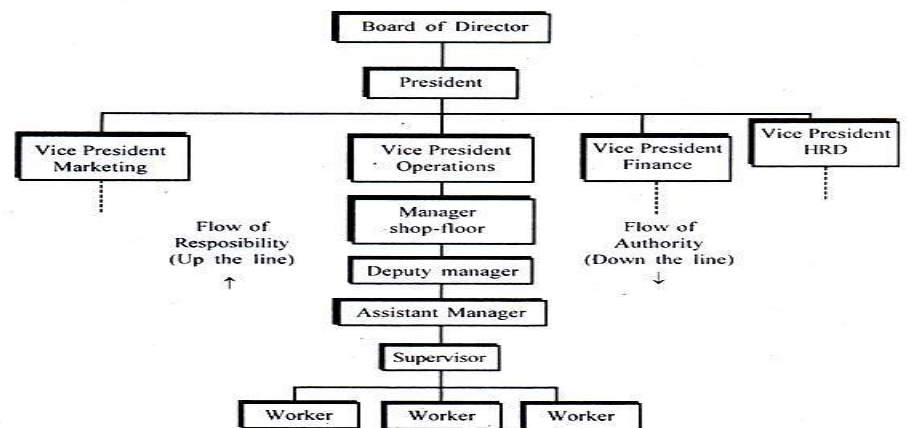


Internal Assessment Test 2 – May 2017-SCHEME OF EVALUATION

Sub:	Management and Entrepreneurship						Code:	10AL61	
Date:	08/ 05/2017	Duration:	90 mins	Max Marks:	50	Sem:	VI	Branch:	ISE

Note: Answer any five questions:

1	<p>a) Discuss any two types of organization structures with a chart highlighting their merits & demerits (6M)</p> <p style="text-align: center;"><u>Different Types Of Organization –</u></p> <p>Answer any 2 Types, Each carries 3Marks.</p> <ol style="list-style-type: none"> 1. Line Organization 2. Line & Staff Organization 3. Functional Organization 4. Matrix Organization <p>1. <u>Line Organization –</u></p> <ul style="list-style-type: none"> • The Line organization is delegated directly from top to bottom. • There is vertical line of authority running from top to the bottom of the organization. • The man at the top has the highest authority and it is reduced at each successive level down the hierarchy. • Suitability: This kind of structure is suitable for smaller organizations. <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Clear Authority & Responsibility • Easy to Understand • One Supervisor Per Employee <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Inflexible • Long Line of Communication • Difficult to Handle Complex Decisions <div style="text-align: center; margin-top: 20px;">  <pre> graph TD A[Board of Director] --> B[President] B --> C[Vice President Marketing] B --> D[Vice President Operations] B --> E[Vice President Finance] B --> F[Vice President HRD] D --> G[Manager shop-floor] G --> H[Deputy manager] H --> I[Assistant Manager] I --> J[Supervisor] J --> K[Worker] J --> L[Worker] J --> M[Worker] </pre> <p>The diagram illustrates a line organization structure. At the top is the Board of Director, followed by the President. The President oversees four Vice Presidents: Marketing, Operations, Finance, and HRD. The Vice President of Operations has a direct line of authority down to the Manager shop-floor, then Deputy manager, Assistant Manager, and Supervisor. The Supervisor is responsible for three Workers. Dotted lines indicate the flow of responsibility up the line and the flow of authority down the line.</p> </div>	10M
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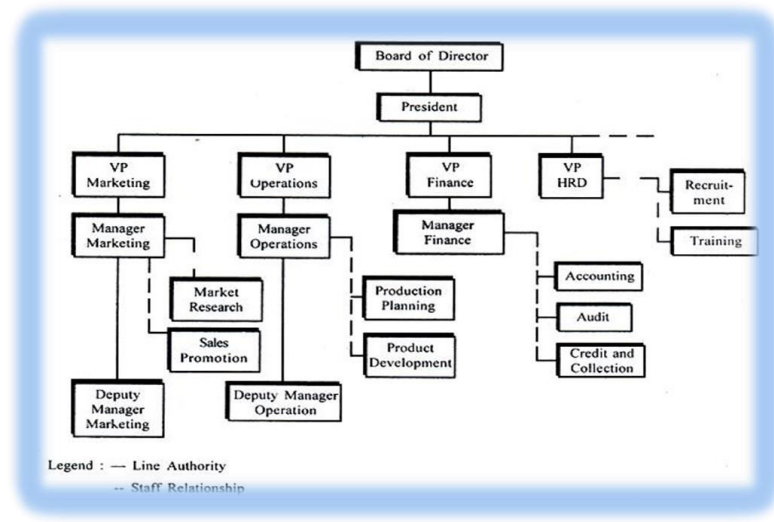
2. Line & Staff Organization

- Staff authority is used to support the line authority. Line and staff organizations have both line and staff executives. Line executives are assisted by staff specialists in planning, distribution, quality, legal, audit, public relations, etc.
- For example, a production manager (a line authority) does not have enough time and experience to handle labour relation problems. Staffs help them in doing so.

Advantages

- Planned Specialization
- Quality Decisions
- Expert Advice
- Disadvantages
- Confusion
- Ineffective staff
- Line and Staff Conflicts

Suitability: This structure can be followed in large organizations.



3. Functional Organization –

A functional organizational structure is one on which the tasks, people, and technologies necessary to do the work of the business are divided into separate “functional” groups (such as marketing, operations, and finance) with increasingly formal procedures for coordinating and integrating their activities to provide the business’s products and services

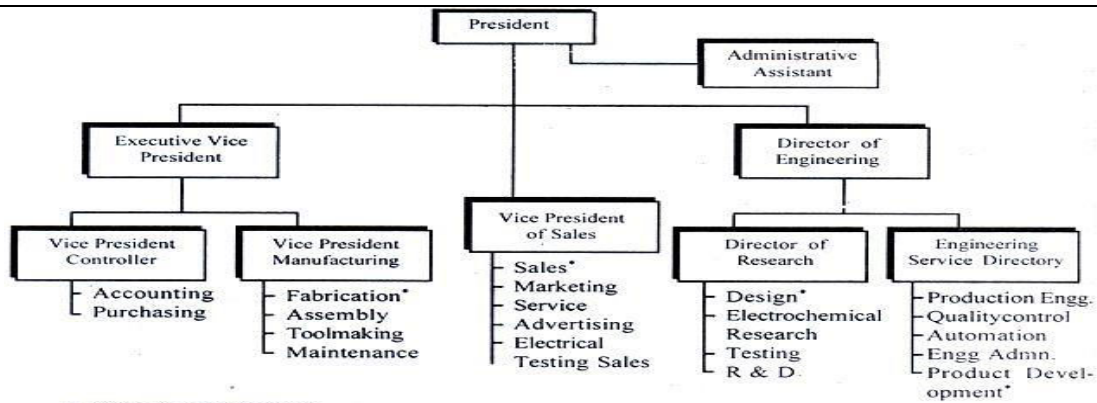
Advantages

- Specialization
- Executive Development
- Scope for Expansion
- Better Control

Disadvantages

- Violates the principle of unity of command
- Complexity
- Lack of coordination

Suitability: It has been criticized by many authors due to violation in unity of command.



* Member of Task-force

4. Matrix Organization

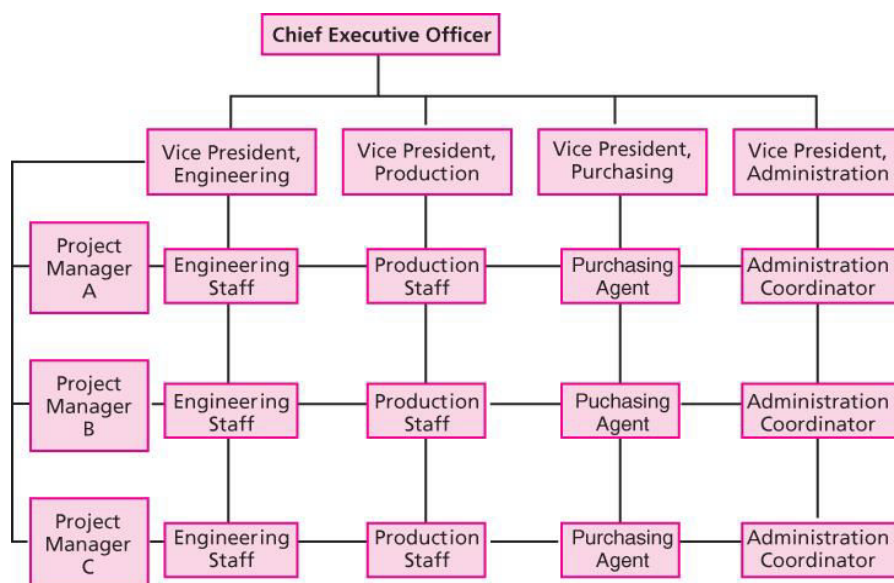
- Matrix organization has been developed to meet the need of large organizations for a structure which is flexible and technically sound.
- An individual has 2 bosses- his permanent and the project manager.
- Suitability- it can be successful only when there is an agreement among the key executive.

Advantages

- Flexibility
- Cooperation & Teamwork
- Creativity
- More Efficient Use of Resources

Disadvantages

- Costly/Complex
- Confusion
- Requires Good Interpersonal Skills & Cooperation
- Not Permanent



b) Distinguish between Formal & informal organizing. (4M)

Distinguish between Formal & informal organization

Write any 4 difference , Each carries 1 mark

S. No	Formal Organisations	Informal Organisations
1.	It is consciously and deliberately created	It arises spontaneously
2.	Authority and responsibility are vital for its functioning	It is only personal factors such as friends, affinity, trust and confidence that are important.
3.	Rules and procedures are important	Personal relationship between individual is more important.
4.	It can be shown on the organisation chart	It cannot be shown
5.	Authority flows downwards and responsibility flows upwards.	There is no flow of authority and responsibility.
6.	It is deliberately created only to attain the enterprise objectives.	It is created to fulfill the social needs of an individual. However, it may also contribute to the enterprise goal.
7.	Designations and official positions are very important	Designations and official positions are unimportant.
8.	It is permanent and stable.	It is unstable.

2

a) Explain Staffing Process? (8M)

Each Carries 1Mark -

- ▶ Manpower
- ▶ Recruitment
- ▶ Selection
- ▶ Orientation and Placement
- ▶ Training and Development
- ▶ Remuneration
- ▶ Performance Evaluation
- ▶ Promotion and transfer

b) Write a short notes on MBO & MBE (2M)

Management By Objectives (MBO) can be defined as a process whereby the employees and the superiors come together to identify common objectives

The employees set their objectives to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

10M

Management by Objectives (MBO) is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization.

The term "management by objectives" was first popularized by Peter D in 1954 in the book 'The Practice of Management'

The objectives must meet the following req

1. Work in the same direction for achieving company's task
2. Objectives clearly define and communicate to all
3. Flexible for making adjustments

Advantages of MBO

1. It leads to better understanding between supervisors and subordinates
2. It prevents waste efforts and unnessacary expenditure
3. It coordinates the effect of various department of an organization
4. It is a powerful tool for the management to achieve a higher productivity

Disadvantages

- ▶ he development of objectives can be time consuming, leaving both managers and employees less time in which to do their actual work.
- ▶ **Management By Exception(MBE)**
- ▶ This principle tells that only unusual or exceptional items of major deviations in daily activates should be brought to the notice of the mangers

Advantages of MBE

Much of the managers time is saved

Managers finds more time and feel comfortable to think and improve the organization

Subordinates feel free and take responsibility of the work.

Disadvantages of MBE

There is a possibility of misuse the authority by the subordinates

3

a) Differentiate between Intrapreneur and Manager (6M)

10M

Each carries 1 Marks -

Point	Intrapreneur	Manager
1.Task Management	Independent , Innovates new ideas	Supervisors more than direct involvement
2. Status	Not concerned about status, but wants recognition	Concerned about status symbol
3. Risk	Owens moderate risk	Does not bear any risk
4. Rewards	Gets fixed rewards for his work, may get extra fro his innovations	Works for salary which is fixed
5. Innovation	Innovative	Need not be Innovative , he manages the ideas of Task Management
6. Decision Making	Moderate, Limited to his work	Implements the decisions of Task Management

b) List out the Qualities of an Entrepreneur (4M)

Write any 4. Each carries 1 Mark -

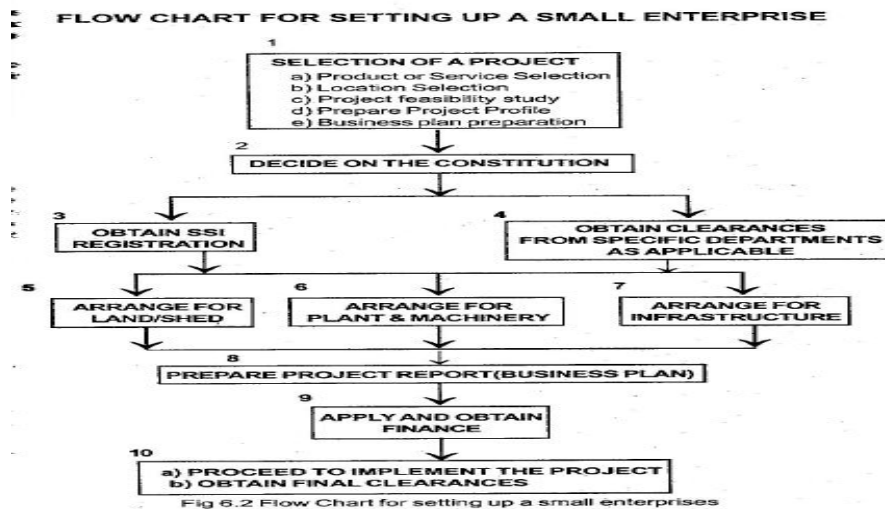
Qualities of Entrepreneur

1. Success and achievement
2. Risk Bearer – he accepts risk, understand and manage risks
3. Opportunity explorer – He always identifies opportunity and explorers them
4. Planner – He is a good planner, he plans and follows the plans sincerely to achieve objectives
5. Stress taker – He should accept and bear any amount of stresses that may evolve in the business
6. Facing uncertainties – They should face the uncertainty and unexpected outcomes and accept them
7. Independent – He is an independent person and likes to be his own master, he is a job given and not job seeker
8. Motivator – He initiates and influences people, motivates the people to accomplish the objectives
9. Flexible – He is an open minded person, flexible to adopt to demanding situational changes

4 Explain the steps to start an SSI. (10M)

Project Selection : Entrepreneur is the Most Important person for the Success of a Project. In order to set up a Small Enterprise, the Entrepreneur has to decide or choose a suitable project.

The Entrepreneur has also to decide on a suitable location for the project. Based on these selections, a project feasibility study has to be conducted & then a brief project profile has to be prepared for the proposed project.



The Project Selection & the Preliminary Activities involve the following :

Product or Service Selection.

Location Selection.

c) *Project Feasibility Study.*

d) *Preparation of Project Profile.*

e) *Business Plan Preparation.*

Product or Service Selection :

This is the first & most important step in setting up a small enterprise. Because, the further prospects, actions & efforts in setting up the small enterprise & commencing its commercial activities successfully depend on this decision.

Therefore, the Entrepreneur has to be very careful in the choice or selection of the Project.

The main factors to be considered in deciding a suitable project are as follows :

Background & Experience of Entrepreneurs.

2) Availability of the Right Technology & Know – How for the Project.

3) Marketability of the Product / Service.

4) Investment Capacity (i.e., Financial Resources.)

5) Availability of Plant & Machinery, Indigenous or Imported.

6) Availability of Raw Materials.

7) Availability of Proper Infrastructural Facilities Viz., Land / Shed, Power, Water, Communication, Transport etc.

8) Availability of right kind of Labor Viz., Skilled, Semi – Skilled & Unskilled.

b) **Location Selection :** After deciding on the Project, the next important decision an Entrepreneur has to make is about the Location of the Project.

There are a Few factors associated with the same :

1) Nearness or Proximity to Market.

2) Availability of Raw Materials.

3) Availability of Transformation & Communication Facilities.

4) Availability of Govt Incentives / Concessions.

5) Govt Industrial Policy.

- 6) Availability of suitable Infrastructural facilities.
- 7) Availability of Labor.
- 8) Convenience for the Entrepreneur's.

c) Project Feasibility Study :

The important facts of Project Feasibility Study are as follows :

1) Market Analysis

- 2) Technical Analysis
- 3) Financial Analysis
- 4) Economic Analysis
- 5) Social Analysis

d) Project Profile : A *Project Profile* generally contains information about the Project under the Following Heads :

- 1) Introduction.
- 2) Promoter(s) Background (Education, Experience).
- 3) Product(s) Service(s) Description (Specification, Uses etc.)
- 4) Market & Marketing.
- 5) Infrastructure needed.
- 6) Plant & Machinery (Description, Capacity, Cost etc.)
- 7) Process Details.
- 8) Raw Materials (Requirements, Specifications, Cost etc.)
- 9) Power, Water & other utilities required.
- 10) Manpower needed (type of Personnel reqd & salaries / wages)
- 11) Cost of the Project & means of finance.
- 12) Cost of Production & Profitability.

e) *Business Plan Preparation* :

This is a Document where the Entrepreneur plans his Business to have an Organized & effective response to a situation which may arise in future. A Business Plan is used to make Crucial Start Up Decisions to reassure Lenders, Investors, to measure Operational Progress ; to Test Planning Assumptions ; to Adjust Forecasts; & to set the standard for good Operational Management.

2) *Decide on the Constitution* :

To start any Enterprise, the Promoter's have to decide on the Constitution of the Unit. There are 3 Major Alternatives :

- a) *Proprietary*
- b) *Partnership*
- c) *Company*.

a) *Proprietary Enterprise* :

A Single Individual is the Owner of such an Enterprise.

b) *Partnership Enterprise (Firm)*:

This is an Association of Two or more Persons, subject to a Maximum of 20 Persons. They are governed by the Indian Partnership Act , 1932 & rules framed there under the State Govt. It is advisable to have a Partnership Deed Agreement on Stamp Paper of Appropriate Value.

c) *Company* :

This may be a Private or Public Limited Company. A Private Limited Company can be formed with a minimum of 2 Persons & a Maximum of 50 Persons. A Public Limited Company can be formed with a Minimum of 7 Persons & Maximum number of Persons is unlimited. Company is governed by the Companies Act, 1956.

For Registering the Company, one has to approach *Registrar of Companies* of the State.

3) Obtaining SSI Registration :

Entrepreneurs desiring to start a Small Enterprise have to initially obtain a *PRC*(Provisional Registration Certificate). Once the Unit goes into Production, the *PRC* has to be converted into a Permanent Registration Certificate (*PMT*).

a) *PRC* : This is the Initial Registration reqd for starting a Micro & Small Enterprise. The Entrepreneur has to apply & obtain a *PRC* after selection of the Project & deciding on the Location of the Unit. This Application is necessary for Infrastructural Facilities such as Land, Shed, Power etc & Finance from the Financial Institutions.

b) Permanent Registration Certificate (PMT) :

A Micro or a Small Enterprise can get a Permanent Registration Certificate when it actually commences Commercial Production / Service. *PRC* would be converted to *PMT* when the Unit commences its Commercial Activities.

PMT Registration will help in several ways like the following :

To apply for scarce raw materials & for imported raw materials.

To get Working Capital Loan from Banks / Financial Institutions.
 For Claiming Incentives, Concessions, including Sales Tax Exemption wherever applicable.

To apply for registration under Govt Stores purchase programs / Export Promotion Program & to get Purchase & Price Preference.

4) Specific Clearances :

There are a number of Statutory Clearances reqd to start Micro & Small Enterprises.

Some of them are given below :

- a) Agricultural Land Conversion into Non – Agricultural Land (NA Conversion).
- b) Building Plan approved by the Local Authorities.
- c) Factories Act & Labor Dept.
- d) Trade License from the Local Authorities.
- e) Pollution Control Board Clearances.

5) Land or Shed Selection :

For Any Industrial Project, Suitable Industrial Site Or A Ready Industrial Shed Is Reqd. The Promoters Of The Unit Could Consider Taking An Industrial Site & Constructing A Shed As Per Their Requirement, Alternatively, Could Consider Taking A Ready Industrial Shed On Ownership Basis Also.

Whom To Approach :

- A) KIADB- Karnataka Industrial Areas Development Board For Land.
- B) KSSIDC - Karnataka State Small Industries Development Corporation Ltd For Shed Requirement.
- C) Alternatively, The Entrepreneur Can Also Approach Directly The Jt. Director , DIC (Department Of Industries And Commerce) In The Particular District Also For Requirement Of Land / Shed For The Proposed Enterprise.

6) Plant & Machinery :

This requirement for a Particular Project could be purchased from recognized manufacturer's / dealers. This could also be taken on Hire Basis operated by National Small Industries Corporation Limited (*NSIC*).

This is a Govt of India promoted Corporation.

7) Infrastructure Facilities :

For Micro or Small Enterprises the main infrastructure facilities are Land or Shed for the Project , Power Connection , Water Supply & Telephone & Internet Facility.

	<p>As said earlier, for Land or Shed , the Entrepreneur can approach either KIADB or KSSIDC as the case may be. For the requirement of Power, an application may be made to the local electricity company in the region. For Telephone connection & Internet facilities, Entrepreneur has to approach BSNL or other operators.</p> <p>District level Single Window Agency (SWA) assists the Entrepreneur in getting all the above facilities. Hence, the Entrepreneur can forward an Application on a plain paper to the Jt. Director , District Industries Centre of the District giving his requirement of various infrastructural facilities for speedy approval & sanction.</p> <p>8) Project Report :</p> <p>For any New Project or Enterprise to be set up, Proper Planning is necessary.</p> <p>A detailed Project Report provides such a plan for the Project. The Report is useful to the Entrepreneur for Planning & Implementing the Project. This is essential for Obtaining Finance & other clearances for the Project.</p> <p>In fact, the Project Report gives a detailed insight of the <i>Techno – Economic Viability of the Project</i>. This is generally prepared to cover the following :</p> <p>9) Finance :</p> <p>Finance for such Projects are under 2 main categories :</p> <p>a) Term Loan.</p> <p>b) Working Capital Loan.</p> <p>a) Term Loan : For starting a Small Enterprise, Term Loan Finance for the Fixed Assets like Land, Building, Plant & Machinery etc ., can be availed. This Loan can be availed from Karnataka State Financial Corporation (KSFC) & or from the Commercial Banks.</p> <p>Financial Institutions sanction up to 75 % of the Total investment on Fixed Assets & the Balance of 25 % has to be pooled in by the Promoters as Margin Money.</p> <p>b) <i>Working Capital Loan :</i></p> <p>It is always preferable to approach Commercial banks for Working Capital Loan. All Commercial Banks finance up to 75 % of the Working Capital Loan & the remaining 25 % has to be pooled in by the Promoters.</p> <p>It is important to note that Banks will release Working Capital Loan only after the Promoters have contributed their share of 25 % .</p> <p>10) Implementation of the Project :</p> <p>The Entrepreneurs will have to take necessary steps to physically implement the Project after obtaining the various Licenses, Clearances, Infrastructural Facilities etc. Following are the Major Activities that the Entrepreneurs have to undertake for implementing the Project.</p> <p>Construct Shed</p> <p>b) Order for Machinery</p> <p>c) Recruit Personnel</p> <p>d) Arrange for Raw Materials</p> <p>e) Marketing</p> <p>f) Obtain Final Clearances</p>	
5	<p>a) Discuss the impact of Liberalization, privatization and globalization on SSIs. (6M)</p> <p>Each Carries 2 Marks -</p> <p>Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, <i>Liberalization, Privatization and Globalization (LPG model)</i> aimed at making the Indian economy as fastest growing economy and globally competitive.</p> <p>Liberalization</p>	10M

The term “Liberalization” stands for “the act of making less strict”.
Liberalization in Economy stands for “The process of making policies less
constraining of economic activity.” And also “Reduction of tariffs.”

Advantages of liberalization

Industrial licensing

Increase the foreign investment.

Increase the foreign exchange reserve.

Increase in consumption and Control over price.

Disadvantages of Liberalization

Increase in unemployment.

Loss to domestic units.

- Increase dependence on foreign nations
- Unbalanced development

Privatization

● The term “**Privatization**” refers to “The transfer of ownership of property or
businesses from a government to a privately owned entity.”

● Privatization means replacing government policies with the competitive pressures of
the marketplace to encourage efficiency, quality and innovation in the delivery of
goods and services

Advantages of Privatization

- Privatization helps to reduce the burden on Govt.
 - It will help in making public sector unit more competitive.

It will help to improving the quality of decision making, because the decisions are free from any
political interference.

Industrial growth.

Increase the foreign investment.

Increase in efficiency.

Disadvantages of Privatization

Increase in inequality

Opposition by employees.

Problem of financing.

Ignores the weaker sections.

Ignores the national importance

Globalization

Globalization implies integration of the economy of the country with the rest of the
world economy and opening up of the economy for foreign direct investment by
liberalizing the rules and regulations and by creating favorable socio-economic and
political climate for global business.

Pros and Cons of Globalisation

Globalization have several benefits ,these are: -

Free flow of capital and increase in the total capital employed.

Free flow of technology.

Increase in industrialization.

Spread of production facilities throughout the globe.

Balanced development of world economies.

Increase in production and consumption.

Commodities at lower price with high quality.

Increase in jobs and income.

Higher Standard of living.

Balanced human development

- Loss of domestic industries
- Transfer of natural resources
- Widening gap between rich and poor
 - Dominance of foreign institutions

b) List out the characteristics of SSI. (4M)

Write any 4 Characteristics, Each carries 1 Mark -

- Capital investment is small and most of them have small number of workers
- Generally owned by a single or at the most 2 persons
- Workers are not well recognized
- Funded by owner's saving or short term loans
- Few of them may grow as medium scale industries
- Innovation and risk bearing are high in SSI
- Profit margins are less due to competition

6

Explain the stages in Entrepreneur process

10M

Steps in the Entrepreneurial Process

1. Discovery

The stage in which the entrepreneur generates ideas, recognizes opportunities, and studies the market

An idea is a concept for a product or service that does not exist or is not currently available in a market . It may be a brand-new concept or an improvement of a current product or service.

In contrast, an opportunity is an idea for a new product or service with a market that is willing to pay for that product or service so that it can form the basis of a profitable business.

Innovation is the process of making changes to something that adds value to customers.

Techniques For Generating Ideas

Brainstorming

Focus Groups

Surveys

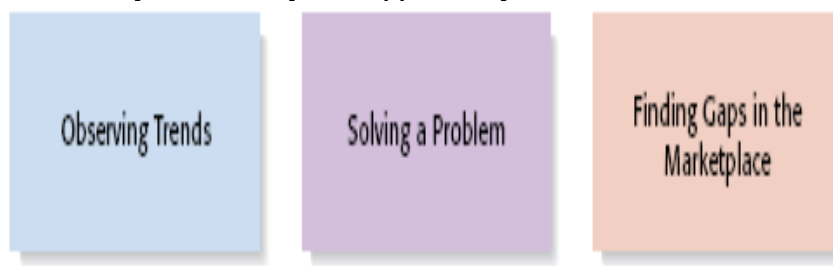
Other Techniques

 User groups

 Trade shows

 Suppliers

Three Ways to Identify An Opportunity



- **Observing Trends**
 - The first approach to identifying opportunities is to observe trends and study how they create opportunities for entrepreneurs to pursue.
 - There are two ways that entrepreneurs can get a handle on changing environmental trends:
 - They can carefully study and observe them.
 - They can purchase customized forecasts and market analyses from independent research firms.

Social Forces

- Changes in social trends provide openings for new businesses on an ongoing basis.
- The continual of fast-food restaurants, for example, isn't happening because people love fast food. It is happening because people are busy, and have disposable

income.

- Similarly, the Sony Walkman was developed not because consumers wanted smaller radios but because people wanted to listen to music while on the go.

Technological Advances

- Given the rapid pace of technological change, it is vital that entrepreneurs keep on top of how new technologies affect current and future business opportunities.
- Entire industries have emerged as the result of technological advances.
 - Examples include the computer industry, the Internet, biotechnology, and digital photography.
- Once a new technology is created, new businesses form to take the technology to a higher level.
 - For example, Real Networks was started to add audio capability to the Internet.

Political and Regulatory Changes

- Political and regulatory changes provide the basis for new business opportunities.
 - For example, laws that protect the environment have created opportunities for entrepreneurs to start firms that help other firms comply with environmental laws and regulations.

Similarly, many entrepreneurial firms have been started to help companies comply with the Sarbanes-Oxley Act of 2002. The act requires certain companies to keep all their records, including e-mail messages and electronic documents, for at least five years

Second Approach: Solving a Problem

Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it. These problems can be pinpointed through observing trends and through more simple means, such as intuition, or chance.

Entrepreneur(s)	Year	Problem	Solution	Name of Business That Resulted
Rob Glaser	1995	No way to play audio and video on the Internet	Developed software to play audio and video on the "Net"	RealNetworks
Fred Smith	1973	Inability to get spare parts delivered on a timely basis for his company, a jet aircraft sales firm	Started a new company to help others get packages delivered in a timely manner	Federal Express (now called FedEx)
Jerry Yang and David Filo	1994	No method to find or organize favorite Web sites	Created online directories to find and store favorites	Yahoo!

Third Approach: Finding Gaps in the Marketplace

- Gaps in the Marketplace
 - A third approach to identifying opportunities is to find a gap in the marketplace.
 - A gap in the marketplace is often created when a product or service is needed by a specific group of people but doesn't represent a large enough market to be of interest to mainstream retailers or manufacturers.
 - This is the reason that small clothing boutiques and specialty shops exist.

2. Concept Development

Develop a business plan: a detailed proposal describing the business idea

- A business plan is a document that outlines your plan for initiating and operating a business
- It provides a path to follow
- It makes it easy to let your banker and accountant evaluate your aim, task and objectives
- It can serve as a communications tool for informing salespeople, suppliers, and others

about your operations and goals

- It can help you develop as a manager

A trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others

A copyright protects works of authorship, such as writings, music, and works of art that have been tangibly expressed.

A patent for an invention is the grant of a property right to the inventor, issued by the Patent and Trademark Office

3. Resourcing

The stage in which the entrepreneur identifies and acquires the financial, human, and capital resources needed for the venture startup, etc

- Identify potential investors
- Apply for loans, grants and assistance
- Hire employees

4. Actualization The stage in which the entrepreneur operates the business and utilizes resources to achieve its goals/objectives.

5. Harvesting

The stage in which the entrepreneur decides on business's future growth/ development, or demise

Three ways:

1. Sell your business,
2. Take it public (Initial Public Offering) or
3. Merge it with another.