

**A LECTURE NOTE
ON
TH.1 ENTREPRENEURSHIP
AND MANAGEMENT &
SMART TECHNOLOGY
SEMESTER -5**



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NOTES ON ENTREPRENEURSHIP(HMT-601)

Concept of organization and enterprise management

What is Business? Meaning

Human beings are continuously engaged in some activity or another to satisfy their unlimited wants. Every day we come across the word 'business' or 'businessman' directly or indirectly. The business has become an essential part of the modern world. Business is an economic activity, which is related to continuous and regular production and distribution of goods and services for satisfying human wants.

All of us need food, clothing, and shelter. We also have many other household requirements to be satisfied in our daily lives. We met these requirements from the shopkeeper. The shopkeeper gets from wholesaler. The wholesaler gets from manufacturers. The shopkeeper, the wholesaler, the manufacturer are doing business and therefore they are called as Businessman.

Definition of Business

Lewis Henry defines business as, "Human activity directed towards producing or acquiring wealth through buying and selling of goods."

Features of Business

Characteristics or features of the business are discussed in the following points:-

1. Exchange of goods and services

All business activities are directly or indirectly concerned with the exchange of goods or services for money or money's worth.

2. Deals in numerous transactions

In business, the exchange of goods and services is a regular feature. A businessman regularly deals in several transactions and not just one or two transactions.

3. Profit is the main objective

The business is carried on with a motive to earn a profit. The profit is a reward for the services of a businessman.

4. Business skills for economic success

Anyone cannot run a business. To be a good businessman, one needs to have good business qualities and skills. A businessman needs experience and skill to run a business.

5. Risks and Uncertainties

Business is subject to risks and uncertainties. Some risks, such as risks of loss due to fire and theft can be insured. There are also uncertainties, such as loss due to change in demand or fall in price cannot be insured and must be borne by the businessman.

6. Buyer and Seller

Every business transaction has a minimum of two parties that is a buyer and a seller. Business is nothing but a contract or an agreement between buyer and seller.

7. Connected with production

The business activity may be connected with the production of goods or services. In this case, it is called as industrial activity. The [industry](#) may be primary or secondary.

8. Marketing and Distribution of goods

The business activity may be concerned with [marketing](#) or distribution of goods in which case it is called a commercial activity.

Forms of Business Organization

If you are considering entering into a business or are involved with an existing business, there are a number of different ways to structure your business. The most common types are sole proprietorships, partnerships, limited partnerships, limited liability partnerships and corporations. A brief description of each type and some of the advantages and disadvantages is noted below.

Sole Proprietorship

A sole proprietorship is the simplest form of business organization. The sole proprietor owns the assets of the business and is personally responsible for all debts and obligations of the business so personal assets can be seized to meet obligations and liabilities of the business. If the proprietor uses a business name other than his or her own name then registration of the name will be required with the Province. All income of a sole proprietorship is taxed at personal Income Tax rates. The advantage of a sole proprietorship is that it is simple and inexpensive to set up and operate. The disadvantage is that there is unlimited liability for the owner.

Partnership

Where two or more people combine their resources in a business, their relationship will probably be considered a partnership and it is wise to prepare a partnership agreement setting out the terms of the business. If partners do not enter into a formal partnership agreement, their relationship will be governed by the Partnership Act. A partnership agreement is important if there are only two partners because without an agreement, if one partner dies then the partnership automatically dissolves which may lead to adverse tax consequences. The advantages of a partnership are that it is simple and inexpensive to set up and operate and there are possible tax advantages. People often enter into a partnership until they determine how successful the business will be and then review whether they should incorporate. The disadvantages of a partnership include that each partner will be personally liable for the debts and obligations of the partnership, and will be bound by the acts of the other partners in connection with the business of the partnership.

Joint Venture

A joint venture is similar to a partnership but is generally limited to a single project. It involves two or more parties combining their expertise, services and other resources for a limited purpose and usually for a limited time. One advantage of a joint venture is the ability to designate, by

contract, differing levels of obligation and commitment between the parties and to separate business interests both during the joint venture project and after its completion. A joint venture has as its basis a contractual relationship between parties who intend to associate Forms of Business Organization themselves as joint venturers, with each contributing to a common undertaking for a share of profits or losses and each having some degree of management control over the venture. However, the parties must be careful not to agree to carry on business together or they may find that they have formed a partnership rather than a joint venture. The parties should contract in a manner that does not involve the parties being identified as a combined entity, where either party is permitted to act for or on behalf of the other. Much of the law of partnership is nonetheless applicable to joint ventures.

Limited Partnership

A limited partnership has one or more "general partners" and one or more "limited partners". General partners have similar rights and obligations to partners in a non-limited partnership. Limited partners are liable only for the amount equivalent to their contribution or promised contribution to the capital of the business, provided that they do not participate in the management of the business. A limited partnership often requires a disclosure document to be filed to meet the requirements of the Securities Act or the Real Estate Act, and always requires a limited partnership agreement signed by all parties. For this reason, limited partnerships are used primarily for larger projects. The advantage of a limited partnership is that it allows the limited partners to obtain the tax advantages that a partnership may provide, while limiting their personal liability. For general partners, who are often the initial principals in a project, it allows for investment without interference from the limited partners.

Limited Liability Partnership (LLP)

Limited liability partnerships have the same advantages as limited partnerships, with the added benefit that limited liability partners can take an active role in the business of the partnership without exposing themselves to personal liability for the acts of the other partners beyond the value of their investment in the partnership. However, they may still be liable for their own actions or for the obligations of the LLP in certain situations. To form an LLP, a registration statement must be filed with the Registrar. The partners will generally also enter into an extensive partnership agreement which governs their respective rights and obligations.

Corporation

A corporation is a separate legal entity. It can sue and be sued in its own name, hold property in its own name, and enter into contracts in its own name, including contracts with its shareholders. A corporation can be more expensive to set up and maintain than other forms of business organizations. It has several advantages including that it is a separate legal entity and therefore has the ability to do many of the things that a natural person can do. It also provides limited liability such that shareholders are generally only liable to lose the value of their shares and are not personally liable for the obligations of the corporation or the actions of the directors. Directors may be liable in certain situations. There are some tax advantages to being a corporation, such as the small business deduction and there may be some tax disadvantages, such as if the corporation incurs losses. Should you decide to incorporate, you must determine the appropriate jurisdiction of incorporation. A company may be incorporated federally or in any province in Canada. A provincially incorporated company can carry on business in the province of incorporation. It must register extra-provincially to carry on business in a province other than the province of incorporation.

Concept of Entrepreneurship

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses. In economics, entrepreneurship connected with land, labour, natural resources and capital can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace.

Meaning of Entrepreneur

The entrepreneur is defined as someone who has the ability and desire to establish, administer, and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovator, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur make is with a combination of land, natural resources, labour and capital.

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risk entitled can become an Entrepreneur.

What are the 4 Types of Entrepreneurship?

It is classified into the following types:

Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or from friends and family.

Scalable Startup Entrepreneurship-

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models so, hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

Large Company Entrepreneurship-

These huge companies have defined lifecycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., build pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope up with the rapid technological changes, the existing organisation either buy innovation enterprises or attempt to construct the product internally.

Social Entrepreneurship-

This type of entrepreneurship focuses on producing product and services that resolve the social needs and problems. Their only motto and goal are to work for society and not make any profits.

Characteristics of Entrepreneurship:

Not all entrepreneurs are successful, there are definite characteristics that make entrepreneurship successful. Few of them are mentioned below:

- **Ability to take a risk-** Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company, and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but more efficient and economical way.
- **Visionary and Leadership quality-** To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality a lot of resources and employees are required. Here, leadership quality is paramount because a leader imparts and guides their employees towards the right path of success.
- **Open-Minded-** In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognised the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilised the situation and expanded massively during this time.
- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service as and when needed.
- **Know your Product-** A company owner should be the product offerings, and also the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or it is time to tweak it a little. Being able to point on yourself and then alter as needed is a vital part of entrepreneurship.

Micro, Small and Medium Enterprises (MSME)

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 defines the sizes of the micro, small and medium enterprises in India, in Section 7 of the Act. As per the Act, the enterprises which produce or manufacture goods concerned with any industry that is specified in the First Schedule of the Industries (Development and Regulation) Act, 1951 can be defined as:

1. A micro enterprise if the investment in plant & machinery is under Rs.25 lakhs
2. A small enterprise if the machinery and plant investment is between Rs.25 lakhs and Rs. 5 crores
3. A medium enterprise if the said investment is between Rs.5 crores and Rs.10 crores.

The chief responsibility in promoting this industry lies with the state government. This sector employs about 60 million people in the country.

Objectives of District Industries Centre (DIC):

The important objectives of DICs are as follow :

- i. Accelerate the overall efforts for industrialisation of the district.
- ii. Rural industrialisation and development of rural industries and handicrafts.
- iii. Attainment of economic equality in various regions of the district.
- iv. Providing the benefit of the government schemes to the new entrepreneurs.
- v. Centralisation of procedures required to start a new industrial unit and minimisation- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

Functions of District Industries Centre (DIC):

- i. Acts as the focal point of the industrialisation of the district.
- ii. Prepares the industrial profile of the district with respect to :
- iii. Statistics and information about existing industrial units in the district in the large, Medium, small as well as co-operative sectors.
- iv. Opportunity guidance to entrepreneurs.
- v. Compilation of information about local sources of raw materials and their availability.
- vi. Manpower assessment with respect to skilled, semi-skilled workers.
- vii. Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
- viii. Organises entrepreneurship development training programs.
- ix. Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- x. Gives SSI registration.
- xi. Prepares techno-economic feasibility report.
- xii. Advices the entrepreneurs on investments.
- xiii. Acts as a link between the entrepreneurs and the lead bank of the district.
- xiv. Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.
- xv. Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, No Objection Certificates etc.
- xvi. Assist the entrepreneur to procure imported machinery and raw materials.
- xvii. Organises marketing outlets in liaison with other government agencies.

Financial accounting and cost control

What is double entry bookkeeping and how does it work in the general ledger?

[Double entry](#) bookkeeping is the concept that every accounting transaction has two affects on a company's finances. The [general ledger](#) is the record of the two sides of each transaction. If a company sells a product, its revenue increases and its cash increases by an equal amount. When a company borrows funds from a creditor, the cash balance increases, but the balance of the company's debt increases by the same amount.

The double entry system creates a balance sheet made up of [assets](#), liabilities and [equity](#). The sheet is [balanced](#) because a company's assets will always equal its liabilities plus equity. Assets include all of the items that a company owns, such as inventory, cash, machinery, buildings and even intangible items such as patents. Liabilities represent everything the company owes to someone else, such as short-term accounts payable owned to suppliers or long-term notes payable owed to a bank. Equity represents the owners' stake in the company. Equity may include any contributions the owners have made to the company, plus the company's profits or minus the company's losses.

Each entry has a "debit" side and a "credit" side, recorded in the general ledger. Asset accounts increase when debited and decrease when credited. Conversely, liabilities and equity increase when credited and decrease when debited. If an asset increases with a debit, then the credit side of the entry will either affect another asset by decreasing it, or affect a liability or equity account, increasing it, in order to keep the assets = liabilities + equity equation in balance.

For example, if Lucie opens a new grocery store, she may start the business by contributing some of her own savings of \$100,000 to the company. The first entry to the general ledger would be a debit to Cash, increasing the assets of the company, and a credit to Equity, increasing Lucie's ownership stake in the company. If Lucie purchases some shelving units for \$5,000 on the company credit card, the next entry to the general ledger would be a debit to Equipment for \$5,000, increasing the assets of the company, and a credit to Credit Card Due for \$5,000, increasing the liabilities of the company.

A sub-ledger may be kept for each individual account, which will only represent one half of the entry. The general ledger, however, has the record for both halves of the entry. When Lucie purchases the shelving, the Equipment sub-ledger would only show half of the entry, which is the debit to Equipment for \$5,000. The Credit Card Due sub-ledger would include a record of the other half of the entry, a credit for \$5,000. The general ledger would have two lines added to it, showing both the debit and credit for \$5,000 each.

According to the Wall Street Journal, early use of the double entry system was documented by Luca Pacioli in the 15th century. [Accountants in the 1400s](#) used pen and paper for their record keeping, painstakingly keeping track of each double entry. Accountants today do not typically use a physical general ledger book; however, modern accounting software uses the same underlying concept of posting two entries to the general ledger for every transaction.

Accounts, Journals, Ledgers, and Trial Balance

A business may engage in thousands of transactions during a year. Can you imagine preparing a transaction analysis, like we did in the previous unit, for all of those transactions? It would take a lot of time and the spreadsheet would be large! There has to be a better way to classify and

summarize the data in these transactions to create useful information. We will learn the first part of the accounting cycle:

An **account** is a part of the accounting system used to classify and summarize the increases, decreases, and balances of each asset, liability, stockholders' equity item, dividend, revenue, and expense. Firms set up accounts for each different business element, such as cash, accounts receivable, and accounts payable. Every business has a Cash account in its accounting system because knowledge of the amount of cash on hand is useful information.

Accountants may differ on the account title (or name) they give the same item. For example, one accountant might name an account Notes Payable and another might call it Loans Payable. Both account titles refer to the amounts borrowed by the company. The account title should be logical to help the accountant group similar transactions into the same account. Once you give an account a title, you must use that same title throughout the accounting records.

A **journal** is a chronological (arranged in order of time) record of business transactions. A **journal entry** is the recording of a business transaction in the journal. A journal entry shows all the effects of a business transaction as expressed in debit(s) and credit(s) and may include an explanation of the transaction. A transaction is entered in a journal before it is entered in ledger accounts. Because each transaction is initially recorded in a journal rather than directly in the ledger, a journal is called a book of original entry.

A **ledger** (general ledger) is the complete collection of all the accounts and transactions of a company. The ledger may be in loose-leaf form, in a bound volume, or in computer memory. The **chart of accounts** is a listing of the titles and numbers of all the accounts in the ledger. The chart of accounts can be compared to a table of contents. The groups of accounts usually appear in this order: assets, liabilities, equity, dividends, revenues, and expenses. Think of the chart of accounts as a table of contents of a textbook. It provides direction as to what exactly will be found in the financial statement preparation.

Individual accounts are in order within the ledger. Each account typically has an identification number and a title to help locate accounts when recording data. For example, a company might number asset accounts, 100-199; liability accounts, 200-299; equity accounts, 300-399; revenue accounts, 400-499; and expense accounts, 500-599. We use this numbering system in this text. The uniform chart of accounts used in the first 11 chapters appears in a separate file at the end of the text. You should print that file and keep it handy for working certain problems and exercises. Companies may use other numbering systems. For instance, sometimes a company numbers its accounts in sequence starting with 1, 2, and so on. The important idea is that companies use some numbering system.

A **trial balance** is a listing of all accounts (in this order: asset, liability, equity, revenue, expense) with the ending account balance. It is called a trial balance because the information on the form must balance. We will illustrate this later in the chapter.

Steps in recording business transactions

Source documents, such as bills received from suppliers for goods or services received, bills sent to customers for goods sold or services performed, and cash register tapes provide the evidence that a business transaction occurred. After recognizing a business event as a business transaction, we analyze it to determine its increase or decrease effects on the assets, liabilities, equity, dividends, revenues, or expenses of the business. Then we translate these increase or decrease effects into debits and credits.

The information in the source document serves as the basis for preparing a journal entry. Then a firm posts (transfers) that information to accounts in the ledger.

Financial Management - Meaning, Objectives and Functions

Meaning of Financial Management

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

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.

Functions of Financial Management

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

2. **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.
3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
 - a. Issue of shares and debentures
 - b. Loans to be taken from banks and financial institutions
 - c. Public deposits to be drawn like in form of bonds.

Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
 - a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.
 - b. Retained profits - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.
6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintainance of enough stock, purchase of raw materials, etc.
7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

Difference between working capital and fixed capital

Every big or small entity essentially requires funds to run its business smoothly and continuously. Funds are needed at all stages of the business right from formation of the entity to running its day to day operations to its expansion and growth plans. This funding raised and utilized by a business is referred to as 'capital'.

This article looks at meaning of and differences between the two different forms of capital – working capital and fixed capital.

Definitions and meanings

Working capital

Working capital is the funds utilized for running the day to day operations of the business.

Example – In the case of a manufacturing [company](#), funds are needed for purchasing raw materials, payment of wages and for other production utilities. Funds are also needed for utility

expenses such as rent, electricity and multiple other day to day running expenses. The funds utilized for all these expenses qualifies as working capital.

Working capital is calculated by applying the following formula-

Working capital = Current assets minus current liabilities

A good working capital ratio is in the range of 1 to 2 which can indicate that the entity has sufficient funds to meet its operational obligations. A ratio lower than 1 is not considered optimum as it indicates that the company has to resort to external funding to run its operations. On the other hand, an excessively high ratio, above 2 is also not optimum as it may indicate that the entity has excess idle funds or that it has too much funds locked in inventory.

Working capital is thus an indication of an entity's operating liquidity as well as its short term financial condition.

Fixed capital

Fixed capital is the funds utilized to acquire assets which are applied in the business over a longer time period. These are generally non-current fixed assets which serve as resources for generating long term revenue for the entity.

Fixed capital is required at the time of commencing business operations as well as at the time of any expansion, growth or revamping of the business.

Example – Fixed capital is generally used to acquire tangible fixed assets such as plant and machinery, furniture etc as well as intangible assets such as trademarks, patents etc.

The amounts involved in fixed capital funding are generally high. Fixed capital is thus typically sourced through external sources such as debt or equity.

Several analytical ratios related to fixed capital are calculated and analysed by management from time to time. One such ratio is the fixed capital turnover ratio which indicates the ability of the business to generate sales through its investment in fixed assets.

Difference between working capital and fixed capital

The difference between working capital and fixed capital has been detailed below:

1. Meaning

- Working capital is that part of funds of an entity used for operational expenses of the business.
- Fixed capital is that part of the funds applied to purchase long term assets which are used in the business over a long run.

2. Utilized for

- Working capital is utilized for payments related to day to day operations such as raw materials, wages, rent and other utilities.
- Fixed capital is utilized for purchasing various fixed assets such as plant and machinery, equipment, furniture, vehicles etc.

3. Time period over which it is utilized

- Working capital is utilized for short term requirements – consumables which are generally utilized within the same [accounting](#) period.
- Fixed capital is utilized for long term requirements – durables which are utilized across several years and hence across different accounting periods.

4. Frequency of requirement

- Working capital is required frequently as it is used for day to day operations.
- Fixed capital is required less frequently as it is needed at the time of commencement of business and at the time of any subsequent growth or expansion.

5. Source of funds

- Entities prefer to generate working capital through internal sources i.e.: funds generated through its operations. External sources are resorted to where funds generated through operations are not sufficient.
- Fixed capital is higher in value and is generally raised through external sources such as raising loans or equity.

6. Ability of conversion

- Working capital consists of current assets which are more liquid and can be converted into cash more easily.
- Fixed capital consists of non-current assets which are relatively illiquid and tougher to convert into cash.

7. Purpose

- Working capital serves operational purpose.
- Fixed capital serves strategic purpose.

Production Management : it's Meaning, Definition, Function

Meaning of Production Management:

Production Management refers to the application of management principles to the production function in a factory. In other words, production management involves application of planning, organizing, directing and controlling the production process.

Definition of Production Management:

It is observed that one cannot demarcate the beginning and end points of Production Management in an establishment. The reason is that it is interrelated with many other functional areas of business, viz., marketing, finance, industrial relation policies etc.

Alternately, Production Management is not independent of marketing, financial and personnel management due to which it is very difficult to formulate some single appropriate definition of Production Management.

Production Planning and Control

Introduction

For efficient, effective and economical operation in a manufacturing unit of an organization, it is essential to integrate the production planning and control system. Production planning and subsequent production control follow adaption of product design and finalization of a production process.

Production planning and control address a fundamental problem of low productivity, inventory management and resource utilization.

Production planning is required for scheduling, dispatch, inspection, quality management, inventory management, supply management and equipment management. Production control ensures that production team can achieve required production target, optimum utilization of resources, quality management and cost savings.

Planning and control are an essential ingredient for success of an operation unit. The benefits of production planning and control are as follows:

- It ensures that optimum utilization of production capacity is achieved, by proper scheduling of the machine items which reduces the idle time as well as over use.
- It ensures that inventory level are maintained at optimum levels at all time, i.e. there is no over-stocking or under-stocking.
- It also ensures that production time is kept at optimum level and thereby increasing the turnover time.
- Since it overlooks all aspects of production, quality of final product is always maintained.

Production Planning

Production planning is one part of production planning and control dealing with basic concepts of what to produce, when to produce, how much to produce, etc. It involves taking a long-term view at overall production planning. Therefore, objectives of production planning are as follows:

- To ensure right quantity and quality of raw material, equipment, etc. are available during times of production.
- To ensure capacity utilization is in tune with forecast demand at all the time.

A well thought production planning ensures that overall production process is streamlined providing following benefits:

- Organization can deliver a product in a timely and regular manner.
- Supplier are informed will in advance for the requirement of raw materials.
- It reduces investment in inventory.
- It reduces overall production cost by driving in efficiency.

Production planning takes care of two basic strategies' product planning and process planning. Production planning is done at three different time dependent levels i.e. long-range planning dealing with facility planning, capital investment, location planning, etc.; medium-range

planning deals with demand forecast and capacity planning and lastly short term planning dealing with day to day operations.

Production Control

Production control looks to utilize different type of control techniques to achieve optimum performance out of the production system as to achieve overall production planning targets. Therefore, objectives of production control are as follows:

- Regulate inventory management
- Organize the production schedules
- Optimum utilization of resources and production process

The advantages of robust production control are as follows:

- Ensure a smooth flow of all production processes
- Ensure production cost savings thereby improving the bottom line
- Control wastage of resources
- It maintains standard of quality through the production life cycle.

Production control cannot be same across all the organization. Production control is dependent upon the following factors:

- Nature of production(job oriented, service oriented, etc.)
- Nature of operation
- Size of operation

SALES AND MARKETING MANAGEMENT

The Importance of Marketing Management in Business

Marketing management has obtained importance to meet thriving competition and the need for developed strategies of distribution to reduce cost and to increase profits. Marketing is very beneficial for the transfer, exchange, and movement of goods. Marketing management today is the most important function in a commercial and business enterprise. The following factors will help you to understand why marketing management is important in this competitive world:

Introduce new products

For a business to succeed, the product or service it provides must be known to potential buyers. If your business is unknown to the potential customers and you don't have any kind of relation with your customers then marketing techniques can help you to create brand awareness for your service or product.

In simpler terms, Marketing Management is important for any business, because:

- Understand the customer needs
- Improving the product and/or service to satisfy customer needs
- Expand the technique to reach potential customers

- Provide the right tools at the right time
- Saves company time and money by focusing the resources

Boost your Sale

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing concept is about matching a company’s capabilities with customer wants. Once your product, service or company gets on the place that you expected, it increases your chances that consumers will make a sale. And more important is that marketing strategies also help to reduce the cost of sales and distribution.

Increase Company Reputation

The major marketing activities are buying, selling, financing, transport, warehousing, risk bearing, and build company reputation. The success of a company often rests on a solid reputation. The company’s image is very important! It is the soul of the business. And only marketing strategies can help any company to build a strong reputation by identifying the best opportunities worth pursuing as well as the threats to be avoided.

Source of New Ideas

The concept of marketing is a dynamic concept. Marketing differentiates a company from competition by recognizing the distinctive benefits and the supporting elements. Marketing also nourishes an environment in the marketplace for healthy completion. Marketing as a document of measurement gives scope for understanding this new demand pattern and improves the effectiveness of the Marketing message to customers and partners.

What is branding, packaging, and labelling in marketing?

Introduction

There are millions of products and services all over the world, each claims to be the best among their category. But, every product is not equally popular. Consumer doesn't remember every product, only few products are remembered by their name, logo, or slogan. Such products generate desired emotions in the mind of consumer. It is branding that makes product popular and known in the market; branding is not an activity that can be done overnight, it might takes months and even years to create a loyal and reputed brand.

Branding gives personality to a product; packaging and labelling put a face on the product. Effective packaging and labelling work as selling tools that help marketer sell the product.

Today in this post we'll learn - meaning of branding, types of brand, strategies of branding, meaning of packaging and labelling, and importance of packaging and labelling.

Definition of Branding

According to **American Marketing Association** - **Brand** is “*A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other*

sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.”

According to **Philip Kotler** - *“Brand is a name, term, sign, symbol, design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors”*

Branding is *“a seller’s promise to deliver a specific set of features, benefits and services consistent to the buyers.”*

Meaning of Branding

Branding is a process of creating a unique name and image for a product in the mind of consumer, mainly through advertising campaigns. A brand is a name, term, symbol, design or combination of these elements, used to identify a product, a family of products, or all products of an organisation.

Branding is an important component of product planning process and an important and powerful tool for marketing and selling products.

Elements of Branding

Brand includes various elements like - brand names, trade names, brand marks, trade marks, and trade characters. The combination of these elements form a firm's corporate symbol or name.

- **Brand Name** - It is also called Product Brand. It can be a word, a group of words, letters, or numbers to represent a product or service. For example - Pepsi, iPhone 5, and etc.
- **Trade Name** - It is also called Corporate Brand. It identifies and promotes a company or a division of a particular corporation. For example - Dell, Nike, Google, and etc.
- **Brand Mark** - It is a unique symbol, colouring, lettering, or other design element. It is visually recognisable, not necessary to be pronounced. For example - Apple's apple, or Coca-cola's cursive typeface.
- **Trade Mark** - It is a word, name, symbol, or combination of these elements. Trade mark is legally protected by government. For example - NBC colourful peacock, or McDonald's golden arches. No other organisation can use these symbols.
- **Trade Characters** - Animal, people, animated characters, objects, and the like that are used to advertise a product or service, that come to be associated with that product or service. For example - Keebler Elves for Keebler cookies

Branding Strategies

There are various branding strategies on which marketing organisations rely to meet sales and marketing objectives. Some of these strategies are as following :-

- **Brand Extension** - According to this strategy, an existing brand name is used to promote a new or an improved product in an organisation's product line. Marketing organisations

uses this strategy to minimise the cost of launching a new product and the risk of failure of new product. There is risk of brand diluting if a product line is over extended.

- **Brand Licensing** - According to this strategy, some organisations allow other organisations to use their brand name, trade name, or trade character. Such authorisation is a legal licensing agreement for which the licensing organisation receives royalty in return for the authorisation. Organisations follow this strategy to increase revenue sources, enhance organisation image, and sell more of their core products.
- **Mixed Branding** - This strategy is used by some manufacturers and retailers to sell products. A manufacturer of a national brand can make a product for sale under another company's brand. Like this a business can maintain brand loyalty through its national brand and increase its product mix through private brands. It can increase its profits by selling private brands without affecting the reputation and sales of its national brand.
- **Co-Branding** - According to this strategy one or more brands are combined in the manufacture of a product or in the delivery of a service to capitalise on other companies' products and services to reach new customers and increase sales for both companies' brands.

Packaging

As we know first impressions go a very long way in how people perceive anything. This is the same idea that companies implement via their [packaging](#). The outer appearance of the product (the package) is the first thing a potential customer will see, and so it can be a great marketing tool for the [product](#).

In fact, the package of a product serves multiple practical purposes as well. Let us take a look at some of the uses and functions that it serves.

- *Protection*: The first and the most obvious use of packaging is protection. It physically protects the goods from damage that may be caused due to environmental factors. It is the protection against breaking, moisture, dust, temperature changes etc.
- *Information Transmission*: Packaging and labelling are essential tools to inform the customer about the product. They relay important information about directions for use, storage instructions, ingredients, warnings, helpline information and any [government](#) required warnings.
- *Convenience*: Goods have to be transported, distributed, stored and warehoused during their journey from production to [consumption](#). Packaging will make the process of handling goods more convenient for all parties involved.
- *Security*: To ensure that there is no tampering with the goods packaging is crucial. The package of a product will secure the goods from any foreign elements or alterations. High-quality packages will reduce the risk of any pilferage.

Packaging as a Marketing Tool

Effective packaging can actually help a company attract consumers to their product. It can be the tool that sets apart their product in a vast sea of options that the [consumer](#) has at their disposal. A good packaging can actually add to the perceived value of a product.

There are some effective techniques one can use to ensure that your product package is a great marketing tool for your product. Let us take a look at some elements that you can incorporate into a package to make it more effective.

Labelling

How do you recognize certain brands and products? It is due to their specific labelling, their logo, and design. The distinct label of a product is one of its most identifiable features. Let us learn about its importance. Labelling is the display of label in a product. A label contains information about a product on its container, packaging, or the product itself. It also has warnings in it. For e.g. in some products, it is written that the products contain traces of nuts and shouldn't be consumed by a person who's allergic to nuts. The type and extent of information that must be imparted by a label are governed by the relevant safety and shipping laws.

Labeling is also an important part of the brand of the product and the company. It helps the product stand out in the market, and identifies it as a part of a particular brand. This is important in the era of high and intense competition.

Importance of Human Resource Management

An organisation cannot build a good team of working professionals without good Human Resources. The key functions of the Human Resources Management (HRM) team include recruiting people, training them, performance appraisals, motivating employees as well as workplace communication, workplace safety, and much more. The beneficial effects of these functions are discussed here:

Recruitment and Training

This is one of the major responsibilities of the human resource team. The HR managers come up with plans and strategies for hiring the right kind of people. They design the criteria which is best suited for a specific job description. Their other tasks related to recruitment include formulating the obligations of an employee and the scope of tasks assigned to him or her. Based on these two factors, the contract of an employee with the company is prepared. When needed, they also provide training to the employees according to the requirements of the organisation. Thus, the staff members get the opportunity to sharpen their existing skills or develop specialised skills which in turn, will help them to take up some new roles.

Performance Appraisals

HRM encourages the people working in an organisation, to work according to their potential and gives them suggestions that can help them to bring about improvement in it. The team communicates with the staff individually from time to time and provides all the necessary information regarding their performances and also defines their respective roles. This is beneficial as it enables them to form an outline of their anticipated goals in much clearer terms and thereby, helps them execute the goals with best possible efforts. Performance appraisals, when taken on a regular basis, motivate the employees.

Maintaining Work Atmosphere

This is a vital aspect of HRM because the performance of an individual in an organisation is largely driven by the work atmosphere or work culture that prevails at the workplace. A good working condition is one of the benefits that the employees can expect from an efficient human resource team. A safe, clean and healthy environment can bring out the best in an employee. A friendly atmosphere gives the staff members job satisfaction as well.

Managing Disputes

In an organisation, there are several issues on which disputes may arise between the employees and the employers. You can say conflicts are almost inevitable. In such a scenario, it is the human resource department which acts as a consultant and mediator to sort out those issues in an effective manner. They first hear the grievances of the employees. Then they come up with suitable solutions to sort them out. In other words, they take timely action and prevent things from going out of hands.

Developing Public Relations

The responsibility of establishing good public relations lies with the HRM to a great extent. They organise business meetings, seminars and various official gatherings on behalf of the company in order to build up relationships with other business sectors. Sometimes, the HR department plays an active role in preparing the business and marketing plans for the organisation too.

Any organisation, without a proper setup for HRM is bound to suffer from serious problems while managing its regular activities. For this reason, today, companies must put a lot of effort and energy into setting up a strong and effective HRM.

Industrial Sickness : Meaning, Causes and Remedies

Meaning:

One of the adverse trends observable in the corporate private sector of India is the growing incidence of sickness. It is causing considerable concern to planners and policymakers. It is also putting a severe strain on the economic system, particularly on the banks.

There are various criteria of sickness. According to the criteria accepted by the Reserve Bank of India **“a sick unit is one which has reported cash loss for the year of its operation and in the judgment of the financing bank is likely to incur cash loss for the current year as also in the following year.”**

A major symptom of sickness is a steady fall in debt-equity ratio and an imbalance in the financial position of the unit. Simply put, a sick unit is one which is unable to support itself through the operation of internal resources (that is, earnings plough-back). As a general rule, the sick units continue to operate below the break-even point (at which total revenue = total cost) and are, thus, forced to depend on external sources for funds of their long-term survival.

Industrial sickness creates various socio-economic problems. When an industrial unit falls sick those who depend on it have to face an uncertain future. They fear loss of jobs. Even if they do not lose jobs they do not get their wages and compensation in time and are, thus, forced to live in extreme hardship.

Of course, sickness is not a special problem of India. It is, undoubtedly, a global phenomenon. Even in industrially advanced countries there are numerous cases of bankruptcy or liquidation. These sick units are nursed back to health through mergers, amalgamations, takeovers, purchase of assets, or outright nationalisation. When the problem becomes really alarming or unmanageable, the unit is permitted to die its natural death.

Causes:

Industrial sickness has become a major problem of the India's corporate private sector. Of late, it has assumed serious proportions. A close look reveals that there are, at least, five major causes of industrial sickness, viz., promotional, managerial, technical, financial and political.

An industrial unit may become sick at its nascent stage or after working for quite some time. For instance, two major traditional industries of India, viz., cotton textiles and sugar, have fallen sick largely due to short-sighted financial and depreciation policies. Heavy capital cost escalation arising out of price inflation accentuates the problem. The historical method of cost depreciation is highly inadequate when assets are to be replaced at current cost during inflation.

Moreover, since the depreciation funds are often used to meet working capital needs, it does not become readily available for replacement of worn-out plant and equipment. The end result is that the industrial unit is constrained to operate with old and obsolete equipment, its profitability is eroded and, sooner or later, the unit is driven out of the market by the forces of competition.

External vs. Internal Causes:

The factors leading to sickness can be due to reasons of finance, technical issues, mismanagement, non-availability of raw materials, power or natural calamities or disasters such, as fire or earthquake or a combination of such factors.

The causes of industrial sickness may be divided into two broad categories:

- (i) external and
- (ii) internal.

External causes are those which are beyond the control of its management and seen to be relatively more important than internal causes.

The causes which have been identified so far include:

- (a) Delay in land acquisition and building construction
- (b) Delay in obtaining financial assistance from public financial institutions
- (c) Delayed supply of machinery by the manufacturers
- (d) Problems related to recruitment of technical and managerial staff
- (e) Delay on the part of the Government in sanctioning licences, permits, etc.
- (f) Shortages of basic inputs like power and coal. Other causes include
- (g) Cost over-runs due to factors beyond the control of management
- (h) Lack of demand for products or shift of demand to products of rival firms due to delays in project implementation

- (i) Unsatisfactory performance by collaborators—financial and technical
- (j) Large changes in the scale of operation and optimum product mix in the long run and, last but not the least
- (k) Changes in the policy of the Government relating to movement of goods from one place to another within the country

The primary cause seems to be:

- (i) “Lack of experience of the promoters in a specific line of activity”.

The other causes are:

- (ii) Differences among various persons associated with the promotion and management of the enterprise
- (iii) Mechanical defects and breakdown
- (iv) Inability to purchase raw materials at an economic price and at the right time
- (v) Failure to make controls effective in time, in case of deficiencies in workings
- (vi) Deteriorating labour-management relations and the consequent fall in capacity utilisation
- (vii) Faulty financial planning and lack of balance in the financial (capital) structure.

It is often observed that many projects are started without proper feasibility study. Hardly any long-term view of the future is taken. Instead, a project is sought to be managed on the basis of myopic vision, inadequate analysis and improper approach. Often industrial projects are started on an ad hoc basis without gathering much information about the expertise and competence needed for the purpose.

Moreover, once the construction work is started on the basis of a project report, there is no periodic assessment (or review) of the economic viability of the project. Often major changes in the political and economic environment (such as change in the party in power or change in Government) make the basic assumptions underlying the project unrealistic or inappropriate. Yet the project is made to remain operational without considering the after-effects.

So, there are various reasons that make industries sick. The prime among this is market-related. Market obsolescence is one of the prime reasons for units turning sick. A striking example is that of the jute industry, where “the non-availability of raw materials and constant power shortages have made many units sick. And bankers are not normally very responsive in helping a company that has gone sick.

Incidence:

In Dec. 1980 the total number of sick units was 24,550, involving outstanding bank credit of Rs. 1,809 crores. As at the end of March 2000, the total number of sick units stood at 307,399 involving an outstanding bank credit of about Rs. 23,656 crores. Of these 14,793 were potentially viable, 278,423 were non-viable and the viability of the remaining 14,183 has not been decided.

Three major industries affected by industrial sickness are jute, engineering goods and textiles. Some of the industries such as the real estate, light consumer goods, automobile, diamonds and many others are reeling under the impact of steep fall in demand, inadequate supply of finance,

large proportion of non-performing assets and constraints of finance due to huge amounts of funds getting blocked in ageing receivables

Government Policy:

A number of measures have been taken to tackle the problem of industrial sickness. The importance of detection of sickness at the incipient stage has been emphasised by the RBI. The policy framework in respect of measures to deal with the problem of industrial sickness has been laid down in the guidelines issued on October 1981 (which were subsequently modified in February 1982) for guidance of administrative ministries of the Central Government, State Governments and financial institutions.

The salient features of these guidelines are the following:

(a) The administrative ministries in the Government will have specific responsibility for prevention and remedial action in relation to sickness in industrial sector within their respective charges. They will have a central role in monitoring sickness and coordinating action for revival and rehabilitation of sick units. In suitable cases, they will also establish standing committees for major industrial sectors where sickness is widespread;

(b) The financial institutions will strengthen the monitoring system so that it is possible to take timely corrective action to prevent incipient sickness. They will obtain periodical returns from the assisted units and from the Directors nominated by them on the Boards of such units. These will be analysed by the Industrial Development Bank of India and results of such analyses conveyed to the financial institutions concerned and the Government.

(c) The financial institutions and banks will initiate necessary corrective action for sick or incipient sick unit based on a diagnostic study. In case of growing sickness, the financial institutions will also consider taking of management responsibility where they are confident of restoring a unit to health. The Ministry of Finance will have to issue suitable guidelines for management;

(d) Where the banks and financial institutions are unable to prevent sickness or ensure revival of a sick unit, they will deal with their outstanding dues to the unit in accordance with the normal banking procedures. However, before doing so, they will report the matter to the Government which will decide whether the unit should be nationalised or whether any other alternative—including workers' participation in management— can revive the undertaking.

(e) Where it is decided to nationalise the undertaking, its management may be taken over under the provisions of the Industries (Development and Regulation) Act, 1951, for a period of six months to enable the Government to take necessary steps for nationalisation.

(f) Finally the industrial undertakings presently being managed under the provisions of the Industries (Development and Regulation) Act, 1951, will also be dealt with in accordance with the above principles.

Concessions:

The Government has also provided certain concessions to assist revival of sick units without direct intervention. For example, the Government has amended the Income-tax Act in 1977 by addition of Section 72A by which tax benefit can be given to healthy units when they take over the sick units by amalgamation, with a view to reviving them.

The tax benefit is in the form of carry forward of the accumulated business losses and unprovided depreciation of the sick companies by the healthy companies after amalgamation. A scheme for provisions of margin money to sick units in the small-scale sector at soft terms to enable them to obtain necessary funds from banks and financial institutions to implement their revival scheme has been introduced from January 1, 1982.

Moreover, financial assistance in the form of long-term equity up to Rs. 15 lakh to units with a project cost not exceeding Rs. 10 lakhs at a nominal service charge of 1% is available to potentially viable sick SSI from the National Equity Fund.

Establishment of BIFR:

The Central Government has set up a Board for Industrial and Financial Re-construction (BIFR) with effect from 12 January 1987 in pursuance of enactment of the Sick Industrial Companies (Special Provision) Act, 1985. This is a major step for intervening at an early stage and detecting, preventing, as well as taking ameliorative, remedial and such other measures which to be taken with respect to sick and potentially viable companies.

The role of the Board for Industrial and Financial Reconstruction (BIFR) needs a re-look in the face of a steep rise in the number of industries turning sick. BIFR was constituted to facilitate the revival of industries deemed sick. When an industry turns sick, BIFR acts as an operating agency (generally the lead financial institution having the largest loan exposure among the creditors) to devise a revival strategy proposal.

Progress in the right disposal of sick company cases registered with BIFR has been slow on account of the conflicting interests between the companies and the creditors (banks and financial institutions, government bodies/agencies) and certain lacunae in the SIC A Act. The rehabilitation schemes met with 40-45% failure, as a result of which many of the cases had to be reopened.

The rate of registration/sickness increased substantially during 1997-98 due to (a) the recessionary trends prevalent in industry, (b) poor financial market conditions, and (c) the tough stance taken by banks/financial institutions (FIs) towards defaulters/potentially sick companies under their non-performing assets (NPA) accounts for rescheduling of repayments, etc.

The problem appears even more acute if we take note of potentially sick BIFR companies, as also the NPAs of FIs and banks. In fact, the NPAs of banks and others have continued to rise.

Upto 1997-98 the outstanding bank credit against sick companies has reached an abnormal' proportion of over Rs. 23,658 crores, in March' 2000. Over 15 lakh workers have been affected by companies turning sick.

IRBI (IIBI):

The Industrial Reconstruction Bank of India (IRBI) set up in 1985 has initiated various steps for checking the growth of industrial sickness and helping in industrial revival. From April 1997 the name of IRBI has been changed to Industrial Investment Bank of India (IIBI). By March 2000, cumulative financial assistance sanctioned and disbursed by it stood at Rs. 10.090 crores and Rs. 7,353 crores, respectively.

A significant measure taken during 1986 was the setting up of Small Industries Development Fund (SIDF) in the IDBI. This is meant to provide special financial assistance to the small-scale

sector. The Fund would be used for providing refinancing assistance not only for development, expansion and modernisation, but also for the rehabilitation of the small-scale sick industries.

Modernisation Fund:

The Government has set up two funds, namely the Textile Modernisation Fund and the Jute Modernisation Fund, for modernisation of the textiles and jute sector. Under these two funds, assistance is provided not only to the healthy units for modernisation at 11.5% rate of interest; but also to sick but potentially viable units. Special loans are given to the weak units for meeting a part of the promoters' contribution.

Goswami Committee Report:

The Committee on Industrial Sickness and Corporate Restructuring under chairpersonship of Dr. Omkar Goswami submitted its report in July 1993.

The main recommendations of the Committee with respect to sick companies are:

- (a) For early detection of sickness the definition of sickness should be changed to:-
 - (i) Default of 180 days or more on repayment to term lending institutions, and
 - (ii) irregularities in cash credits or working capital for 180 days or more.
- (b) Amendment of the Urban Land (Ceiling & Regulation) Act, 1976 to improve generation of internal resources of sick companies.
- (c) Empower the BIFR for speedier restructuring, winding-up and sale of assets of companies; and
- (d) A sick company's own reference of BIFR should be voluntary, not mandatory.

Factories Act, 1948 Powers of Inspectors

Subject to any rules made in this behalf, an Inspector may, within the local limits for which he is appointed,-

(a) enter, with such assistants, being persons in the service of the government, or any local or other public authority, ⁴[or with an expert] as he thinks fit, any place which is used, or which he has reason to believe is used, as a factory;

²⁸[(b) make examination of the premises, plant, machinery, article or substance;

(c) inquire into any accident or dangerous occurrence, whether resulting in bodily injury, disability or not, and take on the spot or otherwise statements of any person which he may consider necessary for such inquiry;

(d) require the production of any prescribed register or any other document relating to the factory;

(e) seize, or take copies of, any register, record or other document or any portion thereof as he may consider necessary in respect of any offence under this Act, which he has reason to believe, has been committed;

(f) direct the occupier that any premises or any part thereof, or anything lying therein, shall be left undisturbed (whether generally or in particular respects) for so long as is necessary for the purpose of any examination under clause (b);