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Social Entrepreneurship and Project Management

SEMESTER-VI

SOCIAL WORK

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

Subject Experts

Prof. Sonia Pereira, Professor and Head, Department of Psychiatric Social Work; Dean of Faculty of Medicine and Allied Health Sciences, Gauhati University

Dr. Sobhana H., Associate Professor, Department of Psychiatric Social Work, Lokpriya Gopinath Bardoloi Regional Institute of Mental Health, Tezpur

Meghali Senapati, Associate Professor, School of Social Work, Tata Institute of Social Sciences, Dean- Administration, Guwahati Campus

Course Co-ordinator : **Dr. Mridusmita Duara,** KKHSOU

SLM Preparation Team

Units	Contributors
1	Dr. Devajeet Goswami, KKHSOU
2	Mr. M.C. Kalwar, Gauhati Commerce College
3	Dr. Sarmistha Rani Baruah, KKHSOU;Utpal Deka, KKHSOU; Mr. Hemanta Kr. Deka, Gauhati Commerce College
4	Mr.Hemanta Kr. Deka, Gauhati Commerce College; Utpal Deka, KKHSOU; Dr. Sarmistha Rani Baruah, KKHSOU
5	Dr. Mridusmita Duara, KKHSOU; Utpal Deka, KKHSOU
6,7,8, 10	Dr. Dilip Kumar Sarma,Cotton College, Guwahati; Utpal Deka, KKHSOU
9	Dr. Dilip Kumar Sarma,Cotton College, Guwahati

Editorial Team

Content : **Dr. Mridusmita Duara,**KKHSOU

Language : **Dr. Mridusmita Duara,**KKHSOU

Structure, Format & Graphics: **Dr. Mridusmita Duara,**KKHSOU

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Headquarter : Patgaon, Rani Gate, Guwahati-781 017
City Office :NH-37, Resham Nagar, Khanapara, Guwahati-781 022; Web: www.kkhsou.in

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COURSE INTRODUCTION

Social Entrepreneurship and Project Management is one of the course of sixth semester of the BSW programme of this University. The course discusses in details about the basic idea of entrepreneurship, social entrepreneurship and project management. Most of the topic included in this course are relevant to the learners of social work for social intervention. Although, entrepreneurship has not received its due recognition and general acceptance in our society, yet it has immense importance from the side of employability.Likewise social entrepreneurship has the capacity to enhance the social welbeing in the society. And to acheive its desired objectives every entrepreneur has to take different projects.So 'choosing the best project and managing it within the limited resources' is one of the important task of an entrepreneur. So this course not only discusses the important concepts of entrepreneurship but also emphasis has been put on the important aspects of project management.

This course comprises of 10 units. The first unit of the course is entrepreneurship. This unit will help you to understand the meaning and characteristics of entrepreneur. Apart from it, this unit will also discuss the role of entrepreneurs in economic growth. The second unit deliberates on the distinctive theories of entrepreneurship.Theories like economic theory, sociological theory, dynamic entrepreneurship innovation theory, Leibenstein's X- efficiency theory and theory profit are covered under this unit. The third unit will introduce you to the concept of social entrepreneurship. In this unit we will discuss the meaning and concept of social entrepreneurship, importance of innovation in the social development sector and entrepreneurship development programme. Apart from it institutions providing entrepreneurship development programmes in India and role of Banking and Microfinance in this direction are also discussed in this unit. The fourth unit discuss the role of entrepreneurship development programmes in context of North-East Region.This unit also explains about the social sector perspectives and interventions of social entrepreneurs.The fifth unit discusses about the social entrepreneurship and livelihood. This unit will help you to understand the conepts of livelihood and how entrepreneurship is associated with livelihood issues. The sixth unit will help you to acquire knowledge about the relationship between project management and social entrepreneurship. In this unit we will discuss the importance of Project Management for Social Entrepreneurs and the concept of social entrepreneurship models. The seventh unit deals with the project life cycle. This unit will help you to understand the concept of project life cycle, importance of project life cycle, phases of project life cycle and life cycle curve.The eight unit of this course deals with project assessment. This unit explain the project identification and formulation, market and demand analysis, technical analysis, economic and financial analysis, social cost benefit analysis, project monitoring and reporting and project completion and evaluation. The ninth unit of this course disusses the stakeholder and resource

planning in project management.This unit discusses the concept like project stakeholder management, identifying project stakeholders, organisational culture and project management and project planning of physical,human and financial resources. The last unit of this course deals with networking.This unit explain the meaning, components and importance of networking in project management. This unit will also help you to understand the concept life CPM (Critical Path Method) and PERT (Programme Evaluation and Review Technique).

While going through a unit, you will notice some along-side boxes, which have been included to help you to know some of the difficult, unseen terms. Again, we have included some relevant concepts in “LET US KNOW” along with the text. And, at the end of each section, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be better if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit.

UNIT 1: ENTREPRENEURSHIP

UNIT STRUCTURE

1.1 Learning Objectives

1.2 Introduction

1.3 Concept of Enterpreneur

1.4 Characteristics of Entrepreneur

1.5 Concept o Enterpreneurship

1.6 Role of Entrepreneurs in Economic Growth

1.7 Emergence of Entrepreneurial Class

1.8 Entrepreneurial Leadership and Motivation

1.9 Let Us Sum Up

1.10 Further Reading

1.11 Answers to Check Your Progress

1.12 Model Questions

1.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- discuss the concept of entrepreneur and entrepreneurship
- discuss the characteristics of entrepreneurs
- analyse the role of entrepreneurs in the economic growth of a country
- discuss the emergence of entrepreneurial class in India
- discuss the entrepreneurial leadership and motivation

1.2 INTRODUCTION

In this unit we will discuss about an entrepreneur and entrepreneurship. An entrepreneur is basically concerned with finding an innovative idea and then implementing it into reality in the form of a business venture. This unit will emphasise on the characteristics that an entrepreneur generally possesses. You will find this unit very interesting as you will

be able to ascertain whether any of these characteristic you have. The entrepreneurial talent that you have is important for the society and for the economic growth of our country. Therefore, we will also discuss the role played by an entrepreneur in the economic growth of a country. Let us began with the concept of entrepreneur.

1.3 CONCEPT OF ENTREPRENEUR

In a simple language, an entrepreneur is an individual or a group of individuals who starts a business and bears all the risks associated with the business. This business is based on an idea innovated by the entrepreneur. He/ she performs all the necessary market surveys required as a precondition to ensure the success of the business. In the entire process of business, starting from idea generation to ensuring commercial viability of the idea generated, the entrepreneur is the person who bears all the risks of business. It is important to take into consideration that any individual engaged in any activity bears some kind of risk. For economic activity one has to put the available resources in expectation of future returns. Future is always uncertain and therefore, one has to bear the risk.

Then what set the entrepreneur apart from others or what set the entrepreneurship from other economic activities? It is the 'innovation' that an entrepreneur wants to bring out in the form of a marketable product, service, procedure etc.

As the innovator, the entrepreneur arranges all the necessary factors of production (land, labour, capital and organisation). The idea that he/she identifies, need to be implemented in practice amidst uncertain business environment, changing consumer behaviour, cut throat competition, regulatory framework and so on.

Here the question arises, what is the need for a person to think for innovative idea? The answer lies in the motivational force, incentive or reward that an entrepreneur derives from the work in terms of business profits, growth potential, social commitment, appreciation, social recognition, self- actualisation etc.

Innovation comes from rationality, the ability of understanding the needs of people and a zeal for exploiting the opportunities. The continuous search for opportunities is an important feature of an entrepreneur. When the entrepreneur is ready with the innovative idea, finally it comes into reality through a systematic arrangement of different functions i.e. by creating an organisation. The entrepreneur foresees the future, bring together the resources through organisation.

To understand more about entrepreneur and entrepreneurship, in the next section we will discuss the characteristics of entrepreneurs.



CHECK YOUR PROGRESS

Q.1: Who is an Entrepreneur?

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1.4 CHARACTERISTICS OF ENTREPRENEUR

You are aware that as individuals we differ from each other. Our thinking process, perception, learning style, attitude, habits differ from others. You will realise the differences when you closely observe your best friend or any of your relatives. It is rare that personalities of two persons matches. Therefore, it is difficult to discuss the characteristics of entrepreneurs that leads to successful ventures. One entrepreneur differs from the other. Each business is different from the other. The style of managing the businesses is different. However, entrepreneurs make the venture successful and therefore, they are labelled as successful entrepreneurs. It does not mean that they never failed or they never suffered loss. Broadly, entrepreneur is an individual with a vision to bring newness,by overcoming the challenges and bearing the risk, to the business and the society at large.

At the same time, there are persons who are the visionaries, creative, skilled and have the ability to bear the risks, provide exemplary leadership within an organisation. They are called intrapreneurs, who works in an organisation rather than starting their own enterprises. Intrapreneurs, in

the latter part of their life, may become entrepreneurs with their innovative ideas.

This suggest that there are some common characteristics or qualities that entrepreneurs possess which makes them successful in chasing their goals. Discussing these qualities will help us in understanding the concept of entrepreneur and entrepreneurship as well. Let us focus on these characteristics-

In this respect, it is important to mention the BOSI Framework, proposed by Joe Abraham in his book "Entrepreneurial DNA". This framework states four types of entrepreneurs based on the personal qualities -

- **Builder:** These type of entrepreneurs focused on the growth of their businesses and not on the personal income. They are serial entrepreneurs building and selling their businesses. They consider success when they see huge expansion of their business in terms of more persons in payroll, more products in the market etc.
- **Opportunist:**Opportunist entrepreneurs are in search of money-making business opportunities. They measure success in terms of financial gains. They are highly positive and motivated by incentives. They are impulsive decision- makers.
- **Specialist:** They learned a particular skill and become a specialist. In the earlier part, they work for others but start their own enterprise based on their speciality. They are focused and strive for quality.
- **Innovator:** They use their creative mind to invent something that improves the living of people. They are motivated by the mission and not by the profit of the business. They mostly take decisions based on emotion than sound business principles. They need a strong support system in their business. (https://courses.lumenlearning.com)

Entrepreneurs are concerned with finding new ideas. They must have the skill to translate the idea into meaningful business. Different studies on the entrepreneurial trails reveals the main characteristics or traits of entrepreneurs. Let us discuss these traits-

- Ambitious: They have a high need for achievement.
- Independent: They make their own choices prefer to make their own decisions.
- Self- confident: They are confident on their ability to face the challenges that will come in their way in implementing the idea into reality. Through matured and logical thinking they are confident to find out the solution for the problems.
- Risk- takers: Entrepreneurs, being matured and self- confident, take up the opportunities with calculated (moderate) degree of risks. They are not risk- averse but at the same time, they do not belief on chances or luck.
- Visionary: They have the ability to see the future trends. They can identify the opportunities hidden in the future.
- Creative: Entrepreneurs are creative. They try to bring out the new idea, apart from the traditional way of doing the activities.
- Committed: Entrepreneurs are committed to their work. They are committed to their idea and goal achievement. For that they are ready to make personal sacrifices.



CHECK YOUR PROGRESS

Q.2: State any two characteristics of Entrepreneur.

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1.5 CONCEPT OF ENTREPRENEURSHIP

After discussing the different characteristics of entrepreneur, we will concentrate on the term ‘entrepreneurship’. However, there is no consensus on the meaning of ‘entrepreneur’and ‘entrepreneurship’. We can have an understanding about the characteristics that entrepreneurs possess. Based on that, they perform certain distinctive functions, which can broadly be termed as entrepreneurial activities or entrepreneurship.

The entrepreneurship is a dynamic concept and evolved over time and it will, continue to evolve in future. Some experts emphasises on the **risk bearing** element in entrepreneurship while some other experts focus on the **innovation** aspect of entrepreneurship.

Schumpeter considered entrepreneurship as a force of "creative destruction" (learn.saylor.org).

Entrepreneurship, most commonly, is concerned with the process of creating the new business venture, referred to as start- up company. Another dimension of the term 'entrepreneurship'is that it is not only restricted to profit- making business enterprise. It is extended to include the entrepreneurial activities which are concerned with solving social problems through innovation. They are called 'social entrepreneurs'.



LET US KNOW

There are examples of social entrepreneurs in the history of India as well as in the modern Indian society. Acharya Vinoba Bhave who was associated with the Bhoodan Movement in 1951. Verghese Kurien, associated with White Revolution. In modern age, there are notable names like, Zubaida Bai, associated with health care, Nand Kishore Chaudhary, associated with poverty elimination and so on.

1.6 ROLE OF ENTREPRENEURS IN ECONOMIC GROWTH

You are aware that entrepreneurs are seen as individuals who put the factors of production together for a profitable business. The entrepreneur bears the risk and initiate the process of production of goods and services. In this process, the entrepreneur activates the economic resources and create scope for employment generation, higher standard of living and contribute towards economic development of a country. Entrepreneurs are considered as "engines of growth". Let us discuss these aspects-

- **Providing Employment Opportunities:** India as a nation facing the challenge of unemployment. Job opportunities are limited both in the public and private sectors. Technology upgradation and automation is leading to capital intensive industries where job opportunities are very limited. Traditionally being an agriculture based economy, a large part of the population of India depends on agriculture. There are limitations on agriculture However, agriculture cannot provide job opportunities to a growing mass population. In such situations, the economy needs those people who can harness the available resources for creating sustainable opportunities for livelihood. Entrepreneurs besides ensuring self-employment, create employment opportunities for others.

- **Balanced Regional Growth:** Capital intensive large industries tends to concentrate in the hands of few industrialists and in certain region. India as a vast country is facing the problem of unbalanced regional growth. The large- scale industries which are highly mechanised provide very less opportunities for employment as compared to micro, small and medium enterprises. These small enterprises are labour intensive and thereby have ample opportunities of employment. Entrepreneurship in this sector can address the issue of regional economic imbalance by focusing on innovative products, services and technology. Less capital intensive and higher scope for expansion in production capacity of small industries will help in the growth of industrialisation.

- **Utilising local resources:** Economic development of a country or region depends on the availability of natural resources. Utilising these locally available resources needs innovative ideas so as to make a profitable and naturally sustainable business. Entrepreneurs with a vision and commitment to the society are therefore, essential for proper channelization of these resources towards economic development of a country.

- **Eliminating social unrest:** For speedy economic development, peaceful society is an essential element. Good law and order situation reflect the societal atmosphere. Economic development and societal development are the two sides of the same coin. One cannot be achieved in the absence of the other. Entrepreneurs play a vital role in providing productive work opportunities to the youths. Engaged in productive work, the youth unrest and social disturbance reduced to a great extent, which set the platform for the entrepreneurs to work for rapid industrialisation.



CHECK YOUR PROGRESS

Q.3: Discuss any two points of importance of entrepreneur for economic growth.

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1.7 EMERGENCE OF ENTREPRENEURIAL CLASS

It can be inferred from the above discussion that entrepreneurs are the backbone of an economy. The society witnessed the existence of entrepreneurs from ancient time and at different times they changed the way of living of people and the society. The emergence of entrepreneurial class may be studied under different time periods. These are discussed below-

- **Entrepreneurship in Ancient Time**: In India, the first phase of entrepreneurs emerged when the Aryan settled down. The Aryans tried to innovate new crafts, occupations and some kind of division of labour. Handicrafts, breeding of cattle, cultivating land etc. were the entrepreneurial activities of that time. *Manusmriti* provided a clear idea about entrepreneurial class during the ancient period. Accordingly, *Vaisyas* were regarded as the specialists in maintaining the livestock, to give charity, undertake business and banking. They

carried out trade in agriculture, industry, handicrafts etc. Gradually, towns and cities were developed due to entrepreneurial activities. (Mohanty, 2007).

- **Entrepreneurship during Pre- Independence Period (Before 1850):** During the pre- independence period, the economic activities were mainly confined to agriculture period. However, a class of entrepreneurs dealt with handicrafts, metal works, stone carving, jewellery designing. The communities engaged in entrepreneurship during those days were known as *Banias*, Parsis, Chheriars, Gujaratis etc. In the latter part, they engaged in manufacturing activities. The manufacturing units in the form of cottage industries and village industries were mainly located near the river banks and ports. Once the world famous Indian handicraft industry bear the burnt of British rule. India became a raw material supplier and a consumer market as a consequence of British rule and the Industrial Revolution in Great Britain.

  With railways started to operate in 1840, textile factories were initiated by some Indian entrepreneurs. Indian entrepreneurs group themselves as joint stock associations for exporting textile to European companies. As the British rules were not in favour of Indian entrepreneurs, the industrial sector could not grow much. During that period, entrepreneurial activities were centred around the British private enterprises like, plantation, coal mines, banking and insurance.

- **Entrepreneurship during 1850- 1947:** During this period, the Britishers were fully exploiting the Indian resource. To meet their commercial motive, they started developing the infrastructure, like railways, ports, roads etc. In the eastern part of India, the Europeans were the entrepreneurs who were engaged in export- oriented business, like jute, textile, tea, coal etc. In the western part of India, the Indian entrepreneurs were involved in entrepreneurial activities.

During this period**,** Parsis established a good relations with the East India Company. Parsis were mainly involved as brokers, suppliers of commodities, ship- building. The Parsis along with Marwaris and Gujaratis laid foundations of entrepreneurship in India mainly in Calcutta (Kolkata), Bombay (Mumbai) and Madras (Chennai).

In 1905, the beginning of Swadeshi Movement, encouraged the Indian entrepreneurs to actively engaged in entrepreneurship in the areas of textile, soap, matched, oil, potteries, banks, insurance etc.

- **Entrepreneurship in Post- Independence period:**With new Indian Government of independent India, entrepreneurial activities got new momentum. India adopted mixed economic system. The private sector was encouraged to make contributions for economic development of the country. The Government also through the public sector enterprises played a crucial role for the economic development of the country. In 1948, the first Industrial Policy Resolution was adopted. In 1951, the first five-year plan was introduced. The second Industrial Policy Resolution, 1956 focused on rapid industrialisation by establishing heavy industries, expansion of public sector and cooperative sector. The Government concentrated on infrastructural development, foreign partnership, development of technical- knowhow, export promotion, import substitution. By providing schemes of incentives, subsidies etc. Government encouraged the development of entrepreneurs. Entrepreneurship expanded to other communities besides the Marwaris, Gujaratis, Parsis and to different geographical areas. India witnessed the development of money market, capital market, specialised institutions for promotion of trade, commerce and private entrepreneurship. Entrepreneurship development institutions were also established, such as, National Institute of Entrepreneurship and Small Business Development (NIESBUD), National Institute

for Small Industry Extension Training (NISIET), Entrepreneurship Development Institute of India (EDII) etc.

With the declaration of liberalisation, privatisation and globalisation policy in India in 1991, a new set of entrepreneurs emerges to capitalise the new opportunities in the market. The entrepreneurship movement have also reach a new level with some self- driven, techno-savvy new generation entrepreneurs. Different schemes introduced by the Government give a big push to entrepreneurship. Some of the schemes like, “Start- up India”, “Make in India”, “Digital India” etc. promotes entrepreneurship in the country. In the areas of retail, food, fintech etc. young entrepreneurs are bringing their innovative ideas in the market supported by angel investors.

1.8 ENTREPRENEURIAL LEADERSHIP AND MOTIVATION

Entrepreneurs forms an organisation for successful completion of the innovative idea. Organisation means the systematic arrangement of the resources and activities to achieve certain predetermined goals. The entrepreneurs create the organisation and have to exercise his/ her leadership to channelize the resources and activities in the desired direction in the light of goal achievement.

Which leadership style an entrepreneur will exercise?

You are aware that entrepreneurs differ from each and possess different personalities and traits. The way of doing the work differs from one another. Therefore, leadership style that they exercise will also be differ.

Leadership is the ability of a person to influence the followers towards the achievement of the group goals through continuous motivation of the followers. In the context of an organisation and entrepreneurship, it is the entrepreneur who is the leader continuously motivate the organisational members for the achievement of the organisational goals. The entrepreneur

set the goals, put together all the resources, direct and coordinate the activities of the people to successfully implement the business idea. Being the leader, the entrepreneur makes decision, bears all the risks and uncertainties in the process. Leadership is a managerial function success of which depends on a number of factors like, the leader, the followers and the situation where it is exercise. Depending on these factors the entrepreneurs need to exercise different leadership styles.

Let us discuss the main leadership styles-

- **Autocratic Leadership Style:** An autocratic leader is task- oriented and issues strict instructions to the subordinates.The leader centralises decision- making power and emphasises on goal achievement.

- **Democratic Leadership Style:** In this style, the leader decentralises decision- making power and encourage the subordinates to participate in decision- making process. The leader tries to build up a consensus in the group and motivates towards common goal achievement.

- **Laissez faire Leadership Style:** The leader allows the group members to self- manage and self- decision- making in the light of set goals. The leader exercises leadership function as and when the need arises. This type of leadership is applicable when the followers are self- motivated and are highly matured.

It is stated above that success of leadership depends on a number of factors and depending on those a leader may choose any one of these leadership styles or a combination of these.

We have discussed the concepts of entrepreneur and entrepreneurship. We are aware about the characteristics of entrepreneurs and the role played by them in the economic development of a country. Besides having the personal traits of risk bearing ability, creativity etc., it is important to know what motivates a person to be an entrepreneur and why they involve in

entrepreneurial activities. So far as motivation is concerned, different motivating factors are there, which may not be commonly applicable to all the entrepreneurs. It is also need to be taken into consideration that, business entrepreneurs and social entrepreneurs may be motivated by altogether different set of factors. Experts in the field of psychology, economics, sociology etc. have also put forwarded different theories and views on entrepreneurship. However, in this particular unit we will discuss two motivational theories. They are-

- Maslow's Need Hierarchy Theory: Maslow's need hierarchy theory is based on the assumption that human needs tend to follow a hierarchical pattern. Once a lower order need satisfies, the higher order need emerges. Maslow classified the human need into five categories-
    - Physiological Needs: These are the most basic needs of human being for food, cloth, shelter etc. Entrepreneurs tries to meet these basic need and therefore, strive for activities with economic motive.
    - Safety and Security Needs: Once the physiological needs are satisfied, the next higher order need i.e. safety and security need arises. These need relates to economic security, protection from physical danger. To satisfy these needs more money is required and the entrepreneur puts more emphasis on work to earn more.
    - Social Needs: These are higher order needs related to self-esteem, self- respect, status etc. These are reflected in terms of self- confidence, competency, independent decision making etc.
    - Self- actualisation Needs: These are the highest order needs as suggested by Maslow. It is represented in terms of self-fulfilment through which the entrepreneur attains success in his/ her entrepreneurial journey.

- **Theory of Achievement Motivation:** This theory was developed by David McClelland. This theory is also known as Three Needs Theory. This theory states that human being have three kinds of needs:
  - Need for Achievement (n Ach): This need relates to assuming personal responsibility for success, the strive for success in competitive situations, overcoming any barriers in the path of success and so on. McClelland argued that people with strong need for achievement are more likely to be successful entrepreneurs (Mohanty, 2007).
  - Need for Power (n Pow): This need relates to the desire of a person to be influential in a group, desire to control one's environment. People with this kind of need wants to exercise leadership in their respective fields of work.
  - Need for affiliation (n Aff): People with this kind of need are sensitive to interpersonal and social relationship.



1.9 LET US SUM UP

- An entrepreneur is an individual or a group of individuals who starts a business and bears all the risks associated with the business.
- Ability to search for innovative ideas is an important feature of an entrepreneur.
- Intrapreneurs are those persons who are the visionaries, creative, skilled and have the ability to bear the risks, provide exemplary leadership within an organisation where they work.
- The different characteristics of entrepreneurs, like ambitious, Independent, Self- confident, Risk- takers etc.
- Entrepreneurship is concerned with the process of creating the new business venture.
- Entrepreneurship is not only restricted to profit- making business enterprise. It is extended to include the social entrepreneurship.

- Entrepreneurs play an important role in the economic growth of a country by providing employment opportunities, ensuring balanced regional growth, utilising local resources etc.



1.10 FURTHER READING

Books:

1) Khanka S.S. (2001). *Entrepreneurial development*. S. Chand and Co. Ltd.
2) Mohanty S. K. (2007). *Fundamentals of entrepreneurship*. Prentice Hall of India Pvt. Ltd.
3) Saini J.S. (2009). *Entrepreneurship development: Programmes and practices*. Deep & Deep Publications Pvt. Ltd.

Web Resources:

1) Chapter 1 – Introduction to Entrepreneurship – Entrepreneurship and Innovation Toolkit (bccampus.ca)
2) Chapter 1 – Introduction to Entrepreneurship – Entrepreneurship and Innovation Toolkit (bccampus.ca)
3) The entrepreneur's 'resource potential' and the organic square of entrepreneurship: definition and application to the French case | Journal of Innovation and Entrepreneurship | Full Text (springeropen.com)
4) Types of Entrepreneurs | Introduction to Business (lumenlearning.com)
5) Entrepreneurship Today – Introduction to Business (opentextbc.ca)



1.11 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. No. 1: An entrepreneur is an individual who innovate an idea and bring it into reality by creating an organisation and bears all the risks of the business. Generally, the business entrepreneur aims at profit earning, business growth or self- actualisation.

Ans. to Q. No. 2: Two characteristics of an entrepreneur are-

1) Risk- takers: Entrepreneurs choose the business opportunities with calculated risks. They are not risk- averse. However, they do not belief on chances or luck.
2) Visionary: They have the ability to see the future trends. They can identify the opportunities hidden in the future and turns them into business ventures.

Ans. to Q. No. 3: Importance of entrepreneurs for economic growth are:

1) **Providing Employment Opportunities:** For economic growth, those persons are required who can harness the available resources for creating sustainable opportunities for livelihood. Entrepreneurs besides ensuring self-employment, create employment opportunities for others.
2) **Balanced Regional Growth:** Entrepreneurship in the small, micro, medium sector can address the issue of regional economic imbalance by focusing on innovative products, services and technology. Less capital intensive and higher scope for expansion in production capacity of small industries will help in the growth of industrialisation to ensure economic growth.



1.10 MODEL QUESTIONS

1) Define the concept of entrepreneur.
2) Briefly explain the characteristics of entrepreneur.
3) Discuss the role of entrepreneurs in economic growth.
4) Explain the role of leadership in entrepreneurial activities.

*** ****** ***

UNIT 2: THEORIES OF ENTREPRENEURSHIP

UNIT STRUCTURE

2.1 Learning Objectives

2.2 Introduction

2.3 Economic Theory

2.4 Sociological Theory

2.5 Dynamic Entrepreneurship Innovation Theory

2.6 Leibenstein's X- efficiency theory

2.7 Theory of profit

2.8 Let Us Sum Up

2.9 Further Reading

2.10 Answers To Check Your Progress

2.11 Model Questions

2.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- explain different theories of entrepreneurship
- discuss the viewpoints of economists, sociologists and psychologists with regard to theories of entrepreneurship
- explain the importance of theories of entrepreneurship

2.2 INTRODUCTION

Alfred North Whitehead once said, "The greatest invention of all is the invention of inventing inventions". Commenting on this statement, Joseph R. Marcuso writes, "If this is the case the person, who introduces an invention to the world- the entrepreneur, must share that greatness. An entrepreneur is a person who creates an ongoing business enterprise from nothing." In fact, entrepreneurs are the builders of a nation and creators of humanity by their innovative vision, dynamic leadership and creative decision behaviour. Entrepreneur is the central figure of economic activity and motivator of development.

After explaining the meaning and role of an an entrepreneur in the first unit, in this unit we will discuss the various theories of entrepreneurship which may be explained from the viewpoints of economists, sociologists and psychologists. These theories have been propounded by various thinkers over a period of more than two and half centuries. We shall now discuss some major theories of entrepreneurship.

2.3 ECONOMIC THEORY

According to economists, entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable. G.F. Papanek and J.R.Harris are the main who advocates of this theory. According to them, economic incentives are the main drive for the entrepreneurial activities. In some cases, it is not so evident, but the persons' inner drives have always been associated with economic gain. When an individual recognises that the market for a product or services is out of equilibrium, he may purchase or produce at the prevailing price and sell to those who are prepared to buy at the highest price.

2.4 SOCIOLOGICAL THEORY

Sociologists argue that entrepreneurship is most likely to emerge under a specific social culture. According to them cultural values and role expectations are responsible for the emergence of entrepreneurship. According to Cochran- the entrepreneur represents model personality of the society. His performance depends upon his own attitudes towards his occupations, the role expectations of sanctioning groups and the occupational requirements of the job. The social values are the most important determinant of attitudes and role expectations. According to Weber, religious beliefs produce intensive exertion in occupational pursuits, the systematic ordering of means to end and the accumulation of assets. These are beliefs which generate a drive for entrepreneurial growth. In several countries, entrepreneurs have emerged from a particular socio-economic class.

According to Stokes, socio-cultural values channel economic action.

He suggests that individual and social opportunity and the presence of the requisite psychological distributions may be seen as conditions for an individual's movement into industrial entrepreneurship.

2.5 DYNAMIC ENTREPRENEURSHIP INNOVATION THEORY

This theory was developed during 1949 by Schumpeter who considered entrepreneurship was the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon 'new combinations' of the factors of production which he succinctly terms innovation, the entrepreneur can activate the economy to a new level of development. The concept of innovation covers functions:

1. Introduction of a new product/service or improved modified product/service.
2. Finding out and introducing new technique of production.
3. Introducing the product/service in new markets or segments.
4. Finding out new source of supply of raw materials and
5. Carrying out of a new organisation of any industry.

Schumpeter's concept of innovation covers the element of risk taking, superintendence and co-ordination.



Max Weber (1864-1920) — A leading figure in the intellectual and political life of Germany. He advocates a liberal political system and favoured mass democracy

2.6 LEIBENSTEIN'S X- EFFICIENCY THEORY

X-efficiency theory is the degree of inefficiency in the use of resources within the firm, it measures the extent to which the firms fails o realise its productive potential. X-efficiency arises either because the resources are not used in proper manner or because they are wasted, that is, not used at all.

Leibenstein identifies two main roles for the entrepreneur. The first role is making available inputs that improve the efficiency of existing production methods to facilitate the introduction of new ones. It may also cover the flow of information within enterprise if it improves the efficiency.

The second role, gap filling, is closely asking to the arbitrage function emphasised by Kirzner. Leibenstein provided a very vivid description of gap filling, visualising the economy as a net made up of nodes and path ways. Originally, this theory was developed for another purpose, has recently been applied to analyse the role of the entrepreneur.

2.7 THEORY OF PROFIT

Knight considers the entrepreneur as a recipient of pure profit. Pure profit, he means profit for bearing the costs of uncertainty. He explains uncertainty with a situation where the probabilities of alternative outcome can not be determined either by ***a priori*** reasoning or by statistical inference. A priori reasoning is simply irrelevant to economic situation involving a unique event. Knight mentioned that business uncertainty can be reduced through 'consolidation'. Consolidation is a method of reducing total uncertainty by pooling individual instances. The level of self-confidence is the most important dominant of the amount of profit and the number of entrepreneurs.



CHECK YOUR PROGRESS

Q.1: Mention the responsible factors for emergence of entrepreneurship according to Sociologists theory? (Answer in about 20 words).

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Q.2: What does the X-efficiency theory of Leibenstein measure? (Answer in about 30 words).

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Q.3: Why does an entrepreneur receive pure profit according to Knight? (Answer in about 20 words).

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2.8 LET US SUM UP

- We do not have one indisputable definition of entrepreneur or entrepreneurship. However, we can conclude that an entrepreneur is the person who bears risk, combines various factors of production to exploit the perceived opportunities in order to evoke demand, create wealth and employment.
- Different theories of entrepreneurship have been developed by the economists, sociologists and psychologists.
- According to economists, entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable.
- According to Cochran- the entrepreneur represents model personality of the society. His performance depends upon his own attitudes towards his occupations, the role expectations of sanctioning groups and the occupational requirements of the job. The social values are the most important determinant of attitudes and role expectations.
- Leibenstein identifies two main roles for the entrepreneur. The first role is making available inputs that improve the efficiency of existing production methods to facilitate the introduction of new ones. And the second role, gap filling, is closely asking to the arbitrage function emphasised by Kirzner.
- Knight considers the entrepreneur as a recipient of pure profit. Pure profit, he means profit for bearing the costs of uncertainty. He explains uncertainty with a situation where the probabilities of alternative outcome can not be determined either by a priori reasoning or by statistical inference.



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2.10 ANSWERS TO CHECK YOUR ROGRESS

Ans to Q No.1: Sociologists argue that entrepreneurship is most likely to emerge under a specific social culture. According to them cultural values and role expectations are responsible for the emergence of entrepreneurship.

Ans to Q No.2: X-efficiency theory is the degree of inefficiency in the use of resources within the firm, it measures the extent to which the firms fails o realise its productive potential.

Ans to Q No.3: Accordind to Knight an entrepreneur receives pure profit for bearing the costs of uncertainty.



2.11 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1: Explain the dynamic entrepreneurship innovation theory.

Q 2: Briefly discuss the Leibenstein's X-efficiency theory.

Q 3: Explain how profit uncertainty and entrepreneurs are assoctated.

Long Questions (Answer each question in about 300-500 words)

Q 1: Briefly explain how entrepreneurship and economic growth are inter linked.

Q 2: Explain the role social ecosystem in creating entrepreneurs.

Q 3: Discuss the different theories of entrepreneurship that have been developed by the economists, sociologists and psychologists.

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UNIT 3: SOCIAL ENTREPRENEURSHIP

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Meaning and Concept of Social Entrepreneurship

3.4 Importance of Innovation in the Social Development Sector

3.5 Entrepreneurship Development Programme-Meaning and Importance

3.6 Institutions Providing Entrepreneurship Development Programmes in India

3.7 Banking and Microfinance

3.8 Let Us Sum Up

3.9 Further Reading

3.10 Answers To Check Your Progress

3.11 Model Questions

3.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- discuss the meaning of Social Entrepreneurship
- explain the meaning of Entrepreneurship Development Programme
- discuss the importance of Entrepreneurship Development Programme
- identify the various institutions providing Entrepreneurship Development Programmes in India.

3.2 INTRODUCTION

Entrepreneurship has been a well-defined area within economic theory since Schumpeter published his seminal work in 1911, however regarding a proper definition of social entrepreneurship there have been

many conflicting thoughts overtime. Social entrepreneurship is an emerging field which basically includes diverse sectors such as innovation, technology, community development and non-profit organizations. Social entrepreneurship aims to improve the quality of life of community, overcome the social injustice and conserve the environment for future generations. Thus, at very basic level social entrepreneurship is the application of entrepreneurship in the social domain, a bridge between business and kindness.

In this unit, we will discuss about the social entrepreneurship and Entrepreneurship Development Programme (EDP). There are several organisations engaged in conducting EDPs in India. In the last portion of the unit, we will covers the institutions providing EDPs.

3.3 MEANING AND CONCEPT OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurship encompasses the activities and processes which ensures optimal utilisation of social wealth in an innovative manner to address social issues, drive social change and enhance greater development of the society. Social entrepreneurship may be an individual or group approach. Social entrepreneurs are either non profit or profit oriented. But within such profit orientation social entrepreneurs always ensure a positive return to the society. Social entrepreneurs must possess technical expertise, problem-solving quality, performance measurement and evaluation capabilities and resource management capabilities.The characteristics of Social Entrepreneurship.

- Social action and value is given privilege over profit.
- The resolution or at least reduction of problems of community, social or even global interest is proposed, for the improvement of human life.
- It provides employment opportunities.
- Social entrepreneurs create value for society.

- Social entrepreneurs often discover and create different entrepreneurial opportunities related to the society and to enact opportunities they apply different approaches.
- Social entrepreneurs are want to provide sustainable solutions to societal problems and many a times they implement decentralized solutions to address societal problems.
- Social entrepreneurs are not interested in protecting their ideas within them; they want to share their ideas for the greater benefits of other target groups.

Social entrepreneurship has emerged to deal with various prolonged social problems such as unemployment, poverty, fragmentation of society, and others. It is believed that, "Ashoka: Innovators for the Public" founded by William Drayton is the benchmark in popularizing the term Social entrepreneurship. In addition to Ashoka Foundation, the Schwab Foundation for Social Entrepreneurship (Switzerland) and the Skoll Foundation (USA) are also very noteworthy examples that defines social entrepreneurs for the development of society and the restoration of social justice.

3.4 IMPORTANCE OF INNOVATION IN SOCIAL DEVELOPMENT SECTOR

Innovation means adding something new, new ways of thinking, technology to already existing ideas or product to bring significant social changes or impact. For better development in social sector, innovation is the key factor. We can cite the example of wheel, which was perhaps one of the most original inventions in the human history. It has revolutionized the way we moved heavy objects from one place to the other, however innovation is when people subsequently discovered new and better ways of using the wheel. If you see the innovation in the context of development sector, innovations are basically advances made in technologies of service delivery, enhancement of community participation and mobilization, education and communication, capacity-building mechanisms, financing

approaches, organizational restructuring, and even new services to unserved or under-served populations.

In the context of increasing rate of world population, which is expected to rise to 10 billion by 2050, the world faces various obstacles, in particular demographic, societal, environmental and economic challenges. For instance, as a result of changing climate, a global food crisis could arise. In this scenario, innovation is one of the drivers to solve these challenges, by adopting novel ideas. The OECD (Organisation for Economic Co-operation and Development) and World Bank suggest that innovation is the foundation for sustainable economic growth and prosperity and an important factor for competitiveness. Moreover, technology and technological progress are an important part of innovation; they increase productivity and contribute significantly to economic development. Scientific and technological innovation has the biggest impact on the society. It is the vital force for modernization of society. The transformation from agricultural society to industrial society is largely driven by the development of science and technology. It is also a major source of economic growth and transformation in our societies.

Additionally, innovation is important to combat social and economic developmental challenges such as health and poverty. Thus, in order to address these global and complex challenges and for sustainable societal growth innovation is required.

3.5 ENTREPRENEURSHIP DEVELOPMENT PROGRAMME - MEANING AND IMPORTANCE

Entrepreneurial Development Programme means a programme conducted to help a person in strengthening his entrepreneurial motive and in acquiring skill and capabilities required for playing and discharging his efficiency. A programme which is conducted with a motive to promote potential entrepreneurs, understanding of motives, motivational pattern, their impact on behaviour and entrepreneurial value is termed as Entrepreneurial Development Programme (EDP). There are a number

of programmes which give information to the prospective entrepreneurs regarding new business idea, how to set up a new venture, how to prepare a project report, sources of finance etc. These programmes should not be confused with EDP, these are all a part of EDP. EDP is primarily concerned with developing, motivating entrepreneurial talent and understanding the impact of motivation on behaviour.

A well designed EDP envisages three tiered approach:

- Developing achievement motivation and sharpening entrepreneurial traits and behaviour.
- Guidance on industrial opportunities, incentives, facilities and rules and regulations.
- Developing managerial and operational capabilities.

Importance

Entrepreneurs are considered as agents of economic growth. They create wealth, generate employment, provide new goods and services and raise the standard of living. EDP is an effective way to develop entrepreneurs which can help in accelerating the pace of socio-economic development, balanced regional growth, and exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.

EDP can be beneficial in the following ways:

- Economic growth: EDP is a tool of industrialisation and path to economic growth.
- Balanced Regional Development: EDP helps in dispersal of economic activities in different regions by providing training and other support to local people.
- Eliminates Poverty and Unemployment: EDPs provide opportunities

for self-employment and entrepreneurial careers.

- Optimum use of Local Resources: The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.
- Successful Launching of New Unit: EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.



CHECK YOUR PROGRESS

Q.1: What is meant by Entrepreneurship Development Programme?

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ACTIVITY 1

Identify five potential business ideas where Entrepreneurship Development Programmes can be conducted.

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3.6 INSTITUTIONS PROVIDING ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES IN INDIA

- **National Institute for Entrepreneurship and Small Business Development (NIESBUD)**

NIESBUD was established in 1983 by the Ministry of Industry, Government of India. Its main functions and objectives are:

➢ To serve as an apex national level resource institute to accelerate

the process of entrepreneurship development.

- To help and facilitate various agencies in carrying out training and other entrepreneurship development activities.
- To provide vital information support to trainers, promoters and entrepreneurs.
- To evolve effective training strategies.
- To identify, train and assist potential entrepreneurs for setting up ventures.

This institute acts as a nodal agency. It organises about 29 national and 6 international training programmes every year.

- **Entrepreneurship Development Institute of India (EDII)**

It was established in 1983 by financial institutions. It conducts research, training and institution-building activities for encouraging the participation of the backward regions. The main objectives of EDII are:

- To increase the supply of trained entrepreneurs through training.
- To generate opportunities for self-employment.
- To improve managerial capabilities of small-scale industries.
- To promote small enterprises at rural level.
- To contribute to the dispersal of business ownership.

Some other organizations providing EDPs are-

- Small Industries Development Organisation (SIDO)
- Indian Investment Centre (IIC)
- National Institute for Small Industry Extension and Training (NISIET), Hyderabad
- Small Industry Development Bank Of India(SIDBI)

3.7 BANKING AND MICROFINANCE

In developing countries, the unequal distribution of income, ruthless capitalism, intense growth of population and poverty create the problem of

lack of access to the credit or any formal banking for the poor households especially below poverty line. In such scenario, the concept of microfinance seems perfect, however it has set of controversies. While economists have debated upon these questions for decades, Muhammad Yunus – Nobel Laureate, social entrepreneur, economist, and professor – initiated the Grameen Bank in 1983, a microfinance institution providing small loans, or '*grameencredit'* to extremely poor workers and families in Bangladesh, without requiring them to provide collateral.

Microfinance is a financial service which covers individuals and small businesses that lack access to conventional banking and related services. Microfinance includes microcredit - the provision of small loans to poor clients, savings and checking accounts, micro insurance and payment systems. Microfinance services are designed to reach excluded customers, usually poorer population segments, possibly socially marginalized, or geographically more isolated, and to help them become self sufficient.

The main aim of microfinance is to provide small loans to poor people particularly living below poverty line, who are not able to raise loan for productive purposes from other sources and to improve their standard of living by increasing their earning and saving covering associated risks. The principle of microfinance is-

1. self-employment/enterprise formation is a viable means for poverty alleviation;
2. lack of access to capital assets/credit is a constraint for existing and potential micro-enterprises; and •
3. poor people are unable to save due to their low and irregular income

There are three categories of banks, of which, the cooperative banking institutions are lead in providing microfinances to the poor. Later, a few urban cooperative banks also started providing a variety of financial services to the poor. In agriculture and micro-enterprise sectors, Regional

Rural Banks (RRBs) lend mostly to the poor. As per the direction of RBI, commercial banks provide loans essentially of the nature of micro finance to the priority sectors comprising agriculture and allied activities, small, cottage and village industries, rural artisans, etc. Micro-financing has thus become an important aspect of the banking policy. However, the banks may be treated as one of the major micro finance service providers and not exclusive micro finance institutions. The gap between demand and supply of rural credit, especially to the weaker sections continues to widen. This has resulted in growth of a number of micro finance institutions as additional supplementary and alternative delivery mechanisms system.

The evolution of microfinance in India can be traced back to the 1800s. This is when small credit to entrepreneurs and farmers were used to help people emerge out of poverty. Many traditional banks were not willing to provide loans to the poor in India, due to low security and increasing operating costs. This led to the development & growth of microfinance institutions in the country. In India, wide variety of institutions are there dealing with micro finance. These are like providers in the formal financial sector such as commercial banks, RRBs and cooperative banks and micro finance institutions namely NGOs, SHGs' federations and certain non-bank cooperative societies in the non-financial sector.

In 1974, SEWA (Self-Employed Women's Association) Bank, a cooperative bank, was established in Ahmedabad to provide banking services to poor women employed in unorganized sectors. The National Bank for Agriculture and Rural Development (NABARD) was established in 1982 to provide & regulate credit and other facilities for the promotion & development of various economic activities in rural India. The western and southern states of India have attracted the largest number of microfinance loans in the country. The SHGs are self-sustaining in nature; and can function on their own with limited support from NGOs and institutions like NABARD and SIDBI (Small Industries Development Bank of India).



CHECK YOUR PROGRESS

Q.2: Mention the names of three institutions conducting Entrepreneurship Development Programmes in India.

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Q.3: Define Microfinance.

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Q.4: Who initiated the Grameen Bank in 1983?

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Q.5: In which year SEWA (Self-Employed Women's Association) was established?

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ACTIVITY 2

How EDPs can be make more effective in developing entrepreneurship? Give your comments.

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3.8 LET US SUM UP

- Social Entrepreneurship uses creativity and innovation to foster financial, educational, social, service or other community benefits.
- Innovation means adding something new, new ways of thinking, technology to already existing ideas or product to bring significant social changes or impact.
- Entrepreneurship Development Programme (EDP) means a programme conducted to help a person in strengthening his

entrepreneurial motive and in acquiring skill and capabilities required for playing and discharging his efficiency.

- EDPs can provide the foundation for developing first generation entrepreneurs and bring in a total change in the mindset of the potential entrepreneurs.
- Organisation like IIE, SISI, NSIC, DICs, number of NGOs, industry associations, forums etc. have been operating in the region for developing entrepreneurship through training, research and consultancy.
- In India, various national and state agencies are engaged in organizing EDPs for first generation entrepreneurs.



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3.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Entrepreneurship Development Programme is a programme designed to help a person in strengthening his entrepreneurial motive and in acquiring skills and abilities necessary for playing his entrepreneurial role effectively. Developing entrepreneurial motives and skills and helping to play the role of entrepreneur effectively are the aims of Entrepreneurship Development Programme.

Ans to Q No 2:

i) National Institute for Entrepreneurship and Small Business Development (NIESBUD)

ii) Indian Investment Centre (IIC)

iii) National Institute for Small Industry Extension and Training (NISIET), Hyderabad.

Ans to Q No 3: Microfinance is a financial service which covers individuals and small businesses that lack access to conventional banking and related services.

Ans to Q No 4: Muhammad Yunus.

Ans to Q No 5: 1947.

3.11 MODEL QUESTIONS

Q1. What is meant by social entrepreneurship?

Q2. Explain the role of innonation in entrepreneurship.

Q3. Explain the importance of EDP?

Q4. Mention the various institutions conducting EDPs in India?

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UNIT 4: SOCIAL ENTREPRENEURSHIP IN NORTH EAST INDIA

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Social Sector Perspectives and Interventions of Social Entrepreneurship

4.4 Role of Entrepreneurship Development Programmes in Context of North-East Region

4.5 Local Economy and Training Indigenous Entrepreneurs

4.6 Let Us Sum Up

4.7 Further Reading

4.8 Answers To Check Your Progress

4.9 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- understand the concept of social interventions of Entrepreneurship Development Programme
- discuss the importance of social entrepreneurship
- explain the social sector perspectives and interventions of social entrepreneurs
- describe the role of Entrepreneurship Development Programme in context of North- East Region.

4.2 INTRODUCTION

In recent years, entrepreneur and Entrepreneurship Development Programme (EDP) has become a serious matter of discussion. Entrepreneurship Development Programme which is primarily meant for developing those first generation entrepreneurs who on their own account

cannot become successful entrepreneurs. We have already discuss in details about EDP in the earlier unit. In this unit, we will discuss about the role of EDPs in context of North- East Region of India in order to derive the pros and cons associated with the development of social entrepreneurship in North- East Region of India.

4.3 SOCIAL SECTOR PERSPECTIVES AND INTERVENTIONS OF SOCIAL ENTREPRENEURSHIP

The concept and meaning of Social Entrepreneurship (SE) continues to evolve over time. Social entrepreneurship is a relatively new concept and researchers have given different meanings to this concept. Social entrepreneurship is combination of two words 'social' and 'entrepreneurship'. Thus, in a simple way social entrepreneurship is the identification of social problems and achieving a social change by employing entrepreneurial techniques and skills. Social Entrepreneurship uses creativity and innovation to foster financial, educational, social, service or other community benefits. The basic difference between business entrepreneurship and social entrepreneurship is profit earning. However, the social enterprises are not charitable trust or welfare agencies. On the contrary, they are private businesses developed by entrepreneurs by focusing more on human values rather than just profit. These enterprises focus on functioning with and enhancing the social capital within the society by encouraging participation, inclusion and utilising a bottom-up approach to achieve social change.

Social Entrepreneurship is more applicable in the countries having developmental issues. India as a developing country has its own social challenges which can be resolve by social entrepreneurship. In recent years, many start-ups/new ventures are coming up to solve the problems of social inequalities in a sustainable way. Where the social gaps are wide and social problems are persistent, social entrepreneurship is very helpful like in India. Countries like India can be benefited from social entrepreneurship through the following ways

1. Social entrepreneurship address the social problems like illiteracy, girl child abuse, financing, health, potable water etc. Social entrepreneurship

helps in meeting these social problems by capitalizing the local resources and applying entrepreneurial principles.

2. Social Entrepreneurship works towards bottom of the pyramid. It works for the people who have lower income but high acceptance for social innovation. There are many social enterprises who have worked towards this deprived section of the society.

3. Social entrepreneurship like any other economic activity provides employment. This also makes social entrepreneurship needed in Indian context as India has the maximum number of people unemployed and this problem can be solved by social entrepreneurship effectively.

4.4 ROLE OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES IN CONTEXT OF NORTH- EAST REGION

In the North Eastern region the concept of developing entrepreneurship was first introduced in Assam in the year 1931. The Government of Assam under the Chief Ministership of late Sarat Chandra Sinha introduced a scheme called “Half a million job” and a separate organisations was created for this purpose called “Entrepreneurial Motivation Training Centre” (EMTC). Nine EMTCs were set up in different places of Assam.

The idea that entrepreneurs need not necessarily be born, but could be nurtured through proper training was first enunciated and demonstrated here, way back in the 1960’s. NISIET started in 1960 and Indian Institute of Entrepreneurship Development (IIE) in 1994. Training, Research and Consultancy for the development of small and medium enterprises in the north-east is the primary functions of IIE.

In 1983 NECON was established with its headquarter at Imphal, Manipur. In addition organisations like SISI, NSIC, NPC, NIRD, number of NGOs, industry associations, forums etc have been operating in the region and one of the functions of such organisations is developing entrepreneurship through training, research and consultancy. Similarly,

some state level organisations and developments and departments like Directorate of Industries and Commerce, SIRD, ASIDC, DRDA etc. and other organisations/institutions in the NE Region like Tripura Industrial Development Corporation (TIDC), Meghalaya Industrial Development Corporation (MIDC), MANIDCO (Manipur), APSFDC (Arunachal Pradesh), ZIDCO (Mizoram), NIDC (Nagaland), SIDC (Sikkim) etc. have been involved for developing entrepreneurship programmes like General EDP, Sector Specific EDP, Area Specific EDP, Rural EDP, Urban EDP etc. For example, the types of entrepreneurship development programmes under "Promotion of New Entrepreneurs" section conducted by IIE, Guwahati can be seen from the following table:

Sl. No.	Types of Programmes	No. of Programmes	No. of Participants
1	General EDP	31	1359
2	Women EDP	03	31
3	Sector Specific EDP	21	1335
4	EDP for PMRY beneficiaries	06	333
	Total	61	3102

Table: Entrepreneurship Development Programmes Conducted by IIE in NE Region during 2006-03

Source: IIE Annual Report, 2006-03

In addition, IIE also organises some other relevant programmes for developing entrepreneurship in the NE Region which include production of new entrepreneurs, growth of existing entrepreneurs, creation of environment for entrepreneurship, information technology, seminar and workshops etc.

Like IIE, other institutions and organisations mentioned above and the different departments and organisations in the states of north-east are also working towards the development of entrepreneurship, enterprises etc. in their respective sectors/ areas.

In spite of the role played by all these organisations, it is seen that-

- Only 2% of SSI and about 2.5% of medium and large scale industries have been set up in the North Eastern Region.
- About 43 lakhs educated youth are unemployed in north-east as on March, 2008. Out of them the maximum number of unemployed youths are located in Assam (about 22-50 lakhs) and the lowest is in Sikkim.
- About 20 to 25% of the trained entrepreneurs have set up units/ trading activities in different parts of the region.
- Cost of production of majority of the items is 30% higher in the NE Region against all India average.

The major reasons for poor performance in the development of entrepreneurship in this region are-

- Lack of entrepreneurial tradition.
- Lack of awareness/information about various opportunities.
- Lack of proper motivation and support.
- Entrepreneurs are often regarded as having low prestige or value in the society.
- Entrepreneurs by and large have no initiative to invest and to take risk.
- Lack of adequate financial, marketing, R&D support etc.

There are considerable potentialities for developing entrepreneurship in the region. We have the necessary resources, skills and talents. But, we need proper guidance, motivation, help and co-operation particularly from the concerned departments, organisations and institutions.



ACTIVITY 1

Identify five potential business ideas where Entrepreneurship Development Programmes can be conducted.

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4.5 LOCAL ECONOMY AND TRAINING INDIGENOUS ENTREPRENEURS

Every economy has its own features and resource base. Apart from it local communities are culture oriented, tradition centric, value based and source of rich indigenous knowledge, which ultimately strengthen their sense of identity. So all types of entrepreneurial activities are neither feasible nor viable economically in all local economy and communities. So before starting a new entrepreneurial venture in a particular local economy and community setup, an entrepreneur must possess the sufficient knowledge about local society and economy and training. Training is also required for those entrepreneurs who have already started their entrepreneurial activities in local economy and community setup. As training enhance their competencies, capability, productivity and performance. A properly trained entrepreneur knows how to optimally utilise the local resources to create employment opportunities, generate own-source revenues and enhancing investment in communities for greater development of local community and economy. Also a well trained entrepreneur knows how to access the local institutions, government institutions, source of credit and market. Due to free riding problem in case of open access local resource, knowledge and products; an indigenous and local community entrepreneur face various problems in managing and securing their products. So training also help in this regards.Such training of entrepreneurs consists of the following six inputs:

- **General Introduction to Entrepreneurship:** The participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behaviour and the facilities available for establishing small-scale enterprises.
- **Achievement Motivation Training (AMT):** The purpose of AMT is to develop the need to achieve risk-taking, initiative and other such behavioural or psychological traits. A motivation development programme creates self-awareness and self-confidence among the participants and enables them to think positively and realistically.

Without achievement motivation training, an EDP becomes an ordinary executive development programme. Motivation training initiates to strive for excellence, to take calculated risk, to use feed back for improvement, sense of efficiency etc.

- **Support System and Procedures:** The participants have to be exposed to agencies like the local banks and other financial institutions, industrial service corporations and other institutions dealing with supply of raw-materials, equipments etc. The programme on support systems needs to include the procedures for approaching them, applying and obtaining assistance from them and availing of the services provided by them. A linkage between the training institute and support system agencies can be established by participation of these agencies in sponsoring and financing EDPs.
- **Market Survey and Plant Visit:** In order to familiarise the participants with real life situations in small business, plant visits are also arranged. Such visits help the participants to know more about an entrepreneur's behaviour, personality, thoughts and aspirations. Moreover, the participants should be given opportunity to conduct market surveys for their respective projects. This would help to expose the participant to the market avenues available and could be followed by sessions on methods of dealing in the markets.
- **Managerial Skill:** Since a small entrepreneur can not employ management experts to manage his enterprise, he needs to be imparted basic and essential managerial skills in the functional areas like finance, production and marketing knowledge of managerial skills enables an entrepreneur to run his enterprise smoothly and successfully.
- **Project Preparation and Feasibility Study:** A good period of time needs to be devoted to the actual preparation of projects. The active involvement in this task would provide them necessary understanding and also ensure their personal commitment. During the course of EDP various guidance sessions are helpful for

enabling the trainees to identify appropriate business opportunities. Information and counseling on various business opportunities is provided though the team experts and by spot survey. Necessary experience is provided in market survey, project preparation, sources of finance etc. Undue emphasis on any dimension should be avoided as it may lead to distortion in both the process and content of the programme.



CHECK YOUR PROGRESS

Q1: In which year the concept of developing entrepreneurship was first introduced in North Eastern region of India?

.....

.....

Q2: Why all types of entrepreneurial activities are not feasible and viable economically in all local economy and communities?

.....

.....

Q3: State the main focus of Social entrepreneurship

.....

.....



4.6 LET US SUM UP

- Social entrepreneurship is combination of two words 'social' and 'entrepreneurship'. Thus, in a simple way social entrepreneurship implies identification of social problems and achieving social change by employing entrepreneurial techniques and skills.
- EDPs can provide the foundation for developing first generation entrepreneurs and bring in a total change in the mindset of the potential entrepreneurs.
- The course contents of EDPs generally consist of six inputs namely, general introduction to entrepreneurship, achievement motivation

training, support system and procedures, market survey and plant visit, managerial skill, project preparation and feasibility study.

- In the North Eastern Region the concept of developing entrepreneurship was first introduced in Assam in the year 1933.
- Before starting a new entrepreneurial venture in a particular local economy and community setup, an entrepreneur must possess the sufficient knowledge about local society, economy and training.



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4.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: In the North Eastern region the concept of developing entrepreneurship was first introduced in Assam in the year 1931.

Ans to Q No 2: Every economy has its own features and resource base. Apart from it local communities are culture oriented, tradition centric, value based and source of rich indigenous knowledge, which ultimately strengthen their sense of identity. So all types of entrepreneurial activities are neither feasible nor viable economically in all local economy and communities.

Ans to Q No 3: Social entrepreneurship focus on functioning with and enhancing the social capital within the society by encouraging participation, inclusion and utilising a bottom-up approach to achieve social change.

4.9 MODEL QUESTIONS

1. Explain the importance of social entrepreneurship
2. Mention the developmental interventions of social entrepreneurs.
3. Mention the content of training programme of entrepreneurs.
4. Write a short note on the role of EDP in context of NE Region.
5. Write short notes on poor performance of EDP in the North Eastern region.

*** ***** ***

UNIT 5: SOCIAL ENTREPRENEURSHIP AND LIVELIHOODS

UNIT STRUCTURE

5.1 Learning Objectives

5.2 Introduction

5.3 Social Enterprise in India

5.4 Joint Ventures in Social Enterprise

5.5 Social Entrepreneurship and Livelihood

5.6 Challenges of growth in Social Entreprise

5.7 Strategies To Grow Social Enterprises

5.8 Livelihood and Sustainability Strategies

5.9 Let Us Sum Up

5.10 Further Reading

5.11 Answers to Check Your Progress

5.12 Model Questions

5.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of social entrepreneurship
- understand the significance of entrepreneurship in relation to sustainable livelihoods
- identify the challenges of social enterprises

5.2 INTRODUCTION

In the previous unit we have discussed the role of social enterprises. In the present unit let us analyze the concept of sustainability of livelihoods and focus on optimum utilization of available resources. While social entrepreneurship driven by volunteerism and philanthropy is growing, it is the individually driven, corporate form, which now occupies the centre stage

of popular discourse on social entrepreneurship in India in the last 15 years. It has been aided actively by the presence of social venture funds originating in many cases, from abroad.

5.3 SOCIAL ENTREPRENEURSHIP IN INDIA

Social entrepreneurship has been in vogue in India in the shape of social action, volunteerism and philanthropy. There are legal and organizational mechanisms provided by the government like - The Societies Registration Act, 1860 and Indian Trusts Act, 1882 to facilitate social enterprises. The Gandhian idea of trusteeship started in 1901, where the owner of a business contributes to the benefit of the society at large and the Land Gift movement or the Bhoodan movement of 1951, where the rich donate part or all of their land, which is distributed among the landless; were some of the examples of social entrepreneurial activities seen in India since ages. More recent examples are Lijjat Papad which started organizing village women for papad-making and SEWA, which mobilized poor self-employed women to save and invest profitably.

Since social enterprises have to focus on both social and commercial objectives, they are confronted with high levels of complexity in strategizing and operating effectively. Not only do they have to generate sufficient revenue to re-invest in their business operations, but also have to maintain investment in social projects in their community. Under conditions of resource scarcity, this poses severe challenges which can threaten the long-term sustainability of the enterprise. Thus, it is required for social enterprises to adopt a culture aimed at innovativeness, pro-activeness and risk management.

5.4 JOINT VENTURES IN SOCIAL ENTREPRENEURSHIP

The co-production and collaboration model brings sustainability and resources. In less developed countries, Corporate Social Responsibility (CSR) activities of companies can be collaborated with local social enterprises. This is particularly true for foreign companies

that either wish to contribute to social development, or have an interest in developing a future market for their own products and services. By using corporate funding instead of purely philanthropic sources of capital, entrepreneurs get an opportunity to tap into an additional pool of corporate knowledge, managerial skills and capabilities to implement social enterprise efforts.

In popular writing, for example in Outlook business case - stories and empirical research reports of Dasra, Intellecap, Ernst and Young, GIZ and Asian Development Bank on Indian social entrepreneurs, there is a virtual absence of community or group-owned social enterprises. The form of organization widely reported under these reports is essentially private limited company. Section 25 company or producer company or cooperative largely do not figure, leave alone trust or society, in the popular discussion on social enterprises in India. It appears that there is an implicit focus on "individual" and shift from groups or communities from social enterprise landscape.

This shift may be driven by various limitations of community or group based enterprises like:

In community ownership, the organization and its assets are owned and controlled through a representative mechanism that allows a community to influence their operation or use and enjoy its benefits arising.

The co–operative and producer company in India are barred from raising capital from non – members, which means that social impact or venture funds cannot invest equity (and earn profit) in them.

The co–operatives deemphasize capital through split between volume of shareholding and number of votes and are marked by limitations on retention of profit.

Co–operatives maximize return on patronage and do not have pressure to service shareholding. All efficiency gains go to patron, decoupled from capital contribution.

The co–operatives rely on social capital rather than external financial capital and highlight their occupational rather than entrepreneurial identity.

These appear to be the reasons for near exclusion of co–operative and producer company from the discourse on social entrepreneurship in India. The emphasis on "individual" seems to stem from accent on capital and profit.

5.5 SOCIAL ENTREPRENEURSHIP AND LIVELIHOODS

Social Entrepreneurship promotes sustainable livelihoods that focuses on putting people at center of development.

The main objectives of such livelihood initiatives are-

- Improved access to high-quality education, IT, training and better nutrition and health.
- A more supportive and cohesive social environment.
- More secure access to, better management of natural resources
- Better access to financial resources and infrastructure policy and institutional environment that supports multiple livelihood strategies and promotes equitable access to competitive markets for all.

Social entrepreneurship should focus on linkages between public institutions and civil society ad how to increase accountability of public institutions to all the citizens.

5.6 CHALLENGES OF GROWTH IN SOCIAL ENTERPRISE

Expanding the scale of a business from a small entity (up to 25 people) to being medium-sized (25–150 people) is an incredibly exciting but challenging task. For a social enterprise, it is not just about investing in the business but could also mean taking away resources from certain social impact. The scaling up requires trusting other people and relying on their support and skills to take the enterprise forward. Social enterprises riding on many wheels have to face challenges which are both of commercial as well as social in nature. However, there are some challenges which are

specific to scaling and growth like access to customer or market, differentiation of services, diversification, increased market penetration and growth through multiple sites. Some of these specific to Social Enterprises are discussed below:

- **Access to finance:** Social enterprises often target unconventional markets (e.g. low-income consumers). Because of this, they often have trouble securing finance from mainstream banks and investors, who perceive their business models to be too risky, or are unlikely to offer 'market level' returns.
- **High operating costs:** Especially when serving low-income consumers or working in low income states where there is often a lack of basic infrastructure, a need for consumer education and trust building with communities, harsher climatic conditions, and less hospitable terrain (desert, mountains, etc.)
- **Working across legal forms:** Not-for-profit structures generally operate in a less regulated space than for-profit ones. For-profit social enterprises, in particular, face many regulatory issues. This sector has, however, recently started opening up to more private sector participation, and social enterprises willing to work in the education sector can adopt hybrid models, combining for-profit and not-for-profit structures.
- **Attracting and retaining talent:** Particularly at mid-management level, because of lack of brand recognition, inability to pay competitive salaries and difficulty in attracting people to work in rural areas. Access to local skilled labour is often difficult for social enterprises in rural areas, where the quality of education is poorer and where the level of formal skills is lower than in urban areas.
- **Language barriers:** Many Indians, particularly in rural areas, do not speak English or even Hindi, instead speak one of India's 22 state languages. Language barriers can make it difficult for

social enterprises to reach out and interact with customers and for entrepreneurs who speak regional languages to access finance and support.

- **Trying to promote changes in behaviours, practices and service models:** Husk Power Systems, for example, had to build a whole service ecosystem around its small–scale electricity generation plants in Bihar in order to make them viable – from rigging up wiring to connect villagers' households to the grid, to coming up with new payment mechanisms for low-income consumers with no credit history.
- **Balancing profit and impact:** The majority of social enterprises attempt to achieve a balance between their two bottom lines, but the challenges of working with low income consumers can mean that they are at risk of 'mission drift' - moving into more conventional, lower impact markets. There may also be a difference in the entrepreneurs themselves. Some social entrepreneurs are like any other opportunity entrepreneurs - they spot a problem they wish to solve, which simply happens to have a social impact dimension. But others are more driven by their social mission and may have less entrepreneurial skill and experience. And their backgrounds may vary widely: from experienced business people who have lived abroad and now want to come home and make a difference, to grasroots entrepreneurs who speak regional languages.

5.7 STRATEGIES TO GROW SOCIAL ENTERPRISES

Social enterprises starting locally face many challenges, typical to the sector, when scaling up and growing to cover diverse and bigger markets. The examples of successful social ventures show that there are great opportunities and potential for social enterprises to scale up their commercial and social impact. The strategies to grow varies depending on the enterprise type, market, sector in which the enterprise functions, its core mission,

disposable resources and inherent nature of the venture. When thinking of scale, social enterprises can grow by adopting models such as franchising and public-private partnerships and strategies such as diversification, acquisition, access sharing, disseminating good practices and entering contractual partnerships. Some of the strategies are discussed below:

- **Growing 'organically':** Building the venture through gaining more business – is the most gradual way to grow. Whilst this can be appealing the founders generally have the full control over the venture which may slower the growth. This type of growth model is better suited to complex businesses that are tough to replicate. The organic growth also varies with the direction of growth.
- **Growth Within the Organization:** This is through maximizing social impact of existing provision. Organisations can increase their social impact by ensuring that the activities currently undertaken maximise the benefit to the communities they serve.
- **In-house Growth of Existing Nurseries:** Organisations can grow by increasing the number of beneficiaries using their services, through developing more facilities in the community, increasing the hours of provision and offering new services. This is a form of organic growth building on existing assets, staffing and skills. Key challenges include more efficient use of resources and ensuring that their quality is kept high.
- **Winning Contracts from Local Authorities or Employers:** The rapid growth of social enterprise in organic strategy is related to their success in winning contracts to deliver for local authorities or other parts of the public sector. In such cases the social enterprise can draw on its existing systems and values to differentiate it from other bidders. Challenges for this strategy relate to the ability to write detailed bids and to compete with large commercial organisations that have the capacity to invest resources in multiple bids.

5.8 LIVELIHOOD SUSTAINABILITY STRATEGIES

Sustainability of social enterprises relies on its strategies to learn how the social and commercial aspects of the organisation can feed off each other. This could be a vicious loop or a virtuous loop depending on the strategies and paths the social enterprise adopts[18]. The financial resources should support the social mission and social mission should be able to generate financial stability. In order to sustain, working on a collaborative model, localising the processes, engaging local communities and integrating the work, focusing on self-sufficiency and maximising the available resources are some strategies that can be used by social enterprises to sustain in the long run.



CHECK YOUR PROGRESS

Q1: Mention any two objectives of livelihood initiatives.

.....

.....

Q2: What is meant by livelihood substainebility?

.....

.....



5.9 LET US SUM UP

- Social enterprises can work on the model of localising the globalised economy, by thinking about what can be produced locally, given the benefits of lower transport cost, speedier deliveries, better service, greater local business support, personal contact etc.
- Another form of localisation is building local teams. Social enterprises rely on building teams with the requisite shared values and skills profile which might be available locally in the community, particularly in terms of starting up, acquiring resources, accessing advice and recruiting employees and volunteers.
- At present, relatively little is known about the nature and role of such networks in social enterprise operations and success, and there is a need for researching how such teams can be developed.

- The social enterprise landscape in India commands significant visibility. However, there is reason to believe that the published material excludes a large population of social enterprise owners who are low-profile and have not been assisted by venture funds. It is also necessary to begin a discussion around definition and policy support for social enterprises.



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5.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The main objectives of such livelihood initiatives are-

- Improved access to high-quality education, IT, training and better nutrition and health.
- A more supportive and cohesive social environment.

Ans to Q No 1: Sustainable livelihood approach is helped to think about the life and livelihood of poor and vulnerable sections of the society and how to make them partner in greater economic development.

5.12 MODEL QUESTIONS

1. Point the aspects Social investors look for while financing social enterprises and how social entrepreneurs can incorporate it in their financial systems
2. Discuss the financial needs of a social enterprise at each stage of development
3. Discuss with examples challenges faced by social enterprises with respect to financing.

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UNIT 6: PROJECT MANAGEMENT AND SOCIAL ENTREPRENEURSHIP

UNIT STRUCTURE

6.1 Learning Objectives

6.2 Introduction

6.3 Meaning of Project and Project Management

6.4 Importance of Project Management for Social Entrepreneurs

6.5 Emergence of Entrepreneurship

6.6 Social Entrepreneurship Models

6.7 Let Us Sum Up

6.8 Further Reading

6.9 Answers to Check Your Progress

6.10 Model Questions

6.1 LEARNING OBJECTIVES

After going through this unit, you will able to-

- understand the meaning and features of project
- explain the meaning of project management
- describe the importance of project management for social entrepreneurs
- explain the social entrepreneurship models.

6.2 INTRODUCTION

Project Management is an important and distinct area of management. It helps in handling projects. It is often associated with fields of engineering and construction, health care, information technology (IT), rural and community development etc. There is specified objective, resource and time to accomplish a development project for social

entrepreneurs. That is why project management is very important and crucial for a social entrepreneur. In this unit, we will learn about project, project management and importance of project management for social entrepreneurs.

6.3 MEANING OF PROJECT AND PROJECT MANAGEMENT

By a project we mean 'a temporary endeavour undertaken to create a unique product or service or result'. By the term 'temporary', we mean that the project has a definite beginning and end. By 'unique product or service or result', we mean that the product or service or result is different in some form or the other from all products or services or results of the same kind. Thus, a project is a piece of work which has a beginning and end and goals. Projects can be very simple or very complex. Organising a picnic is a simple project, whereas constructing a telecommunication satellite is a complex project.

There are different types of projects such as construction and engineering projects, petrochemical projects, agricultural projects, military and aerospace projects, IT and computer projects, advertising and marketing projects etc.

Some of the salient features of a project are as follows:

1. Each project is unique by itself.
2. Each project has definite objectives.
3. A project requires resources (equipment and workforce).
4. A project has a time limit.
5. A project involves risk and uncertainty.
6. A project must have cross-functional terms and interdisciplinary approach.

By Project Management, we mean 'the application of knowledge, skills, tools, and techniques to project activities to meet the project requirement'. It is the way a person organises and manages resources that are necessary

to complete a project. People who manage projects are known as Project Managers.

Project Management has three key features. They are as follows,– a project manager, the project team, and the project management system.

6.4 IMPORTANCE OF PROJECT MANAGEMENT FOR SOCIAL ENTRETRENEURS

Project Management helps in handling projects. It brings leadership and direction to projects. Social entrepreneurs have to work in diverse social environment with different constraints like social tradition and culture, choice, opportunity, resource gap, information gap, knowledge gap, technological gap etc. In such circumstances without proper project management social entrepreneurs cannot achieve their desire goal. The importance of project management for social entrepreneurs are discussed below:

- Project management is important because it ensures a balance between need and capacity of the project.
- Project management is important as it gives a proper direction to projects.
- Project management helps to minimise the gap between expected goals and actual achievement of project.
- Project Management ensures that there is a proper plan for executing on strategic goals.
- Project Management helps in managing complex, risky, costly projects by providing interdisciplinary approach.
- Project Management helps in managing assignments within a specified time limit with definite starting and completion points.
- Project Management provides task orientation to personnel in an organisation in managing assignments.
- Project management ensures utilisation of proper project management process throughout the project life cycle.

- Project management helps in performance measurement and evaluation of project, which helps to learn from mistakes.
- Project management helps to learn from the successes and failures of the past.
- Project management ensures participatory development by engaging different stakeholders of the projects which enhance social cooperation.

6.5 EMERGENCE OF ENTREPRENEURSHIP

The emergence of the entrepreneurial class can be studied under two headings:

A) Theoretical perspectives for the analysis of entrepreneurial growth in different societies.

B) Entrepreneurial scene in India.

A) Theoretical Perspectives: The historical development of entrepreneurship in different communities and societies was governed by various factors. This is discussed in the following way:

- **Impact of Ethical System of Entrepreneurial Growth: *Max Weber*** was first to point out the entrepreneurial growth was governed by the ethical value system of the society concerned. He said that the spirit of rapid industrial growth depends on a rationalized technology, acquisition of money and its rational use for productivity and multiplication of money. These elements depend upon a specific value orientation of individuals. Weber found a relationship between protestant ethic and the spirit of capitalism. According to him, this tendency also existed in other communities like Hindu and Jain. He held that Protestants made progress fast in bringing capitalism because their ethical value system provided them with rational economic attitude. Robert Kennedy and Yale also held the view that entrepreneurship developed rapidly in those societies where ethical values provided independent capacity of

decision-making. No doubt, this view has some truths but it was not accepted universally.

- **Impact of Minority Group on Entrepreneurial Growth:** Hagen (1962) was of the view that the disadvantaged minority group is mostly the source of entrepreneurship. Several other scholars like Frayer etc. also tried to explain the morale. Similarly, Park (1910) and Stonequist (1937) have indicated that technological innovations are caused more by the culturally marginal person than others. Similarly, McClelland (1971) also held that Jains were more commercialized because of their consciousness of minority group and superior group which motivated high degree of need achievement in them.
- **Impact of need for Achievement Motivation on Entrepreneurial Growth:** McClelland assumes that achievement motivation is the immediate cause of the origin of entrepreneurship. He explained entrepreneurial growth in terms of need for achievement motivation. Thus, he found high correlation between need for achievement and successful economic activities.
- **Impact of Exposure to New Ideas and Opportunities on Entrepreneurial Growth:** Some studies propound that it is the exposure to new ideas and opportunities which leads to entry in manufacturing and industrial activities. Tripathy, in his study of entrepreneurial growth in India observed that “not religion, but exposure to new ideas and values was the real factor which led Parsi and Hindu entrepreneurs to manufacturing activities”.
- **Impact of Political System on Entrepreneurial Growth:** Some researchers felt that the growth of entrepreneurship cannot be explained fully unless the political set-up of a country is taken into consideration. Boulding held that political structure was the deciding factor in entrepreneurial growth of France and Russia. Similarly, Hoselitz argued that France lagged behind economically because

her social structure did not provide sufficient incentives and security to entrepreneurs. Medhora also concluded that the entrepreneurial growth in India was delayed not because of lack of entrepreneurial motivation but due to non-commitment of the political structure. A.K. Sharma and Mishra also explored the impact of public policies on entrepreneurial growth in India.

- **Impact of Regional Industrial Climate on the Growth of Entrepreneurship:** Many studies have pointed out that Gujarat and Marwari Vaisyas had dominated, after Parsian businessmen, the entrepreneurial activities in India and the reasons for their success were seen as religious values and certain group characteristics. But a researcher, Pandit (1917) challenged this thesis and held that the real reason of industrial dominance of Gujarat and Marwari Vaisyas were regional factors, i.e., industrial climate in these regions. She pointed out that Gujarat had a climate favourable to business and industry. According to her argument, even the Parsis showed higher entrepreneurship because they belonged to Gujarat. Thus, the industrial climate may have a very significant impact on the repose of entrepreneurs. However, the group factors, as emphasised by various studies, can not be ignored altogether.

B) Emergence of Entrepreneurial Class in India: In ancient India, some kind of entrepreneurship was found among the artisans in the cities like Banaras, Allahabad, Gaya, Puri and Mirzapur. These towns were established on the bank of rivers which facilitated transportation system. But artisan entrepreneurs could not progress properly due to lack of initiative from the colonial political power and the infrastructural problems.

Business entrepreneurs were also in abundance in ancient India. But large number of traders and money lenders migrated to various countries such as Burma, Malaysia, Singapore and Kenya with the object of trading. These traders made extensive trade relations with China and Hong Kong. The entrepreneurship did not grow early in India. The reasons for this slow progress were:

- lack of capital;
- lack of political unity;
- network of custom barriers;
- existence of innumerable system of currency;
- regional markets;
- taxation policies;
- low prestige of businessmen.

Manufacturing entrepreneurship was emerged in India with the arrival of East India Company. It promoted Indian businessmen in the field of international trade. The company particularly influenced the Parsis who moved the various trades and commercial occupations connected with the operations of the East India Company. Parsis made good rapport with the British. They worked as brokers, suppliers of commodities, and craftsmen in ship building industry. The Agency Houses also contributed towards Indian entrepreneurial growth in the last decade of the 18^{th} century in Calcutta, Mumbai and Chennai. These houses provided entrepreneurial ability and capital. These houses entered business, trade, banking and steam shipping after the East India Company lost its monopoly in 1813. In the wake of industrial revolution these houses promoted other entrepreneurial activities like indigo, leather manufacturing and steel making. According to Brimmer, the managing agents working in the Agency Houses were the real entrepreneurs in India. They introduced new methods of production, new sources of raw materials and new products and markets. The Indian Agency Houses controlled the companies under them with a view to obtaining maximum profit.Entrepreneurship was also initialized by the British people as far as plantation of tea, coffee, etc., were concerned. The British entrepreneurs were not interested in cotton textile and steel. The modern factory system was introduced in India from 1810 onwards. Out of 96 mills, existing in 1911, 41 were built by Parsis, 23 by Hindus, 10 by Muslims and 22 by British citizens. Parsis took leadership not only in textile but also in iron and steel. It can be noted that Parsis dominated the Indian

entrepreneurial scene in the beginning. But Brahmins also entered manufacturing activities.

The second phase of entrepreneurial growth began during and after the First World War. During this period, cement and sugar industries made fast progress. The relative importance of Parsis gave lead in initiating manufacturing. Marwaris gave lead in spreading it almost all over India. Moreover, a group of self-made entrepreneurs also emerged who earned high profit by ploughing back their money. The innovating entrepreneurship was not properly emerged. The process of entrepreneurial growth got more impetus during the Second World War. Since then, the Indian economy has been undergoing a rapid change. During the war, the entrepreneurs got many incentives for setting up new industries.

There were three major effects of rapid industrial growth

- A few entrepreneurs belonging to particular social strata like Parsis and Vaisyas dominated Indian industrial scene.
- Industrial growth was localized in a few industrial centres like Mumbai, Ahmedabad, kolkata and Kanpur.
- Only those industries grew fast which met the needs of the war. With the result, the over all industrial growth was restricted.

After the Independence, the Govt. of India tried to promote balanced growth of industries through mixed economy. To achieve this purpose, three measures were taken:

- To encourage a proper distribution of income among various sectors;
- To promote industrialization by spreading entrepreneurship;
- To spread entrepreneurship to a large number of people having industrial potential.

To achieve these objectives, the government promoted the growth of small scale units in cities, towns and villages. Under the five year plans the government started to provide capital, technical know-how, markets and land to potential entrepreneurs. Several institutions were also established by the government to motivate new entrepreneurs. As a result, small scale

units emerged rapidly in India. In India, the modern entrepreneurship has reached the present position after passing through the various changes of trade, commerce and industrialisation. It has the advantages of rapidly expanding trade and industry. It was found that once the roots of industrialisation were laid, the enterprising units permeate among people from other occupations also.

6.6 SOCIAL ENTREPRENEURSHIP MODELS

Social entrepreneurs are basically associated with social problems like unemployment alleviation, poverty alleviation, developing basic infrastructures, providing medical care facilities, environmental and climate related issues etc. And social entrepreneurs try to develop and implement effective solutions for such societal problems creating different models. These models help the social entrepreneurs to effectively intervene in the society with the help of different actors like local communities, VOs, NGOs, governments, and international organizations. In short, we can say, social entrepreneurship models are nothing but the channel through which social entrepreneurs convert social inputs into social outcomes. Some of the key components of social entrepreneurship models are the mission, the internal architecture, the financial management and the market.



CHECK YOUR PROGRESS

Q 1: Give five examples of project.

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Q 2: What is meant by project management?

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Q 3: What is meant by social entrepreneurship model?

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.....



6.7 LET US SUM UP

- Project is 'a temporary endeavour undertaken to create a unique product or service or result'
- Project Management is an important and distinct area of management.
- Project Management is 'the application of knowledge, skills, tools, and techniques of project activities to meet the project requirements'.
- Social entrepreneurs have to work in diverse social environment with different constraints like social tradition and culture, choice, opportunity, resource gap, information gap, knowledge gap, technological gap etc.
- Project management ensures a balance between need and capacity of the project.
- Project management gives a proper direction to projects
- Social entrepreneurs are basically associated with social problems like unemployment alleviation, poverty alleviation, developing basic infrastructures, providing medical care facilities, environmental and climate related issues etc.
- Social entrepreneurship models are nothing but the channel through which social entrepreneurs convert social inputs into social outcomes.



6.8 FURTHER READING

1) Burke,Rory.(2013).*Project Management :Planning and control techniques*.Wiley.
2) *Project Management* (The Open University of Hong Kong).
3) *Fundamentals of Project Management* by James P. Lewis (AMACOM, 3rd edition).

6.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Five examples of projects–

(a) construction and engineering project,

(b) petrochemical projects,

(c) agricultural projects,

(d) military and aerospace projects,

(e) IT and computer projects.

Ans to Q No 2: By Project Management, we mean 'the application of knowledge, skills, tools, and techniques to project activities to meet the project requirement'. It is the way a person organises and manages resources that are necessary to complete a project.

Ans to Q No 3: Social entrepreneurship models are nothing but the channel through which social entrepreneurs convert social inputs into social outcomes.

6.10 MODEL QUESTIONS

Q 1: Define a project.

Q 2: What is meant by project management?

Q 3: Give three examples of complex project.

Q 4: Write the salient features of a project.

Q 5: Write the needs of Project Management.

Q 5: What is meant by social entrepreneurship model?

Q 6: Describe the Emergence of Entrepreneurship.

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UNIT 7: PROJECT LIFE CYCLE

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Meaning of Project Life Cycle

7.4 Importance of Project Life Cycle

7.5 Phases of Project Life Cycle

7.6 Life Cycle Curve

7.7 Let Us Sum Up

7.8 Further Reading

7.9 Answers To Check Your Progress

7.10 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will able to-

- explain the meaning of life cycle of a project
- describe the importance of project life cycle
- understand the phases of life cycle of a project
- explain the life cycle curve.

7.2 INTRODUCTION

Project life cycle plays a dominant role in proper and effective management of a project. Project life cycle is nothing but some distinctive phases which a project must undergo during its lifetime. Project life cycle is a continuous process and each phase comes after completion of the other. In order to complete each phase of project life cycle some specific actions and time is necessary. In this unit, we will concentrate on the concept, importance and phases of Project life cycle.

7.3 MEANING OF PROJECT LIFE CYCLE

The Project Lifecycle implies the steps or sequence of phases through which a project progresses starting from start of the project to finish of the project. Project life cycle is also called as the basic foundation of the project. Based on type, objective and time constrained of the project the phases and sequence of the cycle may vary, but normally a project life cycle has four phases viz. initiation, planning, execution and closing. Every phase involves some specific actions to be performed by the project manager in order to achieve the ultimate goal and timely completion of the project. A well structured project life cycle ensures optimal resource utilisation and participation of all stakeholders of the project. Social workers are basically associated with the societal issues and problem. And for social intervention, they plan and execute different project. So the concept of project life cycle is also important for them.

7.4 IMPORTANCE OF PROJECT LIFE CYCLE

The importance of a project life cycle is mentioned below:

- The project lifecycle breaks project into some distinctive stages, which makes project management easier.
- It provides a structure for timely completion of the project and attaining the ultimate goal of the project.
- It helps to maintain the focus and momentum across the different stages of the project.
- It ensures coordination between different stakeholders of the project.
- It helps the project manager to make effective and timely decisions.
- Different stages of a project help to provide information regarding the progress of the project as planned.
- It ensures effective and optimal resource utilisation in a project.
- It also helps in reviewing the completed project for continued improvements in future projects.

7.5 PHASES OF PROJECT LIFE CYCLE

A project has a finite life with a specific start and end. It passes through various phases just as a living being passes through several phases. According to A Guide to the Project Management Body of Knowledge (PMBOK) 5th ed (2012) Project Life Cycle is 'the series of phases that a project passes through from its initation to closure'.

Most projects pass through a four phases project life cycle. They are as follows.

1. Conception and Selection

The first phase of a project is conceptualisation and selection. The act of conceiving starts with the seed of an idea. It covers identification of the product/service, feasibility studies, and appraisal and approval. As soon as the idea becomes established, a proposal is prepared with definite method, estimated costs, benefits, and other details for appraisal of the stakeholders. In other words, the first phase defines the goals, specifications, tasks, and responsibilities.

2. Planning and Scheduling

In the second phase, the project must be planned in details. A project plan is prepared covering the activities, tasks, dependencies, and time limit. The project manager coordinates the preparation of the project budget by providing information regarding costs, labour, equipment, etc. The three principal components of the planning process are identification of the work, preparation of the schedule, and estimation of the costs.

3. Implementation and Control

In this phase, plans are put into operation. Each of the activities is monitored, controlled, and coordinated to achieve the desired objectives. Some of the activities that are performed in this phase are, – communication with stakeholders, frequent review of progress, monitoring time and cost, control of quality, management of changes, etc.

4. Evaluation and Termination

This phase marks the completion of the project. Proper emphasis is

given on releasing the deliverables i.e., the tangible end products to the customer. The closure of the project is communicated to all the stakeholders.

7.6 LIFE CYCLE CURVE

Life cycle of a project can be shown with the help of a curve. There are two types of curves, – S shaped, and J shaped.

In the S shaped curve, the progress is slow at the starting and the terminating phases, whereas the progress is fast in the implementation stage (Fig 7.1)

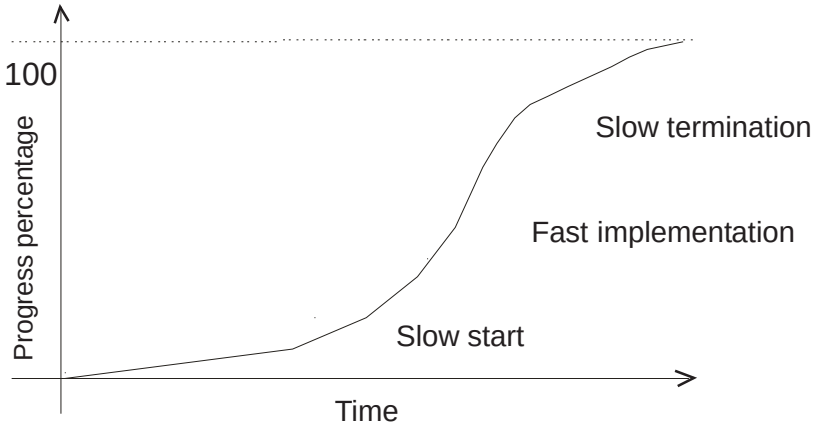


Fig 7.1

In the J shaped curve, the progress is slow at the starting phase, whereas the project improves at fast rate as the time passes (Fig 7.2)

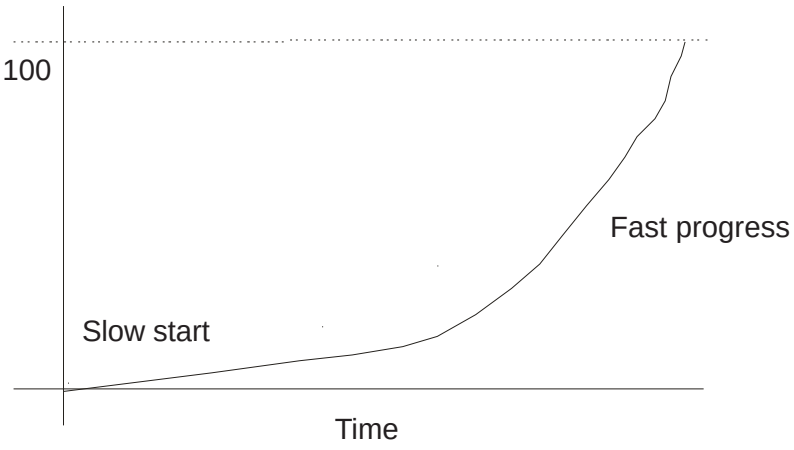


Fig 7.2



CHECK YOUR PROGRESS

Q 1: Define project life cycle.

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.....

Q 2: State some importances of project life cycle.

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.....

Q 3: Mention the phases of project life cycle.

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.....



7.7 LET US SUM UP

Project life cycle plays a dominant role in proper and effective management of a project.

- The Project life cycle implies the steps or sequence of phases through which a project progresses starting from start of the project to finish of the project.
- Project life cycle is also called as the basic foundation of the project.
- Based on type, objective and time constrained of the project the phases and sequence of the cycle may vary, but normally a project life cycle has four phases viz. initiation, planning, execution and closing.
- The project life cycle breaks project into some distinctive stages, which makes project management easier.
- Social workers plan and execute different project for social intervention. So the concept of project life cycle is also important for them.
- A project has a finite life with a specific start and end. Most projects pass through a four phase life cycle.

They are as follows :

1. conception and selection,
2. planning and scheduling,
3. implementation and control,
4. evaluation and termination.



7.8 FURTHER READING

1) *Project Management :* Planning and control techniques by Rory Burke (Wiley, 2013).
2) *Project Management* (The Open University of Hong Kong).
3) *Fundamentals of Project Management* by James P. Lewis (AMACOM, 3rd edition).



7.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The Project Lifecycle implies the steps or sequence of phases through which a project progresses starting from start of the project to finish of the project. Project life cycle is also called as the basic foundation of the project.

Ans to Q No 2:

- It helps to maintain the focus and momentum across the different stages of the project.
- It ensures effective and optimal resource utilisation in a project.
- It also helps in reviewing the completed project for continued improvements in future projects.

Ans to Q No 3: Based on type, objective and time constrained of the project the phases and sequence of the cycle may vary, but normally a project life cycle has four phases viz. initiation, planning, execution and closing.

7.10 MODEL QUESTIONS

Q 1: What is meant by life cycle of a project?

Q 2: Describe the various phases of a project life cycle.

Q 3: Draw the two Life Cycle Curves giving proper explanation of each.

Q 4: Explain the importance of life cycle of a project.

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UNIT 8 : PROJECT ASSESSMENT

UNIT STRUCTURE

8.1 Learning Objectives

8.2 Introduction

8.3 Project Identification and Formulation

8.4 Market and Demand Analysis

8.5 Technical Analysis

8.6 Economic and Financial Analysis

8.7 Social Cost Benefit Analysis

8.8 Formulation of Detailed Project Report

8.9 Project Monitoring and Reporting

8.10 Project Completion and Evaluation

8.11 Project Review and Termination

8.12 Let Us Sum Up

8.13 Further Reading

8.14 Answers To Check Your Progress

8.15 Model Questions

8.1 LEARNING OBJECTIVES

After going through this unit, you will able to-

- know about project identification and formulation of project
- understand market and demand analysis
- understand technical, economic and financial analysis of project
- understand social cost benefit analysis of project
- describe project monitoring and reporting of project
- understand project completion and evaluation

8.2 INTRODUCTION

A project should earn sufficient amount of return on investment. The main intention of the investor is to earn lucrative returns on investment.

If there are many alternative projects the investor should make a comparative analysis of the return on the different alternative proposals before selecting one. Projects undertaken by government may take into account social cost benefits of the proposed project. In such cases financial return is not the only criterion. In this unit we will analyse the different aspects involved in project assessment.

8.3 PROJECT IDENTIFICATION AND FORMULATION

Project identification is an important stage in project formulation. A project is conceived with the objective of meeting the market demand, exploiting natural resources, creating wealth etc.

Generally development projects come from the national planning. Industrial projects come from identification of commercial prospects and profit potential. Projects are introduced in order to achieve certain objectives. There may be several alternative projects that will meet these objectives. It is necessary to mention all the other alternatives considered with justification in favour of the specific project proposed for consideration.

Project formulation involves the following steps, – opportunity studies/ support studies, identification of product/service, pre feasibility study, feasibility study, project appraised, detailed project report.

An opportunity study identifies investment opportunity. A pre feasibility study is regarded as an intermediate stage between a project opportunity study and a detailed feasibility study. A feasibility study is a means to arrive at an investment decision. The feasibility studies focus on Market and Demand Analysis, Technical Analysis, Economic and Financial Analysis, Social Cost Benefit Analysis etc.



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Project apprisal: 'systematic and comprehensive review of the economic, environmental, financial social, technical and other such aspects of a project to determine if it will meet its objectives.' Business Dictionary.com

8.4 MARKET AND DEMAND ANALYSIS

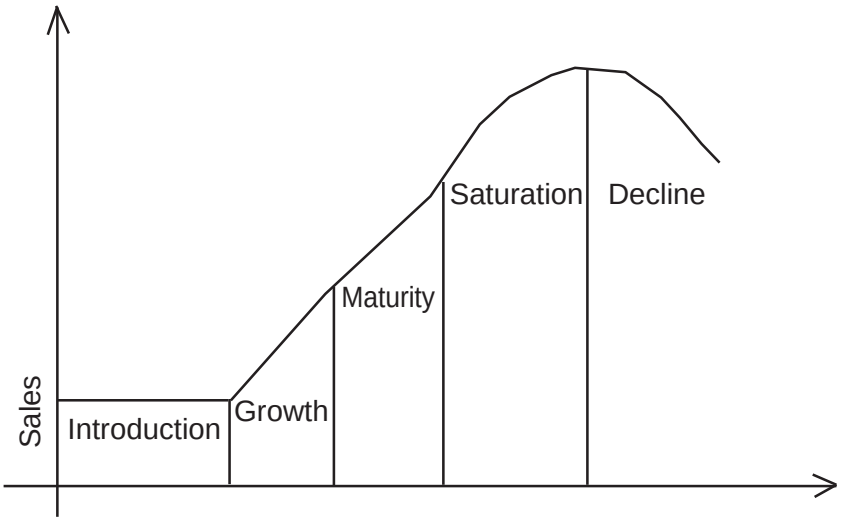
One of the foremost tasks of a project manager is the identification of the market. While analysing market the project manager has to take into account the following factors, viz., product specification, price, channels of distribution, trade practices, threat of substitutes, competition etc. He must be able to anticipate the probable customers. Also he must know where his finished product is to be sold. Anticipation of the possible market for the product to be produced is essential for business.

Demand for a product may be estimated by the following methods, viz., opinion poll, life cycle segmentation analysis.

Opinion poll may be conducted with the help of complete survey of all customers or of a selected few.

A product passes through five stages of life cycle,– Introducting Growth, Maturity, Saturation, and Decline.

In the beginning sale of a product may be slow. After promotion sales begin to grow, and at one time sales reach its zenith. After sometime, the product may lose its demand and sales may decline. Sales at different stages can be shown with the help of the following figure.



Considering the above stages, sales at different stages can be anticipated.



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Project manager is 'the person assigned by the performing organisation to lead the team that is responsible for achieving the project objectives'.

8.5 TECHNICAL ANALYSIS

While initiating a project, it must be ensured that the required equipment/knowhow is available with the entrepreneur. Technical Analysis establishes whether a project is technically feasible or not. Other types of analyses are clearly connected with technical analysis.

There may be two or more alternative technologies available for manufacturing a product/service. For example, soap can be manufactured either by semi-boiled process or by the fully boild process. Similarly, cement can be made either by the dry process or by the wet process.

The choice of technology is governed by a variety of considerations. These are as follows,– plant capacity, principal inputs, investement outlay and production cost, use by other units, product mix, latest developments, case of absorption.

Methods of production which are suitable to local economic, social, and cultural conditions are referred to as appropriate technology. The propounders of appropriate technology opine that the technology should be evaluated in terms of the following question.

1. Whether the technology utilises local row materials?
2. Whether the technology utilises local man power?
3. Whether the goods and services produced cater to the basic needs?
4. Whether the technology protects ecological balance?
5. Whether the technology is harmonious with social and cultural conditions?

Satisfactory arrangements must be made to obtain the technical knowhow needed for the proposed manufacturing process.

8.6 ECONOMIC AND FINANCIAL ANALYSIS

The economic and financial analysis examines the viability of a project from the economic and financial point of view. The Financial Analysis gives the return on investment. Some of the techniques used for financial analysis are given below–

(a) Payback period

(b) Return on investment (ROI)

(c) Net present value (NAV)

(d) Profitability index (PI)/Benefit Cost Ratio

(e) Internal Rate of Return (IRR)

(a) Payback period

The payback period, according to Rory Burke, is the time taken to gain a financial return equal to the original investment. Let us take an example.

A man has invested Rs. 1,00,000/- as initial investment for establishing a poultry firm. The annual **cash flow** is as follows.

Period	Annual Income	Annual Expenditure	Annual Return	Cumulative Return
First year	55,000/-	25,000/-	30,000/-	30,000/-
Second year	75,000/-	35,000/-	40,000/-	70,000/-
Third year	80,000/-	20,000/-	60,000/-	1,30,000/-

From the above table we see that the payback period is 2 years 6 months.

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Cash Flow

'Cash Flow is the net amount of cash and cash-equivalents being transferred into and out of a business.'

Rory Burke, in his outstanding book **Project Management Planning and Control Techniques** (2013), has enumerated the advantages and disadvantages of payback period as follows.

Advantages

1. Payback period is simple and easy to use.
2. It uses readily available accounting data to determine cash flows.
3. It reduces the project's exposure to risk by selecting the shortest payback period.
4. It reduces the uncertainty of future cash flow.
5. It is an appropriate technique to evaluate high technology projects where the technology is changing quickly.

Disadvantages

1. It does not consider the time value of money. The payback period is indifferent to the timing of the cash flow. The project with a high, early income (cash-inflow) would be ranked equally with a project that had a late income if the payback periods were the same.
2. It is not a suitable technique to evaluate long term projects where the impacts of differential inflation and interest rates could significantly change the results.
3. The figures are based on project cash flow only.
4. Although the payback period would reduce the duration of the risk, it does not quantify the risk exposure.
5. The payback period calculation does not look at the total project– what happens to the cash flow after the payback period is not considered. A project built up slowly to give excellent returns would be rejected in favour of a shorter payback period.

(b) Return on investment (ROI)

Return on Investment (ROI) is also a propular investment appraisal technique. It is calculated as follows.

$$\text{ROI} = \frac{\text{Average annual return}}{\text{Original investment}} \times 100$$

Let us consider the example of poultry firm as given in 'Payback Period.'

Original investment = Rs. 1,00,000/-

Total return = Rs. 1,30,000/-

Average annual return = Rs. $\frac{1,30,000}{3}$

= Rs. 43333.33

$\therefore$ ROI = $\frac{43333.33}{1,00,000} \times 100$

= $\frac{4333333}{1,00,000} \times 100$

= 43.3

Thus, ROI = 43.3%

Advantages

1. ROI is simple and easy to use.
2. It considers cash flow over the whole project.
3. The total outcome of the investment is expressed as a profit and percentage return on investment.

Disadvantages

1. It does not differentiate between two projects one giving immediate return and another where return is received after some gestation period.

Discounted Cash Flow

Payback period and Return on Investment (ROI) are simple, and easy to use. They are more suited for quick analysis of a project. But sometimes they provide inadequate measures of project viability. In such circumstances it is desirable to use these methods with other discounted cash flow methods, viz, Net Present Value, Profitability Index/Benefit Cost Ratio, Internal Rate of Return.

Discunted cash flow method takes into account the time value of money. For example, a Rs. 100 today will not have the same worth or buying power as a Rs. 100 this time next year.

The principle of discounting is the reverse of compounding. It takes into account the value of money over time let us take an example.

Let us assume a return of 20%. After one year, Rs. 100 will grow to Rs. 120 and to Rs. 144 in the second year. Now, let us look at the reverse of it. In a reverse statement, the present worth of next year's return at a discount rate of 20% is Rs. 83.3 $\left(\frac{100 \times 100}{120}\right)$. Similarly the present value of the return after two years is Rs. 80.6. These values Rs. 83.3 and Rs. 80.6. These values Rs. 83.3m and Rs. 80.6 are known as present values of future annual return of Rs. 100 in first and second year respectively.

The formula for calculating present value (PV) is given by

$$PV = \frac{Cn}{(I + i)^n}$$

Where C_n is the cash flow in the n^{th} year at discount rate of i per unit [r of the rate of r% = i]

The present value is calculated for both investment and returns. The results are presented in three different measures, viz., Net Present Value, Profitability Index/Benefit Cost Ratio, Internal Rate of Return.

(c) Net Present Value (NAV)

The sum of discounted values of the stream of investments in different years of project implementation gives present value of the cost. Let it be denoted by Y. Again, the sum of discounted returns gives the present value of benefits. Let it be denoted by X. Then X–Y gives the NPV. The project manager expects higher value of NPV.

(d) Profitability Index (PI)/Benefit Cost Ratio

PI is also known as BC ratio. The ratio $\frac{x}{y}$ is called the BC ratio. The project manager expects higher BC ratio.

(e) Internal Rate of Return (IRR)

The IRR is the discount rate when the NPV is zero. It is calculated by either a trial and error method or plotting NPV against IRR. The project manager expects projects with higher IRR.

Apart from the financial benefits (in terms of return on investment), economic benefits are also taken into consideration in the feasibility study. By economic benefits, we mean employment generation, economic development of the area where the project is located, foreign exchange savings in case of imports, earning of foreign exchange in case of experts.



CHECK YOUR PROGRESS

Q 1: What is payback period?

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8.7 SOCIAL COST BENEFIT ANALYSIS

Social cost Benefit Analysis (SCBA) is a systematic and cohesive economic method to survey all the impacts caused by an urban development project. It comprises not just the financial effects (investment costs, direct benefits like tax and fees etc), but all the social effects, like pollution, safety, indirect (labour) market, legal aspects etc. The main aim of SCBA is to attach a price to as many effects as possible in order to uniformly weigh the above heterogeneous effects.

Two principal approaches for SCBA emerged towards the end of the sixties and in the early seventies of the last century,– one is UNIDO approach, and the other is L–M approach.

UNIDO approach involves five stages, viz.,

1. Calculation of financial profitability of the project measured at market prices.
2. Obtaining the net benefit of project measured in terms of economic (efficiency) prices.
3. Adjustment for the impact of the project on savings and investment.
4. Adjustment for the impact of the project on income distribution.
5. Adjustment for the impact of project on merit goods and demerit goods whose social values different from their economic values.

Each stage of appraisal measures the desirability of the project from a different angle.

Ian Kalcolm David Little (1915 - 2012), and James Alexander Mirrlees (1936 - 2018) have developed an approach, popularly known as L-M approach, to SCBA. The L-M approach assumes that a country can buy and sell any quantity of a particular good at a given world price. Hence, all traded inputs and outputs are valued at their international prices (CIF for imports and FOB for experts) which is the opportunity cost/value of the particular good to the country.

Though there are similarities between the two approaches, there are centain differences between the two.

1. The UNIDO approach measures costs and benefits in terms of domestic rupees.
   The L-M approach measures costs and benefits in terms of international prices.
2. The UNIDO approach measures costs and benefits in terms of consumption.
   The L-M approach measures costs and benefits in terms of uncommitted social income.
3. The stage-by-stage analysis recommended by the UNIDO approach focuses on efficiency, savings, and redistribution considerations in different stages.
   The L-M approach tends to view these considerations together.

8.8 FORMULATION OF DETAILED PROJECT REPORT

Detailed project report (DPR) contains the complete details of the project. It is required to submit DPR to banks and other financial institutions to obtain financial assistance. It is an essential building block for the project. It is to be prepared carefully and with sufficient detaits. The DPR should contain, – examination of technological parameters, description of the technology to be used, broad technical specification, evaluation of the existing resources, schedule plan, general layout, volume of work.

8.9 PROJECT MONITORING AND REPORTING

Project Monitoring

Project Monitoring plays an important role in Project Management. It helps the project manager in decision making processes.

Project Monitoring refers to the process of–

(1) Keeping track of all project related metrics including team performance and task duration.

(2) Identifying potential problems and

(3) Taking corrective actions necessary to ensure that the project is within scope, on budget and meets the specified deadlines.

Thus, project monitoring is

(1) Overseeing all tasks, and

(2) Keeping an eye on project activities to make sure that the project is being implemented according to the plan

(**Source :** How Important is Project Monitoring and How do we implement it through AI ?)

Types of Project Monitering

Project Monitoring can be performed with the help of the following:

1. Staff Meetings (can be conducted on a weekly, fortrightly, monthly, or an annual basis)
2. Partners' Meeting, Learning Forums (Focus Group Discussion, Surveys) or retreats
3. Participatory Reviews by Stakeholder
4. Monitoring and Supervision Missions
5. Statistics or Progress Reports

(**Source :** Knowledgehut blog)



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'A Focus Group Discussion (FGD) is a good way to gather together people from similar backgrounds or experiences to discuss a specific topic of interest.'

Why is Project Monitoring Required?

1. Project Monitoring finds out the problems which arise or might arise during the implementation of the project. These problems must be solved for the progress of the project.
2. Monitoring helps in knowing if the desired results are achieved as planned.
3. Monitoring helps in knowing how the objectives are being met, and how the desired changes are being met.
4. Monitoring helps in adapting to better contextual and risk factors.
5. Monitoring helps in learning how various approaches to partcipation influences the outcomes.
6. Monitoring helps in understanding stakeholder's perspectives.
7. Monitoring helps in assessing if the project has been effectively, appropriately, and efficiently executed. Monitoring helps in ensuring accountability.

Project Reporting :

A document which provides details on the overall picture of the proposed business is known as project report.

A project report should contain the following topics – (1) General information, (2) Executive summary, (3) Organisation summary, (4) Project description, (5) Marketing plan, (6) Capital structure and operating cost, (7) Management plan, (8) Financial aspects, (9) Technical aspects, (10) Project implementation, (11) Social responsibility.

There are a number of benefits of regular status reporting. Some of the benefits are listed below.

1. It gives an opportunity to raise issues or variances from the plan. It helps to take corrective action if something goes wrong.
2. It makes the work more visible to all of the project stakeholders, viz. project team members, project manager, project sponser, etc.
3. It helps to create accountability for the work being done.
4. It creates a visible record of the progress of the project. The

Project Manager or Senior Management can review the report from time to time.



CHECK YOUR PROGRESS

Q 3: What is meant by Project Monitoring?

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Q 4: What is meant by Project Report?

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8.10 PROJECT COMPLETION AND EVALUATION

Project completion and evaluation is in the last phase of the project life-cycle. The purpose of this phase is to fix a date at which acceptance for the project product is confirmed. The purpose is to recognize if the project objectives have been achieved and end user acceptance has taken place. If the end product of the project is to maintained or operated by a group/ individual, it must be handed over to them after the project has been completed. They would like to inspect or test whether the goals have been met or not. This inspection/testing has already been agreed upon at the time of project initiation.

Project Completion and Evaluation phase includes the following form stages.

1. **To hand over the project products :** This stage includes both the formal handover and follow on actions. End products must be handed over to end users. Follow on action recommendations are the activities relating to any unfinished work, ongoing issues and risks or any other activities needed to take a product to the next phase of its life.
   Follow-on actions will be a part of the project closure report.
2. **To evaluate the project :** This stage seeks to assess the effectiveness of the project. It is required to ascertain whether the project was

successful or unsuccessful. The project closure Report (PCR) is to be prepared. The PCR should contain the "Executive summary'' where the performance of the project in terms of cost, time, benefits, and quality have been summarized. The PCR should assess if purpose of the project is fulfilled or not. The PCR should also conduct a review of the business case, project objectives, team performance, products, lessons learnt.

3. **To recommend closure :** In this stage, the project manager will recommend closure through a PCR placed before the Project Board. A meeting of the Project Board is held in order to close the project. A closure notification is issued to all stakeholders as and when the project board gives approval to the closure of the project.
4. **To authorize project closure :** The last activity of the Project Board is authorising project closure. The project board gives approval to the project closure report.

8.11 PROJECT REVIEW AND TERMINATION

Project review:

A post project review is an exercise undertaken at the end of each project phase. A post project review

- Identifies the current status of the project,
- Identifies the deliverables that have been produced to date,
- determines whether the project has met the objectives or not,
- Identifies areas for improvements and ways to improve them.

The purpose of a post project review is to determine:

- Whether the project was completed on time,
- Whether budgetary requirements were adhered to,
- Whether project management procedures were used effectively,
- Whether communication was effective,
- How did the project team perform,
- Whether the overall outcome was acceptable,
- What changes could be made for future project,

A project may succeed or it may not be able to fulfill the expectations of the stakeholders. The project review should contain the pros and cons of the entire project so that future projects can benefit from the lessons learnt from the review. The review should contain the final status of the project, and recommendations for improvement. Before planning a post project review, primary goals must be identified. The reviewer must –

- Identify items that were done well,
- Identify items that could improve,
- Identify items that are broken,
- decide action plans.

Lessons can be learnt from successful aspects of the project as well as from the mistakes. Thus, mistakes can be avoided in future project, and good practice can be implemented.

Project termination:

Project termination, also known as project close-out or project finalization is the last stage of managing the project. It takes place after the implementation phase has ended. During this phase

- Acceptance testing has been carried out,
- The project deliverables have been handed over to the client,
- The project team has been disbanded,
- Unused resources have been disposed of as appropriate,
- All outstanding bills have been passed for payment,
- The final invoices for work conied out have been issued.

The main purpose of the the termination stage is to evaluate whether the project is a success, and to learn lessons for the future.

A project is considered to be a success if

- Its goals and objectives are met on time and under budget,
- Deliverables are produced as desired by stakeholders,
- The final product is accepted by and handed over to the customer.

A project is considered to be a failure if–

- Its goals and objectives are not met,
- Its requirements are not met,

- The customer refuses to accept the product,
- There are some technical problems that cannot be solved by using existing tools and technologies,
- There is loss of human, financial and other resources.



CHECK YOUR PROGRESS

Q 4: What is meant by project completion and Evaluation phase?

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Q 5: What is meant by a post project review?

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8.12 LET US SUM UP

- One of the foremost tasks of a project manager is the identification of the market. He must be able to anticipate the probable customers. Also he must know where his finished product is to be sold. Anticipation of the possible market for the product to be produced is essential for business.
- Technical analysis establishes whether a project is technically feasible or not.
- The economic and financial analysis examines the viability of a project from the economic and financial point of view. The financial analysis gives the return on investment.
- Social Cost Benefit Analysis (SCBA) is a systematic and cohesive economic method to survey all the impacts caused by an urban development project.
- Detailed Project Report (DPR) contains the complete details of the project. It is required to submit DPR to banks and other financial institutions to obtain financial assistance.

- Project monitoring plays an important role in Project Management. It helps the project manager in decision making processes.
- A document which provides details on the overall picture of the proposed business is known as Project Report.
- Project completion and evaluation is in the last phase of the project life-cycle.



8.13 FURTHER READING

1) Rory Burke : *Project Management* Planning and Control Techniques (2013) Wiley.
2) *A Guide to the Project Management Body of Knowledge* (2000 edition), Project Management Institute, Newton Square, Pennsylvania USA.
3) *Project Management* DMGT 521 Lovely Professional University (2013)
4) Dr. B. Charumathi : *Project Management,* Pondicherry University.
5) Dr. Prasauna Chandra, *Projects* (2016), Mc Graw Hill Education (india) Provate Limited, New Delhi.
6) *Introduction to Project Management* (www.edo.ca).



8.14 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Payback period is the time taken to gain a financial return equal to the original investment.

Ans to Q No 2: Project monitoring is

(i) Overseeing all tasks, and

(ii) keeping an eye on project activities to make sure that the project is being implemented according to the plan.

Ans to Q No 3: A document which provides details on the overall picture of the proposed business is known as project report.

Ans to Q No 4: Project completion and evaluation is in the last phase of

the project life-cycle. The purpose of this phase is to fix a date at which acceptance for the project product is confirmed.

Ans to Q No 5: A post project review is an exercise undertaken at the end of each project phase.



8.15 MODEL QUESTIONS

Q 1: Discuss about market and demand analysis in project management.

Q 2: Discuss about technical analysis in project management.

Q 3: What is payback period? Write down its advantages and disadvantages.

Q 4: What is return on investment? What are its advantages and disadvantages?

Q 5: Discuss about social cost benefit analysis in project management.

Q 6: What is meant by Project Monitoring? Why Project Monitoring is required?

Q 7: What is meant by Project Reporting? Describe some of the benefits of Project Reporting.

Q 8: Describe the four stages in project completion and evaluation phase.

Q 9: What is meant by post project review ? What are its purposes?

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UNIT 9 : STAKEHOLDER AND RESOURCE PLANNING IN PROJECT MANAGEMENT

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Project Stakeholder Management

9.4 Identifying Project Stakeholders

9.5 Organisational Culture and Project Management

9.6 Project Planning

9.7 Planning of Physical Resources

9.8 Planning of Human Resources

9.9 Planning of Financial Resources

9.10 Let Us Sum Up

9.11 Further Reading

9.12 Answers To Check Your Progress

9.13 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will able to-

- know about project stakeholder management
- explain about the organisational culture and project management
- describe the project planning of physical, human and financial resources
- understand the meaning of project planning.

9.2 INTRODUCTION

Any project is considered to be a success if it meets its objectives and fulfills the expectations of the wide range of people who are affected by the project. Therefore, stakeholder management is crucial for success of a

project. Again project organisations structure is a project management technique. It enables the project manager to lead and manage a multi-discipline project organisation.

Project planning is an important phase during which the plans and strategies of project execution are set. Estimation of the required resources is an important aspect of project planning. Resources may be physical, human or financial.

In this unit, we will study project stakeholder management– identifying project stakeholders and managing project stakeholders. Also, we will discuss planning of physical resources, planning of human resources, and planning of financial resources.

LET US KNOW



A project manager is the person responsible for leading a project from its inception to execution. The project manager has the responsibility to manage and achieve the project's objectives

9.3 PROJECT STAKEHOLDER MANAGEMENT

Stakeholder, according to the PMBOK 5th ed (2012), is 'an individual, group, or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project'. Therefore, the project manager must be able to identify the needs and expectations of the stakeholders.

PMBOK : Project Management Body of knowledge (USA)

Stakeholder Management, according to the APM Bok 6th ed (2012), 'is the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders'. Therefore, stakeholder management is a critical component to the successful delivery of any project.

Project stakeholder management comprises four steps. They are as follows.

1. To identify, recognize and acknowledge stakeholder.

2. To determine their interest and influence.
3. To develop communication management plan.
4. To engage and influence stakeholders.

APM Bok : Association of Project Managers body of knowledge (UK)



CHECK YOUR PROGRESS

Q 1: 'Project stakeholder Management comprises four steps'. Writer down these four steps.

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9.4 IDENTIFYING PROJECT STAKEHOLDERS

Projects are undertaken to fulfill the requirements of stakeholders. A project is considered to be successful if all the stakeholders are satisfied. The identify stakeholders process is used to identify all people or organisations that may be impacted by or have an impact on a project.

Rory Burke, in his outstanding book **Project Management** (5th ed 2013), has identified the following stakeholders from the project manager's–

1. Client project sponser
2. Project Steering Board ('a collection of eminent experienced practitioners')
3. Project Team
4. Functional Managers (''who 'own' the company's resources, machines and equipment'').
5. Contractors.
6. Suppliers.
7. Consultants ('to provide expert advice on technical and professional matters').
8. Uses (It should be borne in mind that users are not customers. Users are the people 'who will operate the project or facility on behalf of the owner of the facility').

9. Regulators ('government departments and other national and international statutary bodies that have the authority to impose their rules and regulations on the project').
10. Lobby Groups ('special interest groups')
11. Customers
12. Local Residents
13. Competitors ('other companies that are vying for the some market')
14. Support companies (the organisations that provide goods and services to enable the project to be built').

The project manager must identify the key project stakeholders. Some of the characteristies of key project stakeholders are as follows.

1. Thay have the decision making power to define the course of the project.
2. They have the power to define what success means for the project.
3. Their decisions affect larger groups of people.
4. Their level of satisfaction with the project affects future business.

Some of the benefits of identifying the right stakeholders are as follows.

1. The quality of the project can be improved. Stakeholders can give vital information regarding the project. Nothing important is missed.
2. Delay can be avoided by making stakeholders supporters. Stakeholders should not be regarded as obstacles.
3. Supporters can provide extra resources for the project.

If the stakeholders are not identified properly.

(1) the project may go over budget,
(2) important deadlines may be missed,
(3) time and energy of the people delivering the project may be wasted,
(4) the project may be a failure.

9.5 ORGANISATIONAL CULTURE AND PROJECT MANAGEMENT

Every organisation has its own unique 'personality'. The unique 'personality' of an organisation is referred to as its culture. Organisational culture is a powerful force. It influences the behaviour of the members of

the organisation. Every organisation develops and maintains a unique culture. It provides guidelines and boundaries for the behaviours of the members of the organisation.

There are various definitions of organisational culture that have been put forward by different authors.

According to Sathe (1985) organisational culture is the set of important assumptions. often unstated, that members of a community share in common. Drennan (1990) defines organisational culture as how things are done in an organisation. According to Ouchi (1981) and Pascale and Athos (1982) organisational culture is the philosophy that guides an organisation's policies towards employees and / or customers. Walid Belassi (2013) opines that 'culture both prescribes and proscribes individual behaviour in organisations'.

Let there be two organisations. Let them use the same project management practices and structures. Their levels of success may not be the same. Organisational culture can influence the way projects are managed and executed.

W. Belassi, A. Z. Kondra, and O.I. Tukel in their paper titled New Product Development Projects : The Effects of Organizational Culture (2007) have mentioned the following dimensions of organisational culture:

- **Positive work environment :** It includes factors such as–
  - openness to new ideas,
  - employees feeling valued as individuals,
  - open discussions with superiors encouraged etc.
- **Management leadership :** It includes factors such as–
  - clear goals set and responsibilities delegated,
  - employees have input in decision making,
  - incentives offered to work on new ideas,
  - high-risk high-return projects encouraged etc.
- **Results Orientation :** It includes factors such as–
  - employees are pressured to finish work,
  - correct procedures more important than correct results etc.

The authors of the paper have used the following dimensions to measure project success.

- **Consumer-based :** The customers are satisfied with the product. This can also be classed as customer satisfaction.
- **Commercial success :** The product makes money.
- **Technical success :** The product works as intended.

Lastly, the authors have correlated organisational culture to product success using correlation and regression analysis. The results indicate that

Positive work environment and management leadership are strongly correlated with each other and with the three measures of product success. That is–

- Strong management leadership and positive work environment go hand-in-hand.
- Companies with positive work environment have better commercial success with new products, enjoy better customer satisfaction and have greater technical success than those with less positive work environment.
- Results orientation is not strongly correlated with any of the other variables.

(Courtesy : Eight to Late Blog at WordPress. com)

9.6 PROJECT PLANNING

Project planning is an important phase during which the plans and strategies of project execution are set. The policies, the procedures, the rules of the organisation are kept in mind. Project planning has two important aspects, viz.

(1) identification of the activities to be performed,

(2) estimation of the required resources.

Resources may be classified as physical resources, human resources, financial resources. Physical resources include tangible items that are necessary for a business to function. Some of the most common physical resources include raw materials, buildings and facilities, machimery, energy,

etc. Human resources, according to Wikipedia, are the people who make up the workforce of an organisation, business sector, or economy. Financial resources is the set of liquid assets of an organisation, including cash, bank deposits and liquid financial investments. In this unit, we will discuss physical resources, human resources, and financial resources. Also we will discuss project organising.



CHECK YOUR PROGRESS

Q 2: Give some examples of physical resources.

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9.7 PLANNING OF PHYSICAL RESOURCES

Physical resources include tangible items that are necessary for a business to function. Some of the most common physical resources include raw materials, buildings and facilities, machinery, fuel etc.

Physical resources are required for all types of business. Product-based businesses use physical resources for providing the goods for sale and for the operation of the business. Service-based businesses use physical resources to facilitate the delivery of the service.

According to PM Education, management of physical resources consists of four processes. These are as follows–

1. Plan Physical Resource Management
2. Estimate Activity Physical Resources
3. Acquire Physical Resources
4. Control Physical Resources

1. Plan Physical Resource Management : A Resource Management Plan (RMP) is to be written for larger and complex projects. The RMP will contain.

(i) how the resources will be acquired,

(ii) how they will be managed,

(iii) how they will be used.

The RMP will also contain the method that will be used to ensure sufficient resources are available as and when they are needed.

2. **Estimate Activity Physical Resources :** The time and the cost of physical resources for the project must be estimated if not done earlier. Equipment rental companies may change by the number of hours a machine is used. The number of hours of intended use must be estimated for this type of rental equipment. The time requirement for the physical resources must be estimated.

3. **Acquire the physical resource :** Physical resources must be acquired at the appropriate time and must be assigned to the respective activities.. Too early acquisition adds unnecessary cost. Too late acquistion impacts project schedule. The acquired physical resources should be relased at the appropriate time.

   A purchasing process is required for acquiring external physical resources. The acquisition must be done in time.

   Some physical resources may be unique. They may be very essential to the success of the project. So, extra attention must be given to the procurement of these resources.

4. **Control Physical Resources :** This process involves ensuring that the physical resources assigned and allotted to the project are available as planned. Also it involves monitering the planned versus actual utilisation of these resources corrective action should be taken as and when necessary. (Source : Physical Resource Management)



CHECK YOUR PROGRESS

Q 3: What are the four processes of managing physical resources?

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9.8 PLANNING OF HUMAN RESOURCES

Human resources are the people who make up the workforce of an organisation, business sector, or economy.

Human resource planning, according to Wikipedia, is a process that identifies current and future human resources needs for an organisation to achieve its goals. There should be right number of people in the right jobs at the right time.

The most valuable asset of an organisation is its human resources. The success of an organisation depends on its human resources. Their skills and knowledge as well as their relationships with the customers contribute to the success of the project. So, necessary attention must be given to human resource planning.

The human resource planning analyses–

(1) Current human resources,

(2) Forecasts future requirements,

(3) Identifies areas where there are gaps, and

(4) Implements a plan to tighten up these gaps.

Thus, planning of human resources consists of four steps.

1. **Assessment of current human resource capacity :** Firstly, the current human resource capacity should be analysed. Analysis should be made with respect to the following points, number of employees, their skills, qualifications, experience, age, contract, performance ratings, etc. Areas where changes are necessary should be identified.
2. **Forecasting future human resource requirements :** Secondly, the project managers should look at the market trends. Some new technologies may come up. There may be vacancies, retirements, promotions, and end of contract terms of the employees. Considering all these aspects, the project manager has to gange future requirements. Definitely it is a complex task.
3. **Identifying human resource gaps :** Thirdly, human resource gaps between the current human resource capacity, and future human

resource requirements must be identified. Existing employees may also be upskilled.

4. **Integrating the plan with organisation's overall strategy :** Current human resource capacity has been assessed. Future human resource requirements have been assessed. Gaps between the two have been identified. Now, human resource plan is to be integrated with the organisational strategy.

Importance of Human Resource Planning :

1. It gives the company the right number of people in the right jobs at the right time.
2. In a balance between demand for, and supply-of resources, human resource planning helps in the optimum usage of resources. It also reduces the labour cost.
3. Forecasting the future requirements helps to supervise manpower in a better way. Problems can be avoided.
4. It helps the organisation to develop a succession plan for all its employees. Thus, it creates a way for internal promotions.
5. It helps the organisation to evaluate the weaknesses and strengths of the personnel. It helps to make remedial measures.
6. The organisation is benefitted when it comes to increase in productivity, profit, skills etc. Thus, the organisation has the edge on its competitors.



CHECK YOUR PROGRESS

Q 4: Write two importance of human resource planning.

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9.9 PLANNING OF FINANCIAL RESOURCES

Financial resources is the set of liquid assets of an organisation, including cash bank deposits and liquid financial investments. Financial planning is an essential part of financial management. It is required for

estimating the fund requirements of a business. It is also required for determing the sources of the fund.

Objectives of Financial Planning :

1. Financial planning is required to ensure availability of funds.It is required for generating funds as well as making them available whenever they are required. Estimation of the funds required for different purposes is also included in the Financial Planning.
2. Financial planning is required to estimate the time and source of funds. It is required to deliver the funds at the right time at the right place. It is as importanct as the generation of the funds.
3. Financial planning is required to generate capital structure. A company's capital structure refers to how it finances its operation and growth with different sources of funds, such as bond issues, long-term notes payable, common stock, preferred stock, or retained earnings.
4. Financial Planning is required to meake sure that the firm does not raise unnecessary resources. Unnecessary funds should be avoided.

Importance of Financial Planning :

1. Financial planning guarantees sufficient funds.
2. Financial planning helps in guaranteeing a harmony between outgoing and incoming of assets.
3. Financial planning supports development and expansion programmes.
4. Financial planning diminishes vulnerabilities with respect to changing business sector patterns.
5. Financial planning helps in guaranteeing security and benefits of the organisation.



CHECK YOUR PROGRESS

Q 5: What is meant by capital structure?

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9.10 LET US SUM UP

- Stakeholder is an individual, group, or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity or outcome of a project.'
- 'Stakeholder Management is the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders.'
- The Identify Stakeholders process is used to identify all people or organisations that may be impacted by or have an impact on a project.
- The project organisational structure is a project management technique. It has a major impact on the execution of a project. It decides the resources, communication methods, and other aspects of project management.
- There are three main types of project organisation structure, viz,
  – Functional organisation,
  – Matrix organisation,
  – Pure project organisation.
- The unique 'personality' of an organisation is referred to as its culture. organisational culture influences the behaviour of the members of the organisation.
- Organisational culture can influence the way projects are managed Project planning is an important phase during which the plans and strategies of project execution are set.
- Physical resources include tangible items that are necessary for a business to function.
- Human resources are the people who make up the workforce of an organisation, business sector, or economy.
- Financial resources is the set of liquid assets of an organisation, including cash, bank deposits and liquid financial investments.
- A liquid asset is cash on hand, or an asset that can be readily to converted to cash.



9.11 FURTHER READING

1) Rory Burke : *Project Management* Planning and Control Techniques (2013) Wiley.

2) *Project Management* DMGT 521 Lovely Professional University (2013)

3) Dr. B. Charumathi : *Project Management,* Pondicherry University.

4) From business 2 communites stakeholder Identification and Analysis Made Easy for Project Managers by Jamie Macdonald.

5) Rory Burke : *Project Management* (2013), Wiley.

6) Prem Kumar Gipta, D. S. Hira : *Operations Research* (2007), S Chand and Company Limited, New Delhi 110055.



9.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Four steps are as follows :

(a) To identify, recognize and acknowledge stakeholder.

(b) To determine their interest and influence.

(c) To develop communication management plan.

(d) To engage and influence stakeholders.

Ans to Q No 2: Some examples of physical resources : Equipments, Materials, Supplies, Facilities, and Infrastructure that are utilised by a project.

Ans to Q No 3: Four processes of managing physical resources are as follows physical resources are as follows :

(1) plannine physical resource management,

(2) estimating activity physical resources,

(3) acquiring physical resources,

(4) controlling physical resources.

Ans to Q No 4:

(1) It gives the company the right number of people in the right jobs at the right time.

(2) In a balance between demand for, and supply-of resources, human resource planning helps in the optimum usage of resources.

Ans to Q No 5: A company's capital structure refers to how it finances its operation and growth with different sources of funds, such as bond issues, long-term notes payable, common stock, preferred stock or retained earnings.



9.13 MODEL QUESTIONS

Q 1: What is meant by stakeholder, and Stakeholder Management?

Q 2: Write a note on Identifying Project Stakeholders.

Q 3: Deseribe the planning of physical resources.

Q 4: Describe the planning of human resources.

Q 5: Describe the planning of financial resources.

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UNIT 10 : NETWORKING

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning and Components of Network

10.4 CPM (Critical Path Method)

10.5 PERT(Programme Evaluation and Review Technique)

10.6 Basic Difference Between PERT and CPM

10.7 Importance of Network in Project Management

10.8 Let Us Sum Up

10.9 Further Reading

10.10 Answers To Check Your Progress

10.11 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit, you will able to

- learn the meaning of network and its basic components
- explain the concept of CPM
- understand the PERT
- distinguish between CPM and PERT.

10.2 INTRODUCTION

A project consists of interconnected activities. These activities are to be executed before the completion of the entire task. A project is represented in the form of a network in order to get solution for scheduling and controlling its activities. CPM and PERT are two network-based project management techniques. They exhibit the flow and sequence of the activities and events.

CPM is an abbreviation for critical Path Method. It was developed in

the late 1950s by EI du pont de Nemoms and company [(founded by French-American chemist and industrialist EI du Pont (1771-1834)] as an application to construction projects. It was later extended by Mauchly Associates [(founded by John William Mauchly (1907-1980)].

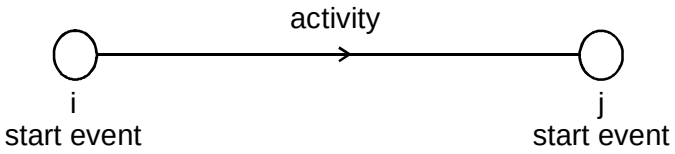
PERT is an acronym for programme (project) evaluation and Review Technique. It was developed in the late 1950s for scheduling the research and development activities for the Polaris Missile Program of US Navy. In this unit we will discuss about the meaning and components of Network in details.

10.3 MEANING AND COMPONENTS OF NETWORK

A network is a graphical representation of project's operations. It consists of activities and events.

An activity is a task to be done. It requires time, money, and other resources. It is physically identifiable part of a project. An activity is represented by an arrow. The tail represents the start, and the head represents he end. The length and direction of the arrow has nothing to do with the size of the activity.

An event (or node) represents the start or the end of an activity. It requires no time. Moreover it does not consume any resource. An event is represented by a circle.



Events (or nodes) are numbered to identify an activity. Tail node must be smaller than the head node (i < j).

A project is considered to be a series of activities which may begin only after another activity (or activities) is completed. The activities are interrelated in a logical sequence. It is known as precedence relationship. Thus, a project network is a collection of precedence relationships among various activities of a project.

An activity which determines the dependency of one activity over the other, but does not consume any time and resource is called a dummy activity. It is a hypothetical activity. Dummy activity is generally denoted by dotted arrow.

Note : 1. The objective of network analysis is to minimise total project duration.

2. Network problems have advantage in terms of project scheduling, planning, controlling.

3. An activity in the network represents a task which has a definite beginning and a definite end, and it cannot start unless all its immediate predecessors are completed.

Example 1 : Activities A, B, C, D, E, F, G, H, I constitute a project. The precedence relationships are

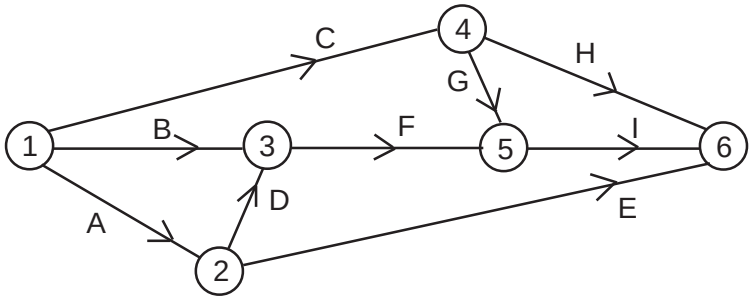
A<D, A<E, B<F, D<F, C<G, C<H, F<I, G<I

[A<D means D cannot start until A is completed]

Draw a network to represent the project.

Solution : We have seen that there are no predecessors to activities A, B, C. Therefore, they start from the same initial node. Again, there are no successors to activities E, H, I. Therefore, they merge into the end node of the project.

The network of the project is given below.



10.4 CPM (CRITICAL PATH METHOD)

The CPM (Critical Path Method), also called CPA (Critical Path Analysis), is one of the special project management techniques. The critical

path for any network is the longest path throughout the entire network. We know that all activities must be completed to complete the entire project. The length of the critical path is also the shortest time allowable for completion of the project. Thus, if a project is to be completed in the shortest time, all activities on the critical path must be started as soon as possible. Activities (including dummy activities) on critical path are known as critical activities. Any delay in the completion of the activities lying on this path would cause a delay in the completion of the whole project.

The CPM is generally used for simple, repetitive types of projects such as construction of road, bridge, building; yearly closing of accounts by a company etc. Activity time and cost are precisely known. CPM is deterministic in nature.

One of the methods for determining a critical path is as follows.

We enumerate all possible paths from start point to end point of a network. We determine total duration for each path by adding the duration of all the activities lying on any path. The path with maximum duration is the critical path.

10.5 PERT(PROGRAMME EVALUATION AND REVIEW TECHNIQUE)

The critical path analysis takes into consideration deterministic estimates for time durations of various activities in a project.

The Programme Evaluation and Review Technique (PERT) is based on probabilistic considerations. It takes into consideration three time estimates of the performance time of an activity, optimistic time, pessimestic time and most likely time.

Optimistic time : It is the shortest time required for the completion of an activity if the execution goes 'extremely good'. We will denote it by a or .

Pessimistic time : It is the maximum possible time the activity will take if the execution goes 'very badly'. We will denote it by b or t_p.

Most likely time : It is the time an activity will take if executed under normal conditions. We will denote it by m or t_m.

The probabilistic data for project activities generally follow Beta (β) distribution. The formula for mean , and variance are as follows.

$$\mu = \frac{a + 4m + b}{6}, \qquad \alpha^2 = \left(\frac{b - a}{5}\right)^2$$

The expected project completion time is $\Sigma\mu_i$, where μ_i is the expected duration of the i[th] critical activity.

The variance of the project completion time is $\Sigma\alpha_i^2$, where α_i^2 is the variance of the i[th] critical activity.

Note : In PERT network, a Beta distribution is assumed because it

(i) is unimodal,

(ii) has non-negative end points, and

(iii) is approximately symmetric.

10.6 BASIC DIFFERENCE BETWEEN PERT AND CPM

PERT and CPM are two 'analytic' techniques for planning, scheduling, and controlling of projects. However there are some basic differences between the two techniques.

μ
α²

PERT	CPM
1. PERT is used for non-repetitive jobs.	1. CPM is used for repetitive jobs.
2. PERT is event-oriented.	2. CPM is activity oriented.
3. PERT is a probablistic model used to manage uncertain activities of a project.	3. CPM is a deterministic model that manages well-defined activities of a project.
4. PERT is a technique of planning and control of time.	4. CPM is a method to control cost and time.
5. PERT is evolved as research and development project.	5. CPM is evolved as construction project.
6. PERT manages unpredictable activities.	6. CPM manages predictable activities.
7. PERT is appropriate for high precision time estimate.	7. CPM is appropriate for reasonable time estimate.

10.7 IMPORTANCE OF NETWORK IN PROJECT MANAGEMENT

The most important parts of project management are project formulation and Project implementations. Project formulation implies the proper selection of project based on scientific criteria whereas project implementation implies effective and optimal utilization of time and resources. All project should follow a hierarchy of five elements viz. inputs, activities, outputs, effects, and impact. So project management is a challenging task and to perform this task effectively a project manager has to choose the best tool and technique out of the available tools and techniques according to their need and capacity. Network analysis is one of the important tools for effective implementation of the project. Normally a project consists of a series of small activities and network represented such numerous activities of the project in graphical way. Importance of Network in project management are discussed below:

1. Network analysis helps to achieve the desired objectives of the project by managing the numerous activities of the project in a scientific way.
2. Network analysis ensures the optimal utilization of available resources and time in a project and ultimately minimizes the total cost and total maintenance time of the project.
3. Network analysis ensures co-ordination among the activities and other stakeholders of the project.
4. Network analysis helps the managers to plan, schedule and control the activities of the project, which helps the project manager in timely completion of the project.
5. Network analysis helps to provide a still picture of the project activities with its sequential relationship. In short, networking creates inter-relationship and inter-dependence of the various activities.
6. Network analysis helps a project manager in developing the detailed work plan and time profile of the project.



CHECK YOUR PROGRESS

Q 1: What is meant by network?

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Q 2: Define an event.

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Q 3: State the meaning of CPM and PERT.

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10.8 LET US SUM UP

- PERT is an acronym for programme (project) Evaluation and Review Technique. It was developed for rescheduling the research and development activities.
- CPM is an abbreviation for critical Path Method. It was developed as an application to construction projects.
- A network is a graphical representation of project's operations.
- A project is considered to be a series of activities which may begin only after another activity (or activities) is completed. The activities are interrelated in a logical sequence. It is known as precedence relationship.
- The critical path for any network is the longest path throughout the entire network. The length of the critical path is also the shortest time allowable for completion of the project.
- PERT is based on probabilistic considerations. It takes into consideration three time estimates of the performance time of an activity, – optimistic time (a or t_0), pessimistic time (b or t_p), most likely time (m or t_m)



10.9 FURTHER READING

1) R. Panneerselvam : Operations Research (2006), Prentice Hall of India Private Limited, New Delhi-110001.
2) Prem Kumar Gupta, D. S. Hira : Operations Research (2007), S Chand and Company Limited, New Delhi-110055.
3) Kanti Swarup, P. K. Gupta, Man Mohan : Operations Research (2017), Sultan Chand and Sons, New Delhi.



10.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: A network is a graphical representation of project's operations. It consists of activities and events.

Ans to Q No 2: An event (or node) represents the start or the end of an activity. It requires no time. Moreover it does not consume any resource. An event is represented by a circle.

Ans to Q No 3: The critical path analysis takes into considerations deterministic estimates for time durations of various activities in a project.

The PERT is based on probabilistic considerations. It takes into consideration three time estimates of the performance time of an activity, optimistic time, pessimestic time, and most likely time.



10.11 MODEL QUESTIONS

Q 1: What is meant by activity?

Q 2: What is meant by criitical path? Where CPM is generally used?

Q 3: Explain the following terms used in PERT :

(a) Optimistic time,

(b) Pessimistic time,

(c) Most likely time.

Q 4: What are the basic differences between PERT and CPM?

Q 5: Explain the importance of network in project management.

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