

Concept and Definitions of Entrepreneurship

What is Entrepreneurship?

Entrepreneurship is the process of identifying business opportunities in the market, gathering the required resources (capital, human power, technology), taking calculated risks, and establishing an enterprise to deliver value to customers while generating profit.

An **entrepreneur** is an individual who initiates, creates, and manages a new business venture.

[Opportunity Identification]

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[Resource Mobilization]

(Capital, Tech, Skilled Software Engineers)

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[Calculated Risk-Taking]

|



[Enterprise Creation & Value Addition]

Key Definitions

- **According to Joseph Schumpeter:** *"Entrepreneurship is based on purposeful and systematic innovation. It is the carrying out of new combinations of resources."*
- **According to Peter F. Drucker:** *"Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base."*

Example in Computer Engineering:

Consider **Sridhar Vembu**, co-founder of **Zoho Corporation**. He identified the need for affordable cloud-based business software for global companies while building research and engineering teams in rural India. By combining skilled engineering talent with low-cost cloud infrastructure, he created a multi-billion-dollar enterprise.

Classification and Types of Entrepreneurs

Entrepreneurs can be classified into different categories based on their motivation, technology adoption, and operational methods.

A. Based on Danhof's Classification

1. **Innovating Entrepreneurs:**

- They introduce entirely new products, novel technology, or revolutionary business models.
- *Example: Steve Jobs* (Apple) introducing the multi-touch iPhone interface.

2. Imitative (Adoptive) Entrepreneurs:

- They do not invent new concepts themselves; instead, they copy or adopt proven technologies and adapt them to local conditions or lower price points.
- *Example:* Indian e-commerce platforms adopting the Amazon business model customized for cash-on-delivery in India.

3. Fabian Entrepreneurs:

- They are extremely cautious, skeptical, and traditional. They only introduce changes when forced by market survival or heavy competition.
- *Example:* Traditional computer hardware repair shops moving to online booking only after losing significant foot traffic.

4. Drone Entrepreneurs:

- They refuse to adopt modern technology or changes, even if it leads to losses.
- *Example:* Printing presses refusing to shift to modern digital design or web publishing tools.

B. Based on Technology & Ownership

- **Technical Entrepreneurs:** Engineers or tech-savvy individuals who develop software, hardware, or tech platforms. (e.g., Founders of IT consultancies or SaaS platforms).
- **Non-Technical Entrepreneurs:** Business professionals focused on sales, marketing, and distribution rather than product creation.
- **Social Entrepreneurs:** Founders driven by solving societal challenges rather than purely maximizing financial returns. (e.g., Platforms providing digital literacy to rural areas).

Entrepreneurial Competencies, Traits & Qualities

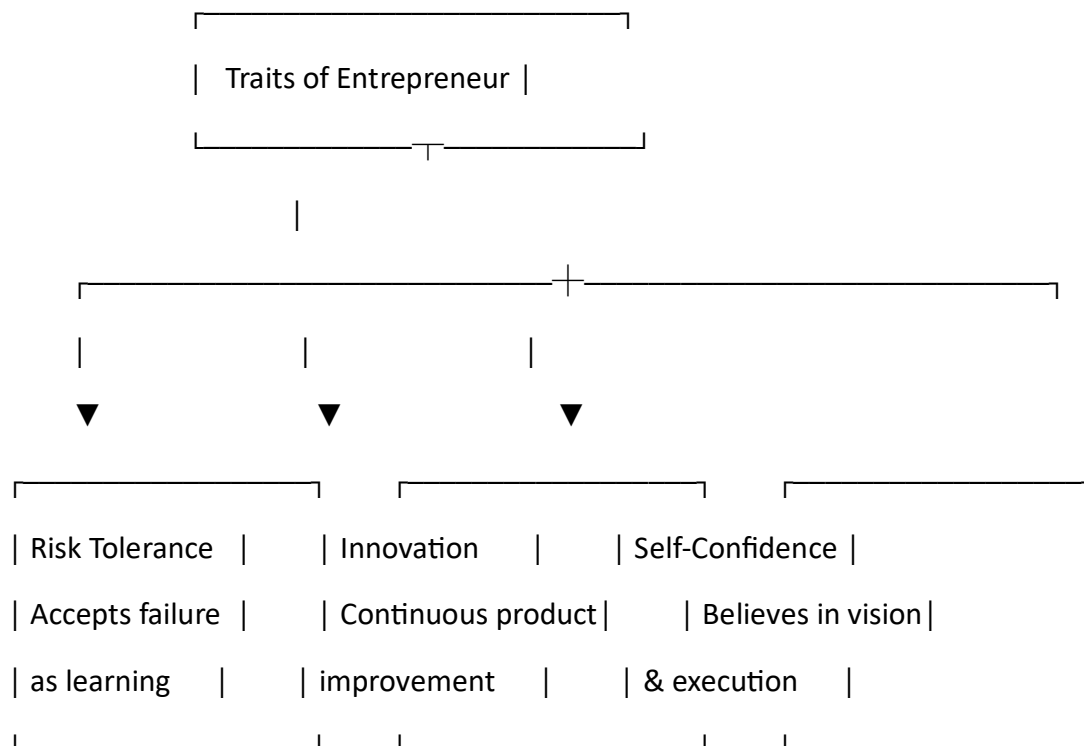
Core Entrepreneurial Competencies

Competencies refer to the underlying knowledge, skills, and behavioural characteristics necessary for successful entrepreneurship:

- **Opportunity Seeking:** Active scanning of the market to solve underserved customer pain points.
- **Persistence:** Taking repeated actions in the face of obstacles, technical bugs, or funding rejections.

- **Information Seeking:** Continuously researching client requirements, competitors, and technological trends.
- **Systematic Planning:** Breaking large goals into achievable technical milestones and timelines.
- **Problem Solving:** Formulating alternative technical and business solutions when original plans fail.

Key Traits and Qualities



1. **Calculated Risk-Taking:** Willingness to invest effort and money into uncertain outcomes while actively managing downsides.
2. **Visionary Mindset:** Ability to see future technological trends before they become mainstream.
3. **High Need for Achievement (N-Ach):** Internal drive to meet challenging standards and excel independently.
4. **Resilience & Adaptability:** Bouncing back when an app launch fails or when customer requirements pivot.

Manager vs. Entrepreneur & Role of an Entrepreneur

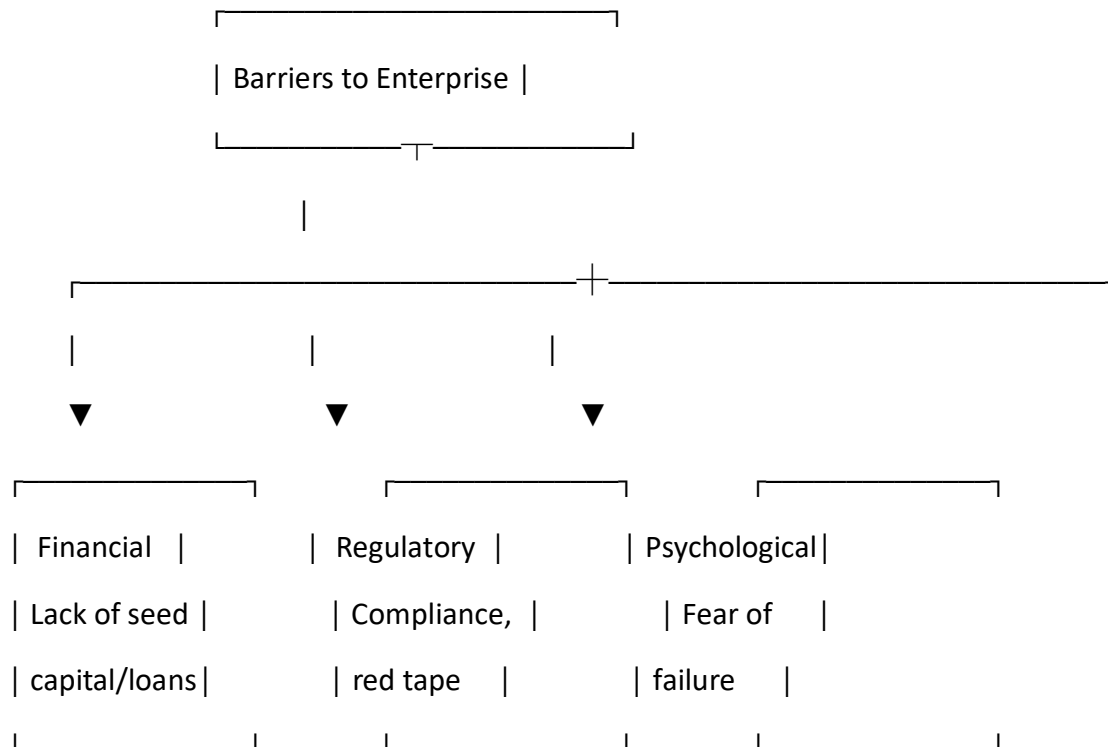
Manager vs. Entrepreneur

Feature	Entrepreneur	Manager
Primary Focus	Venture setup, innovation, and expansion	Smooth daily operational execution
Risk Profile	Bears full financial and professional risk	Minimal risk; operates within defined authority
Reward	Business profit, equity, and brand value	Fixed salary, performance bonuses, and perks
Status	Owner of the enterprise	Employee of the organization
Approach to Problems	Informal, dynamic, and non-linear	Formal, structured, and policy-driven

Core Roles of an Entrepreneur

1. **Innovator:** Introducing new software tools, automated processes, or tech services.
2. **Risk Bearer:** Absorbing market shifts, economic downturns, and tech obsolescence.
3. **Resource Mobilizer:** Assembling capital, software licenses, servers, and developer talent.
4. **Employment Generator:** Creating jobs for developers, testers, UI designers, and sales managers.
5. **Economic Catalyst:** Driving GDP growth, foreign exchange earnings (IT exports), and infrastructure growth.

Barriers in Entrepreneurship



1. **Financial Barriers:** Inability to secure initial seed funding, high interest on loans, or lack of collateral.
2. **Psychological Barriers:** Fear of failure, social stigma associated with business loss, and fear of financial instability.
3. **Technical & Resource Barriers:** Lack of access to modern infrastructure, cloud environments, software tools, or skilled developers.
4. **Regulatory & Procedural Barriers:** Complex licensing requirements, tax compliance, and lengthy bureaucratic approvals.
5. **Market Barriers:** Dominance of established tech monopolies, high customer acquisition costs, and rapid changes in tech standards.

Business Ownership: Sole Proprietorship vs. Partnership

Sole Proprietorship

A business unit owned, managed, and controlled by a single individual.

- **Advantages:** Complete control, quick decisions, minimal legal setup, direct retainment of all profits.
- **Disadvantages:** **Unlimited personal liability**, limited capital, lack of specialized skills, business continuity ends with the owner.
- *Example:* A freelance web developer operating independently under a registered trade name.

Partnership

An association of two or more individuals (up to 50 under the Companies Act) who agree to share the profits and losses of a business.

- **Advantages:** Larger pooled capital, shared workload and specialized skills, combined risk profile.
- **Disadvantages:** Risk of partner conflict, **joint and several unlimited liability**, slower decision-making.
- *Example:* Two computer diploma graduates launching an IT support and network installation firm together.

Small Business vs. Startup & Critical Launch Components

Small Business vs. Startup

Parameter	Small Business	Startup
Definition	Traditional business servicing a local/regional market	Scalable organization built around innovation
Growth Potential	Linear and steady growth	Exponential growth driven by technology
Market Scope	Local community/city	National or international scope
Funding Source	Owner equity, bank loans, family savings	Angel investors, Venture Capital (VC), incubators
Example	Local laptop repair shop or computer training institute	SaaS platform like Zoho, Freshworks, or PayTM

Critical Components for Launching a Tech Startup

1. **Product-Market Fit (PMF):** Building a product that solves a real, validated problem for a paying target audience.
2. **Minimum Viable Product (MVP):** Developing an initial version of software with core features to collect real user feedback rapidly.

3. **Founding Team:** Assembling complementary skills (e.g., Tech Lead + Product Designer + Sales Lead).
4. **Capital & Financial Runway:** Managing seed capital to sustain cash flow until revenue or next-stage funding is secured.
5. **Legal & IP Compliance:** Registering the entity (Private Limited), filing patents/copyrights for code, and signing non-disclosure agreements (NDAs).

Leadership: Fundamentals, Manager vs. Leader, & Leadership Styles

Definition and Need for Leadership

Leadership is the process of influencing, guiding, and motivating individuals toward achieving specific organizational goals with commitment and enthusiasm.

- **Need for Leadership in Tech Teams:**
 - Aligning technical team members toward a shared vision.
 - Navigating project ambiguity, tight release deadlines, and software bugs.
 - Fostering a culture of innovation, continuous learning, and ownership.

Manager vs. Leader

[MANAGER]

Focuses on: Process & Control

Asks: How & When?

Relies on: Authority

Maintains: Status Quo

[LEADER]

Focuses on: Vision & Inspiration

Asks: What & Why?

Relies on: Influence

Drives: Innovation

Dimension	Manager	Leader
Source of Influence	Formal position and positional power	Personal influence, character, and vision
Focus	Systems, structure, budgets, and schedules	People, culture, alignment, and future direction
Approach	Controls and minimizes operational variance	Empowers teams and promotes experimentation

Dimension	Manager	Leader
Perspective	Short-term milestones and quarter targets	Long-term roadmap and vision

Core Leadership Styles

1. Autocratic (Authoritarian) Leadership:

- **Concept:** The leader retains all decision-making power and issues directives without consulting team members.
- **When to use:** Crisis situations, strict security compliance enforcement, or emergency server outages.
- *Limitation:* Suppresses team creativity and reduces morale.

2. Democratic (Participative) Leadership:

- **Concept:** The leader encourages team discussion, gathers feedback, and involves members in decision-making.
- **When to use:** Architectural software design choices, sprint planning, and feature prioritization.
- *Limitation:* Can lead to slower decisions if consensus is hard to reach.

3. Laissez-Faire (Delegative) Leadership:

- **Concept:** The leader provides complete autonomy to team members with minimal direct supervision.
- **When to use:** Managing highly experienced senior software architects or research scientists.
- *Limitation:* Can cause project drift or missed deadlines if team members lack discipline.

4. Transformational Leadership:

- **Concept:** The leader inspires and transforms team members through personal charisma, high standards, and a compelling mission.
- **When to use:** Scaling a startup, pivoting business models, or driving technological turnarounds.

MSME (Micro, Small and Medium Enterprises)

Introduction

MSME stands for **Micro, Small and Medium Enterprises**. These enterprises are the backbone of the Indian economy because they generate employment, promote industrial development, encourage entrepreneurship, and contribute significantly to GDP and exports.

MSMEs are established with relatively low investment and are suitable for young entrepreneurs, diploma holders, engineers, women entrepreneurs, and rural youth.

Under the revised MSME classification, enterprises are categorized based on **investment in plant & machinery/equipment** and **annual turnover**.

Enterprise	Investment Limit	Annual Turnover Limit
Micro Enterprise	Up to ₹2.5 Crore	Up to ₹10 Crore
Small Enterprise	Up to ₹25 Crore	Up to ₹100 Crore
Medium Enterprise	Up to ₹125 Crore	Up to ₹500 Crore

(Classification may be revised by the Government from time to time.)

Characteristics of MSMEs

- Small investment requirement
- Easy to establish
- Labour intensive
- Promote self-employment
- Encourage innovation
- Flexible production system
- Support local industries

Importance of MSMEs

- Generate employment
- Reduce regional imbalance
- Encourage entrepreneurship
- Increase exports
- Utilize local resources
- Promote balanced economic growth
- Support large industries through ancillary production

Example

A diploma mechanical engineer starts a small workshop for manufacturing machine components. Since the investment and turnover fall within the prescribed limits, the workshop is classified as an MSME.

Significant Provisions of the MSME Act

The **MSME Development Act, 2006** was enacted to promote and develop micro, small and medium enterprises.

Major Provisions

1. Registration

Enterprises can register through the **Udyam Registration** portal to avail government benefits.

2. Protection against Delayed Payments

Large buyers must make payment to MSMEs within the prescribed time. If payment is delayed, interest is payable by the buyer.

3. Credit Facilities

Banks are encouraged to provide loans to MSMEs at reasonable interest rates.

4. Government Procurement

Government departments give preference to MSMEs while purchasing goods and services.

5. Technology Upgradation

Financial assistance is provided for modernization and adoption of new technology.

6. Skill Development

Training programs are organized to improve entrepreneurial and technical skills.

7. Marketing Assistance

MSMEs receive support for exhibitions, trade fairs, export promotion and digital marketing.

Benefits of Udyam Registration

- Easy bank loans
- Subsidies
- Government tenders
- Tax benefits (as applicable)
- Protection against delayed payments
- Financial assistance under various schemes

Importance of Feasibility Studies

Before starting any business, an entrepreneur should conduct a **feasibility study**.

A feasibility study determines whether the proposed business is practical, profitable and sustainable.

Objectives

- Estimate investment
- Identify risks
- Assess demand
- Plan resources
- Reduce chances of failure

Types of Feasibility Studies

A. Technical Feasibility

It checks whether the required technology, machinery and manpower are available.

It includes:

- Plant location
- Machinery selection
- Raw material availability
- Skilled workers
- Production process
- Utilities (electricity, water)

Example: Before opening a CNC machining unit, an entrepreneur checks the availability of CNC machines, operators and electricity.

B. Marketing Feasibility

It studies whether customers will purchase the product.

It includes:

- Market demand
- Customer needs
- Competitors
- Selling price
- Distribution channels

- Advertising methods

Example: Before manufacturing LED bulbs, the entrepreneur studies customer demand and competing brands.

C. Financial Feasibility

It evaluates the financial viability of the business.

It includes:

- Capital requirement
- Sources of finance
- Cost estimation
- Profit estimation
- Break-even analysis
- Cash flow

Example: A bakery estimates investment in ovens, rent, raw materials and expected profits before starting operations.

Problems Faced by New Enterprises

Starting a new business is challenging. Entrepreneurs often face several problems.

A. Technical Problems

- Lack of modern technology
- Shortage of skilled labour
- Poor infrastructure
- Machine breakdowns
- Quality control issues
- Limited technical knowledge

Solutions

- Technical training
- Consultancy services
- Technology upgradation
- Government support

B. Marketing Problems

- Low customer awareness

- Strong competition
- Pricing difficulties
- Poor branding
- Limited distribution
- Lack of market information

Solutions

- Digital marketing
- Product quality improvement
- Attractive packaging
- Customer feedback
- Market research

C. Financial Problems

- Lack of capital
- Difficulty obtaining loans
- High interest burden
- Working capital shortage
- Delayed payments
- Poor financial planning

Solutions

- Government loan schemes
- Proper budgeting
- Bank finance
- Subsidies
- Venture capital (for eligible startups)

Major Labour Issues in MSMEs and Related Laws

Labour plays a vital role in the success of every enterprise.

Common Labour Issues

- Shortage of skilled workers
- High employee turnover

- Low productivity
- Wage disputes
- Workplace safety
- Lack of training
- Absenteeism
- Poor industrial relations

Measures to Improve Labour Relations

- Fair wages
- Safe working conditions
- Training programmes
- Employee motivation
- Proper communication
- Grievance handling

Important Labour Laws (Overview)

1. Code on Wages

Ensures payment of minimum wages and timely wages.

2. Industrial Relations Code

Regulates employer-employee relations and dispute resolution.

3. Occupational Safety, Health and Working Conditions Code

Provides safety, health and welfare measures at workplaces.

4. Code on Social Security

Provides benefits such as provident fund, employee insurance and maternity benefits (subject to eligibility).

Government Schemes for Entrepreneurs

The Government of India has introduced several schemes to encourage entrepreneurship.

A. Prime Minister Employment Generation Programme (PMEGP)

PMEGP provides financial assistance for establishing micro-enterprises.

Objectives

- Generate employment

- Promote self-employment
- Encourage rural industries

Benefits

- Bank loan
- Government subsidy
- Training support

Example: A diploma holder starts a fabrication workshop with PMEGP assistance.

B. Pradhan Mantri Mudra Yojana (PMMY)

PMMY provides collateral-free loans to small businesses.

Categories

- **Shishu** – up to ₹50,000
- **Kishor** – above ₹50,000 to ₹5 lakh
- **Tarun** – above ₹5 lakh to ₹10 lakh
- **Tarun Plus** – for eligible growing enterprises under revised guidelines

Benefits

- Easy loans
- Business expansion
- Working capital

C. Make in India

This initiative encourages manufacturing within India.

Objectives

- Increase manufacturing
- Create employment
- Attract investment
- Promote innovation
- Improve infrastructure

D. Start-up India

Supports innovative business ideas.

Benefits

- Easier registration
- Tax incentives (subject to eligibility)
- Funding support
- Incubation
- Mentorship

Example: A student develops an AI-based agriculture application and receives startup support.

E. Stand-Up India

Provides financial assistance to **women entrepreneurs** and entrepreneurs from **SC/ST communities** for establishing greenfield enterprises.

Benefits

- Bank loans
- Entrepreneurship support
- Business guidance

F. National Urban Livelihood Mission (NULM)

Supports urban poor through self-employment and skill development.

Objectives

- Reduce urban poverty
- Promote self-employment
- Develop skills
- Provide financial assistance

Entrepreneurial Support Agencies

Several organizations provide financial, technical, marketing and training support.

A. NSIC (National Small Industries Corporation)

Functions:

- Raw material assistance
- Marketing support
- Technology support
- Credit facilitation
- Skill development

B. NRDC (National Research Development Corporation)

Functions:

- Commercialization of research
- Technology transfer
- Patent support
- Innovation promotion

C. DC-MSME (Development Commissioner – MSME)

Functions:

- Policy implementation
- Entrepreneurship development
- Skill training
- Cluster development
- Technology support

D. SIDBI (Small Industries Development Bank of India)

Functions:

- Loans to MSMEs
- Financial assistance
- Startup funding
- Credit support

E. NABARD (National Bank for Agriculture and Rural Development)

Functions:

- Rural entrepreneurship
- Agriculture-based industries
- Self-help groups
- Rural infrastructure

F. Commercial Banks

Provide:

- Term loans
- Working capital

- Business loans
- Digital banking services
- Financial guidance

G. State Financial Corporations (SFCs)

Functions:

- Medium and long-term finance
- Industrial development
- Support to small industries

H. Technical Consultancy Organizations (TCOs)

Provide:

- Project reports
- Feasibility studies
- Technical consultancy
- Management guidance

I. KVIB (Khadi and Village Industries Board)

Functions:

- Promotion of village industries
- Rural employment
- Financial assistance
- Skill development

J. DIC (District Industries Centre)

Functions:

- Registration assistance
- Guidance for new entrepreneurs
- Loan facilitation
- Subsidy information
- Entrepreneurship awareness

K. Technology Business Incubator (TBI)

TBIs help convert innovative ideas into successful businesses.

Services

- Office space
- Mentorship
- Funding support
- Technical guidance
- Networking

L. Science and Technology Entrepreneur Parks (STEP)

STEP promotes technology-based entrepreneurship.

Services

- Training
- Research support
- Product development
- Industry interaction
- Technology commercialization

NATURE AND FUNCTIONS OF MANAGEMENT

Management

Management is the process of **planning, organizing, staffing, directing, coordinating, and controlling** the resources of an organization to achieve its objectives effectively and efficiently.

In simple words,

Management means getting work done through and with people in the best possible manner to achieve organizational goals.

Different management experts have defined management in different ways.

According to Harold Koontz

"Management is the art of getting things done through and with people in formally organized groups."

According to Peter Drucker

"Management is the process of making people capable of joint performance."

Example

Suppose a diploma engineer starts a small manufacturing unit that produces metal chairs.

The owner has to:

- Purchase raw materials.
- Hire workers.
- Assign work.
- Check quality.
- Sell products.
- Maintain accounts.

Managing all these activities is called **management**.

Objectives of Management

Management aims to achieve:

- Organizational goals
- Efficient use of resources
- Higher productivity
- Employee satisfaction
- Customer satisfaction

- Business growth
- Profit generation
- Social responsibility

Characteristics (Nature) of Management

Management possesses several important characteristics.

1. Goal-Oriented

Every organization has certain goals.

Management helps achieve these goals by proper planning and coordination.

Example

A factory aims to produce 5,000 fans every month.

Management plans production accordingly.

2. Universal Process

Management is required in every organization.

It is applicable to:

- Schools
- Colleges
- Hospitals
- Banks
- Industries
- Government offices
- NGOs
- Business organizations

Example

A hospital and a manufacturing company perform different work, but both require management.

3. Continuous Process

Management never stops.

It continues as long as the organization exists.

Managers continuously plan, organize, supervise and control activities.

4. Group Activity

Management always works with people.

Without employees, management cannot function.

5. Dynamic Process

Business conditions keep changing.

Management changes its plans according to market conditions.

Example

During COVID-19, many businesses shifted to online sales.

6. Intangible

Management cannot be seen physically.

Its effectiveness is observed through results.

7. Multidisciplinary

Management uses knowledge from:

- Economics
- Psychology
- Sociology
- Engineering
- Mathematics
- Statistics

8. Decision-Oriented

Managers continuously make decisions.

Example:

- Which machine should be purchased?
- How many workers should be hired?
- Which supplier should be selected?

Management as a Process

Management is called a process because it consists of a sequence of interconnected activities.

These activities include:

1. Planning

2. Organizing
3. Staffing
4. Directing
5. Coordinating
6. Controlling

These functions work together to achieve organizational goals.

Example

A college organizes its annual technical festival by:

- Planning the event.
- Forming committees.
- Assigning responsibilities.
- Guiding students.
- Monitoring progress.
- Reviewing the event after completion.

This entire sequence is the management process.

Management as Science and Art

Management has characteristics of both **science** and **art**.

Management as a Science

Science is based on systematic knowledge, principles and experiments.

Management is considered a science because it:

- Has established principles.
- Uses systematic methods.
- Relies on observation and analysis.
- Applies logical decision-making.

Example

Using production data to improve factory efficiency is an application of scientific management.

Features

- Systematic knowledge
- Cause-and-effect relationship

- Predictability
- Observation and analysis

Management as an Art

Art refers to the practical application of knowledge and skills.

Management is also an art because managers need experience, creativity and leadership.

Example

Motivating employees during difficult situations requires managerial skill rather than fixed rules.

Features

- Personal skills
- Creativity
- Practical knowledge
- Experience
- Innovation

Why Management is Both Science and Art?

Science	Art
Uses principles	Uses practical skills
Based on facts	Based on experience
Provides knowledge	Applies knowledge
Systematic approach	Creative approach

Example: A production manager uses scientific methods to schedule production (science) but motivates workers to meet deadlines through communication and leadership (art).

Functions of Management

The major functions of management are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Coordinating

6. Controlling

1. Planning

Planning means deciding **what to do, how to do it, when to do it, and who will do it.**

It is the first and most important function of management.

Example

Planning the purchase of raw materials before production starts.

2. Organizing

Organizing means arranging resources and assigning work.

Example

Creating departments such as production, sales and accounts.

3. Staffing

Staffing means recruiting, selecting, training and developing employees.

Example

Hiring machine operators for a manufacturing plant.

4. Directing

Directing means guiding, motivating and supervising employees.

Example

A supervisor instructs workers about safety procedures before starting work.

5. Coordinating

Coordination means ensuring that all departments work together smoothly.

Example

The production department coordinates with the sales department to meet customer demand.

6. Controlling

Controlling means comparing actual performance with planned performance and taking corrective action if required.

Example

If production is below target, management identifies the reason and improves the process.

Management and Administration

Many people think management and administration are the same, but they are different.

Management	Administration
Implements policies	Frames policies
Executes plans	Makes plans
Operational level	Top level
Focuses on execution	Focuses on objectives
Concerned with efficiency	Concerned with policy decisions

Example

The Board of Directors decides to establish a new factory (administration), while managers arrange machinery, recruit workers and begin production (management).

Managerial Skills

Every manager should possess certain skills.

1. Technical Skills

Knowledge of machines, tools, software and production methods.

Example

A mechanical engineer understands CNC machines.

2. Human Skills

Ability to work effectively with people.

Example

Resolving conflicts among employees.

3. Conceptual Skills

Ability to understand the organization as a whole and make strategic decisions.

Example

Planning future expansion of a manufacturing unit.

4. Decision-Making Skills

Ability to choose the best alternative.

Example

Selecting the most suitable supplier based on cost and quality.

5. Communication Skills

Ability to convey ideas clearly through speaking, writing and listening.

Example

Explaining production targets to employees.

Levels of Management

Top-Level Management

Examples:

- Managing Director
- CEO
- Chairman

Functions:

- Policy formulation
- Long-term planning
- Strategic decisions

Middle-Level Management

Examples:

- Department Managers
- Plant Managers

Functions:

- Implement policies
- Coordinate departments
- Supervise lower managers

Lower-Level Management

Examples:

- Supervisors
- Foremen
- Team Leaders

Functions:

- Supervise workers

- Maintain discipline
- Ensure daily production

Leadership

Meaning

Leadership is the ability to influence, guide and motivate people to achieve organizational goals.

A good leader inspires confidence, builds teamwork and helps employees perform their best.

Example

A project leader motivates team members to complete a college engineering project before the deadline.

Qualities of a Good Leader

- Honesty
- Confidence
- Good communication
- Decision-making ability
- Positive attitude
- Responsibility
- Motivation
- Problem-solving ability

PLANNING AND DECISION MAKING

Planning Meaning

Planning is the process of deciding in advance:

- What should be done?
- How should it be done?
- When should it be done?
- Who should do it?

Planning is called the **primary function of management** because all other functions depend on it.

Forecasting

Meaning

Forecasting means estimating future events based on past and present information.

It helps managers prepare for future opportunities and challenges.

Example

An air-conditioner manufacturer forecasts higher demand during the summer season and plans production accordingly.

Features of Planning

- Future-oriented
- Goal-oriented
- Continuous
- Flexible
- Decision-making process
- Based on forecasting
- Reduces uncertainty

Steps in the Planning Process

1. Identify objectives.
2. Analyze the current situation.
3. Collect relevant information.
4. Identify alternatives.
5. Evaluate alternatives.
6. Select the best alternative.
7. Prepare the plan.
8. Implement the plan.
9. Monitor and review the results.

Example

A college plans an industrial visit by identifying objectives, selecting industries, arranging transport, obtaining permissions, implementing the plan and reviewing the visit afterward.

Approaches to Planning

Top-Down Planning

Plans are prepared by top management and implemented at lower levels.

Example: The head office sets annual production targets for all factory branches.

Bottom-Up Planning

Suggestions and plans originate from employees or lower-level managers and are then approved by higher management.

Example: Workshop supervisors recommend improvements in machine maintenance schedules.

Participative Planning

Employees at different levels participate in preparing the plan.

Example: Teachers, students and administrators jointly plan a technical exhibition.

Principles of Planning

- Unity of objectives
- Flexibility
- Accuracy
- Simplicity
- Continuity
- Economy
- Efficiency
- Participation

Importance of Planning

Planning:

- Gives clear direction.
- Reduces uncertainty.
- Helps in optimum use of resources.
- Improves coordination.
- Minimizes risk.
- Improves decision making.
- Increases efficiency.
- Helps in achieving organizational goals.

Advantages of Planning

- Better utilization of resources
- Improved productivity

- Reduced wastage
- Better coordination
- Higher profitability
- Better control
- Improved employee performance

Disadvantages of Planning

- Time-consuming
- Expensive
- May reduce flexibility if too rigid
- Depends on accurate forecasts
- Resistance to change by employees

Types of Plans

- **Objectives:** Desired results to be achieved.
- **Policies:** General guidelines for decision making.
- **Procedures:** Step-by-step methods for performing tasks.
- **Rules:** Specific instructions that must be followed.
- **Programmes:** A combination of activities to achieve a particular objective.
- **Budgets:** Financial plans expressed in monetary terms.

Types of Planning

- Strategic Planning (long-term direction)
- Tactical Planning (departmental implementation)
- Operational Planning (day-to-day activities)
- Short-term Planning
- Long-term Planning

Management by Objectives (MBO)

Meaning

Management by Objectives (MBO) is a management technique in which managers and employees **jointly set specific, measurable objectives** and regularly review progress toward achieving them.

The concept of MBO was popularized by **Peter Drucker**.

Steps in MBO

1. Set organizational objectives.
2. Set departmental objectives.
3. Set individual employee objectives.
4. Implement plans.
5. Monitor performance.
6. Evaluate results and provide feedback.

Advantages

- Clear goals
- Better communication
- Increased employee motivation
- Improved performance
- Better coordination

Example

A sales manager and sales executives agree on a target of selling 1,000 products in three months. Progress is reviewed every month, and guidance is provided to achieve the target.

Decision Making

Meaning

Decision making is the process of **selecting the best course of action from several available alternatives** to solve a problem or achieve an objective.

It is a core responsibility of every manager.

Example

A production manager must choose between two suppliers. After comparing quality, price and delivery time, the manager selects the supplier offering the best overall value.

Characteristics of Decision Making

- Goal-oriented
- Involves choosing among alternatives
- Based on information and analysis
- Continuous process
- Applicable at all levels of management

- Involves risk and uncertainty
- Requires judgment and responsibility
- Essential for organizational success

ORGANISING AND ORGANISATIONAL STRUCTURE

1. Meaning of Organising

After planning, the next important function of management is **organising**.

Organising is the process of arranging resources, assigning duties, delegating authority, and establishing relationships among employees so that organizational objectives can be achieved efficiently.

In simple words,

Organising means arranging people, machines, materials, money, and work in a systematic manner so that the organization functions smoothly.

Without organising, even a well-prepared plan cannot be implemented successfully.

Example

Suppose a diploma civil engineer starts a construction company.

He has to:

- Purchase construction materials.
- Recruit engineers and labourers.
- Assign different tasks.
- Arrange machinery.
- Prepare work schedules.

This systematic arrangement of resources is called **organising**.

Definition of Organising

According to management experts,

Organising is the process of identifying activities, grouping them into departments, assigning responsibilities, and establishing authority relationships to achieve organizational objectives.

Characteristics of Organising

Organising has several important characteristics.

1. Goal-Oriented

Every organizing activity is directed towards achieving organizational objectives.

Example: A manufacturing company organizes its production department to achieve the monthly production target.

2. Division of Work

Work is divided among employees according to their knowledge and skills.

Example: In an automobile workshop, mechanics repair vehicles while accountants maintain financial records.

3. Coordination

Organising helps different departments work together.

Example: The production department coordinates with the sales department to fulfill customer orders.

4. Authority and Responsibility

Every employee receives specific authority along with responsibility.

Example: A production supervisor has the authority to assign work and is responsible for meeting production targets.

5. Continuous Process

Organising is not a one-time activity. It continues as the organization grows and changes.

6. Flexibility

The organization structure can be modified according to changes in technology, market conditions, or customer needs.

Organising Process

The organising process consists of the following steps:

Step 1: Identification of Activities

Identify all the activities required to achieve organizational goals.

Example

For a furniture manufacturing company:

- Purchase of wood
- Cutting
- Assembly
- Painting
- Sales
- Accounts

Step 2: Grouping of Activities

Similar activities are grouped into departments.

Examples:

- Production Department
- Purchase Department
- Sales Department
- Finance Department
- Human Resource Department

Step 3: Assignment of Duties

Responsibilities are assigned to employees according to their qualifications and skills.

Step 4: Delegation of Authority

Managers provide employees with the authority required to perform their duties effectively.

Step 5: Establishing Relationships

Communication and reporting relationships are established among different departments and employees.

Step 6: Coordination

Managers ensure smooth coordination among departments for achieving organizational goals.

Need and Importance of Organising

Organising is essential because it:

- Clarifies duties and responsibilities.
- Prevents duplication of work.
- Ensures efficient utilization of resources.
- Improves communication.
- Promotes teamwork.
- Facilitates specialization.
- Helps in achieving organizational objectives.
- Supports organizational growth.
- Increases productivity.

Example: If two employees unknowingly perform the same task, time and resources are wasted. Proper organising prevents such duplication.

Principles of Organising

A good organization follows certain principles.

1. Principle of Unity of Objectives

All activities should contribute towards achieving organizational goals.

2. Principle of Specialization

Employees should perform work according to their expertise.

3. Principle of Authority and Responsibility

Authority should match responsibility.

4. Principle of Unity of Command

Each employee should receive instructions from only one superior.

5. Principle of Span of Control

One manager should supervise only the number of employees that can be effectively managed.

6. Principle of Delegation

Managers should delegate authority to improve efficiency and develop employees.

7. Principle of Coordination

All departments should work together in harmony.

8. Principle of Flexibility

The organizational structure should adapt to changes in the business environment.

Span of Management (Span of Control)

Meaning

Span of Management refers to the number of employees who directly report to one manager or supervisor.

Example

If one supervisor manages 12 workers, the span of management is **12**.

Types of Span of Management

1. Wide Span

One manager supervises many employees.

Advantages

- Lower administrative cost
- Faster decision-making
- Better employee independence

Disadvantages

- Difficult supervision
- Reduced personal attention
- Increased managerial workload

2. Narrow Span

One manager supervises only a few employees.

Advantages

- Better supervision
- Closer communication
- Better employee guidance

Disadvantages

- Higher administrative cost
- More managerial levels
- Slower decision-making

Organisational Chart

An organisational chart is a graphical representation of the organizational structure showing departments, positions, authority, and reporting relationships.

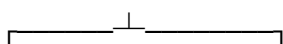
It clearly indicates **who reports to whom**.

Example

Managing Director

|

General Manager



Production Finance

Manager Manager

Types of Organisational Charts

1. Vertical Chart

Authority flows from top to bottom.

2. Horizontal Chart

Departments are shown from left to right.

3. Circular Chart

Top management is shown at the center, with other levels arranged in circles around it.

4. Functional Chart

Departments are grouped according to functions such as production, marketing, finance, and human resources.

Contents of an Organisational Chart

An organizational chart generally includes:

- Name of the organization
- Departments
- Job positions
- Reporting relationships
- Authority levels
- Lines of communication

Uses of Organisational Chart

- Clarifies authority.
- Defines responsibilities.
- Improves communication.
- Helps in coordination.
- Assists new employees in understanding the organization.
- Supports planning and control.

Limitations of Organisational Chart

- Shows formal relationships only.
- Does not reflect informal communication.
- Becomes outdated if not revised.

- Does not indicate employee competence or performance.

Factors Affecting Organisational Structure

Several factors influence the design of an organizational structure:

- Size of the organization
- Nature of business
- Technology used
- Management philosophy
- Government policies
- Business objectives
- Availability of skilled employees
- Environmental changes

STAFFING

Meaning of Staffing

Staffing is the management function of recruiting, selecting, training, developing, and retaining the right people for the right job at the right time.

In simple words,

Staffing means providing the organization with qualified and competent employees.

Nature of Staffing

- Continuous process
- Human-oriented
- Essential for every organization
- Dynamic in nature
- Develops employee skills
- Ensures optimum utilization of human resources

Importance of Staffing

Staffing:

- Provides skilled employees.
- Improves productivity.
- Increases employee satisfaction.

- Reduces labour turnover.
- Improves organizational performance.
- Supports business growth.

Staffing Process

The staffing process consists of the following steps:

1. Manpower Planning

Manpower planning means estimating the number and type of employees required in the future.

Example

A new factory plans to recruit:

- 5 Engineers
- 10 Supervisors
- 50 Machine Operators

2. Recruitment

Recruitment is the process of attracting suitable candidates to apply for jobs.

Sources of Recruitment

Internal Sources

- Promotion
- Transfer

External Sources

- Newspaper advertisements
- Campus recruitment
- Employment exchanges
- Online job portals
- Employee referrals

3. Selection

Selection means choosing the most suitable candidate from among the applicants.

Selection Process

- Receiving applications

- Screening
- Written test
- Interview
- Medical examination
- Final selection
- Appointment

4. Orientation (Induction)

Orientation introduces new employees to the organization, its rules, policies, culture, and work environment.

Example

A newly appointed diploma engineer is introduced to the production department, safety rules, and reporting procedures.

5. Placement

Placement means assigning the selected employee to the most suitable job.

6. Training

Training improves employees' knowledge, skills, and performance.

Types of Training

- On-the-job training
- Off-the-job training
- Apprenticeship training
- Internship
- Refresher training

Benefits

- Higher productivity
- Better quality
- Reduced accidents
- Improved confidence
- Better teamwork

7. Remuneration

Remuneration refers to the compensation paid to employees for their work.

It includes:

- Salary
- Wages
- Bonus
- Incentives
- Commission
- Allowances
- Employee benefits

Importance

- Motivates employees
- Improves job satisfaction
- Attracts talented employees
- Reduces employee turnover

CONTROLLING

Controlling is the process of measuring actual performance, comparing it with planned performance, and taking corrective action when necessary.

In simple words,

Controlling ensures that work is performed according to the plan.

Features of Controlling

- Continuous process
- Goal-oriented
- Future-oriented
- Measures performance
- Identifies deviations
- Facilitates corrective action

Importance of Controlling

Controlling:

- Ensures achievement of objectives.
- Improves efficiency.

- Reduces wastage.
- Detects mistakes early.
- Improves coordination.
- Supports better decision-making.
- Maintains quality standards.

Example

If a company planned to produce **1,000 fans** in a month but actually produced **900**, controlling helps identify the reasons for the shortfall and suggests corrective measures.

Control Process

The control process involves the following steps:

1. Establish performance standards.
2. Measure actual performance.
3. Compare actual performance with standards.
4. Identify deviations.
5. Analyze the causes of deviations.
6. Take corrective actions.
7. Monitor improvements.

Characteristics of an Effective Control System

A good control system should be:

- Simple
- Flexible
- Economical
- Accurate
- Timely
- Objective
- Practical
- Future-oriented

Types of Control

1. Feedforward (Preventive) Control

Applied before work begins to prevent problems.

Example: Checking the quality of raw materials before production.

2. Concurrent Control

Applied during the work process.

Example: A supervisor monitors workers while production is in progress.

3. Feedback Control

Applied after work is completed to evaluate results and improve future performance.

Example: Reviewing customer complaints after product delivery.

CO-ORDINATION

Coordination is the process of integrating the efforts of different individuals and departments so that organizational objectives are achieved efficiently.

In simple words,

Coordination means ensuring that everyone works together towards a common goal.

Example

To manufacture a motorcycle:

- The purchase department procures raw materials.
- The production department manufactures parts.
- The quality department inspects the product.
- The sales department delivers it to customers.

Coordination among all these departments is essential for success.

Characteristics of Coordination

- Continuous process
- Integrates group efforts
- Goal-oriented
- Universal function
- Ensures unity of action
- Facilitates teamwork

Essentials of Coordination

For effective coordination, the following are essential:

- Clear organizational objectives
- Effective communication
- Proper planning
- Clearly defined authority and responsibility
- Cooperation among departments
- Leadership
- Mutual trust
- Timely decision-making
- Regular supervision and feedback

MARKET SURVEY AND OPPORTUNITY IDENTIFICATION

1. Market Survey

A **market survey** is a systematic process of collecting, analyzing, and interpreting information about customers, competitors, products, prices, and market trends before starting a business.

In simple words,

A market survey helps an entrepreneur understand what customers need, what products are already available, and whether a new business idea will succeed in the market.

A market survey reduces business risk by providing reliable information before investing money.

Definition

A market survey is **the collection and analysis of information about a market to understand customer needs, demand, competition, and business opportunities.**

Objectives of a Market Survey

A market survey is conducted to:

- Identify customer needs and preferences.
- Estimate demand for a product or service.
- Study competitors.
- Decide the selling price.
- Select the best location for the business.
- Identify target customers.
- Estimate future sales.
- Reduce business risks.

Importance of Market Survey

A market survey helps entrepreneurs by:

- Reducing uncertainty before investing.
- Understanding customer expectations.
- Improving product quality.
- Selecting suitable marketing strategies.
- Estimating demand accurately.
- Identifying profitable business opportunities.

- Supporting business planning.

Example

A diploma electronics engineer wants to open a **mobile phone repair center**. Before starting the business, they conduct a market survey and discover that:

- There are only two repair shops in the locality.
- Most people use smartphones.
- Customers are dissatisfied with delayed repairs.

Based on this survey, the entrepreneur identifies a good business opportunity.

Methods of Market Survey

The following methods are commonly used:

1. Questionnaire Method

Customers answer written questions.

Example

A bakery distributes feedback forms asking customers about their favorite products.

2. Personal Interview

The entrepreneur meets customers personally and asks questions.

Advantage: Detailed information can be collected.

3. Telephone Survey

Information is collected over the phone.

4. Online Survey

Data is collected through Google Forms, websites, email, or social media.

5. Observation Method

The entrepreneur observes customer behaviour without asking questions.

Example

A shop owner observes which products customers purchase most frequently.

2. Opportunity Identification

Meaning

Business opportunity identification means finding a profitable business idea that satisfies customer needs and has growth potential.

An opportunity exists when there is:

- Customer demand.
- Limited competition.
- Availability of resources.
- Possibility of earning profit.

Sources of Business Opportunities

Business opportunities may arise from:

- New technology
- Government policies
- Changing customer preferences
- Population growth
- Environmental concerns
- Digitalization
- Industrial development
- Import substitution
- Export markets

Example

The increasing use of electric vehicles creates opportunities for:

- EV charging stations
- Battery repair services
- Electric vehicle maintenance workshops

Characteristics of a Good Business Opportunity

A good opportunity should be:

- Profitable
- Practical
- Sustainable
- Innovative
- Customer-oriented
- Technically feasible
- Financially viable

SCANNING OF BUSINESS ENVIRONMENT

Business environment scanning is the process of continuously collecting and analyzing information about factors that affect a business.

It helps entrepreneurs identify opportunities and challenges before making business decisions.

Types of Business Environment

A. Internal Environment

Factors within the organization.

Examples:

- Employees
- Finance
- Machinery
- Production capacity
- Management

B. External Environment

Factors outside the organization.

Examples:

- Customers
- Competitors
- Government policies
- Economy
- Technology
- Society
- Environment

Importance of Environmental Scanning

Environmental scanning helps to:

- Identify opportunities.
- Detect business threats.
- Improve planning.
- Reduce risks.

- Adapt to technological changes.
- Understand competitors.
- Support long-term growth.

Example

A company manufacturing diesel generator observes that customers are increasingly adopting solar energy systems. Environmental scanning helps the company diversify into solar-powered products.

ASSESSMENT OF DEMAND AND SUPPLY IN POTENTIAL AREAS OF GROWTH

Demand is the quantity of a product or service that customers are willing and able to buy at a given price.

Supply is the quantity of a product or service that producers are willing and able to sell at a given price.

When entrepreneurs understand demand and supply, they can decide what to produce and in what quantity.

Factors Affecting Demand

- Price of the product
- Customer income
- Population
- Fashion and trends
- Advertising
- Seasonal changes
- Consumer preferences

Example

Demand for umbrellas increases during the rainy season.

Factors Affecting Supply

- Cost of production
- Availability of raw materials
- Technology
- Government policies
- Number of producers
- Weather conditions

Example

A shortage of semiconductor chips reduces the supply of electronic products.

Potential Areas of Growth

Some promising sectors for diploma students include:

- Renewable energy (solar and wind)
- Electric vehicles (EVs)
- Automation and robotics
- Artificial Intelligence (AI)
- Mobile application development
- 3D printing
- Agriculture technology
- Food processing
- Construction and infrastructure
- Healthcare equipment
- Digital services
- Waste management and recycling

Example

A diploma electrical engineer can start a business in installing rooftop solar panels because demand is increasing due to rising electricity costs and environmental awareness.

PROJECT REPORT PREPARATION

Meaning of a Project Report

A project report is a written document that explains every aspect of a proposed business project before it is implemented.

It acts as a roadmap for entrepreneurs, banks, investors, and government agencies.

Objectives of a Project Report

- Explain the business idea.
- Estimate project cost.
- Assess profitability.
- Obtain loans.
- Attract investors.
- Plan business activities.
- Reduce business risks.

Contents of a Project Report

A project report generally includes:

1. Title Page

Name of the project, entrepreneur, institute, and date.

2. Executive Summary

A brief overview of the project.

3. Business Profile

- Nature of business
- Objectives
- Products or services

4. Market Analysis

- Target customers
- Market demand
- Competition
- Marketing strategy

5. Technical Details

- Manufacturing process
- Machinery
- Raw materials
- Utilities
- Plant location

6. Financial Details

- Fixed capital
- Working capital
- Cost estimates
- Revenue projections
- Profit and loss estimates
- Break-even analysis

7. Organizational Structure

- Ownership pattern
- Employees
- Responsibilities

8. Risk Analysis

- Business risks
- Mitigation measures

9. Conclusion

Overall feasibility and recommendations.

DETAILED PROJECT REPORT (DPR)

A **Detailed Project Report (DPR)** is a comprehensive document that provides complete technical, financial, marketing, and operational details of a proposed project. Banks and financial institutions often require a DPR before sanctioning loans.

A. Technical Feasibility

Technical feasibility determines whether the project can be implemented using available technology and resources.

It includes:

- Plant location
- Machinery
- Production process
- Raw materials
- Utilities (electricity, water, internet)
- Skilled manpower

Example

A CNC machining workshop verifies the availability of CNC machines, trained operators, and reliable power supply before starting operations.

B. Economic (Financial) Feasibility

Economic feasibility evaluates whether the project is financially viable.

It includes:

- Initial investment
- Working capital
- Cost of production
- Expected sales
- Profit estimation
- Break-even point
- Return on investment (ROI)

Example

A bakery estimates that an investment of ₹10 lakh will generate an annual profit of ₹3 lakh. The entrepreneur compares costs and expected income to judge whether the project is financially worthwhile.

C. Market Feasibility

Market feasibility determines whether sufficient demand exists for the product or service.

It includes:

- Customer demand
- Target market
- Competitor analysis
- Pricing strategy

- Marketing channels
- Sales forecast

Example

Before starting a water purifier service center, the entrepreneur surveys households and offices to estimate the number of potential customers.

COMMON ERRORS IN PROJECT REPORT PREPARATION

Many new entrepreneurs prepare project reports without proper research, leading to poor decisions.

Common Errors

1. Unrealistic sales projections.
2. Underestimating project costs.
3. Ignoring competitors.
4. Inadequate market survey.
5. Incorrect financial calculations.
6. Poor demand forecasting.
7. Choosing an unsuitable location.
8. Ignoring legal and environmental requirements.
9. Incomplete technical information.
10. Lack of risk assessment.
11. Copying project reports without customization.
12. Weak implementation plan.

How to Avoid These Errors

- Conduct a detailed market survey.
- Use realistic financial estimates.
- Verify technical information.
- Consult experts or mentors.
- Review the report carefully before submission.
- Update data regularly.