, respect and recognition etc.
2. Motivation produces goal directed behavior - Motivation induces people to behave in such a manner so that they can achieve their goal. Motivated person need no supervision or direction. For example of a person has a motive to get promotion so he will work efficiently to get promotion.
3. Motivators can be positive as well as negative - To motivate employees managers use various motivators. Some motivators are positive and some are negative few examples of positive motivators are promotion, increment, bonus, respect, recognition etc. if employee does not improve his performance with positive motivators then manager uses negative motivators such as warning, issue o memo, demotion, stopping increments etc. sometimes fear of negative motivators also induces person to behave in a desired manner.
4. Motivation is a complex process - Motivation is a complex and difficult task. In order to motivate people a manager must understand various types of human need. Human needs are mental feelings which can be measured accurately. If manager measures them accurately then also every person uses different approaches to satisfy his need. Some get satisfied with monetary incentives, some with non-monetary, some with positive and some with negative motivators. So it is not possible to make generalization in motivation.
5. Motivation is a dynamic and continuous process - Human beings are ever-changing. Human needs are unlimited and go on changing continuously. Satisfaction of one need gives rise to another so managers have to continuously perform the function of motivation.

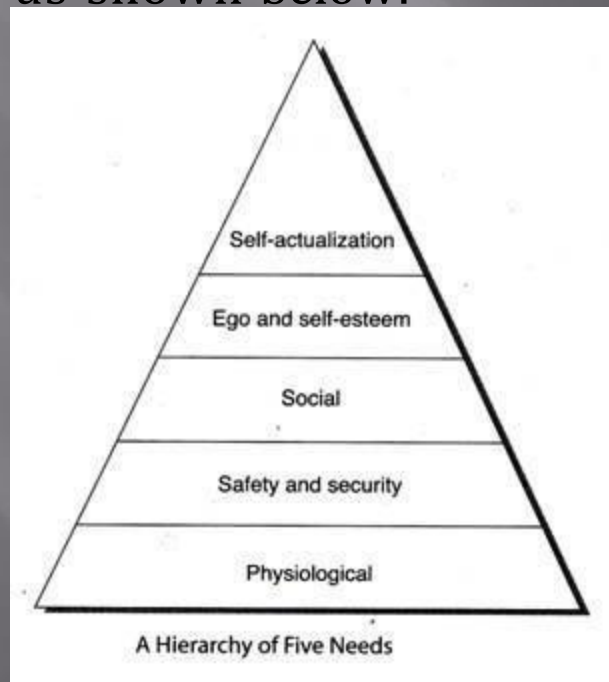
FACTORS AFFECTING MOTIVATION

1. Salary and other monetary incentives
2. Non-monetary incentives
3. Relationship with colleagues
4. Relationship with leadership
5. Company's culture/Corporate culture
6. Learning and development opportunities
7. Processes with in the company
8. Personal life
9. Performing meaningful work
10. Job Titles



MASLOW'S NEED HIERARCHY THEORY OF MOTIVATION

Abraham Maslow in his book. Motivation and Personality (1954) propounded that humans have a hierarchy of five needs, which begins with the basic need of physiological well-being and goes up to realization of one's potential. These needs are physiological, safety, social, esteem, and self-actualization, as shown below:



Maslow saw human needs in the form of a hierarchy ascending from the lowest to the highest and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator:

1. Physiological needs:

- a. These needs are the basic human needs of an individual for survival, such as food, cloth, shelter and sleep.
- b. These needs have the highest strength and intensity. Intensity of these needs keeps changing with time.
- c. However, they have to be repeatedly satisfied within relatively short time.

2. Safety and security needs:

- a. Personal security
- b. Financial security
- c. Health and well-being
- d. Safety net against accidents/illness



3. Social

needs:

- a. Friendship
- b. Intimacy
- c. Family

4. Ego and esteem needs:

- a. Promotion
- b. Status
- c. Appreciation

5. Self-actualization needs:

- a. This level of need pertains to what a person's full potential is and realizing that potential.
- b. This is a broad definition of the need for self-actualization, but when applied to individuals the need is specific. Very few people have such needs.



LIMITATIONS OF MASLOW'S THEORY

1. Needs are dynamic and keep changing with circumstances. The hierarchy of needs is not a rigid structure; an individual may want to fulfill the higher-level needs even before the lower-level needs are satisfied. For example, some cultures appear to place social needs before any others.
2. There is little evidence to suggest that people are motivated to satisfy only one need level at a time, except in situations where there is a conflict between needs.
3. The model of Maslow is based on oversimplification of human needs.
4. Finally, behaviour is not influenced by needs alone. Factors such as expectations, experiences and perceptions also have a great impact on behaviour.

HERZBERG THEORY

Herzberg's Motivation Theory model, or Two Factor Theory, argues that there are two factors that an organization can adjust to influence motivation in the workplace. These factors are:

- Motivators: Which can encourage employees to work harder. The presence of motivators causes employees to work harder. They are found within the actual job itself.
- Hygiene factors: These won't encourage employees to work harder but they will cause them to become unmotivated if they are not present. The absence of hygiene factors will cause employees to work less hard. Hygiene factors are not present in the actual job itself but surround the job.



Herzberg's Two Factor Theory



DOUGLAS THEORY

In the 1960s, social psychologist Douglas McGregor developed two contrasting theories that explained how managers' beliefs about what motivates their people can affect their management style. He labelled these Theory X and Theory Y. These theories continue to be important even today.

- Theory X managers tend to take a pessimistic view of their people, and assume that they are naturally unmotivated and dislike work. As a result, they think that team members need to be prompted, rewarded or punished constantly to make sure that they complete their tasks.
- Theory Y managers have an optimistic, positive opinion of their people, and they use a decentralized, participative management style. This encourages a more collaborative, trust-based relationship between managers and their team members.

