

ENTREPRENEURIAL DEVELOPMENT

BBA VI SEMESTER

MEANING OF AND DEFINITION OF ENTREPRENEUR

An entrepreneur is ordinarily called a businessman. He is a person who combines capital and labour for the purpose of production. He organizes and manages a business unit assuming the risk for profit. He is the artist of the business world. In the words of J.B. Say, “An entrepreneur is one who brings together the factors of production and combines them into a product”. He made a clear distinction between a capitalist and an entrepreneur. Capitalist is only a financier. Entrepreneur is the coordinator and organizer of a business enterprise.

CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual. He is a business leader. He has the following characteristic:

- 1) An entrepreneur brings about change in the society. He is a catalyst of change.
- 2) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.
- 3) Entrepreneur accepts responsibilities with enthusiasm and endurance.
- 4) Entrepreneur is thinker and doer, planner and worker.
- 5) Entrepreneur can foresee the future, seize market with a salesman’s persuasiveness, manipulate funds with financial talent and smell error, frauds and deficiencies with an auditor’s precisions.

DEFINITION OF ENTREPRENEURSHIP

In the words of Stevenson and others, “Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity.” According to A.H. Cole, “Entrepreneurship is the purposeful activities of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services”.

NATURE AND CHARACTERISTICS OF ENTREPRENEURSHIP

Features of entrepreneurship are summarized as follows:

- 1) It is a function of innovation.
- 2) It is a function of leadership.
- 3) It is an organization building function.
- 4) It is a function of high achievement.
- 5) It involves creation and operation of an enterprise.

INNOVATION AND ENTREPRENEURSHIP

Innovation is one of the underlying dimensions of entrepreneurship. It is a key function in the entrepreneurial process. Without innovation, an entrepreneur cannot survive in the modern competitive business world. Entrepreneurship is a creative and innovative response to the environment and an ability to recognize, initiate and exploit an economic opportunity. An entrepreneur is an innovator who introduces who introduces something new in an economy. As per the Schumpeter's view, a person becomes an entrepreneur only when he or she is engaged in innovation .further, innovation is equal to competitive advantage. The entrepreneurs today realize the need for innovation. Innovation adds value to the product. It is only through innovation, the organizations can survive the increasing competition in the market place.

RISKS INVOLVED WITH ENTREPRENEURSHIP

Entrepreneurship involves the following types of risks.

- 1) Financial Risk:**
- 2) Personal Risk:**
- 3) Carrier Risk:**
- 4) Psychological Risk:**

BARRIERS TO ENTREPRENEURSHIP

Entrepreneurial development is very slow in under developed and developing countries. This is due to the presence of several factors. Gunnar Myrdal pointed out that Asian societies lack entrepreneurship not because they lack money or raw material but because of their attitudes. These barriers to entrepreneurship are classified into three as follows:

A. ENVIRONMENTAL BARRIERS

Following are the important environmental barriers to entrepreneurship:

- 1) Non-Availability of Raw Material**
- 2) Lack of Skilled Labour**
- 3) Lack of Good Machinery**
- 4) Lack of Infrastructure**
- 5) Lack of Fund**
- 6) Other Environmental Barriers**

B PERSONAL BARRIERS

Personal barrier are those barriers that are caused by emotional blocks of an individual. Some of the personal barriers may be outlined as below:

- 1) **Unwillingness to Invest Money**
- 2) **Lack of Confidence**
- 3) **Lack of Motivation**
- 4) **Lack of Patience**
- 5) **Inability to Dream**

C SOCIAL BARRIERS

The social attitude inhibits many people even from thinking of starting a business. The important social barriers are as follows.

- 1) **Low Status**
- 2) **Custom and Tradition of People**

TYPES OF ENTREPRENEURS

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

- 1) **Business Entrepreneur:** He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.
- 2) **Trading Entrepreneur:** He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.
- 3) **Industrial Entrepreneur:** He is an entrepreneur who undertakes manufacturing activities.
- 4) **Corporate Entrepreneur:** He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.
- 5) **Agricultural Entrepreneur:** They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agripreneurs.

B. ON THE BASIS OF USE OF TECHNOLOGY:

Entrepreneurs are of the following types.

- 1) **Technical Entrepreneur:** They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.
- 2) **Non-Technical Entrepreneur:** These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.
- 3) **Professional Entrepreneur:** He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

1) Pure Entrepreneur: They believe in their own performance while undertaking business activities. They undertake business ventures for their personal satisfaction, status and ego. They are guided by the motive of profit. For example, Dhirubhai Ambani of Reliance Group.

2) Induced Entrepreneur: He is induced to take up an entrepreneurial activity with a view to avail some benefits from the government. These benefits are in the form of assistance, incentives, subsidies, concessions and infrastructures.

3) Motivated Entrepreneur: These entrepreneurs are motivated by the desire to make use of their technical and professional expertise and skills. They are motivated by the desire for self-fulfillment.

4) Spontaneous Entrepreneur: They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

D. ON THE BASIS OF STAGES OF DEVELOPMENT: They may be classified into;

1) First Generation Entrepreneur: He is one who starts an industrial unit by means of his own innovative ideas and skills. He is essentially an innovator. He is also called new entrepreneur.

2) Modern Entrepreneur: He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

3) Classical Entrepreneur: He is one who develops a self supporting venture for the satisfaction of customers' needs. He is a stereo type or traditional entrepreneur.

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY: They are classified as follows:

1) Novice: A novice is someone who has started his/her first entrepreneurial venture.

2) Serial Entrepreneur: A serial entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. He repeatedly starts businesses and grows them to a sustainable size and then sells them off.

3) Portfolio Entrepreneurs: A portfolio entrepreneur starts and runs a number of businesses at the same time. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities.

F. CLASSIFICATION BY CLARENCE DANHOF: Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

1) Innovative Entrepreneurs: They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise.

2) Adoptive Or Imitative Entrepreneurs: Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. They copy and learn from the innovating entrepreneurs. While innovating entrepreneurs are creative, imitative entrepreneurs are adoptive.

3) Fabian Entrepreneurs: These entrepreneurs are traditionally bounded. They would be cautious. They neither introduce new changes nor adopt new methods innovated by others entrepreneurs. They are shy and lazy. They try to follow the footsteps of their predecessors. They follow old customs, traditions, sentiments etc. They take up new projects only when it is necessary to do so.

4) Drone Entrepreneurs: Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods. There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

EVOLUTION OF THE CONCEPT OF ENTREPRENEUR

The word 'entrepreneur' is derived from the French word *entreprendre*. It means 'to undertake'. Thus, entrepreneur is the person who undertakes the risk of new enterprise. Its evolution is as follows.

EARLY PERIOD: The earliest definition of the entrepreneur as a go-between is Marco Polo. He tried to establish trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

MIDDLE AGES: The term entrepreneur was referred to a person who was managing large projects. He was not taking any risk but was managing the projects using the resources provided. An example is the cleric who is in charge of great architectural works such as castles, public buildings, cathedrals etc.

17th CENTURY: An entrepreneur was a person who entered into a contractual arrangement with the Govt. to perform a service or to supply some goods. The profit was taken (or loss was borne) by the entrepreneur.

18th CENTURY: It was Richard Cantillon, French Economist, who applied the term entrepreneur to business for the first time. He is regarded by some as the founder of the term. He defined an entrepreneur as a person who buys factor services at certain prices with a view to sell them at uncertain prices in the future

19th CENTURY: The entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective. He takes risk, contributes his own initiative and skills. He plans, organizes and leads his enterprise.

20th CENTURY: During the early 20th century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

21th CENTURY: Research Scientists live De Bone pointed out that it is not always important that an individual comes up with an entirely new idea to be called an entrepreneur, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur.

COPRENEURS

Copreneurs are entrepreneurial couples who work together as co-owners of their business. They are creating a division of labour that is based on expertise as opposed to gender studies show that companies co-owned by spouses represent one of the fastest growing business sectors. Marcia Sherrill with her husband William Kleinberg (USA) runs Kleinberg Sherrills, a leather goods and accessories business. She says, "There is nothing more exciting than nurturing a business and watching it grow with someone you love."

INTRAPRENEURS

The term intrapreneur was coined in USA in the late seventies. Many senior executives of big companies in America left their jobs and started small business of their own. They left the organisation because they did not get any opportunity to apply their own ideas and innovative ability. These entrepreneurs become successful in their own ventures. Some of them caused a threat to the corporations they left. This type of entrepreneurs have come to be called Intrapreneurs. They believe strongly in their own talents. They have desire to create something of their own. They want responsibility and have a strong drive for individual expression and more freedom in their present organisational structure. When this freedom is not forthcoming, they become less productive or even leave the organisation to achieve self actualisation elsewhere.

ULTRAPRENEURS

Now-a-days, new products and services are conceived, create, tested, produced and marketed very quickly and with great speed. Therefore, today's entrepreneur needs to have a different mindset about establishing and operating a business. The concept of Ultrapreneuring is to identify a business opportunity, determine its viability and form a company. It requires assembling a super competent management team, who then develop, produce and markets the product or service in the shortest optimum time period. They create business and then sell out, merge or combine.

FUNCTIONS OF AN ENTREPRENEUR

Entrepreneur is a lead player in the drama of business. According to Kilbt, an entrepreneur has to perform four groups of functions:

EXCHANGE RELATIONSHIP:

- 1) Perceiving market opportunities
- 2) Gaining command over scarce resources.
- 3) Purchasing inputs.
- 4) Marketing of the products and responding to competition.

POLITICAL ADMINISTRATION:

- 1) Dealing with public bureaucracy (concession, licences and taxes)
- 2) Managing the human relation within the firm.
- 3) Managing customer and supplier relations.

MANAGEMENT CONTROL:

- 1) Managing finance.
- 2) Managing production.

TECHNOLOGY:

- 1) Acquiring and overseeing assembly of the factory.
- 2) Industrial engineering.
- 3) Upgrading process and product quality.
- 4) Introducing new products.

MEANING OF ENTREPRENEURIAL COMPETENCIES

It is defined as characteristics such as generic and special knowledge, motives, traits, selfimage, social roles and skills which result in birth of a venture, its survival and/ or growth. In short, the competencies required by an entrepreneur for starting a business venture and carrying it on successfully are known as entrepreneurial competencies.

TYPES OF ENTREPRENEURIAL COMPETENCIES

It may be classified into two types:

A) PERSONAL ENTREPRENEURIAL COMPETENCIES: These are required to perform the tasks effectively and efficiently. This includes the following:

Initiative: It is an inner urge in an individual to do or initiate something.

Ability to See and Act on Opportunities: Entrepreneurs look for opportunities and take action on such opportunities.

Persistence: It means the capacity or skill to take repeated and different actions to

overcome obstacles.

Information Seeking: A successful entrepreneur always keeps his eyes and ear open. He should accept new ideas which can help him in realizing his goals. He is ready to consult experts for getting their expert advice.

Concern for High Quality of Work: Entrepreneurial persons act to do things that meet or beat existing standards of excellence.

Commitment to Work: Successful entrepreneurs are prepared to make all sacrifices for completing the commitments they have made.

Commitment to Efficiency: Entrepreneurial persons have to look and find ways for or find ways to do things faster or with fewer resources or at a lower cost. They should try new methods aimed at making work easier, simpler, better and economical.

Systematic Planning: Entrepreneurial persons should be able to develop and use the logical step by step plans to reach goals.

Problem Solving: Entrepreneurial persons are supposed to possess the skill of identifying new and potentially unique ideas to reach goals. They should generate new ideas or innovative solutions to solve problems.

Assertiveness: They assert own competence, reliability or other personal or company's qualities. They also assert strong confidence in own company's products or services.

Persuasion: Entrepreneurs should have the ability to successfully persuade others to perform the activities effectively and efficiently.

Use of Influence Strategies: Entrepreneurs should have the competence of using a variety of strategies to influence others. Such entrepreneurs can develop business contacts and use influential people to accomplish his/her own objectives.

B) VENTURE INITIATION AND SUCCESS COMPETENCIES:

An entrepreneur must also possess the competencies required for launching the enterprise and for its survival and growth. These competencies may be further divided into two categories of competencies:

1. ENTERPRISE LAUNCHES COMPETENCIES: These include the following:

- Competency to understand the nature of business.
- Competency to comply with Government regulations.
- Competency to deal with the business.
- Competency to finance the business.
- Competency to locate the business.

2. ENTERPRISE MANAGEMENT COMPETENCIES: These include the following:

- Competency to protect the business.
- Competency to manage customer credit and collection.

- Competency to manage the finances.
- Competency to manage the business records.
- Competency to manage sales efforts.

WOMEN ENTREPRENEURS

Women constitute about 50% of the world population. In traditional societies, they are confined to performing household activities. Hence women are generally called home makers. But today, in modern society, they have moved out of the house and are taking part in all areas of life. Today, the entrepreneurial world is open to the womenfolk. Thailand tops the list with 18.5% of women as entrepreneurs followed by India with 14.1% women entrepreneurs. Japan has the lowest rate of women entrepreneurs with just 0.6% women as entrepreneurs.

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

It was set up in 1995 to provide machinery to small scale units on hire purchase basis and to assist these units in obtaining orders from government departments and offices. Its head office is at Delhi. It has four regional offices at Delhi, Mumbai, Chennai and Calcutta. It has eleven branch offices also.

FUNCTIONS OF NATIONAL SMALL INDUSTRIES CORPORATION

Its functions are as follows:

- 1) To develop small scale units as ancillary units to large scale industries
- 2) To impart training to industrial workers.
- 3) To market the product of SSIs at home and abroad.
- 4) To help the small scale industries in procurement of scarce and imported raw material.
- 5) To obtain orders for SSI units from government department and offices.
- 6) To provide machinery to SSI units on hire purchase basis.
- 7) To construct Industrial Estate and establish and run proto-type production-cum-training centres.

NATIONAL ALLIANCE OF YOUNG ENTREPRENEURS (NAYE)

It is a national level apex organization of young entrepreneurs. It assists in promoting new enterprises through first generation entrepreneurs. NAYE sponsored an Entrepreneur Development Scheme with Bank of India in August 1972 on pilot basis. The scheme is known as BINEDS. It is operative in the states of Punjab, Rajasthan, Himachal Pradesh and Union Territories of Chandigarh and Delhi. NAYE has entered into similar arrangement with Dena Bank, Central Bank Of India and Union Bank of India .NAYE strives hard for upliftment of young entrepreneurs especially women. It holds workshops, conferences, training programmes etc. to create awareness in entrepreneurs.

TECHNICAL CONSULTANCY ORGANISATION (TCOs)

It was established in different parts of the country to provide consultancy services to small and medium enterprise at reasonable costs. The TCO was established in Kerala(KITCO) in June 1972.Functions and activities of TCOs include:

- (a) Industrial potential surveys.
- (b) Preparation of profits and feasibility studies.
- (c) Evaluation of project.
- (d) Conduct of EDPs.
- (e) Assisting in the modernization, technical upgradation and rehabilitation programmes etc.
- (f) Undertaking market research and surveys for specific products.
- (h) Offering merchant banking services.

SMALL INDUSTRIES SERVICE INSTITUTES (SISIs)

Small Industries Service Institutes have been established in each state in 1956 as agencies of SIDO. The objective is to develop small scale industries. The functions performed may be summarized as follows:

- 1) It promotes entrepreneurship and development of SSIs in rural and other underdeveloped areas.
- 2) It supplies market information in selected cases and undertakes market distribution surveys for industrial enterprises.
- 3) It conducts various programmes for workers in other organizations as well as in small industry in certain trades.
- 4) It assesses the capacities of small units for imported/controlled materials.
- 5) It provides technical guidance on the efficient use of wastages and scraps.
- 6) It prepares designs and drawing for production equipment and accessories.

KHADI AND VILLAGE INDUSTRIES COMMISSION

KVIC makes finance available to the implementing agencies in the form of capital expenditure loans. It also extends assistance for setting up of retail sales outlets and also for strengthening of the capital base of the registered institutions and cooperatives. It also assists individual artisans besides formulating liberal pattern of assistance for identified hill, border and weaker sections. The loans for Khadi are interest free, while those for village industries have an interest at the rate of 4% per annum.

FUNCTIONS OF KVIC

- (1) To train the artisans.
- (2) To assist village industries in procuring raw materials.
- (3) To assist and support through marketing of finished products of village industries.

- (4) To provide equipment and machinery to producers on concessional terms.
- (5) To undertake R and D programmes for improved implements for silk reeling,

SCIENCE AND TECHNOLOGY ENTREPRENEUR PARKS (STEP)

STEP is an area where applied research on high tech projects is conducted with the collaboration of multinational companies, universities, technological and research institutes. In 1972 a conventional 'Techno Park' was set up by the Birla Institute of Scientific Research.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

SIDBI was set up on April 2, 1990 as a wholly owned subsidiary of IDBI. It is operating through its Head Office at Lucknow and a network of 5 Regional Offices and 25 Branch Offices in all the states. It is an apex institution for promotion, financing and development of industries in small scale sector and co-ordination of functions of other institutions engaged in similar activities.

FUNCTIONS OF SIDBI

- 1) Taking steps for technological upgradation and modernization of existing units.
- 2) Providing services like factoring, leasing etc. to industrial concerns in the small scale sector.
- 3) Extending financial support to National Small Industries Corporation for providing leasing hire purchase and marketing support to SSI units.
- 4) Expanding the channels for marketing the products of SSI sector in domestic and international markets.
- 5) Promoting employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.
- 6) Refinancing of loans and advances extended by the primary lending institutions to industrial concerns in the small scale sector and also providing resource support to them. It also offers bills discounting and rediscounting facilities. It also has a few schemes of direct assistance.

THE NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT (NIESBUD)

It is an apex body established in 1983 by the ministry of Industries, Government of India, for coordinating, training and overseeing the activities of various institutions/agencies engaged in entrepreneurship development, particularly in the area of small industry and small business. The Institute which is registered as a society under Government of India Societies Act started functioning from 6th July, 1983. The policy, direction and guidance to the institute is provided by its governing council whose chairman is the minister of SSI. It has an executive committee.

FUNCTIONS OF NIESBUD

- (a) Evolving effective training strategies and methodology.
- (b) Standardizing model syllabi for training various target groups.
- (c) Formulating scientific selection procedures.
- (d) Developing training aids, manuals and tools.
- (e) Facilitating and supporting central/state/other agencies in organizing entrepreneurship development programmes.
- (f) Conducting training programmes for promoters, trainers and entrepreneurs.

MEANING OF PROJECT

A Project simply means an investment opportunity exploited for profit. It is an idea or plan which is intended to be carried out or a finite task to be completed. In the words of Gillinger “Project is a whole complex of activities involved in using resources to gain benefits”. The World Bank defines a project as ‘an approval for a capital investment develops facilities to provide goods and services’.

CHARACTERISTICS OF A PROJECT

A project is undertaken to achieve a purpose. The following are the characteristics of a project.

A project involves investment of money and money’s worth.

The objective of a project is to earn profit.

It is concerned with production of goods and services.

Every project has risk and uncertainty associated with it.

It has a fixed set of objectives.

It is subjected to a lot of change.

It has a definite beginning and an end.

It has a life cycle reflected by growth, maturity and decay.

It is combination of various elements such as technology, equipment, materials, machinery and people.

A project requires team work.

CLASSIFICATION OF PROJECTS

The different classifications are explained below:

1) QUANTIFIABLE AND NON-QUANTIFIABLE PROJECTS:

Quantifiable projects are those in which quantitative assessment of benefits can be made. Projects for industrial development, power generation, mineral development etc. fall under this category. Non

quantifiable projects are those in which the benefits cannot be measured quantitatively. Projects involving health, education and defence fall under this category.

2) SECTORAL PROJECTS:

According to planning commission of India, a project may fall in the following sectors:

- a) Agriculture and allied sector.
- b) Irrigation and power sector.
- c) Miscellaneous sector.
- d) Transport and communication sector.
- e) Industry and mining sector.

This classification is useful for resources allocation at macro levels.

3) TECHNO-ECONOMIC PROJECTS:

Projects may be classified into the following three groups:

A) Factor Intensity Oriented Classification: Project may be classified as Capital intensive or Labour intensive. If large investment is made in plant and machinery the project will be called Capital intensive. If large investment is made in human resources, the projects will be termed as Labour-intensive.

B) Causation Oriented Classification: It is classified as demand based or raw material based projects. If a project is started by an entrepreneur due to non-availability of certain goods or services and consequent demand for such goods or services the project is said to be based on demand. If project is started by an entrepreneur simply because of the availability of certain raw materials, skills or other inputs, the project is said to be based on raw material.

C) Magnitude Oriented Classification: The size of investment forms the basis of classification. May be classified as Large-scale, Medium-scale and Small-scale.

4) FINANCIAL INSTITUTIONS CLASSIFICATION:

The projects are classified according to their age and experience and the purpose for which the project is being taken up. They are as follows:

A) Profit Oriented Projects:

- 1) New projects.
- 2) Expansion projects.
- 3) Modernization projects.
- 4) Diversification projects.

B) Service Oriented Projects:

- 1) Welfare projects.
- 2) Service projects.
- 3) Research and development projects.

5) ACCORDING TO THE URGENCY OF THE EXECUTION:

It is classified into three. They are as follows:

A) Normal Projects: In this type of project adequate time is allowed for implementation. This type of project will require minimum capital cost.

B) Crash Projects: Additional capital costs are incurred to save time. It is normally achieved in procurement and construction where time is brought from vendors and contractors by paying extra money to them.

C) Disaster Projects: Vendors who can supply within a very short time are selected irrespective of the cost. Naturally capital cost will go up very high but projects time will get much reduced.

PROJECT LIFE CYCLE

The project is initiated to achieve a mission and is said to be completed when the mission is achieved. The project lives between these two cut off periods and this intermediate time is called Project Life Cycle. Project life cycle consists of the following three stages:

1) **Pre-Investment Phase:** It is concerned with formulation of objectives, demand forecasting, evaluation of input characteristics, selection of strategy, projections of financial profile, cost benefit analysis and finally pre-investment appraisal. Some expenditure has to be incurred in the form of conducting surveys, feasibility studies etc.

2) **Construction Phase:** This stage consumes maximum expenditure. Construction phase consists of developing the infrastructure for the project. The capital requirement includes cost on land, buildings, civil works, machinery equipment, ancillaries etc.

3) **Normalization Phase:** The primary objective of this stage is to produce the goods and services for which the project was established. The expenditure has to be incurred on raw materials, fuel, utilities, and administration and operation maintenance. Etc. According to Cleland and King a project passes through the following phases:

- 1) Conception phase.
- 2) Definition phase.
- 3) Production.
- 4) Observation.
- 5) Divestment.
- 6) Post-Mortem.

The following figure model of the project life cycle that is suitable for any type of project.

PROJECT MANAGEMENT

Project management is the process of planning, organizing, monitoring and controlling of all aspects of a project and motivating all involved to achieve project objectives of safety and completion within a defined time, cost and performance. Harson has defined project management as ,” the achievement of a project’s objectives through people, and involves organizing, planning and control of the resources assigned to the project together with the development of constructive human relations with all those involved, both in company and with the other companies involved”.[

PHASES OF PROJECT MANAGEMENT

It consists of the following stages:

1. **Project Identification:** It refers to identification of business/investment opportunities. It involves scanning of the environment to find out investment opportunities.
2. **Project Formulation:** It is the translation of the idea into concrete project with scrutiny of its important preliminary aspects.
3. **Project Appraisal:** It involves searching, scrutiny, analysis and evaluation of market, technical, financial and economic variables. It examines the viability of the project.
4. **Project Selection:** It is the process of choosing a project rationally in the light of objectives and inherent constraints on the basis of appraisal.
5. **Project Implementation:** It is the stage of birth of an enterprise. At the end of this stage, the idea becomes a reality.
6. **Project Follow Up and Evaluation:** It is the process of assessing the performance of the project after it started functioning. Project evaluation simply means assessing the progress of the project.

OBJECTIVES OF PROJECT MANAGEMENT

The ultimate objective of project management is to attain the objectives for which the project has been undertaken. The other objectives of project management are as follows:

- 1) To achieve maximum productivity at minimum cost.
- 2) To maximize income and return.
- 3) To minimize risk and uncertainty.
- 4) To eliminate waste and improve efficiency.
- 5) To make the most efficient and effective use of resources- manpower, money, materials, technology etc.

ROLES AND RESPONSIBILITIES OF PROJECT MANAGER

The following are the roles and responsibilities of a project manager:

- 1) Managing personnel.
- 2) Satisfy government, customer, promoters and public.
- 3) Coordinating and integrating activities across multiple functional lines.
- 4) Defining and maintaining the integrity of the project.
- 5) Setting targets and development of systems and procedures for accomplishment of project objectives.
- 6) Developing project execution plan.
- 7) Coping with risk associated with project management.
- 8) Managing human interrelationships.
- 9) Maintaining the balance between technical and managerial project functions.

NEED OF PROJECT MANAGEMENT

The need for project management arises due to the following reasons:

- 1) **Complexity of Project:** Project involve time, effort, money etc. If there is any fault in planning or implementation of projects, the resources put in the projects would be a waste.
- 2) **Achievement of Objectives:** Unless projects are managed well, the objective for which the projects are undertaken cannot be achieved.
- 3) **Environmental Changes:** A project should be well equipped to meet the environmental challenges .The success of the project depends upon how the project is able to cope with the changing environment.
- 4) **Competition:** To face out the competition provision of a good or a service is not sufficient. It must provide a package which meets an entire need rather than just part of that need .
- 5) **Constraints:** The constraints relate to time, materials, demand, labour etc. The success of a project depends on how well it is possible to manage the so called constraints.
- 6) **Risk and Uncertainty:** At every stage of project life cycle there are challenges and problems. As the project moves new challenges and problems may arise. The risks and uncertainties cannot be eliminated but can be minimized through proper management of project.
- 7) **Time Overrun and Cost Overrun:** If a project takes more time than the scheduled time, it is known as time overrun. If a project incurs more costs than budgeted, it is called cost overrun.
- 8) **Project Control and Evaluation:** It is done either at the end of the project or few years after the completion of the project. This enables to learn lessons from the projects.

GENERATION OF PROJECT IDEAS

It is the process of collection, compilation and analysis of economic data for the purpose of finding out possible opportunities for investment and with the development of the characteristics of such

opportunities. Emergence of project ideas from different sources is called generation of project ideas. The idea should be sound and workable, so that it may be exploited. The entrepreneur has to be imaginative and foresighted to discover a business/Project idea.

SOURCES OF THE PROJECT IDEAS

The business idea arises from an opportunity in the market. Entrepreneurs should have a keen and open mind to look for opportunities and generate business ideas. It is not a matter of analysis but of instinct. Ideas come from many sources. Some of the sources are as below:

Our Own Needs

Trade And Professional Journals.

Project Profiles.

Trade Fairs And Exhibitions.

Success Stories Of Friends And Relatives.

Prospective Consumers.

Research Organisation.

Utilisation Of Waste Materials.

Study Of Government Policy.

Development Of Other Nations.

Items Reserved For Small Scale Units.

SCREENING OF PROJECT IDEAS

The need for screening of the ideas arises because all the ideas generated may not be promising. Only the most promising or most profitable ideas are to be selected for further study. The process of evaluating the project ideas with a view to select the best and promising idea after eliminating the unprofitable ideas is called screening of project ideas. The following factors need to be considered:

1) **Cost of The Project:** A study of the cost structure under material cost, labour cost, factory overheads etc., will give a good idea regarding different types of costs.

2) **Profitability:** The project yielding higher return must be selected.

3) **Marketing Facilities:** Existing and potential demand in domestic and export market, nature of competitions, sales and distribution system, consumption trends etc., should be assessed and evaluated before taking the final decision.

4) **Availability of Inputs:** The resources and inputs required for the project must be reasonably assured. The availability of skilled workers is to be ensured before launching an enterprise.

5) **Consistency with Government Regulations and Priorities.**

6) **Compatibility with the Entrepreneur:** The idea must suit the interest, personality and resources of the entrepreneur. It should not be beyond his capacity.

PROJECT FORMULATION

It is the process of examining technical, economic, financial and commercial aspects of a project. It is the process and steps through which an opportunity becomes a project in which the entrepreneur is willing to invest his time, money and other resources. This study is undertaken to find out whether the proposed project would be feasible or not.

NEED FOR PROJECT FORMULATION

The following are the major problems:

- 1) **Knowledge About Government Regulations:** The entrepreneur must have a thorough knowledge about Government regulations, policies, licensing procedures etc.,
- 2) **Absence of External Economies:** A project has to depend upon other industries for the supply of raw material, power, spares etc,
- 3) **Non-Availability of Technically Qualified Personnel.**
- 4) **Resource Mobilization.**
- 5) **Selection of Appropriate Technology:** Modern technologies developed in the advanced countries may not be suitable for adopting in the developing countries.

ELEMENTS OF PROJECT FORMULATION

It involves a number of elements, they are summarized as below:

Feasibility Analysis: It involves an examination of the project idea in the light of internal and external constraints. Internal constraints arise because of limitations of the project sponsoring body and external constraints arise due to the characteristic of the environment. If on feasibility analysis, the project is found feasible, the same is put to further analysis.

Techno-Economic Analysis: It is mainly concerned with the identification of the project demand potential and selection of the optimal technology suitable for achieving the project objectives. This study includes:

a) **Estimation Of Demand Or Market Potential:** The entrepreneur has to estimate the expected share of the sale in the market, intensity of competition, mobility of products to other places etc., The data collected from various sources are first compiled, tested and tabulated in a form suitable for interpretation.

b) **Selection Of Technology:** It refers to that combination of controlled variables which will ensure the achievement of the project objectives with minimum expenditure of resources.

Project Design and Network Analysis: A project comprises certain sequential activities which are interrelated. These activities can be shown in the form of a diagram, which is called network diagram. Project design is concerned with the development of a detailed work plan of the project and its time estimates. When a network is designed, its analysis is carried out to identify the optimal course of action so as to complete the project with the minimum of time and cost, subject to the available resources. Important network analysis techniques are PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method).

Input Analysis: Input analysis is primarily concerned with the identification, qualification and evaluation of project inputs. The objective of input analysis is to identify nature of resources needed to estimate the quality of the required resources and to ensure that there is continuous and adequate supply of inputs. Input analysis is the basis for financial analysis and cost benefit analysis.

Financial Analysis: It involves estimates about the project costs and revenues and the funds required for the project. It seeks to find out whether the project will generate income to realize the ultimate objective for which it is undertaken.

Social Cost Benefit Analysis: Under cost benefit analysis the investment projects are evaluated from the point of view of the society as a whole. The cost benefit analysis aims at analyzing the real contribution of an investment project towards welfare of the country as a whole. It implies the enumeration and evaluation of all the relevant costs and benefits. It can be applied to both private and public investments.

Pre-Investment Appraisal: The proposal gets the final and formal shape. The purpose of pre-investment appraisal is to enable the concerned authorities to take an investment decision about the project i.e. to accept or reject.

TECHNICAL ANALYSIS

Technical analysis of a project is essential to ensure that necessary physical facilities required for production will be available and the best possible alternative is selected to procure them. The object of technical analysis is to assess the technical soundness of the project. This is considered essential for the long term success of the project. Technical analysis includes the study of the following:

1) **MATERIAL INPUTS:** It is essential to assess the availability of materials, inputs and utilities. Utilities include power, water, steam, fuel, communication facilities, transport facilities etc. The feasibility study of material should include the following variables:

- (a) The availability of quality and quantity of raw material.
- (b) Price elasticity of raw material.
- (c) Perishable time of raw material.
- (d) The factors on which the availability of raw material is depended.

2) **MANUFACTURING PROCESS/TECHNOLOGY:** Technologies simply refers to the tools, devices and knowledge that help in the transformation of inputs into outputs. It is the application of knowledge, encompassing the related concepts of science, innovation, invention and discovery. It is the application of scientific knowledge to practical commercial purpose.

Factors Influencing the Choice of Technology

The choice of technology is influenced by the following considerations:

- 1) Plant capacity.
- 2) Inputs.
- 3) Investment outlay.
- 4) product mix.
- 5) Latest developments.
- 6) Cost.

Sources of Technology

The technical know-how can be procured from the following sources:

- 1) Foreign Collaboration.
- 2) Consultancy Organizations.
- 3) Machinery Suppliers.
- 4) Promoter's knowledge and experience.
- 5) Recruitment of suitable technical personnel.
- 6) CSIR Laboratories and National Research and Development Corporation (NRDC).

An entrepreneur may use either indigenous technology or imported technology. When he is not satisfied with indigenous technology, he can make use of imported technology. This process of availing global technology is called technology transfer.

3) **PLANT CAPACITY:** It refers to the volume or number of units that can be manufactured during a given period. Plant capacity is also called production capacity.

Considerations for Plant Capacity

The following factors should be taken into consideration:

- 1) Technological requirement.
- 2) Input constraints.
- 3) Investment cost.
- 4) Market consideration.
- 5) Resources of the firm.
- 6) Government policy.

4) PLANT LOCATION: It refers to a fairly broad area where the enterprise is to be established like city, industrial zone or coastal area. The success of a project depends on the location, to a certain extent. They are discussed as follows.

- 1) Proximity to raw material.
- 2) Nearness to market.
- 3) Availability of infrastructure facilities.
- 4) Transport and communication facilities.
- 5) Effluent disposal.
- 6) Labour.
- 7) Government policies.
- 8) Climatic condition.
- 9) Environmental considerations.
- 10) Other factors.

5) SIZE OF THE PLANT: The efficiency and profitability of a project are very much influenced by its size. Size of the plant depends on the manufacturing process, availability of raw materials, capital investment needed and the size of the market. Size of the plant depends on:

- 1) Availability of raw materials and power.
- 2) Technology/process to be adopted.
- 3) Size of the market.
- 4) Size of the plant and machinery.
- 5) The location of the project.
- 6) The product mix.
- 7) Capital investment required.

6) PRODUCT MIX: Product mix or range is decided according to market requirement. It refers to the set of all the products offered by a firm for sale. The range of products to be marketed depends on the following:

- a) Nature of business.
- b) Nature of product.
- c) Competition.
- d) Tastes of consumers.
- e) Size of target market.
- f) Plant capacity.

7) FACTORY DESIGN: It refers to the plan for a particular type of building, arrangement of machinery and equipment and provision of service facilities, lighting, heating etc. in the building. Factory design comprises layout of building and layout of factory.

Importance of Factory Design

Important benefits of a good factory design are summarized as follows:

- 1) Storage and movement of material.
- 2) Service facilities.
- 3) Supervision.
- 4) Employee morale.
- 5) Productivity.

Factors Affecting Factory Design

While designing a factory the following factors should be considered:

- 1) Location.
- 2) Nature of the manufacturing process.
- 3) Plant layout.
- 4) Smoothness in operation.
- 5) Service facilities.
- 6) Material handling.
- 7) Cost of construction of building.
- 8) Future expansion.
- 9) Nature of product.
- 10) Appearance.

8) MACHINERIES AND EQUIPMENTS: The requirement of machinery and equipment is dependent on production technology and plant capacity. It is also influenced by the type of project. To determine the kind of machinery and equipments required for manufacturing industry the following procedure may be followed.

- 1) Estimate the likely levels of production over time.
- 2) Define the various machinery and other operations.
- 3) Calculate the machinery hours required for each type of operation.
- 4) Select machineries and equipments required for each function.

The equipments required for the project may be classified into the following types:

- 1) Plant equipments.
- 2) Mechanical equipments.
- 3) Electrical equipments.
- 4) Instruments.
- 5) Controls.
- 6) Internal transportation system.
- 7) Others.

9) PLANT LAYOUT: Proper plant layout can reduce manufacturing cost by saving money and time. It refers to the arrangement of the machines, equipments and other physical facilities within the factory premises .It is a floor plan for determining and arranging the desired machinery and equipment in the best place to permit the quickest flow of material at the lowest cost with least amount of material handling in processing the product from the receipt of raw materials to shipment of the finished product. There are five types of plant layout, they are as follows:

1) **Product Layout:** It is also called line layout. In this type machines and equipments are arranged in the sequence or order in which they are used in the manufacture of a given product .It is best suited in mass production, because it allows continuous flow of material in process towards the finished product stage.

2) **Process Layout:** It is also called as functional layout. In this type similar machines are placed in one place according to the operations or functions they perform.

3) **Combined Layout:** Here some of the machines may be arranged in product layout and some others in process layout. It combines the advantages of both the layout forms.

4) **Stationary Layout:** The men and equipment are moved to the materials which remain in one place. The product is completed at that place where material lies. It is also called fixed position layout .It is necessary in ship building, aircraft manufacturing, job welding shops etc.

5) **Cellular Layout:** This is an innovative layout, and based on group technology principles. In this type machines dedicated to sequences of production are grouped into cells.

FACTORS INFLUENCING PLANT LAYOUT

While deciding the layout the following factors should be considered:

- Nature of industry.
- Volume of production.
- Type of production.
- Location.
- Material handling
- Type of equipment
- Factory building.
- Service facilities.
- Lighting and ventilation
- Future expenses
- Environment aspects

NETWORK ANALYSIS

The network techniques have their origin in the late fifties in USA. These techniques were developed to facilitate planning, scheduling and monitoring the projects in an integrated manner so that these could be completed within the constraints of desired time, cost and performance.

MEANING OF NETWORK ANALYSIS

Network is a combination of activities and events of a project. Network analysis is a system which plans projects by analyzing the project activities. Network analysis is one of the most popular techniques used for planning, scheduling, monitoring and co-coordinating large and complex projects comprising a number of activities. It is concerned with evaluation of time and resources profile of project activities.

OBJECTIVES OF NETWORK ANALYSIS

1. It is a powerful tool for planning, scheduling and controlling of projects.
2. It helps to minimize total cost.
3. It shows in simple way the interrelationship of various activities constituting a project.
4. It helps delegation of the power and authority.
5. It facilitates management by exception.
6. It avoids production delays.
7. It leads to optimal use of resources.
8. It helps to minimize time for a given cost.
9. It helps the entrepreneur to complete the project in time.

TERMS RELATED TO NETWORK ANALYSIS

Network: Network refers to series of related activities which results in some product or service.

Network Diagram: It is the backbone of network technique. It shows the activities and events of a project in a logical sequence. It is also known as project graph or arrow diagram.

Activity: It means the element of job or task or item of work to be completed in a specific time. Activity consumes time, money, effort and resources. Each activity is represented by a arrow()

Event: It represents the start or end of an activity. An event is generally represented by a circle () called node. Each activity has 2 events- tail event and head event. Tail event is the beginning of an activity. Head event is the end of an activity. Tail Event Head Event

STEPS IN NETWORK ANALYSIS

1. Preparation of network.
2. Estimation of time to perform each activity.
3. Computation of critical path schedule.
4. Interpretation of results.

PROJECT EVALUATION

It is the final stage of project management. The process of measuring the progress made and assessment of the results of a project is known as project evaluation.

MEANING OF PROJECT EVALUATION

It is derived from the Latin word 'Valuere'. It means determination of value of an activity or a thing. It is the process of appraising the progress and performance in relation to the project's initial or revised plan. It also appraises the project against the project goals and objectives. It measures how far the objectives have been achieved so far.

IMPORTANCE OF PROJECT EVALUATION

Project Evaluation helps the organization improve its projects management skills on future projects. It helps to know whether the project is moving according to plan or not. It brings into light the project's strengths and weaknesses. It gives the management a good idea of how the project is progressing. Thus project evaluation measures the success of a project.

PROJECT REPORT

A project report may be defined as a document with respect to any investment proposal based on certain information and factual data for the purpose of appraising the project. It states as to what business is intended to be undertaken by the entrepreneur and whether it would be physically possible, financially viable, commercially profitable and socially desirable to do such a business. Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for implementation of the project. The project report (Detailed Feasibility Report) is based on a preliminary report or pre-investment report. Thus the project report is a post investment decision report.

OBJECTIVES OF THE PROJECT REPORT

The basic aim of a project report is to assess the financial viability of a project as well as the soundness of its production, marketing and other related aspects. It serves the following main objectives.

- 1) It facilitates business planning and planning the future course of action.

2) It enables an entrepreneur to compare different investment proposals and select the most suitable project.

3) It provides a SWOT analysis, wherein the strengths, weaknesses, opportunities and threats involved in the projects as shown.

4) The project report enables the entrepreneur to ensure that he is proceeding in the right direction.

5) In case of public sector projects this report would also enable the concerned authorities to take an objective decision on the project.

6) It facilitates project appraisal.

7) It helps the financial institutions to make appraisal as regards financial, economic and technical feasibility.

IMPORTANCE OF PROJECT REPORT

Project report is a written plan of the project to be undertaken for the attainment of objective. It enables an entrepreneur to know the inputs required and confirms that he is proceeding in the right direction. It spells out the reasons of allocating resources of the firm for the production of goods and services during a specific period. An important aspect of the project report lies in determining the profitability of the project with minimum risks in the execution of the project. The important uses of P.R. are summarized as follows:

It helps the entrepreneur in establishing techno-economic viability of the project.

It helps in getting term loan from banks and financial institutions.

It helps in approaching bank for getting working capital loan.

It helps in securing supply of scarce raw materials also.

It gives a general idea of resource requirements and means of procuring them.

It shows the feasibility of the project and possibility of achieving profits.

CONTENTS OF PROJECT REPORT

It contains relevant information in detailed and systematic manner as below:

1) INTRODUCTION: General information regarding the company and production description.

2) BACKGROUND OF THE PROMOTER: - Name, address, age, family background, educational qualification, work experience, investment potential etc.

3) PRODUCT: - Details of products to be produced, details of application of the product, proposed product mix, product standard etc.

4) MARKET AND MARKETING:- Market potential analysis, major buyers, area to be covered, trade practices, sales promotion devices, trade practice and trade channels adopted by the competitors, demand analysis, proposed market research etc.

5) LOCATION:- Locational advantages, criteria for selecting the location, exact location of the project, other choices.

6) PRODUCTION PROCESS: - Details of technology, process flow chart, manufacturing process, production programme etc.

7) RAW MATERIAL: - List of raw material required in terms of quality and quantity, sources of requirement, cost of raw material etc.

8) UTILITIES: -Water, power, steam-sources and costs, effluent disposal etc.

9) TRANSPORT AND COMMUNICATION: - Method, possibility of getting and costs of transport.

10) MANPOWER REQUIREMENT: -Requirement of skilled, semi skilled personnel, technical and non-technical personnel, cost of procurement, capacity, and suppliers cost, alternatives available, cost of miscellaneous assets.

11) LAND AND BUILDING: - Land area, construction area, cost of construction, detailed plan, plant lay out along with cost.

12) PLANT AND MACHINERY: - Details of machinery and equipment required.

13) COST OF PROJECT AND SOURCES OF FINANCE: - Working capital required, preliminary and pre-operative expenses, contingencies and arrangements for the meeting the cost of project.

14) FINANCIAL VIABILITY OF THE PROJECT: -Cost of production and profitability for the first years, break even analysis, and analysis of cash flow and fund flow statements.

REQUISITES OF AN IDEAL PROJECT REPORT

The essentials of an ideal project report are as follows:

- Project report should be prepared with the help of an expert team.
- Assumptions in the project report should avoid extremities.
- Project report is the means and not the end.
- Product demand, capital resources, raw material availability, labour resources etc must be estimated properly after considering varied factors.
- Project report should be based on proper survey and systematic preliminary study of the project.
- Thorough discussions must be made with experts, various personnel of concerned departments before finalizing the report.
- The end result should be to receive finance and to get the project implemented.
- Complete satisfaction of the entrepreneur/promoter should be ensured before the report is submitted to the financial institutions.

PROBLEMS FACED IN THE PREPARATION OF PROJECT REPORT

An entrepreneur may face the following problems in the preparation of a project report:

- 1) Strict condition of promoter's contribution may dampen the enthusiasm of entrepreneurs.
- 2) All lending institutions demand a lot of documents before credit is granted.
- 3) Problems regarding working capital assessment due to unrealistic assumptions.
- 4) Time overrun will lead to cost overrun.
- 5) Lending institutions expect strict specifications with regard to size of the land, buildings, sources of machinery, their costs etc.
- 6) A number of clearances have to be obtained from the government departments. This causes strain and wastage among entrepreneurs.