Class notes/Assignment
On
Fundamentals of management

Q. Define Finance Function and discuss its nature and scope.
Ans. Meaning of Finance:–
Finance is defined as the provision of money at the time when it is required. The role of finance in business enterprise needs no emphasis. Every enterprise, whether big or small, needs finance to carry on and expand its operations. Finance holds the key to all the business activities and a firm’s success and, in fact, its survival is dependent upon how efficiently it is able to acquire and utilize the funds.
Meaning of Financial Management:–
Financial management is a vital and an integral part of business management. It refers to that part of managerial activity which is concerned with planning and controlling of financial resources of the enterprise. It deals with raising finance for the enterprise and the efficient utilization of such finance.

Definition of Financial Management:–
According to Joseph L. Massie
“Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.”

Scope of Financial Management:–

Financial management as an academic discipline has undergone notable changes over the years, with regard to its scope of functions. At the same time, the financial manager’s role also has undergone fundamental changes over the years. Study of the changes that have taken place over the years is known as “Scope of Financial Management”.

In order to have an easy understanding and better exposition to the changes, it is necessary to divide the scope into two approaches:
(A) Traditional Approach
(B) Modern Approach

(A)Traditional Approach:–
Under this approach the role of financial management was limited to the procurement of funds on suitable terms. The utilization of funds was considered out of the scope of financial management. Under this approach, a study of the following three things was made for the procurement of funds:
(1) Arrangement of funds from Financial Institutions.
(2) Arrangement of funds through financial Instruments like share, bonds etc.
(3) Legal and accounting relationship between a business and its source of funds.

The notable feature of the traditional approach was the assumption that the duty of the finance manager was only to raise funds from external parties and that he was not concerned with taking the internal financial decisions. He was not responsible for the efficient use of funds.

Limitations of Traditional Approach:–

The traditional approach continued till mid 1950's. It has now been discarded as it suffers from the following limitations

(i) More Emphasis on Raising of Funds:–

This approach places more emphasis on procurement of funds from external sources and neglects the issues relating to the efficient utilization of funds. Since it is concerned with the raising of funds, it attaches more importance to the completely ignores the internal persons who make financial decisions.

(ii)Ignores the Financial Problems of Non-Corporate Enterprises:–

It places more emphasis on the problems faced by corporate enterprises in procuring the funds. The non-corporate enterprise like sole proprietorship and partnership firms are considered outside its scope.

(iii) Ignored Routine Problems:–

This approach concentrates on the financial problems on the occurrence of special events such as merger, incorporation etc, and fails to consider the day-to-day financial problems of a normal firm.

(iv) Ignored Working Capital Financing :–

This approach gives more emphasis on the problems relating to long term financing and the problems relating to working capital financing are considered outside the purview of this approach.

(B) Modern Approach:–

The modern approach considers the term financial management in a broad sense. According to this approach the finance function covers both acquisition of funds as well as their efficient utilization. According to this approach the financial management is concerned with the solution of three major problems relating finance:

(1) What is the total volume of funds an enterprise should commit?

(2) How should the funds required be raised?

(3) In what specific assets the enterprise should invest its funds?

Thus, in the modern approach, the financial management is responsible for taking three decisions:

(1**) The Investment Decision: –** Investment decision also known as 'Capital Budgeting' is related to the selection of long-term assets or projects in which investments will be made by the business. Long term assets are the assets which would yield benefits over a period of time in future.

(2) The Financing Decision: – This function is related to raising of finance from different sources. For this purpose the financial manager is to determine the proportion of debt and equity. In other words there are two sources of finance:

(i) Debt:–

Debt means long term loans and includes:

- Debentures
- Loan from Bank
- Loan from Financial Institutions
- Mortgage Loans

-

(ii) Equity:
Equity refers to shareholder's funds and includes:

- Equity Share Capital
- Preference Share Capital
- Reserve
- Accumulated Profits

(3) The Dividend Policy Decision:–
The financial management has to decide as to which portion of the profits is to be distributed as dividend among shareholders and which portion is to be retained in the business. For this purpose the financial management should take into consideration the factors of dividend stability, bonus shares and cash dividends in practice.

Q. What are the goals Or Objectives of Financial Management?
Ans. Meaning of Financial Management:–
Financial management is a vital and an integral part of business management. It refers to that part of managerial activity which is concerned with planning and controlling of financial resources of the enterprise. It deals with raising finance for the enterprise and the efficient utilization of such finance.

Definition of Financial Management :–
According to Joseph L. Massie "Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations."

Objectives of Financial Management:–
It is the duty of the top management to lay down the objectives or goals which are to be achieved by the business.

The main objectives are:

1. Profit Maximization:–
According to this approach, all activities which increase profits should be undertaken and which decrease profits should be avoided. Profit maximization implies that the financial decision making should be guided by only one test, which is, select those assets, projects and decisions which are profitable and reject those which are not

2. Wealth Maximization:–
It is also termed as value maximization or Net Present worth maximization. This approach is now universally accepted as an appropriate criterion for making financial decision as it removes all the limitations of profit maximization approach. It is also known as net present value (NPV) maximization approach. According to this approach the worth of an asset is measured in terms of benefits received from its use less the cost of its acquisition. Benefits

are measured in terms of cash flows received from its use rather than accounting profit which was the basis of measurement of benefits in profit maximization approach.

Another important feature of this approach is that it also incorporates the time value of money. While measuring the value of future cash flows an allowance is made for time and risk factors by discounting or reducing the cash flows by a certain percentage. This percentage is known as discount rate.

Q. Define Working Capital.

Ans. Introduction:–Working capital plays the same role in the business as the role of heart in the human body. Just like heart gets blood and circulates the same in the body, in the same way in working capital, funds are generated and then circulated in the business. As and when this circulation stops the business becomes lifeless. Thus, prudent management of Working capital is necessary for the success of a business.

Meaning of Working Capital:–

Working capital management is an important aspect of financial management. In business, money is required for fixed assets and working capital. Fixed assets include land and building, plant and machinery, furniture and fittings etc. Fixed assets are acquired to be retained in the business for a long period and yield returns over the life of such assets.

The main objective of working capital management is to determine the optimum amount of working capital required. Generally, management of working capital means management of current assets.

Concepts of Working Capital:–

There are two concepts of working capital-

(1) Gross Working Capital Concept

(2) Net Working Capital Concept.

1. Gross working capital:–

Gross working capital; refers to firm's investment in current assets. Current assets are the assets which can be converted into cash within an accounting year and include cash, short-term securities, debtors, bill receivables and stock. According to this concept, working capital means Gross working Capital which is the total of all current assets of a business. It can be represented by the following equation:

Gross Working Capital = Total Current Assets

According to Bonneville and Dewey:–

"Any acquisition of funds which increases the current assets increases working capital, for they are one and the same".

2. Net Working Capital Concept:–

Net working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditors, bills payables, and outstanding expenses. Net working capital can be positive or negative.

A positive net working capital will arise when current assets exceed current liabilities. A negative Net working capital occurs when current liabilities are in excess of current assets.

Net Working Capital = Current Assets - Current Liabilities

According to Lawrence. J. Gitmen:–
"The most common definition of net working capital is the difference of firm's current assets and current liabilities".

Q. What is the meaning of Working Capital? Explain the factors affecting the working capital requirements of a business.
Ans. Meaning of Working Capital :– Working capital management is an important aspect of financial management. In business, money is required for fixed assets and working capital. Fixed assets include land and building, plant and machinery, furniture and fittings etc. Fixed assets are acquired to be retained in the business for a long period and yield returns over the life of such assets. The main objective of working capital management is to determine the optimum amount of working capital required. Generally, management of working capital means management of current assets

Determinants of Working Capital:–
The working capital requirement is determined by a large number of factors but, in general, the following factors influence the working capital needs of an enterprise:

(1) Nature of Business:–
Working capital requirements of an enterprise are largely influenced by the nature of its business. For instance, public utilities such as railways, transport, water, electricity etc. have a very limited need for working capital because they have invested fairly large amounts in fixed assets.
Their working capital need is minimal because they get immediate payment for their services and do not have to maintain big inventories. On the other extreme are the trading and financial enterprises which have to invest fewer amounts in fixed assets and a large amount in working capital. This is so because the nature of their business is such that they have to maintain a sufficient amount of cash, inventories and debtors. Working capital needs of most of the manufacturing enterprises fall between these two extremes, that is, between public utilities and trading concerns.

(2) Size of Business:–
Larger the size of the business enterprise, greater would be the need for working capital. The size of a business may be measured in terms of scale of its business operations.

(3) Growth and Expansion:–
As a business enterprise grows, it is logical to expect that a larger amount of working capital will be required. Growing industries require more working capital than those that are static.

(4) Production cycle:-
Production cycle means the time-span between the purchase of raw materials and its conversion into finished goods. The longer the production cycle, the larger will be the need

for working capital because the funds will be tied up for a longer period in work in process. If the production cycle is small, the need for working capital will also be small.

(5) Business Fluctuations:–

Business fluctuations may be in the direction of boom and depression. During boom period the firm will have to operate at full capacity to meet the increased demand which in turn, leads to increase in the level of inventories and book debts. Hence, the need for working capital in boom conditions is bound to increase. The depression phase of business fluctuations has exactly an opposite effect on the level of working capital requirement.

(6) Production Policy:–

The need for working capital is also determined by production policy. The demand for certain products (such as woollen garments) is seasonal. Two types of production policies may be adopted for such products. Firstly, the goods may be produced in the months of demand and secondly, the goods may be produced throughout the year. If the second alternative is adopted, the stock of finished goods will accumulate progressively upto the season of demand which requires an increasing amount of working capital that remains tied up in the stock of finished goods for some months.

(7) Credit Policy Relating to Sales:–

If a firm adopts liberal credit policy in respect of sales, the amount tied up in debtors will also be higher. Obviously, higher book debts mean more working capital. On the other hand, if the firm follows tight credit policy, the magnitude of working capital will decrease.

(8) Credit Policy Relating to Purchase:–

If a firm purchases more goods on credit, the requirement for working capital will be less. In other words, if liberal credit terms are available from the suppliers of goods (i.e.creditors), the requirement for working capital will be reduced and vice versa.

(9) Availability of Raw Material:–

If the raw material required by the firm is available easily on a continuous basis, there will be no need to keep a large inventory of such materials and hence the requirement of working capital will be less. On the other hand, if the supply of raw material is irregular, the firm will be compelled to keep an excessive inventory of such raw materials which will result in high level of working capital. Also, some raw materials are available only during a particular season such as oil seeds, cotton, etc. They would have to be necessarily purchased in that season and have to be kept in stock for a period when supplies are lean. This will require more working capital.

(10) Availability of Credit from Banks:–

If a firm can get easy bank facility in case of need, it will operate with less working capital. On the other hand, if such facility is not available, it will have to keep large amount of working capital.

(11) Volume of Profit:–

The net profit is a source of working capital to the extent it has been earned in cash. Higher net profit would generate more internal funds thereby contributing the working capital pool.

(12) Level of Taxes:–

Full amount of cash profit is not available for working capital purpose. Taxes have to be paid out of profits. Higher the amount of taxes less will be the profits available for working capital.

(13) Dividend Policy:–

Dividend policy is a significant element in determining the level of working capital in an enterprise. The payment of dividend reduces the cash and, thereby, affects the working capital to that extent.

On the contrary, if the company does not pay dividend but retains the profits, more would be the contribution of profits towards capital pool.

(14) Depreciation Policy:–

Although depreciation does not result in outflow of cash, it affects the working capital indirectly. In the first place, since depreciation is allowable expenditure in calculating net profits, it affects the tax liability. In the second place, higher depreciation also means lower disposable profits and, in turn, a lower dividend payment. Thus, outgo of cash is restricted to that extent.

(15) Price Level Changes:–

Changes in price level also affect the working capital requirements. If the price level is rising, more funds will be required to maintain the existing level of production. Same level of current assets will need increased investment when prices are increasing.

However, companies that can immediately revise their product prices with rising price levels will not face a severe working capital problem. Thus, it is possible that some companies may not be affected by rising prices while others may be badly hit.

(16) Efficiency of Management:–

Efficiency of management is also a significant factor to determine the level of working capital. Management can reduce the need for working capital by the efficient utilization of resources. It can accelerate the pace of cash cycle and thereby use the same amount working capital again and again very quickly.

Q. Define marketing. Also explain its nature in brief.

Ans. Introduction: – Marketing is a pervasive phenomenon in the present day world. Every day we are exposed to marketing of goods, services, and ideas. Marketing may be defined as a process by which goods and services are exchanged and the values determined in terms of money prices. The American Marketing Association has defined marketing as" The performance of business activities that direct the flow of goods and services through producers to consumers or users".

According to Philip Kotler

,"Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating , offering and exchanging products of values with others ."

<u>Nature of Marketing:–</u>

<u>1. Marketing is Customer focused:</u> – Marketing tends to satisfy and delight customer. The activities of marketing must be directed and focused at the customer. Marketers can remain in customer mind if they are provided value for what they spend. Marketing efforts must be directed at meeting customer needs, not market shares. For this, marketers must track customers needs on a continuous basis.

<u>2. Marketing must deliver value:–</u>

Marketer has to track customer needs and deliver the product as per their Requirements. The company must satisfy the following equation with resultant value above 1

Customer value = benefits/Cost

The corporate strategy must be aimed at delivering greater customer value than competitors.

<u>3. Marketing is Business:–</u>

When customer is the focus of all activities marketer has not to search customer to seek response to his products. Customer group is decided for whom the product is prepared and presented. All the environmental factors are studied by marketing department keeping in mind the decided consumer group.

<u>4. Marketing is surrounded by customer needs:–</u>

Marketing starts with the customer needs and requirements. These are turned into probable features that might satisfy the basic needs .The portable form of the product is made out and presented before the customer for approval. The customer suggests changes or improvements in the portable product and the final product is brought to the customer. The following figure illustrates the point: Marketing and customer needs

<u>5. Marketing is a part of total environment:–</u>

Total environment may be defined as the combination of all the resources and Institutions which are directly related to the production and distribution of goods, services, ideas, places and persons for the satisfaction of human needs.

However it is better to look at remote and immediate environment of any marketing organization.

6. Marketing System affects company strategy:

Marketing has its own sub system which interacts with each other to form complete marketing system that is responsive to company marketing strategy .Through the subsystems shown in the following figure, the company monitor and adapts to the total marketing environment.

7. Marketing as a Discipline:–

The subject of marketing has emerged out of business which has derived its existence from economics. After emerging from business, marketing has got its strength from related areas law, psychology, anthropology, sociology, statistics, mathematics because the related problems impinge heavily on consumer behaviour, legal aspects of marketing research on consumer needs, advertising media, pricing, promotion methods etc.

8. Marketing creates mutually beneficial relationship:–

The customer is the focus of all marketing activities. But during the last decade, the focus has shifted to the way of doing business, i.e. the strategic aspect of marketing. Here the means of marketer are their knowledge and experience, and the end result is in the form of mutually beneficial relationship with the customer.

Q. Explain the concept of Marketing Information System.

Ans. Meaning: – Marketing Information system is a system that consists of people, equipment, and procedures to gather, sort analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision maker.

The overall objective of MIS is to provide inputs from target markets, marketing channels, competitors, publics, and other forces for creating, changing, and improving the marketing decisions.

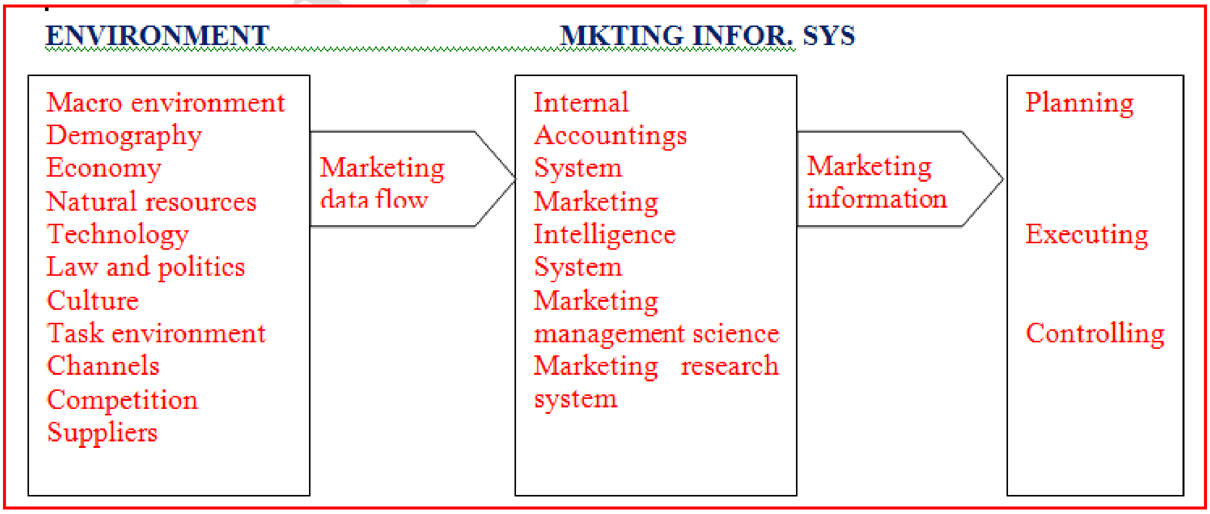


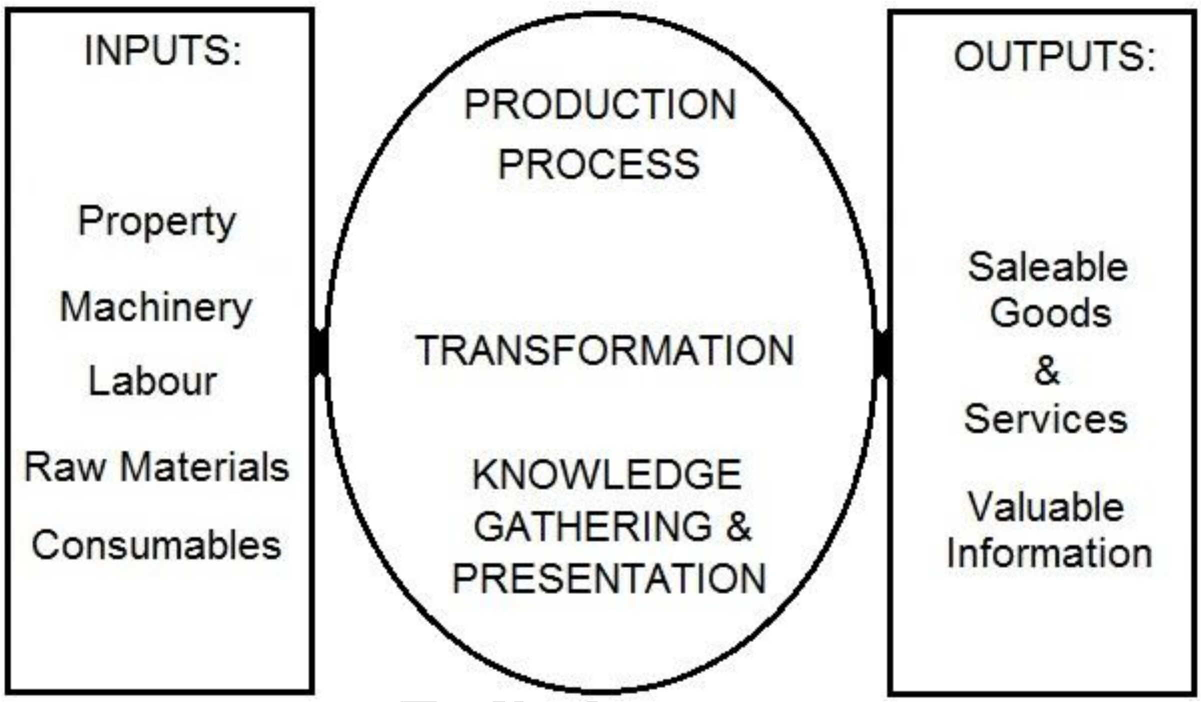
Figure 1: Marketing Information System

Scope of MIS:–

Marketing Information system includes a set of procedures and methods for the continuous analysis and presentation of information for decision making. Marketing Information System includes internal record system, marketing intelligence system, marketing decision support system, and marketing research system. Thus marketing research is a part of marketing information system which is again a part of company marketing strategy .Marketing Information system does not operate in isolation. It is closely integrated with the environment with in which a business operates. This includes marketing planning system, marketing organization and implementation system, and marketing control system. Then these four systems are part of coordinating marketing where other department join to achieve business objectives. However marketing information system is directly concerned with marketing decisions related to product, pricing, place, promotion, packaging and people as shown in the following figure:

Marketing information System implies the application of the system approach to the task of collecting, organizing, analysing and interpreting marketing information. As shown in above figure marketing information has four sub system i.e., internal records, marketing intelligence, marketing research and analysis of information. The sub systems are interdependent and interrelated so as to meet the requirement of marketing management. They also have active interface with the marketing environment. In other words they exchange information with target markets, channels, and economic, social and political forces in the external environment.

Q. Define production Management. Also Explain its Scope.
Ans. Production may be defined as conversion of inputs-men, machine, materials, money, methods and management (6Ms) into output through a transformation process. Output maybe goods produced or services rendered.



This figure explains the systems aspect of production/operations function of an organization. The organization received several inputs as indicated on the left hand side and converts them into useful products and/or services using its facilities. In the process of conversion, definitely, there will be some deviation in the product's attributes like quality, size, shape and number of units produced. Just to cope up with the pre determined plans and policies, it is highly essential to communicate these deviations to the input stage in the form of feedback for making necessary corrections.

a) Tight quality check on the incoming raw material
b) Adjustment of machine settings
c) Change of tools
d) Change in the production plans, like increase or decrease in volume of production.

Production management is a branch of management which is related to the production function. Production management is the management which by scientific planning and regulation sets into motion the part of an enterprise to which it has been entrusted the task of actual transformation of inputs into outputs.

"Production/Operations management is the process which combines and transforms various resources used in the Production/Operations subsystem of the organization into value added products/services in a controlled manner as per the policies of the organization".

Thus production management is concerned with the decision making regarding the production of goods and services at minimum cost according to the demands of the customers through the management process of planning, organizing and controlling.

(1) Specifying and accumulating the input resources i.e.
Management
Men
Materials
Machine
Money
Methods

(2) Designing and installing the assembly or conversion process to transform the inputs into output, and

(3) Co-ordinating and operating the production process so that the desired goods and services may be produced efficiently and at a minimum cost.

<u>Scopes of production management are:</u>

Production management mainly associated with the factory management as the problem of production can be removed with the development of factory system. Before the evolution of factory system, manufacturing activities are carried on by single person that pose no problem or very insignificant problem of production and therefore question of production management did not arise. But with the inception of factory system, the situation changed and now production management is necessary. Thus, the scope of production management began to develop.

(1) Decision relating to the production system design is the firm and fore-most activity of the production management. This activity concerns the

(i) Production engineering.

(ii) Problems regarding design of tools and jigs.

(iii)Design, development and installation of equipment

(iv) Selection of the optimum size of the firm.

(v) The selection of an optimum plant location very much depends upon the decision taken regarding production engineering.

(vi)Decision regarding production system design concerns the use of those techniques which are concerned with work environment and work measurement and includes problem like motion study process analyses.

(vii) Layout of the plant.

(viii) Material Handling

(ix) Time Study.

<u>(2) Activities relating to analysis and control of activities:</u>–The next problem arises after the designing of the production system. In includes all decision regarding production administration and therefore all functions of the management so far as they are applicable to the production system from the subject matter of the production management. These activities are:

a) Production planning:

The first decision in this regarding is production planning. It includes preparation of short term production schedules etc. Various major decisions required in production management are as follows:

(i) Production Design:

To lead in research and engineering competitions in all areas of our primary business, designing and producing products and services with outstanding quality and inherent customer value.

(ii) Process designing and equipment selection:

To determine and design the production process and equipment that will be compatible with low cost and high quality.

(iii) Layout:

To achieve production efficiency and effectiveness through skills, imagination and resourcefulness in plan layout and work method.

(iv) Location and Facility Engineering:

To locate, design and build efficiency and economic facilities that will yield high value to the company.

(v) Human Resource Management:

To provide good quality of work life with well designed, safe rewarding jobs, Stable employment and equitable pay in exchange for outstanding individual contribution from employees at all levels.

(vi)Maintenance:

To achieve optimum utilization of equipment.

(vii) Quality Assurance Control:

To attain exceptional quality that is consistent with company policy and marketing objective.

(viii) Material Management:

To cooperate with supplies and sale control to develop stable, effective and efficient sources of supply for those components those are to be processed from outside sources.

ix) Inventory Control: To achieve low investment through scientific inventory control such as:

- ABC Analysis
- VED Analysis
- Economic Order Quantity
- Inventory Turnover Ratio etc.

And through appropriate customer service levels and high facility utilization.

b) Production control: After planning the next step is production control because production plan cannot be activated unless they are properly guided and controlled. For this purpose, production manager has to regulate work assignment, service work progress and check and remove discrepancies, if any, in the actual and planned performances of production manager has to look after the production control activity
Through:
(i) Control on inventory such as raw materials purchased parts, finished goods etc.
(ii) Control on work-in-progress through production control.
(iii) Control of quality through process control.

Q. Define plant Layout. What are the types of plant layouts?

Ans. Plant payout is a floor plan of the physical facilities which are used in production. Layout planning refers to the generation of several possible plans for the spatial arrangement of physical facilities and selects the one which minimizes the distance between the departments.
Objectives of Facilities Layout:

The objectives of facilities layout are:

(1) Minimize investment in equipment
(2) Minimize overall production time.
(3) Utilize existing space most effectively.
(4) Provide for employee convenience, safety and comfort.
(5) Maintain flexibility of arrangement and operations
(6) Minimize materials handling cost
(7) Facilitate the manufacturing process
(8) Facilitate the organizational structure.

Classification of Layout: Layouts can be classified into the following four categories:
(1) Process Layout
(2) Product Layout

(3) Group Layout (Combination layout)
(4) Fixed position layout.

(1) Process Layout: In a process layout, similar machines and services are located together. Therefore, all drills will be located in one area of the plant. Process layout is normally used when the production volume is not sufficient to justify a product layout.

Advantages of Process Layout:–

a. Machines are better utilized, fewer machines are required.
b. A high degree of flexibility in terms of task allocation to machines exists.
c. Comparatively low investment in machines is required.
d. The diversity of tasks offers a more interesting and satisfying occupation for the operation.

Limitations of Process Layout:–

a. Materials handling cost will be high
b. Production planning and control systems are more involved.
c. Large amount of in-process inventory will results
d. Space and capital are tied up by work in process
e. Higher grades of skill are required.

(2) Product Layout: Product layout is used when machines and auxiliary services are located according to the processing sequence of the product.
The product layout is selected when the volume of production of a product is high such that a separate production line to manufacture it can be justified. In a strict product layout, machines are not shared by different products. Therefore the production volume must be sufficient to achieve satisfactory utilization of the equipment.

Advantages of Product layout:–

(i) The flow of product will be smooth and logical in flow lines.
(ii) In-process inventory is less.
(iii)Throughput time is less.
(iv) Material handling cost is minimum
(v) Operators need not be skilled
(vi) Simple production planning and control systems are possible
(vii) Less space is occupied by work in transit and for temporary storage.

Limitations of Product Layout:–

(i) A breakdown on one machine in a product line may cause stoppages of machines in the downstream of the line.
(ii) A change in product design may require major alterations in the layout.
(iii)Comparatively high investment in equipments is required.

(3) Group Layout/Mixed Layout: A group layout is a combination of the product layout and process layout. It combines the advantages of both layout systems.

The basic aim of a group technology layout is to identify families of components that require similar processing on a set of machines. In turn, these machines are grouped into cells. Each cell is capable of satisfying all the requirements of the component family assigned to it. In a group technology layout, the objective is to minimize the sum of the cost of transportation and the cost of equipments. So, this is called as multi- objective layout.

(4) Fixed Position layout: A fourth type of layout is the static product layout or layout by fixed positions, in which the physical characteristics of the product dictate as to which type of machines and men are to be brought to the product. The ship building industry commonly employs a static product layout. Since, the static product layout is not justified except in unusual situations, it has limited scope.

Q: What are various factors which affects the Ideal Location selection?

Ans:

Ideal location means that location which ensures the optimum results in relation to costs. Ideal location is one that permits the lower unit cost in the production and distribution of a product or service.

Factors of Ideal Location:

(1) Minimum costs of transporting the materials and products.

(2) Easy availability of raw materials and other factors of production.

(3) Convenience in accessibility to markets

(4) Availability of adequate space for the site of the enterprise.

(5) Sufficient scope for further expansion

(6) Integration of the enterprise with the economic, social and cultural traits of the community of the region

----

Q: Marketing management, define its scope, nature and importance.

Or

Q: explain the modern marketing concept.

Ans: According to F.E. Clark, "Marketing consists of those efforts which effect transfers in ownership of goods and care for its physical distribution." Traditionally, marketing was restricted to the physical transfer of goods from its producers to the consumers. In this way marketing includes all those activities which facilitate the transfer of goods from producers or manufacturers to the users of goods. According to traditional approach goods should be supplied at the time when it is needed, at a place where they required and delivered to those who need it.

According to Hary Hansen, "Marketing involves the design of the products acceptable to the customers and the transfers of ownership between seller and buyer".

Marketing is these way, is wants satisfying activity from society's point of view, transfer of goods from operative thinking and transfer of ownership from legal point of view.

Modern Marketing Concept

Modern marketing concept explains that the objectives of the business can be achieved by identifying needs and wants of customers. It stresses consumers satisfaction. According to Peter Drucker, the purpose of business is to create customers. Creation of customers means the identification of consumers' needs and then organizing the business activities to meet these needs. According to modern thinkers, marketing includes the following:

- Identification of consumers' needs and their satisfaction.
- Sales forecasting / Target customers.
- Formulation of marketing policy for the specific market.
- Planning and organizing of marketing activities and coordinating marketing activities.
- Salesmanship and sales promotion.
- Advertising
- Costing and budgeting efforts.
- Measurement and review of the marketing result.

Definition

According to modern concept, marketing is not a separate function but covers the entire business process, because every business activity is consumer oriented. Marketing, in this way, covers all the business activities which revolve round the consumers. Now, marketing management can be defined as identification of consumers' needs, planning, organizing, producing and marketing efforts to satisfy these needs.

Marketing as defined by management authorities

According to William Stantons, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to the present and potential customers."

In the words of Phillip Kotler, "Marketing is specifically concerned with low transactions are created, simulated, facilitated and valued."

E.F.L. Breach views, "Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit."

Importance of Marketing Management

The importance of marketing management as follows:

1. Supplying required commodity

Marketing identifies the needs of the existing and potential consumers and maintains the flow of commodities. In this way, the consumer oriented activities of the marketing management satisfy the needs of the people and thus provide the sense of relief and pleasure.

2. Creation of the employment opportunities

The growth of population and civilization goes on multiplying the needs of the people. In order to meet these needs very large number of ventures are promoted. These enterprise require very large number of skilled and unskilled workers. Marketing in this way generates employment opportunities and thus helps us in the eradication of unemployment. In India, about 40 million people are engaged in wholesale and retail business, excluding those engaged in transportation and communication, warehousing, insurance and finance. In USA nearly one-third of its population is engaged in marketing.

3. Improving standard of living

Standard of living s measured by quality and quantity of commodities we use. Marketing in addition to supplying the required goods invents and discovers its own novel goods and creates demand for it. We, in this way, are supplied with various and varied useful commodities, the use of which improves our standard of living.

4. Increase in national income

Marketing accelerates the pace of economic activities. More and more business enterprises are promoted. The profit and profitability of ventures increase. Consequently income of individuals increase. As such national income being the sum total of individual's income also increases, all these bring prosperity to the nation.

5. Educational value

Marketing is concerned with selling, advertising and sales promotion. Advertising and sales promotion measures educate the general consumers about the uses of the different commodities. The customers are acquainted with the advantages and disadvantages of the various commodities. Even the illiterate people identify the commodities without reading the name of goods on the containers and packages. Marketing educates people and creates demand for it.

Objectives of Marketing Management

The main objectives of marketing may be mentioned below:

1. Creation of demand and securing consumers' satisfaction

Marketing is consumer oriented activity. Marketing tries to create demand of its product through advertising and sales promotion measures. Consumers' satisfaction is the ultimate end of all business activities. The business cannot last long without consumers' satisfaction. The potential growth of the company is possible, if consumers are satisfied. Business has its own profit motive. Earnings are directly related to sales, which is affected by consumers' satisfaction.

2. Retaining reasonable market share

Survival of the enterprise depends upon capturing reasonable share of the market. Marketing helps the enterprise in positioning itself firm in the market. The success of marketing depends upon capturing more share of the market.

3. Building goodwill

The competent and capable marketing management sells quality product at reasonable price and thus goodwill of the enterprise is built. Marketing adopts various image building activities by popularizing products at convenient outlets.

4. Profitable sales volume

Marketing management refers to all business activities, which are consumer oriented. It is the sincere effort of marketing management to maximize the profit of the company. As profit is directly related to sales, so the marketing management tries to increase its sales by market development, product development, market penetration and diversification. The management looks for the opportunities and tries its best to avail of the opportunities. It is the duty of the market management to undertake profitable operations and maximize the profit of the business.

5. Service to the social organs

Social responsibility must be assumed by the business. These days business is assumed to be social organ, so it must earn its profit by rendering services to the following sections:

- **Employees**
    - Payment of fair wages
    - Providing job security
    - Scientific selection and training
    - Human treatment
    - Promotional avenues.
- **Consumers**
    - Need based production
    - Producing sufficient quantity of goods and supplying at reasonable price and appropriate place.
    - Supplying pure, useful and unadulterated goods

Functions of Marketing

This function involves the transfer of ownership of goods from producers to the users of goods. It involves:

1. Buying and assembling

Buying is the first step of marketing. In case of manufacturing concerns, raw material is purchased and trading concerns purchase finished goods, buying is marketing function, because it refers to decision-making by marketing management as to the time, quantity, quality, price and sellers goods to be bought. Goods may also be assembled or collected from different sources and made available to the users.

2. Selling

It is a process, whereby goods and services flow finally to the consumers. Selling function involves:

- Planning production of need based goods.
- Discovery of the market for goods and buyers for goods.
- Salesmanship, advertising and sales promotion for creating demand.
- Determining terms of sales and price, quantity, quality, nature of packing and delivery etc.
- Transfer of title and possession of goods. Selling creates demand for products.

3. Functions of Physical supply of goods

Marketing management has to decide about the physical distribution of goods. This function involves:

Transportation: Transportation facilitates the transfer of products from one place to other place. It reduces the distance between the producers and consumers. These days the business uses road, rail, water and air transport for acquiring goods and also for distribution of goods. Marketing management will have to take into consideration the means of transport available for distribution of goods. Transport plays an important role in localizing the industry and the nature and type of goods to he produced.

Warehousing: There is wide gap between the production and actual sale of goods. This is why, the marketing management is required to make necessary arrangement of storing the raw material and finished goods.

4*. Facilitating Transfer of Ownership and Products*

It involves the following functions which facilitate the transfer of goods and their ownership:

Product planning and development: Effective product planning anticipates the wants and expectations of the consumers and develops the product accordingly. It requires improvement in the existing product and development of the new product. Decisions regarding size, design, color, packaging, quality etc. have to be reviewed from time to time. The policy of product differentiation and highlighting the unique and novel features of the product should be adopted. The enterprise should always he prepared to produce goods to suit the ever changing needs to the customers.

Standardizing, grading branding and labeling: Standardizing is the process of making goods perfectly identical to the model product. Standardizing and grading make goods easily marketable. In caste of standardization, the product contains certain desirable qualities like durability, safety, utility and special features such as design, weight, color and size. Standardization facilitates the purchasing and selling of the product. Goods are sold by description. In India ISI mark issued by the Bureau of Indian Standard guarantees the quality of the product. In case of grading, product is classified into identical lots and groups on the basis of predetermined standards. Grading divides products into different classes of uniform characteristics. Grading is adopted generally in food rains, cotton, tobacco, fruits, apples, mangoes, minerals etc. Fixing and securing remunerative prices from the product is the objective of grading.

Advertising and sales promotion: It creates demand for goods among new customers an also sustains the demand for goods among existing consumers. Promotion includes all the activities of the manufacturers to influence the behaviors of buyer through communicating. It is the process of communicating, persuading and motivating consumers. Sales promotion refers to those activities which supplement both selling and advertising, displays, demonstration and exposition. It is a form of mass communication.

Q: Define the Role of Marketing on Economic Development of the country.

Marketing is central to economic development. Marketing can be defined as a means by which an economy can be integrated. In general, this integration is between buyers and sellers, as well as different regions and sectors of the economy. Many authors, including the well-known African economist Joseph F. Aiyeku, hold that integration is the chief aim of marketing, especially in less-developed states.

1. Building Capital

Marketing spurs demand. This is an important function. In spurring demand, it creates wants that the manufacturing interests of the country can then satisfy. In this way, marketing can create capital through the use of consumption currency for future projects. This, in a way, is a means of development and modernization. The simple act of linking producers and consumers through information can permit consumers to realize what is available, creating demand where none existed. Markets can be created and with it, new channels of consumption and cash flow.

2. Fair Prices for Agriculture

Most undeveloped societies are primarily agricultural. Agricultural societies are often dominated by the local, including local power structures and oligarchies. Marketing can then link these agricultural units to the broader society, including the global society. Local oligarchies can be broken when marketing links consumers in other part of the country or region, meaning that local farmers can have a broader market and even higher prices for their produce.

3. Developing Standards

Merchants, producers and bankers are all directly involved in marketing throughout a target economy. They want to promote a product that will produce profits and a large, permanent share of the market. This cannot be done unless the products being promoted are of high quality and reasonable price. Shoddy goods generally do not promote market loyalty. Therefore, serious marketing in the developing world must promote standards of quality, price, reliability and service. Marketing in this context is building a web of relationships for the long term, not a quick sale that does not build loyalty.

4. Society and Economy

The integration of the social and the economic is a main part of marketing, says African economist Joseph F. Aiyeku. This means that products and services being promoted become a part of the social and cultural life of the people. The role of merchants and entrepreneurs is central here, since this strata is largely responsible for developing a real local and national market. This integration strengthens the role of entrepreneurs who create capital and opportunity, while providing needed services and products for society.

Q: what do you mean by international marketing? Explain characteristics, nature and its scope?

Ans:

Definition of international marketing

International Marketing can be defined as exchange of goods and services between different national markets involving buyers and sellers.
According to the American Marketing Association, "International Marketing is the multi-national process of planning and executing the conception, prices, promotion and distribution of ideal goods and services to create exchanges that satisfy the individual and organizational objectives."

Concepts of international marketing:

I. Domestic Marketing:

Domestic Marketing is concerned with marketing practices within the marketer's home country.

II. Foreign Marketing:

It refers to domestic marketing within the foreign country.

III Comparative Marketing:

When two or more marketing systems are studied, the subject of study is known as comparative marketing. In such a study, both similarities and dis-similarities are identified. It involves an analytical comparison of marketing methods practiced in different countries.

IV. International Marketing:

It is concerned with the micro aspects of a market and takes the company as a unit of analysis. The purpose is to find out as to why and how a product succeeds or fails in a foreign country and how marketing efforts influence the results of international marketing.

V. International Trade:

International Trade is concerned with flow of goods and services between the countries. The purpose is to study how monetary and commercial conditions influence balance of payments and resource transfer of countries involved. It provides a macro view of the market, national and international.

VI. Global Marketing:

Global Marketing consider the world as a whole as the theatre of operation. The purpose of global marketing is to learn to recognize the extent to which marketing plans and programmes can be extended worldwide and the extent to which they must be adopted.

Scope of international marketing:

International Marketing constitutes the following areas of business:-

1. Exports and Imports:

International trade can be a good beginning to venture into international marketing. By developing international markets for domestically produced goods and services a company can reduce the risk of operating internationally, gain adequate experience and then go on to set up manufacturing and marketing facilities abroad.

2. Contractual Agreements:

Patent licensing, turnkey operations, co – production, technical and managerial know – how and licensing agreements are all a part of international marketing. Licensing includes a number of contractual agreements whereby intangible assets such as patents, trade secrets, know – how, trademarks and brand names are made available to foreign firms in return for a fee.

3. Joint Ventures:

A form of collaborative association for a considerable period is known as joint venture. A joint venture comes into existence when a foreign investor acquires interest in a local company and vice versa or when overseas and local firms jointly form a new firm. In countries where fully owned firms are not allowed to operate, joint venture is the alternative.

4. Wholly owned manufacturing:

A company with long term interest in a foreign market may establish fully owned manufacturing facilities. Factors like trade barriers, cost differences, government policies etc. encourage the setting up of production facilities in foreign markets. Manufacturing abroad provides the firm with total control over quality and production.

5. Contract manufacturing:

When a firm enters into a contract with other firm in foreign country to manufacture assembles the products and retains product marketing with itself, it is known as contract manufacturing. Contract manufacturing has important advantages such as low risk, low cost and easy exit.

6. Management contracting:

Under a management contract the supplier brings a package of skills that will provide an integrated service to the client without incurring the risk and benefit of ownership.

7. Third country location:

When there is no commercial transactions between two countries due to various reasons, firm which wants to enter into the market of another nation, will have to operate from a third country base. For instance, Taiwan's entry into china through bases in Hong Kong.

8. Mergers and Acquisitions:

Mergers and Acquisitions provide access to markets, distribution network, new technology and patent rights. It also reduces the level of competition for firms which either merge or acquires.

9. Strategic alliances:

A firm is able to improve the long term competitive advantage by forming a strategic alliance with its competitors. The objective of a strategic alliance is to leverage critical capabilities, increase the flow of innovation and increase flexibility in responding to market and technological changes. Strategic alliance differs according to purpose and structure.

On the basis of purpose, strategic alliance can be classified as follows:
i. Technology developed alliances like research consortia, simultaneous engineering agreements, licensing or joint development agreements.
ii. Marketing, sales and services alliances in which a company makes use of the marketing infrastructure of another company in the foreign market for its products.
iii. Multiple activity alliance involves the combining of two or more types of alliances. For instance technology development and operations alliances are generally multi- country alliances.

On the basis of structure, strategic alliance can be equity based or non equity based. Technology transfer agreements, licensing agreements, marketing agreements are non equity based strategic alliances.

10. Counter trade:

Counter trade is a form of international trade in which export and import transactions are directly interlinked i.e. import of goods are paid by export of goods. It is therefore a form of barter between countries. Counter trade strategy is generally used by UDCs to increase their exports. However, it is also used by MNCs to enter foreign markets. For instance, PepsiCo's entry in the former USSR. There are different forms of counter trade such as barter, buy back, compensation deal and counter purchase. In case of barter, goods of equal value are directly exchanged without the involvement of monetary exchange. Under a buy back agreement, the supplier of a plant, equipment or technology. Payments may be partly made in kind and partly in cash. In a compensation deal the seller receives a part of the payment in cash and the rest in kind. In case of a counter purchase agreement the seller receives the full payment in cash but agrees to spend an equal amount of money in that country in a given period.

Q: Explain "The Marketing Mix".

Ans: marketing mix is the combination of the elements of marketing and what roles each element plays in promoting your products and services and delivering those products and services to your customers.

Marketing mix (Price, Place, Promotion, Product)

When marketing their products firms need to create a successful mix of:

- the right product
- sold at the right price
- in the right place
- Using the most suitable promotion.

To create the right marketing mix, businesses have to meet the following conditions:

- The product has to have the right features - for example, it must look good and work well.
- The price must be right. Consumer will need to buy in large numbers to produce a healthy profit.
- The goods must be in the right place at the right time. Making sure that the goods arrive when and where they are wanted is an important operation.
- The target group needs to be made aware of the existence and availability of the product through promotion. Successful promotion helps a firm to spread costs over a larger output.

For example, a company like Kellogg's is constantly developing new breakfast cereals - the product element is the new product itself, getting the price right involves examining customer perceptions and rival products as well as costs of manufacture, promotion involves engaging in a range of promotional activities e.g. competitions, product tasting etc, and place involves using the best possible channels of distribution such as leading supermarket chains.

__1. Product:__

The product is the central point on which marketing energy must focus. Finding out how to make the product, setting up the production line, providing the finance and manufacturing the product are not the responsibility of the marketing function. However, it is concerned with what the product means to the customer. Marketing therefore plays a key role in determining such aspects as:

- The appearance of the product - in line with the requirements of the market
- The function of the product - products must address the needs of customers as identified through market research.

The product range and how it is used is a function of the marketing mix. The range may be broadened or a brand may be extended for tactical reasons, such as matching competition or catering for seasonal fluctuations. Alternatively, a product may be repositioned to make it more acceptable for a new group of consumers as part of a long-term plan.

__2. The price__

Of all the aspects of the marketing mix, price is the one, which creates sales revenue - all the others are costs. The price of an item is clearly an important determinant of the value of sales made. In theory, price is really determined by the discovery of what customers perceive is the value of the item on sale. Researching consumers' opinions about pricing is important as it indicates how they value what they are looking for as well as what they want to pay. An organization's pricing policy will vary according to time and circumstances. Crudely speaking, the value of water in the Lake District will be considerably different from the value of water in the desert.

__3. The place__

Although figures vary widely from product to product, roughly a fifth of the cost of a product goes on getting it to the customer. 'Place' is concerned with various methods of transporting and storing goods, and then making them available for the customer. Getting the right product to the right place at the right time involves the distribution system. The choice of distribution method will depend on a variety of circumstances. It will be more convenient for some manufacturers to sell to wholesalers who then sell to retailers, while others will prefer to sell directly to retailers or customers.

4. The promotion

Promotion is the business of communicating with customers. It will provide information that will assist them in making a decision to purchase a product or service. The razzmatazz, pace and creativity of some promotional activities are almost alien to normal business activities. The cost associated with promotion or advertising goods and services often represents a sizeable proportion of the overall cost of producing an item. However, successful promotion increases sales so that advertising and other costs are spread over a larger output. Though increased promotional activity is often a sign of a response to a problem such as competitive activity, it enables an organization to develop and build up a succession of messages and can be extremely cost-effective.

Q: what is Production Management? Explain its Meaning, importance and objectives.
Ans: Production management means planning, organizing, directing and controlling of production activities.

Production management deals with converting raw materials into finished goods or products. It brings together the 6M's i.e. men, money, machines, materials, methods and markets to satisfy the wants of the people.

Production management also deals with decision-making regarding the quality, quantity, cost, etc., of production. It applies management principles to production.

Production management is a part of business management. It is also called "**Production Function**." Production management is slowly being replaced by operations management.

The main **objective** of production management is to produce goods and services of the right quality, right quantity, at the right time and at minimum cost. It also tries to improve the efficiency. An efficient organization can face competition effectively. Production management ensures full or optimum utilization of available production capacity.

Definition of Production Management

According to **Elwood Spencer Buffa**, "Production management deals with decision-making related to production processes so that the resulting goods or service is produced according to specification, in the amount and by the schedule demanded and at minimum cost."

Importance of Production Management

The importance of production management to the business firm:

1. ***Accomplishment of firm's objectives:*** Production management helps the business firm to achieve all its objectives. It produces products, which satisfy the customers' needs and wants. So, the firm will increase its sales. This will help it to achieve its objectives.

2. ***Reputation, Goodwill and Image:*** Production management helps the firm to satisfy its customers. This increases the firms reputation, goodwill and image. A good image helps the firm to expand and grow.

3. ***Helps to introduce new products:*** Production management helps to introduce new products in the market. It conducts Research and development (R&D). This helps the firm to develop newer and better quality products. These products are successful in the market because they give full satisfaction to the customers.

4. ***Supports other functional areas***: Production management supports other functional areas in an organisation, such as marketing, finance, and personnel. The marketing department will find it easier to sell good-quality products, and the finance department will get more funds due to increase in sales. It will also get more loans and share capital for expansion and modernisation. The personnel department will be able to manage the human resources effectively due to the better performance of the production department.

5. ***Helps to face competition:*** Production management helps the firm to face competition in the market. This is because production management produces products of right quantity, right quality, right price and at the right time. These products are delivered to the customers as per their requirements.

6. ***Optimum utilisation of resources:*** Production management facilitates optimum utilisation of resources such as manpower, machines, etc. So, the firm can meet its capacity utilisation objective. This will bring higher returns to the organisation.

7. ***Minimises cost of production:*** Production management helps to minimise the cost of production. It tries to maximise the output and minimise the inputs. This helps the firm to achieve its cost reduction and efficiency objective.

8. ***Expansion of the firm:*** The Production management helps the firm to expand and grow. This is because it tries to improve quality and reduce costs. This helps the firm to earn higher profits. These profits help the firm to expand and grow.

The importance of production management to customers and society:

1. ***Higher standard of living***: Production management conducts continuous research and development (R&D). So they produce new and better varieties of products. People use these products and enjoy a higher standard of living.

2. ***Generates employment:*** Production activities create many different job opportunities in the country, either directly or indirectly. Direct employment is generated in the production area, and indirect employment is generated in the supporting areas such as marketing, finance, customer support, etc.

3. ***Improves quality and reduces cost:*** Production management improves the quality of the products because of research and development. Because of large-scale production, there are economies of large scale. This brings down the cost of production. So, consumer prices also reduce

4. ***Spread effect***: Because of production, other sectors also expand. Companies making spare parts will expand. The service sector such as banking, transport, communication, insurance, BPO, etc. also expand. This spread effect offers more job opportunities and boosts economy.

5. ***Creates utility:*** Production creates *Form Utility*. Consumers can get form utility in the shape, size and designs of the product. Production also creates time utility, because goods are available whenever consumers need it.

6. ***Boosts economy:*** Production management ensures optimum utilisation of resources and effective production of goods and services. This leads to speedy economic growth and well-being of the nation.

Q: What do you mean by Plant location? Explain about the various factors which should be given due consideration while choosing a location for the new plant.

Or

Q: How the plant location is important for the success of business?

Ans: Plant location refers to the choice of region and the selection of a particular site for setting up a business or factory.

But the choice is made only after considering cost and benefits of different alternative sites. It is a strategic decision that cannot be changed once taken. If at all changed only at considerable loss, the location should be selected as per its own requirements and circumstances. Each individual plant is a case in itself. Businessman should try to make an attempt for optimum or ideal location.

An ideal location is one where the cost of the product is kept to minimum, with a large market share, the least risk and the maximum social gain. It is the place of maximum net advantage or which gives lowest unit cost of production and distribution. For achieving this objective, small-scale entrepreneur can make use of locational analysis for this purpose.

Locational analysis

Locational analysis is a dynamic process where entrepreneur analyses and compares the appropriateness or otherwise of alternative sites with the aim of selecting the best site for a given enterprise. It consists the following:

(a) Demographic Analysis:
It involves study of population in the area in terms of total population (in no.), age composition, per capita income, educational level, occupational structure etc.

(b) Trade Area Analysis: It is an analysis of the geographic area that provides continued clientele to the firm. He would also see the feasibility of accessing the trade area from alternative sites.

(c) Competitive Analysis: It helps to judge the nature, location, size and quality of competition in a given trade area.

(***d) Traffic analysis:*** To have a rough idea about the number of potential customers passing by the proposed site during the working hours of the shop, the traffic analysis aims at judging the alternative sites in terms of pedestrian and vehicular traffic passing a site.

(e) Site economics: Alternative sites are evaluated in terms of establishment costs and operational costs under this. Costs of establishment is basically cost incurred for permanent physical facilities but operational costs are incurred for running business on day to day basis, they are also called as running costs.

Selection criteria:

The important considerations for selecting a suitable location are given as follows:

1) Natural or climatic conditions

2) Availability and nearness to the sources of raw material.

3) Transport costs-in obtaining raw material and also distribution or marketing finished products to the ultimate users.

4) Access to market: small businesses in retail or wholesale or services should be located within the vicinity of densely populated areas.

5) Availability of Infrastructural facilities such as developed industrial sheds or sites, link roads, nearness to railway stations, airports or sea ports, availability of electricity, water, public utilities, civil amenities and means of communication are important, especially for small scale businesses.

6) Availability of skilled and non-skilled labour and technically qualified and trained managers.

7) Banking and financial institutions are located nearby.

8) Locations with links: to develop industrial areas or business centers result in savings and cost reductions in transport overheads, miscellaneous expenses.

9) Strategic considerations of safety and security should be given due importance.

10) Government influences: Both positive and negative incentives to motivate an entrepreneur to choose a particular location are made available. Positive includes cheap overhead facilities like electricity, banking transport, tax relief, subsidies and liberalization. Negative incentives are in form of restrictions for setting up industries in urban areas for reasons of pollution control and decentralization of industries.

11) Residence of small business entrepreneurs want to set up nearby their Homelands One study of locational considerations from small-scale units revealed that the native place or homelands of the entrepreneur was the most important factor. Heavy preference to homeland suggests that small-scale enterprise is not freely mobile. Low preference for Government incentives suggests that concessions and incentives cannot compensate for poor infrastructure.

<u>Significance</u>

From the discussion above, we have already learnt that location of a plant is an important entrepreneurial decision because it influences the cost of production and distribution to a great extent. In some cases, you will find that location may contribute to even 10% of cost of manufacturing and marketing. Therefore, an appropriate location is essential to the efficient and economical working of a plant. A firm may fail due to bad location or its growth and efficiency may be restricted.

Q: Define Plant Layout and its significance. Describe the factors affecting the layout of a plant.

Or

Q: Explain the essentials determining the layout of a factory or a plant.

Ans:

Plant layout refers to the arrangement of physical facilities such as machinery, equipment, furniture etc. within the factory building in such a manner so as to have quickest flow of material at the lowest cost and with the least amount of handling in processing the product from the receipt of material to the shipment of the finished product.

According to Riggs, "the overall objective of plant layout is to design a physical arrangement that most economically meets the required output – quantity and quality."

According to J. L. Zundi, "Plant layout ideally involves allocation of space and arrangement of equipment in such a manner that overall operating costs are minimized.

<u>Importance:</u>

1.) Plant layout is an important decision as it represents long-term commitment. An ideal plant layout should provide the optimum relationship among output, floor area and manufacturing process.

2.) It facilitates the production process, minimizes material handling, time and cost, and allows flexibility of operations, easy production flow, makes economic use of the building, promotes effective utilization of manpower.

3.) It provides for employee's convenience, safety, comfort at work, maximum exposure to natural light and ventilation.

4.) It is also important because it affects the flow of material and processes, labour efficiency, supervision and control, use of space and expansion possibilities etc

<u>Essentials of an ideal plant layout:</u>

An efficient plant layout is one that can be instrumental in achieving the following objectives:

a) Proper and efficient utilization of available floor space

b) To ensure that work proceeds from one point to another point without any delay

c) Provide enough production capacity.

d) Reduce material handling costs

e) Reduce hazards to personnel

f) Utilize labour efficiently

g) Increase employee morale

h) Reduce accidents

i) Provide for volume and product flexibility

j) Provide ease of supervision and control

k) Provide for employee safety and health

l) Allow ease of maintenance

m) Allow high machine or equipment utilization

n) Improve productivity

Q: what are the various types of plant layout in manufacturing process?

Ans: In case of manufacturing unit, plant layout may be of four types:
(a) Product or line layout
(b) Process or functional layout
(c) Fixed position or location layout
(d) Combined or group layout

<u>(a) Product or line layout:</u>

Under this, machines and equipments are arranged in one line depending upon the sequence of operations required for the product. The materials move from one workstation to another sequentially without any backtracking or deviation. Under this, machines are grouped in one sequence. Therefore materials are fed into the first machine and finished goods travel automatically from machine to machine, the output of one machine becoming input of the next, e.g. in a paper mill, bamboos are fed into the machine at one end and paper comes out at the other end. The raw material moves very fast from one workstation to other stations with a minimum work in progress storage and material handling.

The grouping of machines should be done keeping in mind the following general principles.

a) All the machine tools or other items of equipments must be placed at the point demanded by the sequence of operations
b) There should no points where one line crossed another line.
c) Materials may be fed where they are required for assembly but not necessarily at one point.
d) All the operations including assembly, testing packing must be included in the line

<u>Characteristics of product layout:</u>

Product layout provides the following benefits:
a) Low cost of material handling, due to straight and short route and absence of backtracking.

b) Smooth and uninterrupted operations

c) Continuous flow of work

d) Lesser investment in inventory and work in progress

e) Optimum use of floor space

f) Shorter processing time or quicker output

g) Less congestion of work in the process

h) Simple and effective inspection of work and simplified production control

i) Lower cost of manufacturing per unit

<u>Disadvantages:</u>

Product layout suffers from following drawbacks:

a. High initial capital investment in special purpose machine

b. Heavy overhead charges

c. Breakdown of one machine will hamper the whole production process

d. Lesser flexibility as specially laid out for particular product.

<u>2. Process layout:</u>

In this type of layout machines of a similar type are arranged together at one place. E.g. Machines performing drilling operations are arranged in the drilling department, machines performing casting operations be grouped in the casting department. Therefore the machines are installed in the plants, which follow the process layout.

Hence, such layouts typically have drilling department, milling department, welding department, heating department and painting department etc. The process or functional layout is followed from historical period. It evolved from the handicraft method of production. The work has to be allocated to each department in such a way that no machines are chosen to do as many different job as possible i.e. the emphasis is on general purpose machine.

The work, which has to be done, is allocated to the machines according to loading schedules with the object of ensuring that each machine is fully loaded.

Advantages/characteristics of process layout:

Process layout provides the following benefits

a) Lower initial capital investment in machines and equipments. There is high degree of machine utilization, as a machine is not blocked for a single product

b) The overhead costs are relatively low

c) Change in output design and volume can be more easily adapted to the output of variety of products

d) Breakdown of one machine does not result in complete work stoppage

e) Supervision can be more effective and specialized

f) There is a greater flexibility of scope for expansion.

Disadvantages:

Product layout suffers from following drawbacks

a. Material handling costs are high due to backtracking

b. More skilled labour is required resulting in higher cost.

c. Time gap or lag in production is higher

d. Work in progress inventory is high needing greater storage space

e. More frequent inspection is needed which results in costly supervision

3. Fixed Position or Location Layout:

In this type of layout, the major product being produced is fixed at one location. Equipment labour and components are moved to that location. All facilities are brought and arranged around one work center. This type of layout is not relevant for small scale entrepreneur. The following figure shows a fixed position layout regarding shipbuilding.

Advantages/ characteristics of fixed position layout:

Fixed position layout provides the following benefits

a) It saves time and cost involved on the movement of work from one workstation to another.

b) The layout is flexible as change in job design and operation sequence can be easily incorporated.

c) It is more economical when several orders in different stages of progress are being executed simultaneously.

d) Adjustments can be made to meet shortage of materials or absence of workers by changing the sequence of operations.

Disadvantages:

Fixed position layout has the following drawbacks

a. Production period being very long, capital investment is very heavy

b. Very large space is required for storage of material and equipment near the product.

c. As several operations are often carried out simultaneously, there is possibility of confusion and conflicts among different workgroups.

4. Combined layout

Certain manufacturing units may require all three processes namely intermittent process (job shops), the continuous process (mass production shops) and the representative process combined process [i.e. miscellaneous shops].

In most of industries, only a product layout or process layout or fixed location layout does not exist. Thus, in manufacturing concerns where several products are produced in repeated numbers with no likelihood of continuous production, combined layout is followed.

Generally, a combination of the product and process layout or other combination are found, in practice, e.g. for industries involving the fabrication of parts and assembly, fabrication tends to employ the process layout, while the assembly areas often employ the product layout. In soap, manufacturing plant, the machinery manufacturing soap is arranged on the product line principle, but ancillary services such as heating, the manufacturing of glycerin, the power house, the water treatment plant etc. are arranged on a functional basis.

Q: describe about the factors influencing the layout of a plant or factory.
Ans:

Factors influencing layout

While deciding his factory or unit or establishment or store, a small-scale businessman should keep the following factors in mind:

a) Factory building:

The nature and size of the building determines the floor space available for layout. While designing the special requirements, e.g. air conditioning, dust control, humidity control etc. must be kept in mind.

b) Nature of product:

Product layout is suitable for uniform products whereas process layout is more appropriate for custom-made products.

c) Production process:

In assembly line industries, product layout is better. In job order or intermittent manufacturing on the other hand, process layout is desirable.

d) Type of machinery:

General purpose machines are often arranged as per process layout while special purpose machines are arranged according to product layout.

e) Repairs and maintenance:

Machines should be so arranged that adequate space is available between them for movement of equipment and people required for repairing the machines.

f) Human needs:

Adequate arrangement should be made for cloakroom, washroom, lockers, drinking water, toilets and other employee facilities, proper provision should be made for disposal of effluents, if any.

g) Plant environment:

Heat, light, noise, ventilation and other aspects should be duly considered, e.g. paint shops and plating section should be located in another hall so that dangerous fumes can be removed through proper ventilation etc. Adequate safety arrangement should also be made.

Thus, the layout should be conducive to health and safety of employees. It should ensure free and efficient flow of men and materials. Future expansion and diversification may also be considered while planning factory layout.

Q 1: Discuss the need & importance of HRD?

Ans:

Need: Major reasons for the present emphasis on manpower planning include the following:

1. ***Shortage of Skills:*** There is acute shortage for a variety of skills. This emphasizes the need for more effective recruitment & retaining people.
2. ***Technological changes:*** Technological changes create problems relating to redundancies, retraining & redeployment. Technology however, is a double edged weapon & have, its impact on HR plans is difficult to predict.

   High technology with all its attendant benefit may compel organization to go learn & downsize workforce suddenly. Employment planning under such situations becomes complicate.
3. ***Organizational changes:*** The changes is organizational environment activities & structure affect requirement of HRs & require strategic planning.
4. ***Demography Changes:*** The changes in work force in terms of age, sex, literacy technical ability social background etc., greatly require proper manpower planning.
5. ***Specialist Skills:*** Specialist skills are rase scarce, problems arise when such employs leave the organization because it gives a great loss to the organizations.
6. ***Governmental influences:*** Government control & changes in laves with regard to working condition house of work, casual labour, employment restrictions need a systematic HRP in industries.
7. ***Legislative Controls:*** The days of hire or fire policies have gone. The recent change relating to lay, offs, classers, strikes create the need to fosse manpower problem.
8. ***Pressure Groups:*** Pressure group such as unions, politicians, displaced persons, sons & the soils have been raising contradictory pressures on management. This compels for sys. Thematic HRP.
9. ***System Concepts:*** It emphasizes planning & always of handling voluminous personnel records.
10. ***Size:*** The large size of organization creates the features of complexity, certainty & variable that requires HRP.

Other Factors:

1. Irregular age structure occurs when organization size has changed rapidly.
2. Cost of manpower is a major factor in the price of most goods & services.
3. An HR plan can provide adequate lead time for recruitment selection & Training

***Importance of HRD*:**

HRD is a highly important & useful activity. If used properly, it offers a number of a benefit:

a) Resereres of talent: The organization can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.

b) Prepare people for future. People can be trained, motivated, a developed in advance & this helps in meeting future needs for high quality employee quite easily. Likewise, HR shortage can also be met comfortably when people quit the organization for various reasons through proper HRP.

c) Expand or contract: It the organization wants to expand its scale of operations, it can go ahead easily. Advanced planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.

d) Cut costs: Planning facilitates the preparation of an appropriate HR budget for each department. This helps them in controlling HR Costs by avoiding shortage or excesses in HR supply. The physical facilities such as center, quarters, schools, medical help etc can also be planned in advanced.

e) Succession planning: HRP, as pointed out previously, prepare people for future challenging the stars can be picked up & kept reay for further promotion whenever they arise all multinational companies for example have this policy of having hot list of promising candidness prepared in advance e.g. P & G HLL, Godrej consumer products its such candidates are rolled over various jobs & assessed continuously when the time comes, such people switch hats quickly & replace their respective bosses without any broken.

Q.1 what is JOB ANALYSIS?
Ans.

The procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.

The process of job analysis results in two set of data:

i. **Job description**-A list of job's duties, responsibilities, reporting relationships, working environment and supervisory responsibility.

ii. **Job specification**-A list of job's "human requirements," that is requisite education, skills, personality and so on.

Q. 2 What is Job description?
Ans.

A job description should include the following:

Job Title: Clarifies the position, rank or level (if applicable).

Job location: It includes the physical location of the job, the days and hours of the position, and include any potential overtime that may be required to perform the job..

Goals and Objectives: it includes goals and objectives the incumbents should be accomplishing in its job.

Position Reports To: It includes those persons who the employee should report to i.e. the boss of the job holder

Immediate level subordinates: A job description also includes the subordinates of the job holder.

Machines, tools and equipments used: It includes those machines and tools which will be used by the job holder in order to perform his duties.

Key Responsibilities: The key responsibilities section of your job description should give clear and unambiguous detail of the main tasks that your employee is accountable and responsible for.

Core Skills: The core skills section of a job description are those minimum skills and experience that the incumbent will need to perform the job in a professional and responsible manner for your business.

Authority limits: The employee should know his authority limits . He shouldn't go beyond his authority limits.

Working environment : It includes the kind of environment in which the job holder will work.

Hazards: The hazards involved in performing the job is also included in it

Q.3 what is Job specification?
Ans.

It includes the following:

Quantitative factors:

- Age, sex, education, professional qualification,
- Experience
- Special qualification: languages, marital status, vehicle ownership, achievement in other fields
- Intelligence

Character traits:

Stability, industrious, loyalty, self reliance, leadership.

Job motivation:

Money, security, status, power, perfection, competitiveness, service, recognition.

Degree of emotional immaturity:

- Incapacity of self dependence
- Disregard of consequences
- Selfishness
- Pleasure mindedness
- Unwillingness to accept responsibility