



<b>UNIT-8</b>		
<b>Managerial Skills for Entrepreneurs Part 2</b>		
<b>INDEX</b>		
1		<b>Production Management in Small Business</b>
	1.1	Managing production
	1.2	Suggestions for managing production
	1.3	Inventory control in small business
	1.4	Inventory control methods
2		<b>Quality Management</b>
	2.1.	What is quality?
	2.2.	Managing quality
	2.3.	Inspections
	2.4.	Cost of inspections
3		<b>Time Management</b>
	3.1.	Why you must manage time?
	3.2.	Key to time management: Planning
	3.3.	Resolving goal conflicts
	3.4.	Principles of time management
4		<b>Values</b>
	4.1.	Basic values
	4.2.	Values touch every aspect of business
	4.3.	Values are good for everybody
5		<b>Human Resource Management in Small Business - I</b>
	5.1	Manpower planning
	5.2	How to improve utilization of manpower
	5.3	Personnel selection
	5.4	Source of manpower supply
	5.5	Selection process
6		<b>Human Resource Management in Small Business - II</b>
	6.1	Work motivation



	6.2	Job satisfaction
	6.3	Effective supervision
	6.4	Performance appraisal
	6.5	Training and development
7		<b>Human Resource Management in Small Business - III</b>
	7.1	Employee separation
	7.2	Types of employee separation
	7.3	Advantages & disadvantages of employee separation
8		<b>Overview of Labour Laws</b>
	8.1	Overview of important labour laws
9		<b>Self-Management</b>
	9.1	Understanding self-management
	9.2	Self-management and the small entrepreneur



# UNIT

## 8

### Contents

#### Chapter I

1. Production Management in Small Scale Business
2. Inventory Control in Small Business

#### The aim of this chapter is to:

- Help you understand the production management aspect in a typically small business unit, the kind you plan to set up

#### Objectives:

After working through this chapter, you will be able to :

- Develop a plan of action for production and control
- Implement the plan and monitor the performance



# Production Management in Small Business

## 1.1 Managing Production

Production Management is the management of the process that converts inputs like land, capital, labour, and other inputs into desirable outputs in the form of goods or services. If the output is product centric the process is known as production process and if the output is service centric, the process is termed as operations.

- **Inputs:** Inputs are the resources that an organization requires to produce the required outputs. It comprises of several different components such as infrastructure, which covers land, building, machinery, equipment, etc, human resources in the form of employees working in the organization, their knowledge, skills, intelligence, etc, the financial resources and any other such resource which might be needed for smooth functioning of the organization.
- **Outputs:** Outputs are the end results produced by using the given inputs and is generally assessed in the form of the final goods or services produced by the organization. However, aspects like quantity and quality of the goods/services and the level of productivity achieved from the given inputs also play an important role in the final output.

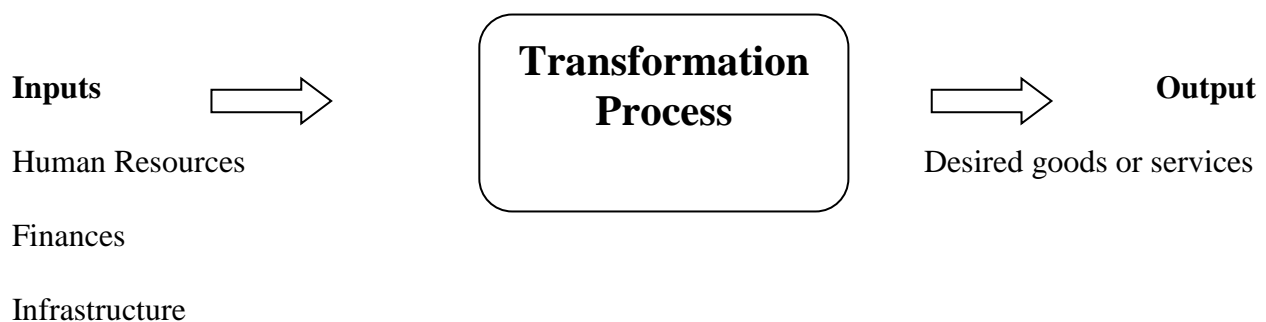


Figure: Transformation Process

The production system primarily comprises of two components: Facilities and Manufacturing support system. Facilities include the factory production area, production machines, tools, equipment, computer systems and other similar facilities engaged to manufacture products. Manufacturing support system comprises of planning and organizing the production functions and implementing controls in the manufacturing process. This includes receiving orders, development of product design, production process planning, planning the individual components, assembly lines and sub-assemblies and controlling the shop floor, quality and inventory through appropriate monitoring.



Once you have set up your manufacturing unit, the immediate task is to make use of the various facilities that you have installed, for production of items ordered by your customers. Your main aim is to operate your unit at an optimum capacity level in order to achieve this goal you have to:

- prepare a detailed production plan for a specific period, say, for the next one month
- prepare a time-schedule of various items of production
- issue instructions on the scheduled dates for carrying out the task
- ensure, through a follow up action, that these tasks are performed in keeping with your plan; take corrective actions if there is any discrepancy.

We shall now examine these activities in detail.

When you plan the production for a given month, you have to be aware of several aspects. Some of these are:

- machines that are busy with work in accordance with the plan made in the last month
- machines that are under maintenance and repair
- the position of availability of workers for all the machine in operation during the plan period
- the situation regarding availability of raw materials during the plan period
- holidays and weekly off during the plan period
- availability of electrical supply, transport facility, etc.
- accessibility of process instructions, toolings, gauges, etc. when needed during process of manufacture.

As you can well realize, all details which help to ensure production of the items, in required quantity, at the specified time and of the right quality, have to be arranged beforehand.

Once these details are checked and verified, the next task is to plan for production of the items. At this stage, it is important to ensure that the machines are loaded to their full capacity. An idle machine means a unit that is not earning its keep. You may draw simple bar charts showing machine loading for all the machine on your shop floor throughout the month and then plan the production in such a way that all machine are adequately utilized.

Having scheduled the production, you now have all details regarding which order is to be executed, on which machine and when. These details could be filled in work-order forms which you can design in keeping with your requirements. For each order, as the date of release of instruction (say, release of raw materials) approaches, you issues the necessary instructions to the concerned production section to obtain the material from the stores.

You can issue necessary instructions on the work-order to the concerned sections in accordance with the need and requirement of a particular material.

As the work progresses you have to issue instructions to different section of the unit so that they can carry out the tasks in keeping with your plan.



It would be really nice (and you can consider yourself lucky!) if everything goes on in your shop exactly the way you have planned. It seldom happens that way. This is because there are many things which are not within your direct and effective control. For instance, a machine might break down, a worker may remain absent when an important and critical operation is to be carried out by him or his machine, some of the material, you may have ordered for, may not reach your factory in time, etc.

Therefore, the next step in production management is to check whether and how the orders are being executed. If there are any discrepancies between what you have planned and what is actually happening on the shop floor, you have to take immediate corrective actions. There are no ready-made answers to solve these unexpected problems; much depends on the ingenuity and creativity of your team of personnel.

For instance, if a machine breaks down, you could take any of the following action:

- Adopt a new process of manufacture in order to be able to produce the same item on other available machines
- Get the specific work done by outsourcing it to a third party.
- If there are other similar machines in your shop, you may consider off-loading the jobs being carried out on one of these machines and carry out the production of the urgent order on that machine

## **1.2 Suggestions for managing production**

Keep the Following Suggestions in view while Managing Production

- a. When you design a format for work order for a routine job in your unit, you should take care that the format is simple and can be easily understood by all those who are going to fill it up. It should give you all the necessary information about the job to be done or being done. For instance, after one glance at the work-order for a particular job, you should be able to say how many operations have already been completed. Do not include any information in the work order form what is not useful. For instance, you are not required to know the position of the stock of material from the work-order. You can always do so from the stores. Besides, such information is of no use to people who are carrying out the job.
- b. Production plan for the following month would depend on the orders that you have on hand, their priority, the availability of machines during the subsequent month, etc. The main considerations that you have to keep in mind during the preparation of plan are:
  - a. customer satisfaction with regard to delivery and the quality of work.
  - b. optimum utilization of your equipment and workers.
- c. The bar chart for the machine installed in your shop reveals whether each machine is loaded on a particular date or not. You could divide each day into three columns, if you are running the shop in three shifts. Thus, if you draw a machine loading chart, you would have a clear picture regarding which of the machines are fully loaded and which of them are not. This gives you an indication of how to plan and schedule various jobs during the subsequent month.



- d. You could exercise many options if an operator is absent on a particular day. Some of the are:
- quickly train another skilled worker and put him on the job
  - carry out the operation on a machine where the operator is available. For instance, if a milling machine operator is absent, check if you can carry out the same operation on a shaping machine.
- e. A PERT (Performance Evaluation Review Technique) chart is also called an 'activity-event chart' and it shows in a graphical way the activities that are necessary to obtain results (or reach at event points). For example, let us presume you have an important job of manufacturing yarn. This involves 12 days of preparatory work and 6 days of spinning here, the activity of preparatory work is of 12 days duration and at the end of these 12 days, the raw material is ready for spinning. Similarly, after 6 days of spinning activity, the fibre has been spun and is ready for the subsequent process. Both these activities and events could be shown in a chart. This is called the PERT chart. Its importance is that you can see directly how the various activities and events are connected and which takes place earlier and which of it takes place later. This also helps in identifying which activities may be taken up simultaneously to cut on the time for the completion of the project. You can also 'tinker' with the PERT chart and plan some of the activities earlier and some later if it saves money for you and you still are able to achieve your objective. Similarly CPM (Critical Path Method) could help in identifying the sequence of those activities whose completion is critical for the timely completion of the work. It also helps us understand where the maximum controls should be applied to get the work done on time.

Network Analysis or more commonly known as PERT Network Analysis is widely used by Project Managers to analyze, control and monitor the various processes and activities involved in the project. It helps in understanding the sequence of tasks involved in the project, durations for each activity, dependencies between activities and the buffer time between activities. PERT Network Analysis is a very useful device for planning the time and resources of a project and take appropriate decisions for the timely completion of the project. The technique also helps in identifying the potentially troublesome areas, which could disrupt the project schedule and overall plan and the project managers may shift resources as necessary to keep the project on schedule.

- f. Aim of production process

Entrepreneurs must produce goods with the following objectives in mind.

- Produce in right quantities.
- Produce at the desired time.
- Produce at the right cost.
- Produce with appropriate quality.



## SAQ 1.1

Devise the following for your business unit:

1. A format for work-order for a routine job.
2. A production plan for the following month.

### 1.3 Inventory Control in Small Business

Another important aspect of production management is control of inventory of materials. Raw material, consumable stores, etc. are required for smooth functioning but are also an item of cost. This is so because you have to borrow short term funds to buy these materials and if you keep surplus materials you are in effect blocking cash on hand. So how would you ensure that the investment in raw material is reasonable and not face the problem of either overstocking or stock-outs? (Stock-out means that the material is not available to the shop floor from your stores when it is needed for processing by the shop).

As you study your material cost, you will begin to notice emergence of the following points:

- There is cost incurred each time that you place an order for any material. Such cost is incurred in preparing the order, stationery, approvals, postage, etc. A total of such costs is called ordering cost.
- There is also a cost of carrying materials. This cost is the result of the procurement of materials and includes transportation cost of materials, cost of storing the materials and increase in working capital, etc.

Now you will understand that these costs 'behave' differently; if the frequency of orders are less but quantity of a material ordered is more in a given year, the cost of ordering is low but the cost of carrying the ordered material is high. Do you know why?

Let's take an example. Suppose you need 100 tonnes of steel during a year. If you order in lots of 10 tonnes, the cost of ordering throughout the year will increase since you will have to order for it ten times. If you order for the same item in lots of 25 tonnes, the cost incurred will be less. But in this case the carrying cost will be more than that of the earlier order. One way to keep the cost of inventory low is to see that these two costs - cost of ordering and cost of carrying inventory are at the minimum.

### 1.4 Inventory Control Methods

#### a. Perpetual Inventory System

A typical manual system uses a perpetual inventory sheet. Whenever a shipment is received from a vendor, the quantity is entered in the receipt column and added to the total. When the item is sold or taken from the entry, it is simply deducted from the total. Bar-coding the inventory allows the process to be done by handheld scanners. These scanners are connected to the computerized inventory control system. Automating the perpetual inventory system enables





accuracy and as soon as the inventory levels are dropped, the system generates purchase orders to fill the supplies.

#### b. Economic Order Quantity (EOQ)

In order to keep the cost of inventory low, the two costs - cost of ordering and cost of carrying inventory need to be kept at the minimum. You can achieve this if you purchase an item needed by you in a certain quantity known as Economic Order Quantity (EOQ). With the help of the following formula you can obtain the EOQ:

$$\sqrt{2AS/RV}$$

Where, 'A' stands for the cost you incur each time you place an order for purchase, 'S' is the quantity of material that you want to use per year, 'V' is the per unit price of the item you want to purchase, and 'R' is the carrying cost per unit of the item.

Let us see how to apply this formula, in practice.

Assume that you want to purchase plastic material for your shop. Let us suppose that the ordering cost in your shop is Rs. 5 every time you place a purchase order. Thus, A = 5. The cost of total quantity of plastics that you needed is Rs. 36000 per year. R is 25 paise per unit. (Remember, this is inventory carrying cost defined above). V is Rs. 4. This is the unit value of plastic material per kg.

Now EOQ is  $\sqrt{2 \times 5 \times 36000 / (0.25 \times 4)} = 600$  kgs. Per order.

This is one way to keep the cost of inventory in your unit under control.

#### c. The 80-20 Rule

You may also follow a thumb rule which is called the 80-20 rule. In effect, this rule stipulates that of all the materials in your stores, only about 20% of the items carry about 80% of the total sales volume of the store. This means that if you have about 300 different items of inventory in your store, only about 60 items will account for 80% of the sales volume.

This offers you a very convenient way to control the inventory costs of your unit because if you pay attention to these 60 items of inventory and ensure that their stock is kept under control, you will be able to control a major part of the inventory, which has high sales volume.

#### d. ABC Analysis

This technique is used widely for inventory management. It proposes to segregate inventory into three categories – A, B & C. 'A' is the smallest category, say 5% of the total inventory, with the high value products. The next category is 'B', which is usually 15% of the total inventory and



comprises of fairly important and valuable goods, which are not as critical as category ‘A’ products but more critical than category ‘C’ products. The largest category, say 80% of the inventory is marginally valuable but are usually running items and usually give less profits. For example. A saree shop may have several different kinds of sarees but the shopkeeper has broadly categorized them into A, B & C. ‘A’ category has designer and bridal sarees, which are of high value and provide good revenue and profits, ‘B’ category has partywear sarees, silk sarees and some other unique set of sarees, which are fairly valuable. The last category ‘C’ consists of daily-wear sarees and cotton sarees, which do not really accrue high value or profits but are usually sold on daily basis.

e. Radio Frequency Identification Tags (RFID)

Inventory control through bar-codes to track the movement of inventory has been around for over 40 years. Although, it has played an important role in automation of the supply chain, a much-advanced technology has picked up recently – the RFID. Increasingly, businesses are replacing their bar-code systems with RFID. The RFID tags are attached to individual shipments and transmit data to company’s inventory management system. Each tag is about the size of a grain of sand and contains a microchip that stores a unique electronic product code. In comparison to bar-code, RFID is very accurate and tremendously faster than bar-code, the technology enables several RFID tags to be scanned at once. The RFID tags are tougher and volume of data that can be stored on RFID tags is much more than what could be stored in bar-codes.

**SAQ 1.2**

Your friend has set up a factory for manufacture of dies and tools recently, he has been asked by the bank manager to reduce the level of inventory in his unit. He has come to seek your advice about the ways and means to achieve this. Describe how you would help him.

**Hint**



Over and above helping him with application of EOQ formula and A-B-C analysis of inventory, you can also look into his relationship with his suppliers and whether he can arrange to obtain the items he needs just in time before he is ready to process them. Besides, you can also examine the work in progress (WIP) inventory in his shop and find out if he can plan the work in such a way that the WIP inventory could be reduced.



# UNIT

## 8

### Contents

#### Chapter II

1. What is Quality
2. Management Aspects of Quality

#### The aim of this chapter is to:

- help you to plan and attain quality assurance for your products. This chapter covers quality management aspects of the production activity and explains the basic steps that you should take to make sure that the quality of your product matches with your customers need

#### Objectives:

On completion of this chapter, you will be able to understand:

- what quality really means
- how you should plan in order to achieve quality of the products/services of your unit



# Quality Management

## 2.1 What is quality?

Quality is defined very simply as 'conformance to customer requirements'. This definition has a number of advantages over other definitions of quality (such as 'fitness for use', or 'making things as per specifications'). Some of these advantages are:

- it is easy to find out the quality of a given product simply by checking whether it is in keeping with what the customer needs. These needs would cover all aspects such as specifications of the product, its performance, delivery schedule, life of the product, etc.
- it can be conveyed at all levels of the organization by developing the concept of 'internal and external customers'. We shall see how this is done, later in this chapter.

Quality is both aesthetic and functional. When we talk of the aesthetic aspect of quality, it means the outer appearance of a product and when we speak of the functional quality we mean those aspects which serve the purpose for which the product is made. Thus, the functional quality of a car could be the mileage it gives per litre of petrol. In this chapter, we shall discuss only the functional quality.

The traditional view of quality pertained to results obtained after inspection. That is, if you wanted better quality you simply asked the inspectors to be more vigilant and strict. This view is however, not accepted now in the industrial world. Quality is now seen as an aspect that is controlled by all management actions. About 85% of management actions directly affect quality of products. Thus, the emphasis on quality is presently on achieving it through better management controls on all aspects of business and not simply by tightening inspection on the shop floor.

## 2.2 Managing Quality

The design of a product or service must incorporate the features and attributes that satisfy the customers' needs. If a product's quality is unsatisfactory, it results in additional costs on reworking, scrap, complaint handling etc. There are several dimensions of quality which the customers take into account while purchasing a product or service. An entrepreneur needs to ensure that he pays due attention to these quality parameters as far as possible. The major quality dimensions include:

- a. Performance
- b. Features
- c. Reliability
- d. Ease of Serviceability
- e. Durability
- f. Appearance
- g. Customer service – before & after sales
- h. Safety



For achieving the quality output, Quality does entail some costs. There are six major types of costs involved in introducing quality standards.

- a. Cost on prevention of defects – through trainings, acceptance sampling, six sigma etc.
- b. Cost on scrap – eliminating wasteful production.
- c. Cost on rework of defective parts – reworking on improvising the defective products.
- d. Cost on warranty claims – for fulfilling warranty obligations.
- e. Cost on defects in the final product – defects in the outgoing finished products.
- f. Cost on additional manpower – who manages quality related tasks.

While the traditional approach has been that the Production department makes a product and quality control inspects it and segregates the units which do not meet the quality standards., a new philosophy is to ensure that the product is made right, the first time, every time. It, therefore needs to be mentioned that if the small businesses spend more on ‘a – prevention of defects’, the rest of the costs can easily be cut down.

There are three areas that you have to pay attention to for managing quality in your enterprise. These are:

1. The quality and suitability of inputs
2. The manner in which inputs are delivered, stored and converted, into a product or service.
3. The manner in which the final product or service is delivered, to the customer, installed and used by him.

If you prepare responses to the questions on the left, perhaps, you will know where you stand in managing quality.

1. Write down about the inputs in your enterprise. How do you obtain these inputs?
2. Describe how you would always ensure that the inputs are of specified quality.
3. How are these inputs delivered to your unit? Mention the precautions taken to see that these inputs reach your unit safely without damage.
4. Describe in detail the procedure adopted in order to select the suppliers of the inputs
5. What is the frequency of checks on the suppliers of the inputs?
6. Explain the precautions taken to prevent wastage of these inputs when you store them on receipt at your unit.
7. Describe how you convert the inputs into finished products at your unit. Explain in detail each stage of conversion.
8. What are the inspection stages carried out during processing of inputs in your unit? Describe the entire procedure.
9. How do you segregate good and bad materials during the manufacturing stage so that there is no mix-up?
10. What is the system of identification of various inputs during the processing stage? How would you know what kind of process a particular material has undergone at any given time?
11. To what extent are the workers responsible for checking the quality of the products made by them? Explain by giving examples of critical operations.



It is important to note that when you plan for organising inspection of the products made by you, there are three aspects that you will have to solve:

1. Where would the inspection be carried out?
2. How much would be inspected?
3. What would be the inspection cost and can it be controlled?

Let us now try and find answers to these issues.

## 2.3 Inspections

There are three types of inspections. These are:

- Receiving inspection
- In-process inspection
- Clearance inspection

Raw material and components purchased from outside are inspected as soon as they are received, before sending them to the stores or to the shop floor.

In-process inspection is done during the processing of the material on the shop floor. This could be done when a batch of items is being processed on a machine, or before such operations that would conceal defects in the parts such as painting etc. In-process inspection is also necessary before carrying out costly operations on the parts. Such inspection could be done by an operator trained in inspection or by an inspector from Quality Control Department.

Clearance inspection takes place before the product is shipped to the customer or after it has undergone a process in department or prior to storage. This inspection will be in the nature final inspection.

One could be to inspect every piece (unit) of product made. This is known as 100% inspection. The other is to inspect a sample from a lot. This is known as sampling inspection.

You should also know about the primary and secondary functions of the various items that are used to make the final product in your unit. For instance, if you are manufacturing a bicycle and if a tooth on the sprocket breaks, the bicycle would not move. But, if there is a scratch on the mudguard, it will not affect the functioning of the bicycle and people may not even notice it for sometime. If you inspect every item of the product, it will be time consuming and costly, though, you may have to do this in some cases where you require a high degree of reliability. Sampling inspection involves using randomly selected representative samples from given lots. Then, statistical methods are applied to find out whether the lot from which the samples is taken could be accepted or rejected.

*Single Sampling Plan:* A sample (say 1%-2% = 100-200) are drawn from a lot of 10,000 pieces and the minimum acceptance number is kept at 5. So if the defective pieces are less than 5, the consignment is accepted and if it is more than or equal to 5, it is rejected.



*Double-Sampling Plan:* This plan calls for a second inspection, if the results of first inspection are not in the acceptable range. Say for example, if the acceptance number (n) is kept at  $5 \leq n \leq 11$ . That is if the defective items are less than or equal to 5, lot is accepted. If defective items are 11 and above, the lot is rejected. But if they fall in between 5 and 11, the lot needs to be inspected a second time. The new acceptable limit is determined from the combined sample.

## 2.4 Cost of Inspection

You should remember that cost of inspection is an overhead. Inspection does not improve the quality of the product by itself. The quality of a product can be improved during processing and not by inspection. Therefore, you should keep the level of inspection to a minimum, just enough so as to have an acceptable level of quality for your products. Statistical inspection methods help in reducing inspection cost. Building quality into the process stage is however a better way to reduce inspection costs.

Let us see how this is done in practice. Suppose you decide that out of the whole lot, say, a quantity of 1000 items of a given product made by you, a sample of 50 will be checked. If all pieces from this sample are found to be of acceptable quality, you may decide to accept the entire lot, even of there is a change that one piece in some other lot is defective.

Now, if you increase the size of sampling from 50 to say 150 and find that all the pieces of the sample are of acceptable quality, the chances are that there will be fewer pieces in the entire lot that will be defective. But, at the same time, you have increased the cost of inspection from 50 pieces to 150 pieces. Thus, you have to take the following decisions when you plan to check quality through sampling inspection; one is the size of the sample to be inspected and the other is the number of defective pieces that will be allowed in the sample and still make the entire lot acceptable. Both these decisions can be taken with the help of formal statistical analysis.

Remember that:

1. Quality is a direct result of management processes of controlling inputs, processes and delivery to the customer. Therefore, when you decide on the plan of action for ensuring quality, do not forget to define each and every step of the management process that could affect the quality of the product.
2. When planning inspection of products, emphasis should be on prevention and not cure. That is, inspection must be carried out in such a way that you are able to spot the mistakes before they actually occur and not after they have already occurred. Also, organise the inspection in such a manner that a worker too can check on the quality of his output by himself.
3. Statistical techniques assist in taking decisions about quality of products without waste of time and money. But, it is necessary that the procedures that you lay down for using these techniques are sound and their application is understood properly by all concerned. Otherwise, scrap is likely to be produced and passed as good material without your knowledge.





4. When you describe the approach to quality adopted by you, one of the first things that you should mention is how you have conveyed your company's quality policy to the people who work for you. This is the foundation of building quality of products manufactured in your factory.

### SAQ 2.1

Answer the following:

1. What arrangements would you adopt for ensuring quality of products in your unit?

---

---

---

---

2. How would you organise inspection of products made by you? (Stages of inspection must be described).

---

---

---

---



# UNIT

## 8

### Contents

#### Chapter III

1. Why Must You Manage Time
2. Key to Time Management: Planning
3. Resolving Goal Conflicts
4. Principles of Time Management

#### The aim of this chapter is to:

- help you to manage your time more effectively. This chapter covers time management aspects with regard to your activities as an owner/manager of a business

#### Objectives:

On completion of this chapter, you will be able to:

- pinpoint the priorities of your business
- assign priorities to various activities depending on the results that they bring to your business
- develop a plan of action for time management so that you obtain desired results in your business



### 3.1 Why You Must Manage Time

If you have committed any mistake in the production of items, you can usually correct it at a cost. But, you cannot get back the days and months that you spent in these activities. Time is, therefore, a far more precious resource than even raw materials or money. How you manage your time will determine a lot of things; whether you are effective in what you are doing now and whether you are likely to succeed in your venture in the time to come.

### 3.2 Key to Time Management: Planning

If you want to be a master of time than you have at your disposal the same 24 hour that everybody has. You will have to ask yourself some hard questions and find out honest answers to those. This is not always easy because in the process, you will have to give up some of the things that you are fond of and have to devote time to those activities that you may have been avoiding so far. This include development of immediate, short term and long term plans for your business.

If you are to develop healthy habits of time management, the first thing to do is to find out how you spend your time now. For analysing and taking an inventory of your time now, record at intervals of half an hour the following items in a simple table.

- What happened during the last half an hour?
- How much time did the incident take? (It might take more than half an hour or less. Record the time taken.)
- Who were the people involved? (Names and designations of the people in your organization with whom you interacted during the interval.)

Carry out this recording activity for at least week. Then analyse how you spent the time. For this, you have to ask yourself these questions:

- How successful were the activities?
- Have you had any habitual failures?
- Divide your work tasks into three categories. Things you **MUST** do, things you **SHOULD** do, and things you would **LIKE** to do. Allocate a theoretical percentage of say, 75% to the first category, 20% to the second category and 5% to the third category. Find out how you actually spent your time for these activities during the week. Are you satisfied? If not, what changes would you like to adopt?

A very popular matrix to prioritize our tasks in accordance to their importance and urgency is Eisenhower Matrix. Please refer to the Figure below.



	<b>URGENT</b>	<b>NOT URGENT</b>
<b>IMPORTANT</b>	<b>DO NOW</b>	<b>DO NEXT</b>
<b>NOT IMPORTANT</b>	<b>DO LATER OR DELEGATE</b>	<b>IGNORE</b>

Figure: Eisenhower Matrix

There is one more way that you could manage your time effectively;

To begin the planning process, answer the following questions in detail without censoring any ideas that may come to you. Total time given to you for answering these questions is 15 minutes.

1. What are my business related goals in life for the next five years? Comments:

- Do not censor any ideas that may come to you. For instance, you want to enter the Fortune 500 list of companies. Fine, write it down. You want to be a millionaire within the next five years, record it without editing it.
- Do not spend much time at this stage on thinking about the goals. We want a quick snapshot, not a beautiful painting. Take not more than ten minutes to write down these goals.

2. How would I like to spend my time during the course of the next five years? Comment:

- Again, do not censor or stop yourself from noting down whatever comes to your mind. Record it. You may note that what you write down now is a continuation of the answer to the first question. Or, the answers may completely differ.. Whatever they are, note them.

3. If I have only six months to live from today, what activities will I be involved in for my business? Comments:

- Remember, this question does not imply that some calamity or harm is likely to come to you. It is simply a question that forces you to think what you would like to do for your business and your life, if you had as limited a time as six months from today.

Write down your answers to the questions before you read the next section. This is very important.



## SAQ 3.1

Now to illustrate how the above exercise is going to be useful to you in managing time, let us see how Mr. Biswas answered these questions.

1. To achieve an annual sales turnover of Rs. 1000,000/-  
To study for MBA as an external student.  
To be counted as one of the important players in my line of business of processed food manufacturing.  
To train all my staff in their respective areas of working.  
To obtain ISO 9000 certification within next three years.
2. Spend 20% of my factory time for training related activities for the staff.  
Spend 30% of my life at the factory for attaining profit targets.  
Spend 20% of my business time for attaining leadership objective.  
Spend 10% of my personal time for leadership objective.  
Spend 10% of my leisure time for the MBA activity.
3. Establish systems to improve information flow within my business.  
Attend to the education of my son so that he obtains adequate qualifications and experience to succeed me in my business.  
Bring down body weight by another 10 kgs.

The first thing that strikes you about Mr. Biswas's answers is that even though all the questions were personal goals, each list of answers is different and that there is contradiction between the first and the third list. For instance, the point about the son's succession was never touched upon in the first list as a priority goal but third list. Again, look at the time allocation for achieving the goals in the answer to the second question. It is rational/ What do you think it should be?

Now, look at your own answers to SAQ 3.1. Write down the main points that you notice, now you have chance to look at the list properly and for a longer span of time.

### 3.3 Resolving Goal Conflicts

As you look at your own list of priority goals and how you would like to allocate time for various goals, you may notice that there is some conflict between what you want to achieve and the time that you can allot to each goal. 24 hours a day never seems enough! Besides, at times, even the goals listed in the first and third lists are different as in the case of Mr. Biswas above. Remember that if the answers to the first and third questions are quite different, it might mean that you are postponing some urgent tasks because you probably do not like them.

So, how are you going to resolve these conflicts? Quite simply, by choosing from the varied goals in your life and allocating some time from the 12 hours of working time that you have for all the provided activities every day. In the process, you may have to drop some goals which you would love to achieve and accept others which are not very pleasant to pursue (like reducing the body weight by 10 kgs.) However, remember that once you have attained a



particular high priority goal, you can always plan towards achieving other goals that you find more enjoyable, the year after.

The above exercise should end in preparation of a list of lifetime goals. For instance, Mr. Biswas prepared the following list:

1. To achieve a sales turnover of Rs. 1000,000/-.
2. To obtain ISO 9000 certification within next three years.
3. Attend to the education of my son so that he obtains adequate qualifications and experience to succeed me in my business.

The time allotted for achieving each of these goals is 1 (60%), 2 (25%) and 3 (15%).

Based on the answers that you have given in SAQ 3.1, prepare a list of lifetime business goals to be achieved for the next five years and determine the time in percentage of 12 hours of the working day that you are prepared to allocate to each of them.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

### **Preparing an activity list**

Now that you are ready with your lifetime business goals, the next step is to prepare a list of activities that you will have to carry out to reach your goals. For instance, to reach the goal of sales turnover of Rs.1000,000/-, Mr. Biswas listed the following activities:

- Contact at least two new clients every day.
- Phone at least five existing clients daily, to find out about their needs of the items manufactures by me.
- Develop at least three new products within six months.

On the basis of your goals presented in SAQ 3.2, prepare a list of activities. Assign priority to each activity and prepare a list of activities with high priority items at the top.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

### **Preparing a list of Dos**

Now, you are ready to work on your lifetime goals. Prepare a list of 'Dos' that you have to carry out the next day. Keep in mind the following when you prepare this list:

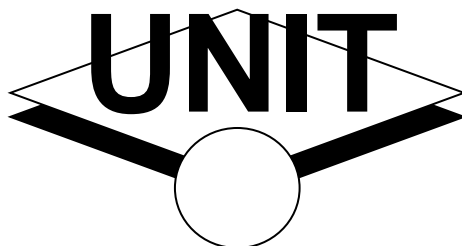
- 1) Include activities related to the goals at the top of the list
- 2) Include routine activities such as payment of electricity bill, buying some provisions for home, etc. at the bottom of the list.



- 3) Even among priority activities, you can allocate time for more urgently needed tasks. The main idea is that you should move closer, each day, to achieving your lifetime goals.

### 3.4 Principles of Time Management

- Analyse your time inventory and how you utilise it periodically. If you are not spending time available to you to achieve your business and personal goals, find out how you can change the pattern.
- Keep some time free, daily, for thinking about your business and planning for the future. Do not block all the 12 or 14 hours of your working time completely for day-to-day activities.
- Find out your personal prime time; this is the time when you are at your best, both physically and intellectually. Block this time for 'A-1' tasks and for future planning.
- Delegate non-priority tasks to subordinates. Even if you like some activities, so long as they do not contribute to your main business goals, they should not be done by you.
- Reward yourself each time you follow your time management plan.
- Before you go to sleep each night, plan the work to be done for the next day. A day that begins without a clear plan is a day that is effectively lost.





# 8

## Contents

### Chapter IV

1. Importance of Values
2. Values Touch Every Aspect of Business
3. Values are Good for Everybody

### The aim of this chapter is to:

- help you decide about the values of your organization. It covers the approach that you should adopt to establish the value system of your business unit

### Objectives:

On completion of this chapter, you will be able to :

- understand the basic business values that you cherish in your line of activity
- make a clear statement of these values for your own record and guidance as also for those working with you
- decide how best you should convey these values to those who work with you

### 4.1 Importance of Values

Values of the organization drive the business and the decision-making in the organization. It supports company's vision and shape its culture. Having clear values ensure that all employees are working towards common goals. Suppose that you have deputed your marketing manager to a foreign country for scouting business for your firm. He contacts a customer who wants to place





an order with your firm, provided you supply him sub-standard goods at low prices. The sub-standard goods are likely to harm the health of the population in that country even though the value of order and the profit margin offered may be high.

What is your marketing manager likely to do? He could do two things: ask you for guidance in the matter or may straight away tell the party that it will not be possible to accept an order for sub-standard goods, even if the volume of sales is high and the profit margin is good. Your marketing manager, may also emphasize that to your firm the health and welfare of people is of prime concern and therefore it would not even dream of doing anything that could affect the health of people anywhere in the world.

When he asks for your guidance in the matter, it means that your firm does not have a clear idea of the values that it cherishes. If he rejects the offer for an order without talking to you first, that would mean that not only your company has a clear idea of the values, but that you have taken care to convey these values to all the persons in the company.

Thus, basic values of a company are like lighthouse on sea shores. These lighthouses with their powerful revolving search lights help ships to sea and find their way towards the shore even in darkness. Similarly, values give direction to a company's personnel and help them to take decisions that maintain and increase the company's reputation in the marketplace.

#### **4.2 Values Touch Every Aspect of Business**

Though we have given an example of marketing decisions based on values, you must remember that values of a company encourage all vital aspects of a company's functions. For instance, let us talk about relations with people within the company. Some companies treat people as disposable assets who can be hired and fired at will. Other companies look at people as a valuable resource, a storehouse of ideas, generators of innovations and treat them accordingly. Similarly, a company could have a set of values when dealing with the government, with competitors, with customers, with non-government organizations, etc. How do you find out the value system of a company?

The answer is: by asking questions to people within the company. You can ask them hypothetical questions about different areas of working within the company and find out how they would behave in difficult circumstances; how they would choose between options available to them.

Value can be termed as good or bad. They are either helpful for your long term business growth or they can be the cause of your downfall. Therefore, when answering the above queries you should not try to find out or guess right answer but should be honest and write what you feel you would do in the circumstances described. It will help you to examine your present value system in a beneficiary manner.

#### **SAQ 4.1**

The following multiple choice questionnaire will help you to discover your own set of values.

--



Consider the following situation: -

You are trying to internally fill the position of Marketing Manager in your organization. You have two potential senior candidates within the organization. On screening their credentials, you find that one of them; Mr. Sharma, has been a consistent performer, is attached with the organization for good number of years, is faithful, a team player and has leadership quality as well. The other one, Mr. Gupta, was only recruited four years back, otherwise a good performer, he lacked in terms of leadership and team spirit. Mr. Gupta is also a close relative of your wife. There is a strong pressure from your wife to select Mr. Gupta for the position. What would you do?

1. Hire Mr. Gupta as you would not like to make your wife angry.
2. Ignore your wife and hire Mr. Sharma, as he is more suited for the position.
3. Ignore the candidature of both the potential candidates and select a third person from outside the organization
4. Any other approach

What does your response tell you about your value system for your employees?

2. An export consignment has been found to be defective by your foreign customer. How would you react?

- a) Make efforts to see that the customer accepts the goods even at a discount.
- b) Contact the customer, apologize for the inconvenience and assure him that a replacement will be sent immediately.
- c) Take legal action to force the customer to accept goods.
- d) Any other approach.

What does your response tell you about your value system for customers?

3. A competitor is in trouble. You have heard that he wants to dispose off his unit.



How would you go about this manner?

- a) Check if you or your organization could be of any help
- b) Spread word in the market about imminent closure of the unit and capture his customers.
- c) Keep quiet till someone acquires the unit.
- d) Any other approach.

What does your response tell you about your value system for competitors.

4. The party which markets your products is showing signs of slowdown; he is not marketing your products as vigorously as they had done earlier.

What would you do ?

- a) Blame him for slow movement of your goods.
- b) Meet him to find out what his problems are.
- c) Begin to identify an alternative party for marketing your products.
- d) Any other approach.

What does your response tell you about your value system for dealers and distributors ?

Values can be termed as good or bad. They are either helpful for your long term business growth or they can be the cause of your downfall. Therefore, when answering the above queries you should not try to find out or guess right answer but should be honest and write what you feel you would do in the circumstances described. It will help you to examine your present value system in a beneficiary manner.

### **4.3 Values are Good for Everybody**



You may ask whether you should have values on important areas of business behaviour and whether you should publicise them among your people. The answer to both these questions is, 'yes, you must'. Let us examine the reasons for it.

The first advantage of the values that you have in conducting the business is that they help you to delegate. For instance, the marketing manager in the first example, who was sure about the values of the company, decided against taking the order of substandard goods even at a profit. Had he not been clear about the company's value system, he would wait till he received your decision on the matter.

The second advantage of the value system is that you operate among like-minded people. Let us suppose your value system regarding employees considers them as a valuable resource rather than a disposable commodity that can be easily purchased from the market. In such a case, when you recruit a personnel manager, you would look out for a person who shares your ideas about human resources. Similarly, if your value system does not permit you to sell poor quality goods, your production personnel would be conscious about quality all the time. The marketing people will be equally confident about the products. The customer too would have favourable perception of your goods.

There are many such areas that you would like to explore. In the modern context of team building which is a priority area for all business organizations world over, the list of value questions on the right is useful. However, this is not the last word and you may improve upon the list to your own advantage.

1. Should we improve our planning processes and communicate our business objectives down the line to everyone in the organization?
2. Should we emphasize the development of effective and assertive leadership throughout the organization?
3. Should we upgrade our management processes, control systems and communication procedures?
4. Should we foster a more open, positive and high energy climate within the organization?
5. Should we re-examine our management structure to achieve our goals and priorities?
6. Should we achieve balance of power between the workers and the management?
7. Should we emphasize persona, job and career development of individuals within our organization?
8. Should we develop effective teamwork throughout the organization?

If the answer is 'yes' to all the above queries, what is further involved? What steps you should take to proceed in each area?

If you decide to upgrade your management control system (query 3), it would mean making the entire system more transparent and easy to understand. It might also imply a certain degree of bureaucratization at least in the beginning. But more important, it would mean effective delegation across the board throughout the organization.

Let us examine query No. 5. If you have to re-examine your management structure to achieve your goals and priorities, it could result in the following:



- You may have to give up control of some of the (relatively unimportant) things and activities that you are fond of doing. For example, you may have to delegate the task of checking the daily absenteeism to your Personnel Manager rather than checking it yourself. Of course, you could organize in a manner such that you receive a report on absenteeism half an hour after each shift and thus retain effective control over the area.  
Similarly, you have to authorize people to spend amounts up to specified limits under certain heads. Again, you can arrange to receive reports weekly/fortnightly on how much amount is spent by whom under which head.

Take query No. 8. Suppose you decide to build an effective teamwork throughout the organization. It would mean that you may have to reduce the number of hierarchy layers in the organization. Besides, you may have to set up task forces to tackle specific assignments. Such teams are cross functional teams with members drawn from each specific area of function, within the organization that are likely to contribute to the goal of the team.

Thus, you will see that for achieving each priority and value in the organization, you have to be prepared to sacrifice something that you cherish or are fond of now. Ultimately, however, establishing such a system of values and making them known throughout the organization is extremely beneficial for the long term growth of the organization and of its people.

### SAQ 4.2

What actions you propose to take if your answer to queries No. 1,2,4,6 and 7 above is 'yes'?

1.	_____
2.	_____
4	_____
6	_____
7	_____



# UNIT

## 8

### Contents

#### Chapter V

1. Manpower planning
2. How to Improve Utilization of Manpower
3. Personnel Selection
4. Source of Manpower Supply
5. Selection Process

**The aim of this chapter is to:**

- help you in planning for and selection of manpower for work

**Objectives:**

On completion of this chapter, you will be able to:

- understand how planning for manpower ought to be done in small organizations both before and after setting up the business
- select personnel for your organization

### 5.1 Manpower planning



To get the right people, when needed, is one of the most important problems that any organization can face. If by chance you have selected the wrong person, it could be difficult to get rid of him. Therefore, both manpower planning and appropriate selection of employees are very important for any organization.

Manpower planning not only involves estimating the requirement for workers and supervisory staff; it also involves effective utilization of manpower resources. Performance appraisal, selection and training and development of employees are important aspects and these will be discussed in the next chapter in details.

Planning for manpower should be considered at two stages:

- Before the unit begins to function.
- When the unit is in operation.

At the time of preparing the business plan report itself, manpower planning is done in order to be able to estimate the manpower cost. The following points should be considered during planning:

- Make an estimate of number of personnel needed to operate each machine/equipment installed.
- Estimate the number of shifts planned. For example, if three shifts have been planned, you need to plan for the manpower accordingly.

While designing and installing job analyses and job evaluation process you may also need to keep in mind the following:

- It may be possible for a worker to contribute more than just an operator on machine/equipment.
- Continuous source of labour force must be maintained in order to cope with both planned and unplanned leave of personnel employed. As discussed in an earlier chapter, you may find it difficult to get skilled operators at short notice, and this could upset the production and delivery schedule
- Careful consideration is required regarding the number of workers that can be effectively supervised by a supervisor. However, this also depends upon the nature of a job. On the basis of this, you would be able to make an estimate of the supervisory staff you require for your organization. You must prepare an organization chart for the purpose.

Before finalizing your manpower plan, try and study the manpower design in similar organizations. This will be discussed later in this chapter

When your unit becomes operational, the following steps must be taken to ensure availability of manpower for smooth functioning of your organization.

- Examine the objectives of your organization for the next few years. For example, you need to consider what the increase in sale would be during the next few years and also what changes you plan to incorporate in your organization including the production



process. If your sales are going to increase, would it call for additional manpower, or would you be able to manage with the existing manpower? If you need additional hands, at what levels would you need them and when would you need them? Even when you plan to expand to newer geographical areas, you need to do a similar exercise.

- If you plan to introduce sophisticated technology in future, you need to examine whether it is possible to train the existing workers or whether you can consider a reduction in the number of employees etc. On the basis of these factors, you need to forecast future manpower requirements.
- To help you plan for human resources, you may make a table showing the existing manpower in different skills/grades, the estimated skill-wise manpower with an indication of when they are required.

You also have to ensure that as you change your business from time to time, depending upon the market conditions, you need to incorporate these changes in the manpower planning too.

When the organization becomes operational, you need to ensure that the future manpower needs are appropriately met. To ensure this, you need to first forecast your human resource requirements for the future (let's say next 3/5 years), how many people in each of the skill areas/department/location would be required and then compare the forecast with the possible availability. If you find that the demand would be equal to supply – no action would be required, if you feel that the demand would be more than the supply of manpower in the future – you need to plan for new recruitments and in case, you assess that the market is going slow and there may not be enough business in the next few years – you may think of strategies like restricted hiring and downsizing.

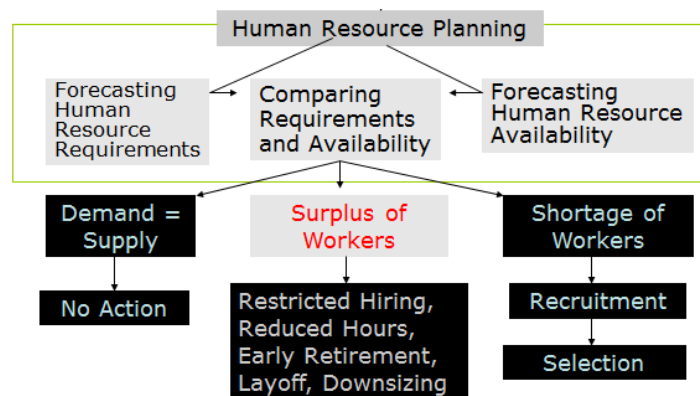


Figure: Human Resource Planning

Points to remember when you plan for manpower:

While preparing the manpower plan, you need to consider the following points:

- The number of personnel likely to be promoted to a higher grade and in case of such promotion, would it create a vacancy at the lower level?





- The number of personnel likely to leave the organization in the initial years. If your labour turnover is very high as compared to other organizations in your industry, you need to examine why you are facing the problem of a high labour turnover. For example, is it because of the wages that you are paying, or the supervisory style, or perhaps the working conditions or any other such reason. If you know the reason(s), you could take preventive steps.
- The rate of absenteeism in your organization? Again, if it is on the higher side you need to plan accordingly.
- How many man days have been lost because of leave due to sickness? Is it comparable with other organizations? If not, what could be the reason?
- What is the rate of accidents on the shop floor and how many man days are lost due to such accident? Is it increasing or decreasing over the years? Are they comparable with those taking place in other organizations?
- When a crucial employee leaves the organization, it puts the organization into serious trouble, especially if the organization is small. This call for succession planning. Do everything possible to retain them. Otherwise prepare others to take the role of the crucial employees by training them. Some of the organizations have tried to keep crucial employees by offering them a small percentage of the profits. This may motivate them to stay.

## 5.2 How to Improve Utilization of Manpower

Since superior performance and work efficiency are essential conditions for the success of a organization, you need to work constantly towards improving the efficiency of your workforce. Watch out for the following problems which have implications on human resource planning:

- Are the workers able to work continuously and smoothly?
- Are they idle because of breakdown of machines? If so, do such breakdowns occur frequently? Or are they idle because needed equipment is not available to them?
- Do the workers keep waiting for instructions from the supervisor? Or are they idle due to lack of work itself?
- Is the payment for over-time very high in your organization?
- What kind of staff related costs are incurred in your organization? Are they high in comparison with other organizations in your industry? If they are high, why are they high? You may also need to study the trend in productivity (labour productivity) and try and find reasons for low productivity in case it is so. Is it because standards are not very rigid? If so, you may like to conduct a time study, as shown on the right.

### Box No. 1

#### Time Study

Time study is conducted to decide the standard time taken in order to complete a job. While



conducting the time study, expected variations in the time taken, interruptions, time needed for relaxation between jobs, etc. are also to be taken into consideration. To study labour productivity, the following formula could be used:

$$\text{Labour Productivity} = \text{Total units produced} / \text{Total number of labour employed}$$

You need to analyze and take remedial measures. All the above factors have an impact on manpower requirement. For example, through changes in the personnel you could be in a position to reduce absenteeism, accidents, etc., then you need to plan for lesser number of employees.

### SAQ 5.1

1. Is manpower planning required after you set-up the business? Yes / No
2. List the components of manpower designing.....

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

### 5.3 Personnel Selection

After detailed manpower planning the next step is selection of employees for your organization. The following are the important steps that you should keep in mind while selecting employees for your organization:

- Prepare job analysis and job description well in advance.
- Identify sources of manpower, both internal and external.
- Invite applications (could be through advertising).
- Conduct scientific tests and interviews.
- Check credentials.

### Job Analysis

Job analysis help in identifying and selecting the right person for the job. Job analysis involves the following:

- Identifying all the activities and key responsibilities and duties required to be performed by a worker Identifying the proficiency required to handle machines/equipment including tools and other supplies
- Level of education needed for performing the required job.



- Key skills and competencies required for the job
- Years of experience the job demands.
- Physical and mental abilities required.
- Working conditions associated with the job.
- Any other related requirement
- 

## Job Description & Job Specifications

On the basis of the job analysis, prepare a short write-up describing the job. Job analysis comprises of Job description and Job specification. While Job description refers to the duties and responsibilities for that role, job specification refers to the experience, qualifications & other competencies required for that role. When you prepare the job description, do not specify everything because, you may like to add on to it later and this should not then create problems for you due to objections raised by the employees. Job description & job specification will prove to be useful when you advertise, or write to the employment agencies. It would also help the panel of experts on the interview committee

### 5.4 Source of Manpower Supply

As newspaper advertisements are expensive, you may examine other sources of manpower supply and if you do not get the right kind of person you are looking for through this source, you may then advertise for the post. Following are the source of labour supply:

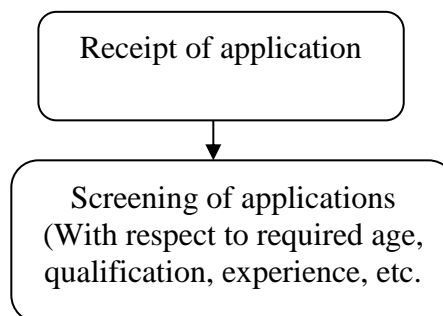
- Internal Supply:** You could examine first if suitable personnel are available from within the organization. This would motivate your employees to work harder and also acquire new skills. By putting a notice on the notice board, you can get applications from internal candidates.
- Friends and Relatives of Existing Employees:** If you put a notice on the notice board on the premises, a number of applications could be generated from friends and relatives of your existing employees. However, you should be careful and ensure that personal considerations do not interfere with the selection process.
- Employment Exchange:** By writing to the employment exchange giving details of the job and number of vacancies, you can obtain a list of persons seeking employment. Employment exchanges will not charge you anything for their services.
- Private Placement Agencies:** There are a number of private placement agencies which could give you a list of qualified personnel. Most of them can even select personnel for you. However, they would charge you a fee for their services.
- Industrial Training Institutions, polytechnics, etc.:** These institutions are a good source of trained manpower, especially, if you are looking for fresh hands. Campus interviews are cheap and you can also have a large number of applicants to choose from.
- Management Schools:** Management institutions could be contacted for management graduates for executive jobs.



- g. **Small Industries Development Bank of India (SIDBI) :** Small Industries Development Bank of India has been arranging short duration training programmes, in collaboration with management schools, in various parts of the country for development of supervisory personnel (both technical and non technical), especially, for small scale industries. This could be another good source of manpower supply for your organization.
- h. **Job portals:** There are several job portals online, which have a rich database of candidates looking for jobs. Some of the major ones include: naukri.com, monster.com, jobsahead.com, indeed.co.in, timesjobs.com, etc. These job portals provide paid as well as free services of finding the right candidate as per the requirements of the organization.
- i. **Social Media Platforms:** Social media has emerged as one of the most promising medium for finding the candidates. While LinkedIn.com is considered to be the best website, where people openly share their education, experience, skills, competencies and also their intentions of finding opportunities in the job market, other websites like Twitter and even Facebook is being used by recruiters to find the right candidates.

### 5.5 Selection Process

The selection process involves receipt of application, screening applications with respect to the required age, qualifications, experience as specified in Job specification, conducting test related to job knowledge, aptitude, skills, etc. (especially, if the number of candidates are huge), The candidates shortlisted in the written tests are then called for a personal interview to understand the competencies of the candidate, attitude towards job, knowledge, soft skills, salary expectations, etc. The shortlisted candidate is further medically examined and his credentials are verified by checking up with the references provided by the candidate. If everything is found satisfactory, the candidate is finally selected and given the offer letter.



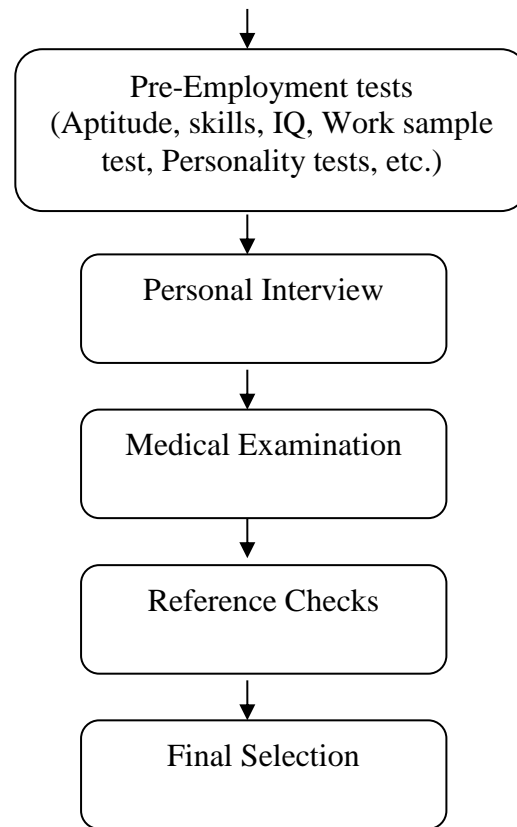


Figure: Process of selection

### **Application Form**

You could design proforma for an application form so that the candidates could apply for a job in that format. The application form should contain information such as:

- Full name of the candidate
- Date of birth
- Mailing address and permanent address
- Whether married and if married, number of children
- Educational qualifications
- Trainings undertaken
- Complete record of work experience, positions held, name of the organization, year of experience, salary drawn, reasons for leaving, etc,
- Last salary drawn
- Information on extra-curricular activities
- Names of referees
- Any other information relevant to job

The Information collected would be use not only at the time of interview, but also during the work life of an employee with the organization and even at the time of retirement of an employee or in case of accident or death. For example, information pertaining to date of birth could be used



to prepare an age profile of employees. This could be useful to know how many employees shall retire in the coming years. This could, in turn, be useful for manpower planning as well.

## Testing

If you are selecting a candidate for a skilled job, it is essential to give him a skill test in order to examine his level of skill in performing the required job. Similarly, clerical and other office staff could also be given a written test. While conducting any test, besides testing their general level of intelligence etc. you need to emphasize on their knowledge regarding the job.

## Interview

Interview is a very important factor in the selection process. You could use the application form filled by the candidate to ask questions. A skilled interviewer can bring out the required information from the candidates which could be used for deciding the suitability of a candidate. During the interview you should also verify why the candidate wants to leave the present job, if he/she is employed. For example if he/she is leaving for yet another increase in salary. You could also invite experts to help you in the interview process.

While selecting the candidates, it would be worthwhile to select candidates from different age groups, castes and religions. For example, if a substantial number of personnel retire in the same year from your organization, you may face a serious problem of replacing all of them at the same time. Similarly, if your workforce belongs to the same religion or caste, during certain festivals you may find it difficult to get your workers to complete the job.

## Checking Credentials of the Candidate

The candidates may be asked to provide names of referees. It would be a beneficial idea if you could obtain adequate information about the candidates selected. It may also be useful to check with their former employers. The idea here is not to find out the technical skills or technical competence of the candidates but to know more about their character and attitude on job.

### SAQ 5.2

List various steps involved in selecting personnel. Write the functionality of each step.

1.	_____
2.	_____
3.	_____
4.	_____
5.	_____
6.	_____



# UNIT

## 8



## Contents

### Chapter VI

1. Work Motivation
2. Job Satisfaction
3. Effective Supervision
4. Performance Appraisal
5. Training and Development

#### The aim of this chapter is to:

- examine various aspects of creating a work culture which helps in managing human resources most effectively

#### Objectives:

On completion of this chapter, you will be able to:

- recognize the various factors that influence work motivation and job satisfaction
- ascertain what workers expect from their supervisors
- introduce the concept of performance appraisal
- analyze the process of training and development in organizations

### 6.1 Work Motivation

In the previous chapters, we discussed about problems such as absenteeism, high labour turnover and the effect of these on the cost of production in a small business. In addition, employees coming late to work, not putting in enough efforts and even creating inter-personal problems, etc. may be due to low work motivation. Therefore, you must make all efforts to motivate your workforce to give their best. If you recall, this is one of the two qualities which make you indispensable to your business.





You need to identify the goals and objectives of employees and then design systems so that the objectives of individuals match with those of your organization. The following could be listed as the objectives of workers:

- Good wages
- Job security
- Promotion and growth/recognition
- Appreciation of work
- Interesting work or work itself
- Good working conditions/supervision
  
- Sympathetic understanding of personal problems
- Management loyalty to workers

Money, without doubt, is one of the most important factors that motivates employees in India. But several other factors like interesting work, job security, good working conditions, good HR policies, etc. may also be highly motivating for employees.

However, you must keep in mind that money alone is not going to bring about the desired result. For example, once money is acquired, it no longer acts as a motivator. The other factors (listed above) come into prominence once after the other. Now that you are aware of what motivates the employees, you will be in a position to offer a package that can motivate your employees, while keeping in mind the objectives and constraints under which your organization is functioning.

## **6.2 Job Satisfaction**

You should make attempts to make the work interesting. For example, it has been revealed that when jobs are rotated, the overall efficiency improves considerably. Similarly, employees working in small groups work much better. Good working conditions help in motivating your workforce.

The idea here is to make the job more satisfying to the employees so that some of the problems such as absenteeism, alcoholism etc., can be reduced. You may now want to know what factors make a job satisfying. The following factors influence job satisfaction:

- Salary/wages
- Job security
- Advancement
- Fringe benefits
- Relationship with boss
- Work itself
- Relationship with co-workers
- Working conditions
- Responsibility
- Personal life
- Training facility
- Recognition



- Achievement
- Independence
- Facility for suggestions
- Health
- Company policy

Wages and salaries too play an important role in job satisfaction

### **6.3 Effective Supervision**

In order to build a productive and efficient environment, effective supervision is a must. Be aware of what the expectations of employees could be pertaining to behaviour, work and relations in respect to supervisory management.

Look at the following box:

#### **Characteristics pertaining to behaviour of a good supervisor as expected by the workers**

- Team spirit
- Minimum use of authority
- Friendly relations
- Unprejudiced
- Does not exploit workers' weaknesses

#### **Characteristics of supervisor pertaining to work:**

- Well conversant with job
- Trust in subordinates
- Good control
- Recognition of good work of subordinates
- Acceptance of suggestions
- Instrumental in solving problems of workers
- Interested in his own work

#### **Characteristics pertaining to supervisor's relations with management:**

- Maintains good relations with superiors
- Never misleads management
- Skillful while dealing with superiors
- Enjoys respect of superiors
- Fights for the interests of workers

In short, a supervisor should treat his subordinates fairly, impartially evaluate the work done by him/her, involve him/her in decision making wherever possible, develop good personal relations



both with the workers and the management and should be accessible to the workers for consultation.

## 6.4 Performance Appraisal

You need to create an environment in your organization where efficiency and hard work are recognized and rewarded. This is one of the essential conditions for optimal utilization of manpower. Performance appraisal and a system of reward/punishment based on performance of employees will go a long way to help you in achieving objective.

### Objectives of Performance Appraisal:

- to decide on salary increments
- to decide about promotion of employees to higher positions of responsibility
- to control, to transfer and to rotate jobs of employees
- to identify training needs of employees
- to generate data for personnel research

### Methods of Performance Appraisal

There are various methods for performance appraisal. Some of the common methods used are explained below.

- Ranking Method:** Ranking of every employee is done on the basis of their performance from best to worst. People are compared as a whole. The comparison of specific traits is not done. The method is effective in small organizations with small number of employees.
- Paired Comparison Test:** In this method, every employee is compared with every other employee in the group/team. The more number of times an employee is found better than others, the better he is.
- Rating Scale Method:** An employee is judged on various aspects like attendance, dedication to work, honesty, achievement of targets, dependability, etc. on a 5-point rating scale (wherein the responses may vary from 1- Poor, 2- Below Average, 3- Satisfactory, 4-Good, 5-Excellent).
- Check List Appraisal:** Various statements are prepared which describe various types of behaviour of an individual on his job and answers are demanded in either Yes or No. For example: Takes initiative – Yes/No, Ensures safety compliance – Yes/No, Follows instructions appropriately – Yes/No, etc. Similar kind of statements may be drafted to understand work behaviour and on-the-job performance.
- Critical Incident Method:** All the positive and negative incidents and contributions of an employee during the year are recorded in a book. At the end of the year, these are referred while making a yearly assessment of an employee.

Limitations of Performance Appraisal System



- Supervisors tend to be highly subjective in assessment
- If one particular quality impresses the supervisor, it colours his assessment of other aspects
- Recent incidents influence appraisals. For example a recent order procured by a Sales Executive may cover up his other work related issues like indiscipline, poor attendance, bad behaviour with co-workers, etc.
- Supervisors are extremely busy and therefore they spend very little time on performance appraisal. It, therefore, may be treated as a ritual.
- In order to save time &/or relations, supervisors mark "good" for most of the subordinates, irrespective of actual performance.

It is important to note that whatever be the system that you would like to follow, there are certain weaknesses pertaining to each of these systems. At the same time, as performance appraisal is an important factor helping in improving work environment, where efficiency and performance are emphasized, you should take extreme care in designing a suitable system taking into consideration all the points that have been discussed above.

## **6.5 Training and Development**

Training refers to imparting or increasing the skills and knowledge for doing a particular job, whereas Development is more conceptual and focuses on the overall growth and progression of an employee.

Training and Development activities are important and are related to job satisfaction, growth of an employee and job performance.

From the point of view of immediate gains to an organization, in a highly competitive environment with fast changing technology, training of employees plays a crucial role.

The three important elements of training are:

- Training needs identification
- The methodology
- Evaluation of training programmes

Training, in order to be effective, should be related to the present or the expected future problems of an individual employee or the organization. It could be a preparation for change in the organization (including work technology) or for a higher job or responsibility.

### **Identification of Training Needs**

Whatever be the objective, before you plan for training, you must identify the needs. This could be done on the basis of:

- Performance appraisal feedback
- Complaints received from customers



- Complaints received from employees
- Discussion with supervisors
- Planning exercise carried out by the organization.

## Choosing the Training Methodology

How should the programme be delivered to the participants? For example, should it be through hands-on-training on the machine or through lectures or exercises or any other methods? For small organizations, it would be extremely difficult and expensive to conduct a training programme of its own. Therefore, one should choose a training programme conducted by an external training institution. For example:

- **For Managerial Training Programmes:** Management Schools, Management Association, Productivity Councils and other training institutions could be approached.
- **For Technical Training Programmes:** Training institutions such as Small Industries Training Institutions, Industrial Training Institutes (ITI), CIPET (Central Institute of Plastics and Engineering Technology), etc.

You should choose a programme depending upon your need.

## Feedback and Evaluation

When an employee returns after attending a training programme, you need to conduct a feedback session in order to examine the benefits the employee has derived from the programmes.

### SAQ 6.1

1. Write in brief how work motivation could be developed.

2. Write in brief how job satisfaction could be developed.

3. Does training contribute to job satisfaction? Yes/No - Give reasons for your answer



The impact created by the training or development programme may also be evaluated based on indicators like

- Positive change in behaviour &/or motivation level of the employee
- Enhanced productivity of the employee.
- Lesser absenteeism
- Lower employee turnover





## Contents

### Chapter VII

1. Employee separation
2. Types of employee separation
3. Advantages & Disadvantages of employee separation

#### The aim of this chapter is to:

- help you understand the advantages & disadvantages involved in employee's separation from the organization

#### Objectives:

On completion of this chapter, you will be able to:

- understand the various types of employee separation
- recognize the disadvantages of losing existing employees

### 7.1 Employee Separation

Separation means cessation of service of an employee with the organization for on or the other reason. There could be several reasons why employee may want to leave the organization like better prospects and higher salary offered in other organization, personal problems, health reasons, etc. On the contrary, on several occasions, you as an entrepreneur may not be satisfied with the work behaviour of the employee and may like to replace him with a more efficient employee.

Based on different reasons, employee's separation from the organization may broadly be classified into two heads: Voluntary & Involuntary. Please refer to the figure below.

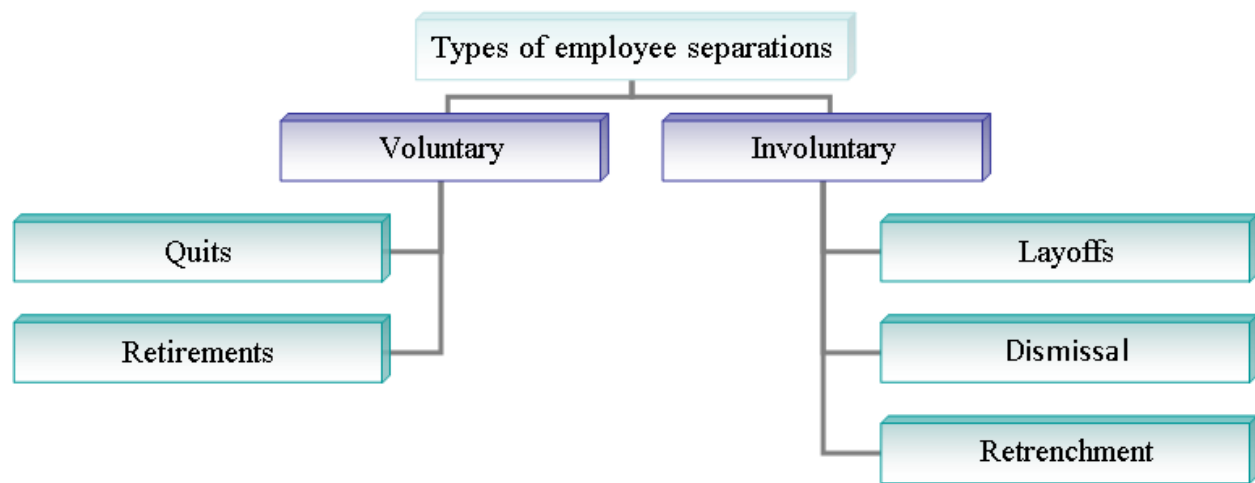


Figure: Types of Employee Separation

## 7.2 Types of employee separation

- i. **Voluntary Separation:** A separation that occurs when an employee decides, for personal or professional reasons, to end the relationship with the employer. This employee may quit the organization because of his personal reasons like better opportunity elsewhere, personal reasons etc. Alternatively, several organizations may offer to give voluntary retirements to the employees. Such that they may avail voluntary retirement even before they attain the maximum age for service period.
- ii. **Involuntary Separation:** It occurs when an employer decides to terminate his relationship with an employee due to economic necessity of the organization or an employer believes that there is a poor fit between the employee and the organization and a replacement with other candidate may be a better option. The involuntary separation may be in the form of layoff, dismissal or retrenchment.
  - a. Layoff is temporary inability on the part of an employer to give employment to workmen on account of reasons like shortage of raw material, lack of sufficient work, breakdown of machinery or for other similar reasons. During layoff you may or may not call the workers to the work place and give partial or no salary till the normal work situation resumes.
  - b. Retrenchment, on the other hand, means permanent discharge of surplus labour or staff by the employer on account of permanent closure of a work stream in the organization, long period of layoff, or rationalization or automation of machines or similar other reasons.
  - c. Dismissal takes place when an entrepreneur decides that there is a poor fit between an employee and the organization. It could be a result of poor performance or because of an unacceptable behaviour of an employee.





Separation of an employee at a short notice could create lot of problems for a small organization. It is therefore important that while selecting and appointing an employee, a minimum notice period of, say one month, should be mandated for every employee. This would give some time to you to find and finalize upon another candidate for that job.

### **7.3 Advantages & disadvantages of employee separation**

Replacing an employee could be a costly affair for an organization. Apart from the loss of professional network or the skills that the employee has developed over a period of time, it also involves replacement cost, which is a combination of several types of costs like new recruitment cost – cost on advertising, man-hour spent on interviewing, hiring, etc., training costs, new employee's lean period cost (initial time period during which a new employee performs at lower levels, while learning the work) and separation cost, which could include a month's salary.

Simultaneously, replacing an employee could be beneficial to an organization in some other ways like the overall labour cost could be reduced; the poor performers can be replaced with more experienced and productive employees with diverse skill levels. However, there is no guarantee to the output delivered and attitude of the newly inducted employee.

#### **SAQ 7.1**

Go through the below mentioned situations and assess which separation mechanism would be suitable in each of the given situations.

1. After the working hours in the factory, when the workers were leaving for their homes, the security guard during the regular frisking of workers discovered that Ramesh was hiding a printer cartridge in his bag. He was caught stealing. It was not the first time, earlier also on several occasions, he was caught stealing but was warned and forgiven. But now you as an entrepreneur do not wish to forgive him and want to get rid of him as the practice was slowly being picked up by other workers as well. Which separation mechanism are you likely to adopt.

2. There is a general financial crisis in the market because of the pandemic. The



- 
- 
3. You are in the business of making different kinds of clips – U-clips, paper pins, Board pins, Binder clips, Stapler pins, etc. Lately you find that the demand of some of the pins like board pins and paper pins has been drastically reduced and has reached a point that you decide to discontinue manufacturing them. Discontinuing this product line would mean that nearly 10 people who were dedicatedly working on these products would have no work to be done and you may not require them anymore. Which separation mechanism would you adopt in this case?
- 

# UNIT

## 8



## Contents

### Chapter VIII

#### 1. Overview of Labour laws

#### The aim of this chapter is to:

- provide a basic understanding of some of the major labour laws in the country

#### Objectives:

On completion of this chapter, you will be able to :

- understand how organizations have to work within the legal framework.
- understand the rights of employees as well as the employers as bestowed by the Indian constitution.
- develop understanding of some of the important labour laws applicable on organizations in India.

### 8.1 Overview of important labour laws

As an entrepreneur, it is extremely important for you to understand the legal framework under which the working of employees is governed. Taking any decision, affecting employees, without having appropriate knowledge of the applicable laws can put an employer into trouble. The various labour laws in India are focused on employer-employee relations and working conditions of employees. A brief of some of the important labour laws in the country are provided herewith.

- a. **Workmen's Compensation Act, 1923:** If personal injury is caused to an employee by accident arising out of and in the course of his employment, leading to death of employee or making him partially or totally disabled, his employer shall be liable to pay compensation in accordance with the provisions of this act. The act also covers for any chronic ailment to an employee that occurs as a result of work or occupational activity.



- b. **Payment of Gratuity Act, 1972:** The act entitles an employee, who has continuously served the organization for a minimum period of 5 years, for a monetary benefit by employer. The quantum of monetary benefit depends on the length of continuous employment with the organization and is usually calculated using the formulae:  $(\text{Monthly salary}/26) \times 15 \times \text{Number of years of service}$ .
- c. **Payment of Wages Act, 1936:** This act regulates the time, mode and method of payment of wages to workers, whose salary is less than a specified limit (currently 24,000/- a month). The act provides for fixation of wage period, time for payment of wages – 7<sup>th</sup> of every month (for organizations with up to 1000 employees), mode of payment should be Indian currency and only specified deductions in the wages, in accordance with the provisions of the act, are allowed.
- d. **Factories Act, 1948:** The provisions under the act regulate the working conditions of the employees, especially in a manufacturing unit, and covers aspects like . The act has extensive provisions for employee health conditions at the work place like presence of appropriate ventilation, cleanliness, lighting, drinking water, urinals, etc; employee safety measures, employee welfare facilities - like washing facility, first-aid boxes, rest room etc. and regulated maximum working hours for male & female employees.
- e. **The Employee's State Insurance Act, 1948:** This act provides for health and medical benefits to all the employees and their family members via the designated hospitals. The employer and the employee jointly contribute towards ESI. Currently the employee's contribution is 1.75% of the wages and employer's contribution is 4.75% of the wages drawn by the employee.
- f. **The Employees Provident Fund Act, 1947:** The act provides for a retiral benefit to the industry employee. As per the act, the employer and employee jointly contributes 12% of the basic wages + dearness allowance (if any) drawn by the employee. It is applicable for employees whose basic salary is less than 15,000 per month. The EPF may be withdrawn on retirement or cessation of service.
- g. **Minimum Wages Act, 1948:** The act ensures non-exploitation of workers by regulating the wages being paid to the employees. It mandates that employer must pay the minimum wages as fixed by the state governments. These minimum wages are revised from time to time and are based on the skill level of workers.
- h. **Child Labour Act, 1986:** The act regulates employment of children in establishments. As per the provisions of the act, a child below the age of 14 is prohibited to work in certain occupations and processes as specified in the act. The act also regulates working hours of children and working conditions to be provided in the establishments hiring children

Apart from the laws stated above, there are various other laws, which are applicable on industrial units like, The Maternity Benefit Act, 1961, The Industrial Disputes Act, 1947, The Payment of Bonus Act, 1965, The Contract Labour Act, 1970, etc.



Ignorance or Infringement of any of the labour laws could invite penalty or imprisonment or both. It is therefore important for an entrepreneur to be well-aware of these laws and adhere to them.

SAQ 8.1

1. Find out the applicability of the above-stated laws on a small manufacturing unit with 10 employees.

---

---

---

---

# UNIT

## 8

**Contents**



## Chapter IX

4. Self-Management
5. Self-Management and Small Entrepreneur

### The aim of this chapter is to:

- help you develop the skill of self-management in relation to your business/enterprise

### Objectives:

On completion of this chapter, you will be able to :

- recognize various components of self
- define self-management
- recognize the use and relevance of self-management to your business

Before you begin to recruit and manage personnel in your business, you are required to know how to manage your ownself first. If you manage your ownself effectively, you could become a good manager too.

### 9.1 Understanding Self-Management

Self-management consists of three components:

- Your ability to perceive yourself objectively, i.e. your strengths and weaknesses
- Your capability to analyze them in relation to your goal
- Your capacity to make necessary adjustments within yourself to achieve your goal.

Management of `self' is very important for a small entrepreneur like you cannot be stressed enough. Enterprise building for you poses a problem of the relationship between one and many - you are one and you have to interact with a variety of agencies and authorities, you have to collect and ingest a variety of information and know about and go through a lot of formalities. You also have to undertake a number of jobs and have to have a capacity to withstand pressure



and stress. The crux of the matter is you have to deal with all these and build your enterprise. But, you may come from a different background, not necessarily business background, from different regions, a different community and have different educational qualifications. And so, it may be too difficult for you to analyze, appreciate and attune you own `self' for entrepreneurial achievements. At the same time, you can do it using your intelligence.

You have to realize that a small entrepreneur, who you are aspiring to be, is the loneliest person in an environment where a lot of your symphathisers and supporters do exist. But it is you and only your own self who has to suffer and none will share your fate.

Self-management is important also from the socio-economic point of view, because it presuppose the material worth of the `self', its elasticity and achievement worthiness of things beyond the boundary of `self' - through which socio-economic growth can be brought about and made meaningful.

There are three categories of self:

1. Physical
2. Psychological
3. Social

a. **Self - Physical**

The physical-self accounts for energy and mobility in your personality, which you, as a small entrepreneur, have to have in a greater measure. If an employee has to work from 9 AM. to 5 PM., you have to work from 5 AM. to 9 PM. Enterprise building is a larger than life activity. You have to hold all posts such as manager, accountant, sales person and also control, direct and guide your employees simultaneously and this is where you have to prove yourself.

b. **Self - Psychological**

The psychological - self consists of the quality and variety of thoughts, feeling and ideas that a person has by his upbringing as well as educational and social background. There exists a significant relationship between achievement level in folk tales and the presence or absence of entrepreneurial activity in a culture. This is so because the folk tales reflect the motives and values of a culture in the way they are told or through the themes of the tales.

Due to your background, you might believe that entrepreneurship is a passport to all affluence, social status, care-free life, etc. But, once you come face to face with the reality, it is different. Running a unit calls for a lot of hassles - of production, marketing, finance and so on.

Money-making can never be the only goal for enterprise-building, and we are sure that you have other considerations too for opting for entrepreneurship as a career. Such as, to be independent, to do something different, to create impact in society, etc.

c. **Self-Social**

The social-self should be cultured to make you see things in the right perspective. For, any deficiency in this area would make you mix up issues and lose sight of your entrepreneurial goal.



Normally, due to their socio-economic background, the potential entrepreneurs suffer from polarisation of feelings of one sort or the other, which may prevent them from achieving their entrepreneurial goal. Look at the following example:

A potential entrepreneur returned from defence service intending to set-up a business. When someone suggested to him that without paying some kick-backs his term loan would not be cleared, this infuriated him. So, due to his 'polarised' feelings during his service career, he forgot his goal as an entrepreneur, and while visiting high officials of the financial institution and others, he complained more about the rampant corruption than aiming at procuring term loan. As a result, even after three years he could not get his term loan cleared.

In a similar situation, another entrepreneur, instead of raising a hue and cry, carefully studied the habits, attitudes and nature of the officers concerned. He then directed his conversation as per the habits and likings etc., of the officers concerned, created a rapport with each of them, visited them two or three times after that and kept in touch. He got his loan cleared in no time.

Can you see the difference between these two? It lies in the difference in their approach. The ex-serviceman allowed his social-self to interfere in his entrepreneurial activity, while the other did not.

Similar interference can be seen when new entrepreneurs get their working capital in their hands. Some might divert the money towards buying motor-bike, scooter or other non-productive expenses; while others use it for the purpose for which it is intended.

We would therefore advise you to establish your objectives; that is the first basic requirements.

You should do your management by objectives. Have several levels of objective based upon the element of time. This network of objectives can be viewed as a pyramid, with the broadest and most future oriented objectives at the pinnacle of the pyramid and the immediate and short term ones at the base. Keep on learning from successes - so that you can repeat them and failures - so that you never make the same one again. The more clear you are on what you want, the more power you will have to achieve it.

## SAQ 9.1

A. Define self-management.

B. List the three components of self and write one sentence on each.







“If you want to plan for a year, plant corn, if you want to plan for three years, plant a tree, if you want to plan for ten years, plant men.”

This sums it up.

Achievement Motivation Training (given in contact I, has been aimed at sharpening your abilities to perceive your own strengths and weakness and analyze them in relation to your enterprise.

But, what you should remember about self-management is that you have to manage yourself even before you begin to learn managing your personnel. External help or assistance can at best let you know about ways and means of managing only.

In essence your `self' has to be managed in three different manners -

- You have to maintain you vigour and energy.
- You have to help on enhancing yourself i.e. your motives, your values, you driving forces.
- You have to guard against and change your `social self'.

## SAQ 9.2

How self-management helps in these following two stages?

1. Enterprise building

---

---

---

---

2. Enterprise management

---

---

---

---



## ASSIGNMENT VIII

1. Draw a PERT chart showing activities and events for a typical job that you plan to undertake.
2. How do you propose to build quality in the process of manufacture in your unit?
3. Prepare a list of 'Dos' on the lines of chapter-3 for effective time management.
4. Provide three example to highlight how value system influences decisions.
5. Study the manpower planning in any organization and prepare a report of 2 pages. Use your identity for access to information.
6. Study the performance appraisal system of any organization and prepare one-page report on the system.

Enrollment No : \_\_\_\_\_