

# PGDRD

## Resource Book

### Managerial Skill

# 04

# Business and Project Planning

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Rural Development Academy (RDA), Bogra  
Rural Development and Cooperative Division  
Ministry of LGRD and Cooperatives



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Post Graduate Diploma in Rural Development

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# **BUSINESS AND PROJECT PLANNING**

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## SECTION ONE

# Planning

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# Planning

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According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

## Nature of planning

1. **Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
2. **Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
3. **Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
4. **Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
5. **Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
6. **Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
7. **Flexibility:** The process of planning should be adaptable to changing environmental conditions.
8. **Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.

## Purpose of planning

As a managerial function planning is important due to the following reasons:-

1. **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.

2. **To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
3. **To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
4. **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
5. **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
6. **To increase organizational effectiveness:** Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

## Features of planning

- It is primary function of management.
- It is an intellectual process
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process
- It is a pervasive function

## Classification of planning

On the basis of content

- Strategic Planning
  - It is the process of deciding on Long-term objectives of the organization.
  - It encompasses all the functional areas of business
- Tactical Planning

- It involves conversion of detailed and specific plans into detailed and specific action plans.
- It is the blue print for current action and it supports the strategic plans. On the basis of time period
- Long term planning
  - Time frame beyond five years.
  - It specifies what the organization wants to become in long run.
  - It involves great deal of uncertainty.
- Intermediate term planning
  - Time frame between two and five years.
  - It is designed to implement long term plans.
  - Short term planning
    - Time frame of one year or less.
    - It provide basis for day to day operations.



## SECTION TWO

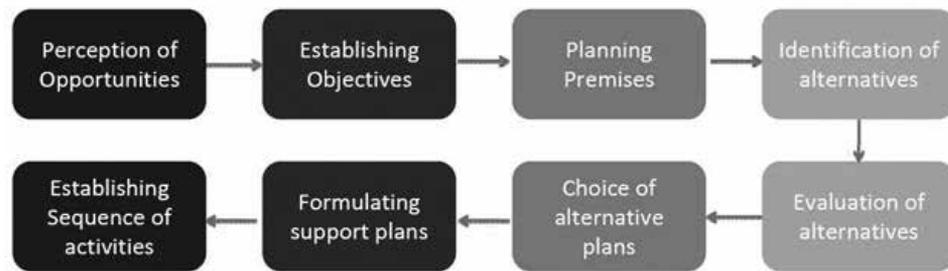
# Planning Process

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# Planning Process

The various steps involved in planning are given below



## Planning Process

Figure 1: The Business Model and Role of M4C

### Perception of opportunities

Although preceding actual planning and therefore not strictly a part of the planning process, awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain. Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity situation.

### Establishing objectives

The first step in planning itself is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs.

Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser departments will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals and if they are given an opportunity to contribute their ideas to them and to the setting of their own goals.

## **Considering the planning premises**

Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable basic policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning.

The more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be. Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters.

Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

Since agreement to utilize a given set of premises is important to coordinate planning, it becomes a major responsibility of managers, starting with those at the top, to make sure that subordinate managers understand the premises upon which they are expected to plan. It is not unusual for chief executives in well- managed companies to force top managers with differing views, through group deliberation, to arrive at a set of major premises that all can accept.

## **Identification of alternatives**

Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives.

The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or

by mathematically eliminating, through the process of approximation, the least promising ones.

## Evaluation of alternatives

Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company in long-range objectives.

If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

## Choice of alternative plans

An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

## Formulating of supporting plans

After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance-sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

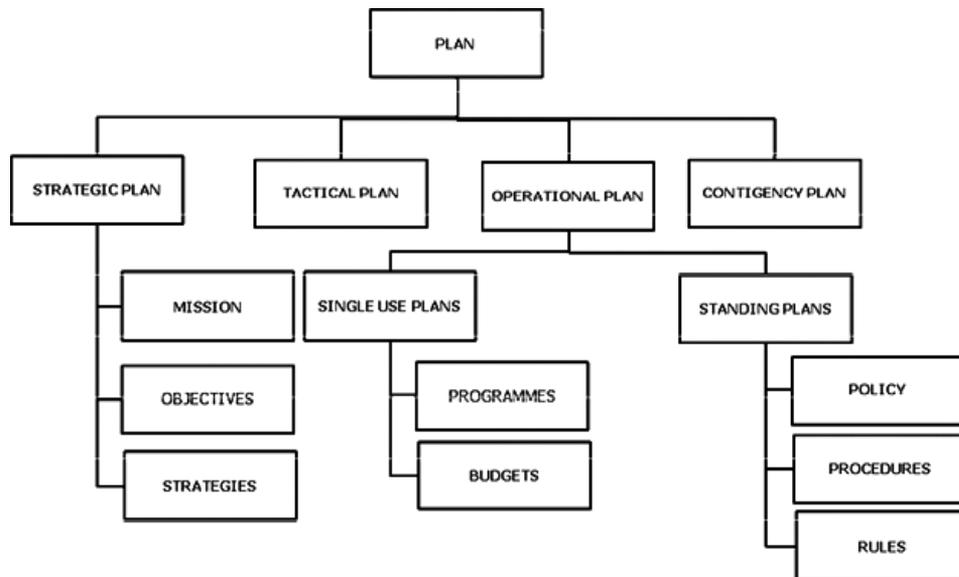
## Establishing sequence of activities

Once plans that furnish the organization with both long-range and short-range direction have been developed, they must be implemented. Obviously, the organization can not directly benefit from planning process until this step is performed.

## Components of Planning

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In the process of planning, several plans are prepared which are known as components of planning.



Plans can be broadly classified as

- a) Strategic plans
- b) Tactical plans
- c) Operational plans

Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

## a) Strategic plans

A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. It is further classified as

### i. **Mission**

The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company is the answer of the question : why does the organization exists?

Properly crafted mission statements serve as filters to separate what is important from what is not, clearly state which markets will be served and how, and communicate a sense of intended direction to the entire organization.

Mission of Ford: “we are a global, diverse family with a proud inheritance, providing exceptional products and services”.

### ii. **Objectives or goals**

Both goal and objective can be defined as statements that reflect the end towards which the organization is aiming to achieve. However, there are significant differences between the two. A goal is an abstract and general umbrella statement, under which specific objectives can be clustered. Objectives are statements that describe—in precise, measurable, and obtainable terms which reflect the desired organization’s outcomes.

### iii. **Strategies**

Strategy is the determination of the basic long term objectives of an organization and the adoption of action and collection of action and allocation of resources necessary to achieve these goals.

Strategic planning begins with an organization’s mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization. Top-level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them. Top management’s strategic plan for the entire organization

becomes the framework and sets dimensions for the lower level planning.

## **b) Tactical plans**

A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

## **c) Operational plans**

The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. "Process 150 sales applications each week" or "Publish 20 books this quarter" are examples of operational goals.

An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or a standing plan.

- i. **Single-use plans** apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.

**Programme:** Programme consists of an ordered list of events to be followed to execute a project.

**Budget:** A budget predicts sources and amounts of income and how much they are used for a specific project.

- ii. **Standing plans** are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

**Policy:** A policy provides a broad guideline for managers to follow when dealing with important areas of decision making.

Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

**Procedure:** A procedure is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

**Rule:** A rule is an explicit statement that tells an employee what he or she can and cannot do. Rules are “do” and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

## d) Contingency plans

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a “keeping all options open” approach at all times — that’s where contingency planning comes in.

Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Keep in mind that events beyond a manager’s control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don’t go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

## Objectives

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Objectives may be defined as the goals which an organisation tries to achieve. Objectives are described as the end- points of planning. According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme." Objectives constitute the purpose of the enterprise and without them no intelligent planning can take place.

Objectives are, therefore, the ends towards which the activities of the enterprise are aimed. They are present not only the end-point of planning but also the end towards which organizing, directing and controlling are aimed. Objectives provide direction to various activities. They also serve as the benchmark of measuring the efficiency and effectiveness of the enterprise. Objectives make every human activity purposeful. Planning has no meaning if it is not related to certain objectives.

### Features of objectives

- The objectives must be predetermined.
- A clearly defined objective provides the clear direction for managerial effort.
- Objectives must be realistic.
- Objectives must be measurable.
- Objectives must have social sanction.
- All objectives are interconnected and mutually supportive.
- Objectives may be short-range, medium-range and long-range.
- Objectives may be constructed into a hierarchy.

### Advantages of objectives

- Clear definition of objectives encourages unified planning.
- Objectives provide motivation to people in the organization.
- When the work is goal-oriented, unproductive tasks can be avoided.
- Objectives provide standards which aid in the control of human efforts in an organization.
- Objectives serve to identify the organization and to link it to the groups upon which its existence depends.

- Objectives act as a sound basis for developing administrative controls.
- Objectives contribute to the management process: they influence the purpose of the organization, policies, personnel, leadership as well as managerial control.

## Process of setting objectives

Objectives are the keystone of management planning. It is the most important task of management. Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

- Objectives are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.
- The objectives to be set in various areas have to be identified.
- While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.

## Policies

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Policies are general statements or understandings that guide managers' thinking in decision making. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make.

The first step in the process of policy formulation, as shown in the diagram below, is to capture the values or principles that will guide the rest of the process and form the basis on which to produce a statement of issues. The statement of issues involves identifying the opportunities and constraints affecting the local housing market, and is to be produced by thoroughly analyzing the housing market. The kit provides the user with access to a housing data base to facilitate this analysis.

The statement of issues will provide the basis for the formulation of a set of housing goals and objectives, designed to address the problems identified and to exploit the opportunities which present themselves.

The next step is to identify and analyze the various policy options which can be applied to achieve the set of goals and objectives. The options available to each local government will depend on local circumstances as much as the broader context and each local authority will have to develop its own unique approach to addressing the housing needs of its residents.

An implementation program for realizing the policy recommendations must then be prepared, addressing budgetary and programming requirements, and allocating roles and responsibilities. Finally, the implementation of the housing strategy needs to be systematically monitored and evaluated against the stated goals and objectives, and the various components of the strategy modified or strengthened, as required.

At each step of the way, each component of the strategy needs to be discussed and debated, and a public consultation process engaged in. The extent of consultation and the participants involved will vary with each step.

## **Essentials of policy formulation**

The essentials of policy formation may be listed as below:

- A policy should be definite, positive and clear. It should be understood by everyone in the organization.
- A policy should be translatable into the practices.
- A policy should be flexible and at the same time have a high degree of permanency.
- A policy should be formulated to cover all reasonable anticipatable conditions.
- A policy should be founded upon facts and sound judgment.
- A policy should conform to economic principles, statutes and regulations.
- A policy should be a general statement of the established rule.

## Importance of policies

Policies are useful for the following reasons:

- They provide guides to thinking and action and provide support to the subordinates.
- They delimit the area within which a decision is to be made.
- They save time and effort by pre-deciding problems and
- They permit delegation of authority to managers at the lower levels.



## SECTION THREE

# Decision Making

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# Decision Making

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The word decision has been derived from the Latin word “decidere” which means “cutting off”. Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable.

In the words of George R. Terry, “Decision-making is the selection based on some criteria from two or more possible alternatives”.

## Characteristics of decision making

- Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- The decision-maker has freedom to choose an alternative.
- Decision-making may not be completely rational but may be judgemental and emotional.
- Decision-making is goal-oriented.
- Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- A decision may be expressed in words or may be implied from behaviour.
- Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.
- Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

## Types of decision

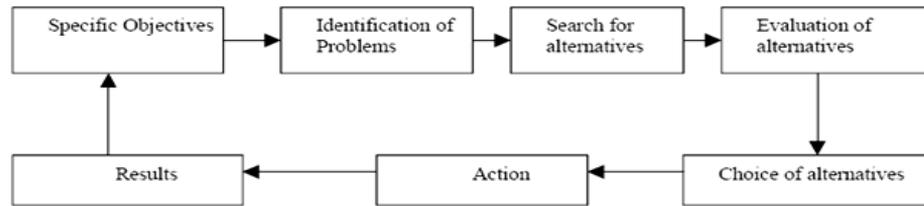
- a) **Programmed and Non-Programmed Decisions:** Herbert Simon has grouped organizational decisions into two categories based on the procedure followed. They are:
  - i. **Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.
  - ii. **Non-Programmed Decisions:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-pro-

grammed decisions are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, ready-made solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

- b) **Strategic and Tactical Decisions:** Organizational decisions may also be classified as strategic or tactical.
- i. **Strategic Decisions:** Basic decisions or strategic decisions are decisions which are of crucial importance. Strategic decisions a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.
  - ii. **Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive. They are derived out of strategic decisions. The various features of a tactical decision are as follows:
    - Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently.
    - Tactical decision is mostly a programmed one. Therefore, the decision can be made within the context of these variables.
    - The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.
    - The authority for making tactical decisions can be delegated to lower level managers because: first, the impact of tactical decision is narrow and of short- term nature and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on strategic decisions.

# Decision Making Process

The decision making process is presented in the figure below:



1. **Specific Objective:** The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the determination of whether a decision needs to be made.
2. **Problem Identification:** A problem is a felt need, a question which needs a solution. In the

words of Joseph L Massie “A good decision is dependent upon the recognition of the right problem”. The objective of problem identification is that if the problem is precisely and specifically identifies, it will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

**Diagnosis:** Diagnosis is the process of identifying a problem from its signs and symptoms. A symptom is a condition or set of conditions that indicates the existence of a problem. Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

**Analysis:** Diagnosis gives rise to analysis. Analysis of a problem requires:

- Who would make decision?
- What information would be needed?
- From where the information is available?

Analysis helps managers to gain an insight into the problem.

**Search for Alternatives:** A problem can be solved in several ways; however, all the ways cannot be equally satisfying. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:

- His own past experiences
- Practices followed by others and
- Using creative techniques.

**Evaluation of Alternatives:** After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. /the decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.

**Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.

**Action:** Once the alternative is selected, it is put into action. The actual process of decision making ends with the choice of an alternative through which the objectives can be achieved.

**Results:** When the decision is put into action, it brings certain results. These results must

correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus, results provide indication whether decision making and its implementation is proper.

## **Characteristics of effective decisions**

An effective decision is one which should contain three aspects. These aspects are given below:

- **Action Orientation:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions should ultimately find their utility in implementation.
- **Goal Direction:** Decision making should be goal-directed to enable the organization to meet its objectives.
- **Effective in Implementation:** Decision making should take into account all the possible factors not only in terms of external

context but also in internal context so that a decision can be implemented properly.

## Decision making model

The Rational Decision Making Model is a model which emerges from Organizational Behaviour. The process is one that is logical and follows the orderly path from problem identification through solution. It provides a structured and sequenced approach to decision making. Using such an approach can help to ensure discipline and consistency is built into your decision making process.

### The Six-Step Rational Decision-Making Model

1. Define the problem.
2. Identify decision criteria
3. Weight the criteria
4. Generate alternatives
5. Rate each alternative on each criterion
6. Compute the optimal decision

### Defining the problem

This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.

### Identify decision criteria

Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision.

This step brings the decision maker's interests, values, and personal preferences into the process.

Identifying criteria is important because what one person thinks is relevant, another may not. Also keep in mind that any factors not identified in this step are considered as irrelevant to the decision maker.

## **Weight the criteria**

The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.

## **Generate alternatives**

The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

## **Rate each alternative on each criterion**

The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.

## **Compute the optimal decision**

Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

# **Decision Making Under Different Conditions**

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The conditions for making decisions can be divided into three types.

Namely a) Certainty, b) Uncertainty and c) Risk

Virtually all decisions are made in an environment to at least some uncertainty. However, the degree will vary from relative certainty to great uncertainty. There are certain risks involved in making decisions.

## **Certainty**

In a situation involving certainty, people are reasonably sure about what will happen when they make a decision. The information is available and is considered to be reliable, and the cause and effect relationships are known.

## **Uncertainty**

In a situation of uncertainty, on the other hand, people have only a meager database, they do not know whether or not the data are reliable, and they are very unsure about whether or not the situation may change.

Moreover, they cannot evaluate the interactions of the different variables. For example, a corporation that decides to expand its Operation to an unfamiliar country may know little about the country, culture, laws, eco-

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conomic environment, and politics. The political situation may be volatile that even experts cannot predict a possible change in government.

### **Risk**

In a situation with risks, factual information may exist, but it may be incomplete. To improve decision making One may estimate the objective probability of an outcome by using, for example, mathematical models On the other hand, subjective probability, based on judgment and experience may be used

All intelligent decision makers dealing with uncertainty like to know the degree and nature of the risk they are taking in choosing a course of action. One of the deficiencies in using the traditional approaches of operations research for problem solving is that many of the data used in model are merely estimates and others are based on probabilities. The ordinary practice is to have staff specialists come up with best estimates.

Virtually every decision is based on the interaction of a number of important variables, many of which have an element of uncertainty but, perhaps, a fairly high degree of probability. Thus, the wisdom of launching a new product might depend on a number of critical variables: the cost of introducing the product, the cost of producing it, the capital investment that will be required, the price that can be set for the product, the size of the potential market, and the share of the total market that it will represent.



## SECTION FOUR

# Business Organizations

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# Business Organizations

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When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

## a) Sole proprietorship

The vast majority of small business starts out as sole proprietorships . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume “complete personal” responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

### Merits:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner’s personal tax return.
- The business is easy to dissolve, if desired.

### Demerits:

- Unlimited liability and are legally responsible for all debts against the business.
- Their business and personal assets are 100% at risk.
- Has almost been ability to raise investment funds.
- Are limited to using funds from personal savings or consumer loans.
- Have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Employee benefits such as owner’s medical insurance premiums are not directly deductible from business income (partially deductible as an adjustment to income).

## **b) Partnership**

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, its hard to think about a “break-up” when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

### **Merits:**

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners’ personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

### **Demerits:**

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.

## **c) Corporation**

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique “entity”, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its share-

holders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

### **Merits:**

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

### **Demerits:**

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

## **d) Joint stock company**

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives.

The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions.

There are two main types of joint stock Companies. (i) Private limited company, (ii) Public limited company

- i. Private limited company: This type company can be formed by two or more persons. The maximum number of membership is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.
- ii. Public Limited Company: It is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to general public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

**Merits:**

- The liability being limited the shareholder bears no risk & therefore more as many persons are encouraged to invest capital.
- Because of large numbers of investors, the risk of loss is divided.
- Joint stock companies are not affected by the death or the retirement of the shareholders.

**Disadvantages:**

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

## **e) Public corporation**

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

**Merits:**

- These are expected to provide better working conditions to the employees & supported to be better managed.
- Quick decisions can be possible, because of absence of bureaucratic control.
- More flexibility as compared to departmental organization.

- Since the management is in the hands of experienced & capable directors & managers, these are managed more efficiently than that of government departments.

**Demerits:**

- Any alteration in the power & Constitution of Corporation requires an amendment in the particular Act, which is difficult & time consuming.
- Public Corporations possess monopoly & in the absence of competition, these are not interested in adopting new techniques & in making improvement in their working.

**f) Government companies**

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & partly by one to more state governments. It is managed by the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed every year on the table of the parliament or state legislatures along with the comments of the government to concerned department.

**Merits:**

- It is easy to form.
- The directors of a government company are free to take decisions & are not bound by certain rigid rules & regulations.

**Demerits:**

- Misuse of excessive freedom cannot be ruled out.



## SECTION FIVE

# Business Plan

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# Business Plan

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A business plan is a statement of what the business is, how it operates, how it is managed, how it interacts in the marketplace, how it functions financially and what its strengths and weaknesses are. Through financial and operational projections, the plan describes where the business is going and what is needed for it to get there safely. The business plan is a planning tool that details the goals of the business and gives the owner a path to follow. It can help the owner make judgments and decisions by forcing consideration of all the important areas of business operation. In addition, a business plan is almost always required by lenders considering a business loan request.

Lack of planning is often the cause of serious business problems or outright failure. Poor management and planning are estimated to account for over 90% of business failures. The most common mistakes made are: poor initial planning; not understanding market position; not knowing costs; not properly pricing; not planning cash flow in advance; not monitoring financial position at all times; not controlling costs; and, not planning and managing growth.

Following is descriptive detail to the business plan outline. The outline itself is a very detailed guide to assist in preparing one of the most important business documents for their business, large or small.

## The business description

### **Name and Address of Business and Owner, Type of Business**

The exact legal name of the business and the physical address and general location of the business. Is the business primarily engaged in wholesale or retail trade, service, manufacturing, agriculture/forestry/fishing, construction or transportation?

### **Date Founded, By Whom, Why**

*“----- company was founded by ..... in (year) in (place) because of the popularity of her products.*

### **Form and Ownership**

What is the legal form of the business and who owns it?

### **Mission Statement, Business Goals**

The mission statement is practical and philosophical. It is extremely important because everything the business does in the future must be consistent and in compliance with its content. It is the business's marching orders. The mission statement can include: the purpose for which the company exists; what the company does; the company's goals; quality; its role in the community; ethical practices; profitability; customers; shareholders; the environment.

### **Key Officers, Management**

Who will put the business plan into action? The reader (financier) will need to be persuaded that the people running the company have the qualifications to get the job done and done well. Include resumes and job descriptions of all key employees in the business in the Appendix.

### **Products/Services Offered**

Describe the product/service in enough detail so that it is readily understandable and the reader has the impression that it works or will be ready to go.

### **Markets/Customers Served**

Who buys the product/services and what markets does the business serve?

### **Distribution of Products/Services**

How does the product/service reach the customer?

## **The marketing plan**

The marketing plan is the critical link between product/service and customers. Oftentimes, the marketing plan is the hardest section of the business plan to put together. This section requires extensive research be completed before any financing is contemplated because the financier will want to be sure that there are enough customers willing and able to purchase the product/service to repay debt. A clear cut delineation of target markets is a critical part of the marketing plan. Much hinges on the reader being convinced that there will be a large enough market for the product/service. High potential business opportunities have a specific market niche for a product/service that meets an important customer need and provides a high value-added benefit to customers.

### **Industry Profile**

What industry is the product/service in? What is the current phase of the life cycle of the industry (starting, emerging, growing, mature, declin-

ing)? What is its competitive profile (one or two, several, many)? What is the size of this industry (an indicator of size such as BDT volume of sales, number of households reached, etc.)? What are the growth trends and product/service outlook for this industry? What are the profitability characteristics of this industry (high or low margins, high overhead, high capital investment)? Will this particular product/service have any impact on the industry?

### **Competitive Analysis**

How many competitors, direct and indirect, are there in the marketplace and what are their competitive characteristics? Where does the business fit in; what market segment niche will be pursued? How will the business gain a competitive advantage over the competition? A competitive matrix is attached to summarize the competitive analysis.

The relationship of supply and demand will affect the entire marketing plan in that high demand coupled with low supply usually indicates fewer competitors and lower marketing costs. Caution must be exercised to scan the current environment because new entrants will be drawn to the marketplace and their presence will change the market and affect the profit and cost dynamics of the product/service. Conversely, low demand and high supply indicates market saturation and the need for higher marketing costs. In this situation, market share must be gained by taking away customers from competitors and there will be a competitive reaction which must be addressed in the marketing plan.

### **Products/Services Differentiation**

What is different about the business from other competing businesses? Successful businesses provide something that is unique. Ways products/services are differentiated include: higher quality; better customer service; quicker responsiveness; safer/healthier; more attractive; more convenient; lower cost.

### **Target Market/Customer Profile**

After completing the competitive and market analysis, the next step in the marketing plan is to target markets and customers who are most likely to benefit from and therefore purchase the company's products/services. The 80/20 rule is that 80% of a company's revenues are generated by 20% of its customers. To make the business more profitable and competitive, it is important to try to reach market segments whose general characteristics indicate a highly probable usage and purchase of the company's products/services. A customer profile worksheet is attached to record the results from the analytical assumptions and conclusions. For business-to-business sales companies, the chart can be modified and sales levels and

phases of life cycles should be analyzed.

“The company’s target markets include middle income, two-earner households; young urban professionals and single retired middle to upper income persons. These groups want well-prepared and seasoned food that can be quickly accessed because there is not time or inclination to do much cooking at home. They tend to eat out at least four times a week and buy frozen entrees and deli items for other meals. This group tends to be college-educated and located in major population centers in the country. They are health-conscious and involved in activities outside of the home. They don’t buy very high-end consumer items, but tend to purchase solid value, name brand goods.”

## **KATALYST experience in product development and distribution**

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### **NAAFCO expands quality agro-inputs distribution to the chars**

Farmers in the remotest places like in the chars do not get access to quality agro-inputs and information on modern cultivation techniques which limit their potential to benefit from yield and quality of their produce. Reputed agro-input companies find it difficult to expand to remote markets due to multi-faceted challenges of distribution, need for intensive promotion and investment to get desired sales. M4C partnered with NAAFCO group and worked on various fronts to make this market work for the company, the retailers and poor farmers.

#### **1. Context of the region**

There are more than 1,000 *chars* (riverine land formed due to soil deposition and erosion) in north and north-western Bangladesh formed by three major rivers Jamuna, Padma and Teesta where more than two million people live. Economic opportunities for the poor and vulnerable char dwellers who mainly depend on agriculture and livestock for their livelihoods are impeded due to geographical isolation, lack of access to basic services, weak markets and effects of climatic hazards such as floods. Therefore, Making Markets Work for the Jamuna, Padma and Teesta Chars (M4C) aims to reduce poverty and vulnerability of char households in ten districts of northern Bangladesh by facilitating market systems that enhances opportunities for employment and income generation. M4C is a 5-year project, mandated by the Swiss Agency for Development and Cooperation (SDC) and Ministry of Local Government, Rural Develop-

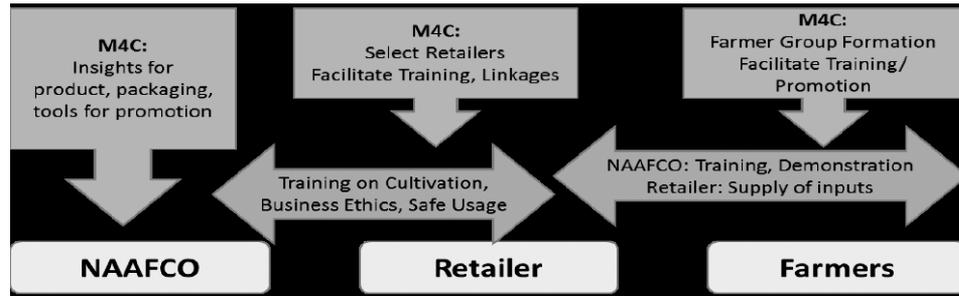
ment and Cooperatives, and implemented by Swisscontact and Practical Action in collaboration with Rural Development Academy, Bogra.

M4C largely works in agricultural sectors such as maize, chilli, jute, rice, etc. where it has taken several interventions in partnership with relevant public and private partners. One that of the important markets that matters for the poor char dwellers is agro-inputs i.e. seeds, micronutrients and crop protection solutions marketed by few multinational and hundreds of local agro-input companies (Syngenta, ACI, NAAF CO, etc. to name a few). These companies market their products through distributors based at Upazilla or District headquarters and retailers based at major haats and bazars (70% situated on the river banks, 30% on the islands). Selected retailers are visited by company sales staffs to collect orders but in most of the cases the retailers have to pick the products, as the distributors do not employ staffs or vehicles, and the companies do not find shipments feasible. Moreover, long term credits (as long as six months) is the norm between retailer-farmer and distributor-retailer which often discourages distributors (wholesalers) to supply to new or distant retailers like in the chars. This allows inflow of adulterated, counterfeit and inferior quality products to these markets that offers high margin and credit to the retailers but low value to the poor farmers. Retailers are not knowledgeable enough to educate farmers on cultivation practices or on appropriate use of agro-inputs. On the other hand, farmers lack awareness on benefits of using good quality inputs thus the willingness to pay for it.

## 2. Overview of the Business Model and role of Swisscontact

M4C intended to address the above challenges by partnering and engaging reputed national agro-input companies however there was need for identifying the right kind of product, packaging and adopting effective distribution and promotion strategies for the chars. NAAF CO, one of the partner agro-input companies, started their operations in the chars with a pilot in 2013-14 targeting chilli farmers in Jamalpur and initially undertook usual activities like retailers training, farmers training, demonstration plots and farmer field days. Some of their fungicides and growth promoters proved to be very effective and helped farmers to save crops from cold wave and fungal attack that winter. They started to provide prescription to the farmers during weekly *haat* (rural market) days which worked very well for most of the char farmers as they struggled to recall the brand names. Following up on a successful action research conducted by Bangladesh Jute Research Institute (BJRI) which ushered opportunities for weedicides and mixed fertilizers, the same year NAAF CO worked out a customized grade of mixed fertilizers for the jute farmers and promoted a particular weedicides from their portfolio. As these products generated interest among the farmers, they brought out a smaller 25 Kg pack of mixed fertilizers and promoted it along with the weedicides in the

ensuing chilli season. However, taking the product to the chars was still a challenge as their distributors did not want to extend credit facilities to the char retailers. Thus NAAFCO deployed an additional staff in Natuarpara Haat, Kazipur of Sirajganj, which is one of the key char markets frequented by farmers and traders from several adjacent districts (Bogra, Jamalpur, and Sirajganj).



They selected Bablu Sarker, a young agro-input retailer from Natuarpara Haat with excellent business sense, who volunteered to act as a sub-distributor of NAAFCO and distribute their products to several other retailers. This made it possible for NAAFCO to ship sufficient quantity to Bablu directly and expand their distribution in the char market. M4C supported this expansion by sharing financial resources for staffs and promotional activities, sharing findings for BJRI’s action research, connecting NAAFCO with local retailers and farmer groups and suggesting use of effective promotional tools like flipcharts. With M4C’s assistance, NAAFCO expanded year on year and gradually setting their footprint in different char markets.

### 3. Overcoming challenges unique to the region

M4C had undertaken following initiatives to address multi-faceted challenges, as explained below:

- Supported NAAFCO by sharing costs of staffs and promotional activities, so as to facilitate intensive promotion in the chars
- Facilitated targeting and repackaging of products by sharing findings of BJRI’s action research (initiated and funded by M4C)
- Facilitated entry to the char market by connecting them to potential retailers and farmer groups (formed by M4C); helping them to plan and implement activities



Figure 2: NAAFCO delivering products directly to mainland ghat to be distributed in the char outlets



Figure 3: Bablu Sarker selling quality inputs to char farmers at his shop at Natuarpara, Kazipur, Sirajganj

### Resulting benefits for the businesses and the poor

NAAFCO posted BDT 5.80 Million sales in 2013-14 which increased to BDT 6.70 million in 2014-15; this encouraged the management to invest further in the char markets. Bablu Sarker doubled his sales and profit in less than two years' time. Jute farmers reported very high satisfaction and BDT 7,000 net increase in profit due to 52% increase in yield and 21% increase in price due to good quality. The chilli farmers reported an increase in yield by 42% at an increase in costs by 6%.

### Potential for other private companies

Since the strategy of targeting and customizing specific products and adopting innovative strategies for distribution and promotion has worked out for the chars, other interested agro-input companies can start to replicate this model and expedite their expansion to the chars by focusing on suitable crops and evaluating their portfolio.

***Bablu Sarker, Sub-distributor of NAAFCO Group, Natuarpara, Kazipur, Sirajganj*** - *The farmers who ensure our food security deserve to use good quality agro-inputs and it is our job to provide them with good agro-inputs and advice. I was lucky to be connected to NAAFCO Group through MAC as it not only helped me to learn about modern cultivation practices and appropriate use of agro-inputs but also to source and supply inputs from a reputed company to the farmers. This is a win-win for the farmers as well as for businesses like me.*



## SECTION SIX

# Market Size

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## Market Size

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How large is the market (population, number of businesses)? What are the growth trends and potential for the market? Are there any market concentrations? Demographic information is usually available from county and city planning offices census data. This information includes the number of persons in age ranges, income levels, education levels, in households, residences, etc.

### Market share

What are the specific plans and action steps to be taken to capture customers and market share during the planning period? How and who will sell the product/service? What is the advertising strategy? It is important that all promotional activities be consistent with the position and image of the business. For example, a fast food restaurant would not advertise in *Architectural Digest* or cater a black tie charity ball. What will the company do in terms of public relations?

### Operating and control systems

This section of the business plan describes how the business will internally function in order to produce, deliver, monitor its products/services and the results there from. According to one well-respected national business consulting firm, “one mark of the incompetent entrepreneur is a disdain for all the details involved in operating a business and controlling its activities.” Without operating and control systems fully thought out and presented in the plan, a financier and/or investor will question whether the business can actually realize the goals set out in the business plan.

### Personnel

How many employees will there be over the planning period? What types of functions will they perform? What are the skills required to fulfill job responsibilities? What will their hours be (part-time, shift, etc.)? What will be the pay scale and benefits offered by the company?

### Production/service methods

How is the product/service actually produced? Describe the production process. To illustrate the process, a day in the life of the company can be depicted from opening to closing. How is service performed? Do the cli-

ents come to an office or is the service performed on the customer's site?  
What are the hours the business is open?

### **Quality Control**

How will consistent quality of product and service delivery be assured?  
What specific quality control measures will be implemented?

### **Facilities**

Describe the physical facilities in which the business will be located. Is it owned or leased? What are the terms (price and term) of the lease? What is the size (square feet) of the building and the age? Is there enough space to accommodate growth?

### **Suppliers**

What materials are used to produce the product/service and who are the suppliers? Is there more than one source of supply? Are these suppliers reputable and reliable? Do they supply the best quality at the most competitive prices?

### **Billing and Collection Policies and Procedures**

Describe the business credit plan and explain why this plan was chosen. How is credit worthiness determined? Describe billing procedures. Are accounts receivable monitored? How often? When is a receivable considered delinquent? Outline the steps followed from the time an account becomes delinquent until the delinquency is resolved. Are formal collection policies in place? Describe collection procedures. Who is responsible for billing receivables and for collections?

### **Recordkeeping Policies and Procedures**

Business owners are responsible for maintaining a universally accepted method of recordkeeping. The system should be simple to use, accurate, timely, and consistent. It provides business management information for the owner but must also be designed for understanding by others with an interest in the business -- business consultants, lenders or government entities, for example. What recordkeeping tools or systems are in place? Identify the types of records kept. Who is responsible for recordkeeping? What is this person's background or experience with recordkeeping? Does the business use professional recordkeeping outside services? If so, from whom and what aspects of business recordkeeping do they perform? Describe daily, weekly or monthly recordkeeping routines. Identify financial reports used to measure and monitor the business condition. How often are these reports be prepared?

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# Financial Plan

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The financial section of the business plan is the numerical expression of the marketing analysis and operating plans. The financial projections indicate if the business idea is attractive enough to secure investment and financing. The thoroughness of the financial plan will indicate to the reader that the business will be well managed. According to the SBA, “businesses do not fail for the lack of money as much as for the lack of money management.” Entrepreneurs need sound records and financial management to keep track of assets and liabilities. And, they must always know the company’s current and future cash positions.

The cash flow projections and analysis are the most important section of the business plan. The need for cash flow planning comes from the time discrepancy that usually exists between the expenditure of funds for inventory, payroll, rent, debt payments and other overhead and the actual receipt of cash from sales. “Profits are great, but cash pays the bills.” Cash flow planning is simple in concept, but involves considerable effort to develop. Time is the critical ingredient in cash flow planning. The company may have considerable money coming in the future, but it could become insolvent if cash is paid out in the present. At any time, a negative cash balance must be covered either with equity or debt.

## Historical financial statements

For existing businesses, attach the past three years of Balance Sheets, Income Statements and Cash Flow Statements to the business plan. In this section discuss any relevant trends and variances in: assets, debts and equity; revenues, cost of goods sold (COGS), overhead and net income; cash received, cash paid out and net cash balances. Financiers will spread and analyze these statements and use them as a basis for evaluating the cash flow projections, break-even analysis and pricing and margins. If there are large unexplained differences between the past and the future, the projections will be discounted and the loan request may be denied or the loan amount reduced.

## Current Balance Sheet

The Balance Sheet is a statement of assets, liabilities and equity at a specific date. For existing businesses, include a Balance Sheet from the most current period. For start-up businesses, include an estimated opening Balance Sheet. Discuss significant balance sheet items.

## Pricing Strategy

Pricing is the single most important factor affecting profits. Pricing a product/service includes consideration of the following assumptions: the customer is central to the business; the business operates in a competitive marketplace; pricing is a reflection of the business's position in the marketplace; it is a criteria by which consumers evaluate the product/service; and, pricing must be adequate to return a profit to company owners and investors. Pricing is not done in a vacuum; price is what a business gets not what it wants. The prices of other products/services limit pricing freedom.

To set prices,

1. Determine floor and ceiling prices,
2. Evaluate price sensitivities of customers,
3. Select a strategy and
4. Set the price

## Example

“A company's total fixed costs for the year are BDT240000. The average sales price per unit is Tk 3.50. It costs a total of Tk 2.27 per unit for ingredients, labor, machine usage and freight. The resulting gross profit margin is Tk1.23 per unit, or a 35% gross profit margin. In order to break-even, the company must have annual sales revenues of Tk686,000 ( $Tk240,000/0.35$ ). The number of units that must be sold to break-even is 195,120 ( $Tk240,000/\$1.23$ ). With the expansion of the physical plant, total fixed costs for the year will rise to Tk350,000 per year. The gross profit margin of 35% is projected to remain the same, although labor costs will go down but machine costs per unit produced will rise. The new break-even point in units for the company will be 284,550 ( $Tk350,000/Tk1.23$ ) translating into Tk1 million in sales revenue ( $Tk350,000/0.35$ ). The company currently sells over 300,000 units of product, indicating a feasible expansion project.

## Break-even Analysis

How many units must be sold to cover all costs? A break-even analysis pinpoints how changing prices, increasing or decreasing expenses will affect profitability and unit sales. A break-even analysis tests the feasibility of achieving the level of unit sales necessary to pay for all costs. Break-even in units is calculated:  $\text{Break-even units} = \text{total fixed costs} / (\text{unit sales price} - \text{unit cost of goods sold})$ . Break-even Tk = break-even units x selling price. Break-even sales revenue = total fixed costs/gross profit margin percentage.

## **Projected Cash Flow Projections, Income Statements and Balance Sheets**

Prepare monthly cash flow and income statement projections for the next fiscal year. Prepare annual cash flow projections, income statements and balance sheets for the next two to four years, check with your local bank for their requirements. The cash flow projection is a critical tool for a new and growing business. It indicates how much cash is needed and when it is needed so that investing and borrowing needs can be arranged in advance. It is important to understand and arrange for cash infusions in advance because financing and equity may not be available on short notice.

### **Forecasting Assumptions**

No reader can understand any projections without an explanation of the forecasting assumptions behind the numbers. The assumptions need to be written out on a line by line basis, explaining any seasonal variations. If the assumptions are credible and supported by the research in the marketing plan, the projections are likely to be accepted by lenders and investors.

## **Risk Analysis and Alternative Plans of Action**

What steps will be taken if some or all of the assumptions in the plan change? There are always differences between a plan and what actually happens in the business and the business needs to be flexible and quickly adapt to changes in the marketplace. By careful, thorough planning, big surprises can be avoided, but uncontrollable external factors (oil shortages, drought) are always present. How will the company respond if sales drop? What if product costs go up? What if a new competitor unexpectedly enters the market? Consumer preferences shift: how can the product/service be adapted to meet new/changing needs?

### **Request for financing**

#### **Amount, Purpose of Request, Collateral**

How much money does the business need to borrow? What is the purpose of the borrowing? What are the business and owners offering for collateral to secure the loan and the estimated value of the collateral?

“The company is requesting a Tk500000 loan. The purpose of the request for financing is to provide funds for plant expansion and new equipment. The collateral offered to secure the loan is all business assets which are valued at Tk750000. There is no current company indebtedness and the business assets do not secure any other debt.”

### Sources and Uses of Funds

To undertake any business venture, funding is required. Sources of funding usually come from two places: a lender and the business owner (equity). Total Uses of Funds = Total Sources of Funds. What are the total costs of the project? How much equity will be put into the project? Fill in the attached sources and uses chart.

### Repayment Plan

How long will it take the business to repay the debt? What are the requested repayment terms? The projected cash flow spreadsheets should show that the business is generating enough cash to repay monthly principal and interest according to the debt amortization schedule.

“The company is requesting a seven year term loan with level principal amortization payments. At an 11% interest rate, monthly principal and interest payments are Tk8565 and Tk102780 annually. Current cash flow levels and projected cash flow balances indicate cash available to repay debt of Tk150,000 at a minimum.

### Debt Repayment Contingency Plan

If there is a cash shortfall, where will cash come from to repay debt?

*“If for some reason there is a cash shortfall in any month, one of the company’s certificates of deposit would be liquidated to make the debt payments. The company has a liquid investment portfolio of Tk100000.”*

SOURCE AND USE CHART				
Uses of Funds		Sources of Funds		
	Project Costs	Financing	Equity	Total
Working Capital	Tk	Tk	Tk	Tk
Inventory				
Machinery/Equipment				
Furniture/Fixtures				
Real Estate				
Land				
Existing Improvements				
Construction				
Business Purchase				
Debt Refinance				
Other				
TOTAL	Tk	Tk	Tk	Tk

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## Steps in Doing Business

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Bangladesh positioned 122 among 183 countries in the ranking of 'Ease of the Doing Business' by the World Bank. Bangladesh dropped from 118 in 2011 to 122 in the year 2012, it means coming days are becoming business unfriendly. Economic growth of a country is largely indebted to business. A business friendly environment is critical for motivating the growth of small and medium size enterprises. Unfortunately, our authority is paying very little heed to the issue.

Here is a list below -a detailed summary of the bureaucratic and legal hurdles a startup entrepreneur must overcome in order to incorporate and register a new firm means starting a business in Bangladesh, along with their associated time and set-up costs in Bangladesh. It examines the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income (GNI).

These are only explicit issues. There are many implicit issues too. Corruption, red tape problem, uncooperative behavior of bureaucrats are some to mention. Ok, lets move forward. Hope this article will help Startup Entrepreneurs greatly.

### Pre-registration – what you need to know

#### Key facts about company formation

**Company Name.** The name must be approved (cleared) before incorporation of the company in Bangladesh.

**Directors.** Minimum two directors are mandatory. Directors can be either local or foreign. Directors must be at least 18 years of age and must not be bankrupt or convicted for any malpractice in the past. The law requires that a director must own qualification shares stated in the Articles of Association. A shareholder which is not a natural person (i.e. a company) can select nominee director.

**Shareholders.** A private limited company in Bangladesh can have a minimum of 2 and maximum of 50 shareholders. A director and shareholder can be the same or a different person. The shareholder can be a person or another legal entity such as another company or trust. 100% local or foreign shareholding is allowed. New shares can be issued or existing shares can be transferred to another person anytime after the Bangladeshi company has gone through the incorporation process.

**Authorized Capital.** You must state the authorized capital in the Memorandum of Association and Articles of Association. It is the maximum amount of share capital that the company is authorized to issue (allocate) to shareholders. Part of the authorized capital can remain unissued. There is no minimum or maximum limit for authorized capital in Bangladesh.

**Paid-up Capital.** Minimum paid-up capital for registration of a Bangladeshi company is Taka 1. Paid-up capital (also known as share capital) can be increased anytime after the incorporation of the company.

**Registered Address.** In order to register a company in Bangladesh, you must provide a local address as the registered address of the company. The registered address must be a physical address (can be either a residential or commercial address) and cannot be a P.O. Box.

**Memorandum and Articles of Association.** The company to be incorporated must prepare a memorandum of association (MoA) and articles of association (AoA).

### **Considerations for foreigners**

Foreigners wishing to open a Bangladesh company, must take into consideration the following points:

- You must open a bank account in the name of the proposed company with the name clearance obtained from the Registrar of Joint Stock Companies and Firms (RJSC) i.e. the registrar of companies and bring in the initial paid up capital. This is a mandatory for company incorporation in Bangladesh.
- All company incorporation formalities can be handled without you having to visit Bangladesh. The only exception may be opening a bank account, depending upon the bank you choose.
- All the director and shareholders can be foreigner.
- There is no requirement for you to obtain any special Bangladesh visa if you merely want to incorporate a private limited company but have no plans to relocate to Bangladesh. You are free to operate your company from overseas as well as free to visit Bangladesh on a business visa whenever required to attend to company matters on a short-term basis.
- If you plan to relocate to Bangladesh to operate your company, you are required to obtain a work permit.

## Required documents

For the purpose of company incorporation in Bangladesh, the following information is required by the company registrar:

- **Company Name.** A name clearance must be obtained.
- **Memorandum of Association and Articles of Association.** RJSC requires that the object clause in the MoA to be within 400 words and 7 clauses.
- **Shareholders Particulars** (National ID if the shareholder is a Bangladeshi)
- **Directors Particulars** (including Tax Identification Number)
- **Registered Address**
- **Singed Form IX and Subscriber Page.** Scanned copy in pdf will be required.

**For foreigners:** Copy of passport of shareholder and director.

## Steps to be followed in registration

### Step 01: On-line verification of the uniqueness of the proposed company name with the Registrar of Joint Stock Companies and Firms.

To set up a Bangladesh company, your first step would be to obtain a name clearance for the proposed company name. You will have to visit [www.roc.gov.bd](http://www.roc.gov.bd) and create a username first. Then you will be able to apply for name clearance. After you made the application for name clearance, you will receive a bank payment slip and you will have to pay Taka 600 to the designated bank. After making the payment, you will have to log in to your account on the RJSC website and then you will get the name clearance.

You may read this guide prepared by RJSC for name clearance.

Tip: use Internet Explorer and Mozilla Firefox while using the RJSC website. Other browser might not work properly.

To improve your chances of quick name approval, make sure the name:

- is not identical or too similar to any existing local company names
- does not infringe with any trademarks
- is not obscene or vulgar
- is not already reserved

An approved name will be reserved for 6 months from the date of clearance. You can extend the name by filing an extension request just before the expiry date.

The proposed name needs to be sent on-line and clearance certificate is provided via e-mail by the Deputy Registrar (Name Clearance), RJSC. A print out of the name clearance certificate is to be submitted to the RJSC along with the other documents and forms required for the incorporation of the company.

**Time Duration:** 1 day

**Estimated Associated costs:** BDT 100

**Step 02: Pay adhesive stamp fees at a designated bank.**

Until recently, special adhesive stamps of value was affixed to the memorandum of association regardless of the company's authorized capital. Provision of Pay order in lieu of stamp was passed on 20 January 2010 (SRO # 21-Law) under The Stamp Duty (Additional Modes of Payment Act 1974). Applicants do not need any-more to buy physical special adhesive stamps. Payment can be made to the designated bank accounts of the Treasury. Previously all the fees were supposed to be deposited only in selected branches of Sonali Bank. RJSC has now allowed one of the leading private sector banks with extensive national coverage—the BRAC Bank—to collect fees.

For an authorized capital of between BDT 100,000 to BDT 1,000,000 the adhesive stamps of total value BDT 2000 is required – BDT 500 is required for the memorandum of association and BDT 1500 for the articles of association.

**Time Duration:** 1 day

**Estimated Associated Costs:** BDT 2000

**Step 03: File documents with the Registrar of Joint Stock Companies and Firms for registration.**

For filing the memorandum and articles of association, the company pays fees based on the company's authorized capital. For a company with a capital of BDT 318320, the cost is BDT 4125 (BDT 2925 registration fees + 1200 registration filing fees). The fees are paid at the designated banks.

The following documents to be submitted to the registrar:

- a) name clearance certificate;
- b) memorandum of association;
- c) articles of association
- d) forms I, VI, IX, X, and XII;
- e) proof of payment (i.e. receipt from the designated bank) for Treasury Stamps;
- f) encashment certificate (for nonresident subscribers); and
- g) tax identification number (for resident subscribers).

**Time Duration:** 1 day

**Estimated Associated Costs:** BDT 2925 registration fees + 1200 registration filing fees

#### **Step 04: Make a company seal**

**Time Duration:** 1 day

**Estimated Associated Costs:** BDT 40-50

#### **Step 05: Register with the tax authority:**

To commence business, every company must register itself with the appropriate taxation authority (Deputy Commission of Taxes of Company Circle, Zonal Taxation Department) under the National Board of Revenue (NBR) and procure a tax identification number for the new company.

**Time Duration:** 9 days

**Estimated Associated Costs:** No charge

#### **Step 06: Register for VAT**

For VAT purposes, companies may be registered separately with the Customs, Excise, and VAT Commission (under the NBR). The various VATs incurred while operating the business will be regulated by the area NBR Customs Department and VAT and Excise Department.

**Time Duration:** 5 days, simultaneously with step 5

**Associated Costs:** No charge

#### **Step 07: Obtain a trade license**

Companies may obtain a trade license from the City Corporation. The trade license application must be accompanied by the following documents:

- a) a certified copy of the company's articles and memorandum of association,
- b) a copy of the certificate of incorporation,
- c) the company's statement of bank solvency,
- d) the company's tax identification number certificate,
- e) a copy of the rent agreement for the company's office,
- f) three photographs (copies) and 7) particulars of the person in charge of the main corporate functions.

**Time Duration:** 6 days

**Associated Costs:** BDT 5000

## SECTION SEVEN

# Start Business

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## Mind Set for Business

*“How to start a new business in Bangladesh?”* is a common question for new entrepreneur who want to start a new company in Bangladesh and also foreign investor who are looking for invest in Bangladesh. Now Bangladesh Government keen to make better business opportunity for both local and foreign investor to invest in Bangladesh. The business environment of Bangladesh is very friendly. Anyone can invest here and make his dream true. I think you are also looking for a gradually follow up for opening a company in Bangladesh. Just I am now to tale you the way that **“The procedure of starting a new business in Bangladesh”**.

### Set your mind for business

At first you need to mental preparation to start a business. Psychological consideration is essential to stay ongoing a business mind. Moreover if you are completely new then you have to convert your mind to execute a business. A lot of task should be performed for this matter. Remember that your mind is the chief performer to execute a business

To start any business in Bangladesh you must register it for its legal entity. According to the nature of business as well as activities of business you will have done some works.

## Business in Bangladesh

### a) Sole proprietorship business in Bangladesh:

For sole proprietorship business you need a Trade License. Now question is how to collect a trade license in Bangladesh? You can collect Trade License from your business areas Union Parisad or Powrashava or City Corporation by paying required fees. Fees are depends on the activities of business. Trade License should renew every year. It is the essential part of any kind of business in Bangladesh as well as all over the world.

### b) Partnership firm/Business in Bangladesh:

After the sole proprietorship business, partnership business is the most popular business structure in Bangladesh. There are two types of partnership business one is registered partnership business is also known as Partnership Firm and other is non registered partnership business. Most of the partnership business is non-registered in Bangladesh. For partnership

business need partnership deed or agreement. For registered Partnership Firm must be register from RJSC (The Registrar of Joint Stock Companies and Firms) is the only authority issuing the registration certificate.

### **c) How to start a limited company in Bangladesh?**

To start a Privet Limited Company in Bangladesh it is mandatory to get registration from the Registrar of Joint Stock Companies and Firms (RJSC). The RJSC in Bangladesh is the sole authority to issuance such registration / incorporation certificate.

To register a Company in Bangladesh you should maintain step by step procedure. At first you need to select a name for the projected company and apply online to RJSC for **name clearance**. After getting the company name you should pay required fees by the scheduled authorized bank. Then you need to prepare Memorandum of Association (MOA) and Article of Association (AOA). MOA and AOA submit by online to RJSC. You also need to submit application form's hard copy by duly signed of all directors and pay required fees by schedule authorized bank.

After completing all above task RJSCF review the matter and issue registration / incorporation certificate.

### **d) How to start a branch/liaison office in Bangladesh?**

A foreign investor can start a liaison office, representative office or branch office in Bangladesh. For this foreign investor need approval from Board of Investment (BOI). They need to apply BOI with essential documents attested by the Bangladesh Embassy/High Commission of the country of origin or by the High Commission/ Embassy of the investor's country of origin or by the highest chamber of commerce of country of origin. After getting permission from BOI they need to apply Bangladesh Bank for set up a Branch or Liaison office. Getting approval from both Board of Investment and Bangladesh Bank they need apply to RJSC (The Registrar of Joint Stock Companies and Firms) for registration.

### **e) How to start a joint venture company in Bangladesh?**

Joint Venture company is a collaboration among Bangladeshi and foreign investors for invest a business. Such as 40% shares acquire Bangladeshi directors and rest 60% shares holdings foreign directors. This kinds of company needs Joint Venture agreement which describes foreign and local share holders terms and conditions to avoid future misunderstanding. For registration a Joint Venture Company Encashment Certificate is essential for foreign directors and the amount should be equal or more

then portion of his paid up capital. Permission of Board of Investment (BOI) essential for Joint Venture Company.

## **f) How to start a foreign Company in Bangladesh?**

A foreign investor can invest in Bangladesh as a 100% owner of a company. To start a foreign company in Bangladesh foreigner should be at first applies to Board of Investment (BOI). After getting approval from Board of Investment he/she also needs to apply Bangladesh Bank (BB) for approval to start a business in Bangladesh. After getting above approval investor should apply to RJSC for registration of a company. By the fulfillment of require task RJSC issue Incorporation certificate / Registration Certificate for a company.

## **g) Tasks you should complete to run a business activities in Bangladesh:**

Many other tasks should complete to run a business in Bangladesh according to the activities of the business weather it is sole proprietorship, partnership firm or limited company. If you start an import related business you need Import Registration Certificate (IRC) or if you start export business you need Export Registration Certificate (ERC). Both IRC and ERC need if you execute such a business which nature of activities are import various kinds of goods and also export various kinds of goods. Both IRC and ERC are issued by the Chief Controller of Import and Export (CCI&E) under the commerce ministry. To collect import and export registration certificate you should pay required fees for a financial year. Both certificates are need renew every year.

Now in Bangladesh VAT (Value Added Tax) Registration is essential part for most of the business. There is no fees require for VAT Registration in Bangladesh. VAT Registration Certificate should collect from selected area office.

After **Incorporating a Company in Bangladesh** you must need a TIN Certificate for the newly registered company, a Trade License for company name from respective business license providing authority and opening a bank account for the company name to executing financial activities.

According to the business activities you may need Bond License, Fire License, Environment License, BSTI certificate and many more.

Following department of Bangladesh playing a vital role by providing various needful business related suggestions and issuing essential documents to execute a business smoothly.

- Board of Investment (BOI)
- Bangladesh Bank (BB)
- RJSC (The Registrar of Joint Stock Companies and Firms)
- CCI&E (The Chief Controller of Import and Export)
- NBR (National Board of Revenue)

When you want to start a business you should keep in mind above matters and think several times about pros and cons for your proposed business. If you make a wrong decision in starting a new business you will get fall a severe trouble and it will be difficult come back.

## **10 Small Business Investment Opportunities in Bangladesh**

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### **1. Food Processing Company**

The food processing sector in Bangladesh is indeed a thriving industry simply because of the cheap labor and cheap raw materials that are available in the country. If you are an accredited investor and are looking for a place to establish a profitable company, then you should consider establishing a food processing company in Bangladesh because of all the positives you stand to gain.

### **2. Rice Farming**

If you are game with farming as an investor, then you may want to consider giving rice farming a shot! Bangladesh is one of the largest producers and exporter of rice globally and the market is still very much open for new investors. If you mean serious business, you should not only engage in rice farming, you should also be involved in rice processing, bagging and exportation as these are ways to generate more profit.

### **3. Textile and Garment Manufacturing**

No doubt Bangladesh is recognized globally as one of the leaders when it comes to the production of textile and garments. This is so because the country can boast of cheap and vibrant labor and also cheap raw materials. Some big – time textile manufacturing companies in developed countries have their textile and garment factory established in Bangladesh because of cost effectiveness. So, even if you don't intend to live in Bangladesh as an investor, you can consider establishing your own textile and manufacturing company there and you will be sure to continue to reap good returns on your investment.

### **4. Open a Micro – Finance Bank**

Bangladesh is the birth place of micro financing and if you choose to establish your own micro – finance bank, then rest assured that you would sure make profits, because the business concept is well understood and accepted by its citizens. If you intend establishing your own micro finance bank in Bangladesh, you would be required to have certain financial base and pay an amount before you can be granted a license operate.

### **5. Fruits Plantation**

Bangladesh is highly suitable for the cultivation of crops such as banana, mango, tropical fruits, and pineapple amongst others. If you establish your own fruits plantation, you would not only have to supply to the local markets but also to international markets. Bangladesh is one of the largest exporters of tropical fruits simply because it is cheaper compared to what you can get from other countries.

### **6. Seafood and Fish Business**

Another highly thriving business you can establish in Bangladesh is seafood and fish business. With a population of over 160 million people, you can be sure of loads of people patronizing you and if you choose to go into exportation, there will also be a large international market waiting for you.

### **7. Freight Forwarding Business**

Most of the goods produced in Bangladesh are exported to the rest of the world hence a very thriving Freight forwarding industry. All you would need to do to enter into this line of business is to register your company, obtain your operational license from the government, get a good location for your office and then market your services to companies that are into the production of goods.

### **8. Tea Production Company**

The soil composition and climatic condition in Bangladesh is highly suitable for the cultivation of tea. So, if you are thinking of a business to establish in Bangladesh, then you should consider starting your own tea production company. The good thing about this kind of business is that you might not only have the over 160 million people in Bangladesh as your target market, but also the rest of the world. It is a viable business and you won't have to struggle to market your tea to the global market especially if it is well packaged and branded.

### **9. Barbing Salon**

If you know how to give a good hair cut and you are looking for a business that requires low capital to start in Bangladesh, then you should consider establishing your own barbing salon. All you would need to get

started are; a shop, one or more clippers, a big wall mirror, a small power generator, supplies of powder, after shaves, amongst others. Once you rent a shop in any part of town in Bangladesh, you are sure to have loads of people trooping to your barbing salon even without advert.

### **10. Water Refill Station**

Good and portable water is a major requirement by many household and even offices in Bangladesh. If you are looking towards establishing your own business in Bangladesh, then you should consider starting a Water Refill Station. It is indeed a profitable venture.

These are some of the highly profitable and easy to start businesses in Bangladesh. It is important to point that one of the major challenges entrepreneurs face in Bangladesh is power; so if you intend establishing your own business in Bangladesh, then you should create a budget for power generating sets.

## **The Government Extended Cash Incentive to 14 Sectors to Encourage Exports**

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According to Bangladesh Bank, exporters were given Tk 34 billion in cash incentive in the just concluded 2014-15 FY.

The circular says incentives have reduced from 15 percent to 5 percent on bone powder, from 15 percent to 12.5 percent in case of leather goods, from 10 percent to 7.5 percent on finished jute products, and from 7.5 percent to 5 percent on jute yarn.

However, light engineering goods will be getting 15 percent incentive this FY against 10 percent in the last FY.

The rate remains unchanged at 3 percent for new products in apparel sector and for exports to new markets, excluding the United States, Canada and European Union.

Additional incentive on small and medium industries in the apparel sector has been cut to 4 percent from 5 percent.

Incentives remain unchanged at 15-20 percent for goods made of elephant grass, paddy straw and sugarcane straw, 20 percent for vegetables, fruits, processed agriculture goods, Halal meat and potato, 10 percent for potato flakes and 5 percent for ships.

‘Diversified’ jute goods have been included this year in the list of products for cash incentives.

The government will give 10 percent cash incentive to exporters of the products on condition that at least 75 percent of their raw-materials comprise jute.

Cash incentive for frozen shrimp and other fish will be determined this year, for the first time in the country, based on the ice cover.

Exports of frozen shrimp will get 10 percent incentive if ice cover is up to 20 percent. The rate will be 9 percent, 8 percent and 7 percent if the ice cover is 20-30 percent, 30-40 percent and above 40 percent respectively.

For other frozen fish, the new rates are 5 percent, 4 percent, 3 percent and 2 percent respectively.

Last year, a flat 10 percent incentive was given for frozen fish.



## SECTION EIGHT

# Management

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# Management

According to Harold Koontz, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

## Levels of management

The three levels of management are as follows

### 1. The Top Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows –

- Top management lays down the objectives and broad policies of the enterprise.
- It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- It prepares strategic plans & policies for the enterprise.
- It appoints the executive for middle level i.e. departmental managers. e. It controls & coordinates the activities of all the departments.
- It is also responsible for maintaining a contact with the outside world. g. It provides guidance and direction.
- The top management is also responsible towards the shareholders for the performance of the enterprise.

### 2. Middle Level Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as –

- They execute the plans of the organization in accordance with the policies and directives of the top management.

- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

### **3. Lower Level Management**

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include assigning of jobs and tasks to various workers.

- They guide and instruct workers for day to day activities.
- They are responsible for the quality as well as quantity of production.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- They help to solve the grievances of the workers. g. They supervise & guide the sub-ordinates.
- They are responsible for providing training to the workers.
- They arrange necessary materials, machines, tools etc for getting the things done.
- They prepare periodical reports about the performance of the workers. k. They ensure discipline in the enterprise.
- They motivate workers.
- They are the image builders of the enterprise because they are in direct contact with the workers.

# Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manager irrespective of his level or status.

Different experts have classified functions of management. According to George & Jerry, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”. According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ‘**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNELL i.e. **Planning, Organizing, Staffing, Directing and Controlling**. For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.

## Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

## Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business

involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

### **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer.

### **Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation

- Leadership
- Communication
  - i. **Supervision-** implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.
  - ii. **Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.
  - iii. **Leadership-** may be defined as a process by which manager guides and influences the work of subordinates in desired direction.
  - iv. **Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

### Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformity with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- Establishment of standard performance
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

### Roles of Manager

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows

#### Interpersonal Roles

The ones that, like the name suggests, involve people and other ceremo-

nial duties. It can be further classified as follows

- Leader – Responsible for staffing, training, and associated duties.
- Figurehead – The symbolic head of the organization.
- Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

### **Informational Roles**

Related to collecting, receiving, and disseminating information.

- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all import information received from outsiders to the members of the organization.
- Spokesperson – On the contrary to the above role, here the manager transmits the organization's plans, policies and actions to outsiders.

### **Decisional Roles**

Roles that revolve around making choices.

- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

## **Henry Fayol's 14 Principles of Management**

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The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.

3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.
6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.
8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.
10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.
11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.
12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.
13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

## Factors

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An organization's macro environment consists of nonspecific aspects in the organization's surroundings that have the potential to affect the organization's strategies. When compared to a firm's task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment.

The macro environment consists of forces that originate outside of an organization and generally cannot be altered by actions of the organization. In other words, a firm may be influenced by changes within this element of its environment, but cannot itself influence the environment. The curved lines in Figure 1 indicate the indirect influence of the environment on the organization.

Macro environment includes political, economic, social and technological factors. A firm considers these as part of its environmental scanning to better understand the threats and opportunities created by the variables and how strategic plans need to be adjusted so the firm can obtain and retain competitive advantage.

### Political factors

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:

- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

### Economic factors

Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the

macroeconomy:

- economic growth
- interest rates
- exchange rates
- inflation rate

## Social factors

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:

- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

## Technological factors

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include:

- R&D activity
- automation
- technology incentives
- rate of technological change

## Trends and Challenges of Management in Global Scenario

The management functions are planning and decision making, organizing, leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work for them; and they have to develop appropriate control mechanisms.

## **Planning and decision making in a global scenario**

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factors that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

## **Organizing in a global scenario**

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

## **Leading in a global scenario**

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds. Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

## **Controlling in a global scenario**

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play

a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not. Likewise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.

## Control

Control is the process through which managers assure that actual activities conform to planned activities. In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

### Nature & Purpose of Control

- Control is an essential function of management
- Control is an ongoing process
- Control is forward – working because past cannot be controlled
- Control involves measurement
- The essence of control is action
- Control is an integrated system

### Control process

The basic control process involves mainly these steps as given below

#### a) **The Establishment of Standards**

Because plans are the yardsticks against which controls must be revised, it follows logically that the first step in the control process would be to accomplish plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations.

Examples for the standards

- Profitability standards: In general, these standards indicate how much the company would like to make as profit over a given time period- that is, its return on investment.
- Market position standards: These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.

- Productivity standards: How much that various segments of the organization should produce is the focus of these standards.
- Product leadership standards: These indicate what must be done to attain such a position.
- Employee attitude standards: These standards indicate what types of attitudes the company managers should strive to indicate in the company's employees.
- Social responsibility standards: Such as making contribution to the society.
- Standards reflecting the relative balance between short and long range goals.

b) **Measurement of Performance**

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions. The degree of difficulty in measuring various types of organizational performance, of course, is determined primarily by the activity being measured. For example, it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

c) **Comparing Measured Performance to Stated Standards:**

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individuals working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

d) **Taking Corrective Actions**

After actual performance has been measured compared with established performance standards, the next step in the controlling process is to take corrective action, if necessary. Corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards. In other words, corrective action focuses on correcting organizational mistakes that hinder organizational performance.

Before taking any corrective action, however, managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable.

At first glance, it seems a fairly simple proposition that managers should take corrective action to eliminate problems - the factors within an organization that are barriers to organizational goal attainment. In practice, however, it is often difficult to pinpoint the problem causing some undesirable organizational effect.

## Barriers for controlling

There are many barriers, among the most important of them:

- Control activities can create an undesirable overemphasis on short-term production as opposed to long-term production.
- Control activities can increase employees' frustration with their jobs and thereby reduce morale. This reaction tends to occur primarily where management exerts too much control.
- Control activities can encourage the falsification of reports.
- Control activities can cause the perspectives of organization members to be too narrow for the good of the organization.
- Control activities can be perceived as the goals of the control process rather than the means by which corrective action is taken.

## Requirements for effective control

The requirements for effective control are

a) **Control should be tailored to plans and positions**

This means that, all control techniques and systems should reflect the plans they are designed to follow. This is because every plan and every kind and phase of an operation has its unique characteristics.

b) **Control must be tailored to individual managers and their responsibilities**

This means that controls must be tailored to the personality of individual managers. This because control systems and information are intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.

c) **Control should point up exceptions as critical points**

This is because by concentration on exceptions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required and should be given. However, it is not enough to look at exceptions, because some deviations from standards have little meaning and others have a great deal of significance.

d) **Control should be objective**

This is because when controls are subjective, a manager's personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

e) **Control should be flexible**

This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or oversight failures. Much flexibility in control can be provided by having alternative plans for various probable situations.

f) **Control should be economical**

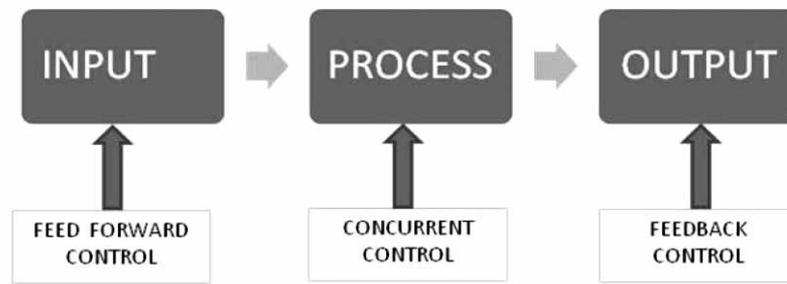
This means that control must worth their cost. Although this requirement is simple, its practice is often complex. This is because a manager may find it difficult to know what a particular system is worth, or to know what it costs.

g) **Control should lead to corrective actions**

This is because a control system will be of little benefit if it does not lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing, and leading.

## **Types of control systems**

The control systems can be classified into three types namely feed forward, concurrent and feedback control systems.



- a) **Feed forward controls:** They are preventive controls that try to anticipate problems and take corrective action before they occur. Example – a team leader checks the quality, completeness and reliability of their tools prior to going to the site.
- b) **Concurrent controls:** They (sometimes called screening controls) occur while an activity is taking place. Example – the team leader checks the quality or performance of his members while performing.
- c) **Feedback controls:** They measure activities that have already been completed. Thus corrections can take place after performance is over. Example – feedback from facilities engineers regarding the completed job.

### Budgetary control

**Definition:** Budgetary Control is defined as “the establishment of budgets, relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a base for its revision.

#### Salient features:

- a) **Objectives:** Determining the objectives to be achieved, over the budget period, and the policy(ies) that might be adopted for the achievement of these ends.
- b) **Activities:** Determining the variety of activities that should be undertaken for achievement of the objectives.
- c) **Plans:** Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period and its parts.
- d) **Performance Evaluation:** Laying out a system of comparison of actual performance by each

person section or department with the relevant budget and determination of causes for the discrepancies, if any.

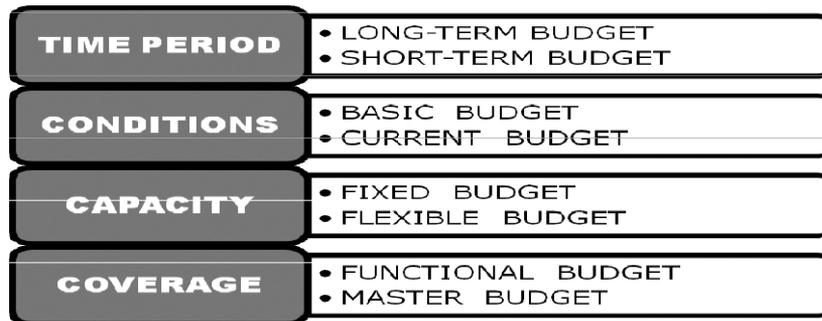
- e) **Control Action:** Ensuring that when the plans are not achieved, corrective actions are taken;

and when corrective actions are not possible, ensuring that the plans are revised and objective achieved

## Classification of Budgets

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Budgets may be classified on the following bases –



- a) **Based on time period**

- i. **Long Term Budget**

Budgets which are prepared for periods longer than a year are called Long Term Budgets. Such Budgets are helpful in business forecasting and forward planning. Eg: Capital Expenditure Budget and R&D Budget.

- ii. **Short Term Budget**

Budgets which are prepared for periods less than a year are known as Short Term Budgets. Such Budgets are prepared in cases where a specific action has to be immediately taken to bring any variation under control. Eg: Cash Budget.

- b) **Based on condition**

- i. **Basic Budget**

A Budget, which remains unaltered over a long period of time, is called Basic Budget.

- ii. **Current Budget**

A Budget, which is established for use over a short period of time and is related to the current conditions, is called Current Budget.

c) **Based on capacity**

i. **Fixed Budget**

It is a Budget designed to remain unchanged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.

ii. **Flexible Budget**

It is a Budget, which by recognizing the difference between fixed, semi variable and variable costs is designed to change in relation to level of activity attained. It consists of various budgets for different levels of activity

d) **Based on coverage**

i. **Functional Budget**

Budgets, which relate to the individual functions in an organization, are known as Functional Budgets, e.g. purchase Budget, Sales Budget, Production Budget, plant Utilization Budget and Cash Budget.

ii. **Master Budget**

It is a consolidated summary of the various functional budgets. It serves as the basis upon which budgeted Profit & Loss Account and forecasted Balance Sheet are built up.

## Budgetary control techniques

The various types of budgets are as follows

i. **Revenue and Expense Budgets**

The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

ii. **Time, Space, Material, and Product Budgets**

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended.

**iii. Capital Expenditure Budgets**

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise. Since a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should usually be tied in with fairly long-range planning.

**iv. Cash Budgets**

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash “experience” is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets.

**v. Variable Budget**

The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output.

Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts); and, by statistical studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output.

**vi. Zero Based Budget**

The idea behind this technique is to divide enterprise programs into “packages” composed of goals, activities, and needed resources and then to calculate costs for each package from the

ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

## Advantages of budgetary control

There are a number of advantages of budgetary control

- Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.
- Promotes coordination and communication.
- Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.
- Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
- Enables remedial action to be taken as variances emerge.
- Motivates employees by participating in the setting of budgets.
- Improves the allocation of scarce resources.
- Economises management time by using the management by exception principle.

## Problems in budgeting

- Whilst budgets may be an essential part of any marketing activity they do have a number of disadvantages, particularly in perception terms.
- Budgets can be seen as pressure devices imposed by management, thus resulting in:
  - a) bad labour relations
  - b) inaccurate record-keeping.

- Departmental conflict arises due to
  - a) Disputes over resource allocation
  - b) Departments blaming each other if targets are not attained.
- It is difficult to reconcile personal/individual and corporate goals.
- Waste may arise as managers adopt the view, “we had better spend it or we will lose it”.

This is often coupled with “empire building” in order to enhance the prestige of a department.

- Responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs.
- Managers may overestimate costs so that they will not be blamed in the future should they overspend.

## **Non-budgetary control techniques**

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are: statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

### **i. Statistical data**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

### **ii. Break- even point analysis**

An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

### **iii. Operational audit**

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

**iv. Personal observation**

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

**v. PERT**

The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

**vi. GANTT CHART**

A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

## Productivity

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Productivity refers to the ratio between the outputs from production processes to its input. Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized.

### Typical productivity calculations

Measures of size and resources may be combined in many different ways. The three common approaches to defining productivity based on the model of Figure 2 are referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery.

**a) Physical Productivity**

This is a ratio of the amount of product to the resources consumed (usually effort). Product may be measured in lines of code, classes, screens, or any other unit of product. Typically, effort is measured in terms of staff hours, days, or months. The physical size also may be used to estimate software performance factors (e.g., memory utilization as a function of lines of code).

b) **Functional Productivity**

This is a ratio of the amount of the functionality delivered to the resources consumed (usually effort). Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method). Typically, effort is measured in terms of staff hours, days, or months. Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

c) **Economic Productivity**

This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization. Economic productivity usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates, and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity. However, understanding economic productivity is essential to making good decisions about outsourcing and subcontracting. The basic calculation of economic productivity is as follows:

$$\text{Economic Productivity} = \text{Value/Cost}$$

## Cost Control

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Cost control is the measure taken by management to assure that the cost objectives set down in the planning stage are attained and to assure that all segments of the organization function in a manner consistent with its policies.

### Steps involved in designing process of cost control system

- **Establishing norms:** To exercise cost control it is essential to establish norms, targets or parameters which may serve as yardsticks to achieve the ultimate objective. These standards, norms or targets may be set on the basis of research, study or past actual.
- **Appraisal:** The actual results are compared with the set norms to ascertain the degree of utilization of men, machines and materials. The deviations are analyzed so as to arrive at the causes which are controllable and uncontrollable.

- **Corrective measures:** The variances are reviewed and remedial measures or revision of targets, norms, standards etc., as required are taken.

### Advantages of cost control

- Better utilization of resources
- To prepare for meeting a future competitive position.
- Reasonable price for the customers
- Firm standing in domestic and export markets.
- Improved methods of production and use of latest manufacturing techniques which have the effect of rising productivity and minimizing cost.
- By a continuous search for improvement creates proper climate for the increase efficiency.
- Improves the image of company for long-term benefits.
- Improve the rate of return on investment.

## Purchase Control

Purchase control is an element of material control. Material procurement is known as the purchase function. The functional responsibility of purchasing is that of the purchase manager or the purchaser. Purchasing is an important function of materials management because in purchase of materials, a substantial portion of the company's finance is committed which affects cash flow position of the company. Success of a business is to a large extent influenced by the efficiency of its purchase organization. The advantages derived from a good and adequate system of the purchase control are as follows:

- a) **Continuous availability of materials:** It ensures the continuous flow of materials. So production work may not be held up for want of materials. A manufacturer can complete schedule of production in time.
- b) **Purchasing of right quantity:** Purchase of right quantity of materials avoids locking up of working capital. It minimizes risk of surplus and obsolete stores. It means there should not be possibility of overstocking and under-stocking.
- c) **Purchasing of right quality:** Purchase of materials of proper quality and specification avoids waste of materials and loss in

production. Effective purchase control prevents wastes and losses of materials right from the purchase till their consumptions. It enables the management to reduce cost of production.

- d) **Economy in purchasing:** The purchasing of materials is a highly specialized function. By purchasing materials at reasonable prices, the efficient purchaser is able to make a valuable contribution to the success of a business.
- e) **Works as information centre:** It serves as a function centre on the materials knowledge relating to prices, sources of supply, specifications, mode of delivery, etc. By providing continuous information to the management it is possible to prepare planning for production.
- f) **Development of business relationship:** Purchasing of materials from the best market and from reliable suppliers develops business relationships. The result is that there may be smooth supply of materials in time and so it avoid disputes and financial losses.
- g) **Finding of alternative source of supply:** If a particular supplier fails to supply the materials in time, it is possible to develop alternate sources of supply. the effect of this is that the production work is not disturbed.
- h) **Fixing responsibilities:** Effective purchase control fix the responsibilities of operating units and individuals connected with the purchase, storage and handling of materials.

In short, the basic objective of the effective purchase control is to ensure continuity of supply of requisite quantity of material, to avoid held up of production and loss in production and at the same time reduces the ultimate cost of the finished products.

## Maintenance Control

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Maintenance department has to exercise effective cost control, to carry out the maintenance functions in a pre-specified budget, which is possible only through the following measures:

First line supervisors must be apprised of the cost information of the various materials so that the objective of the management can be met without extra expenditure on maintenance functions

A monthly review of the budget provisions and expenditures actually incurred in respect of each center/shop will provide guidelines to the departmental head to exercise better cost control.

The total expenditure to be incurred can be uniformly spread over the year for better budgetary control. However, the same may not be true in all cases particularly where overhauling of equipment has to be carried out due to unforeseen breakdowns. Some budgetary provisions must be set aside, to meet out unforeseen exigencies.

The controllable elements of cost such as manpower cost and material cost can be discussed with the concerned personnel, which may help in reducing the total cost of maintenance. Emphasis should be given to reduce the overhead expenditures, as other expenditures cannot be compromised.

It is observed through studies that the manpower cost is normally fixed, but the same way increase due to overtime cost. However, the material cost, which is the prime factor in maintenance cost, can be reduced by timely inspections designed, to detect failures. If the inspection is carried out as per schedule, the total failure of parts may be avoided, which otherwise would increase the maintenance cost. The proper handling of the equipment by the operators also reduces the frequency of repair and material requirements. Operators, who check their equipment regularly and use it within the operating limits, can help avoid many unwanted repairs. In the same way a good record of equipment failures/ maintenance would indicate the nature of failures, which can then be corrected even permanently.

## Quality Control

Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements

### **The steps involved in quality control process are**

1. Determine what parameter is to be controlled.
2. Establish its criticality and whether you need to control before, during or after results are produced.
3. Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.
4. Produce plans for control which specify the means by which the characteristics will be achieved and variation detected and removed.
5. Organize resources to implement the plans for quality control.
6. Install a sensor at an appropriate point in the process to sense variance from specification.
7. Collect and transmit data to a place for analysis.

8. Verify the results and diagnose the cause of variance.
9. Propose remedies and decide on the action needed to restore the status quo.
10. Take the agreed action and check that the variance has been corrected.

## **Advantages and disadvantages**

Advantages include better products and services ultimately establishing a good reputation for a company and higher revenue from having more satisfied customers.

Disadvantages include needing more man power/operations to maintain quality control and adding more time to the initial process.

## **Operational Planning**

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An **operational planning** is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year strategic plan would need five operational plans funded by five operating budgets.

Operational plans should establish the activities and budgets for each part of the organization for the next 1 – 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them.

An operational plan draws directly from agency and program strategic plans to describe agency and program missions and goals, program objectives, and program activities. Like a strategic plan, an operational plan addresses four questions:

- Where are we now?
- Where do we want to be?
- How do we get there?
- How do we measure our progress?

The OP is both the first and the last step in preparing an operating budget request. As the first step, the OP provides a plan for resource allocation; as the last step, the OP may be modified to reflect policy decisions or financial changes made during the budget development process. Oper-

ational plans should be prepared by the people who will be involved in implementation. There is often a need for significant cross-departmental dialogue as plans created by one part of the organization inevitably have implications for other parts.

Operational plans should contain:

- Clear objectives
- Activities to be delivered
- Quality standards
- Desired outcomes
- Staffing and resource requirements
- Implementation timetables
- A process for monitoring progress.

## KATALYST experience in quality control

### Char traders supply quality chilli to PRAN

Farmers unable to get a good price due to lack of market linkages and poor quality of produce is a key constraint faced in the chars, affecting income and well-being. As the agro-processing companies lack required human resources and clear incentive to source directly or invest in developing supply chain, M4C chose to build capacity of local traders who would act as agents of processing companies and source quality produce from farmers by improving their access to post-harvest information/ facilities.

#### 1. Context of the region

There are more than 1000 *chars* (riverine land formed due to soil deposition and erosion) in north and north-western Bangladesh formed by three major rivers Jamuna, Padma and Teesta where more than two million people live. Economic opportunities for the poor and vulnerable char dwellers who mainly depend on agriculture and livestock for their livelihoods are impeded due to geographical isolation, lack of access to basic services, weak markets and effects of climatic hazards such as floods. Therefore, Making Markets Work for the Jamuna, Padma and Teesta Chars (M4C) project aims to reduce poverty and vulnerability of char households in ten districts of northern Bangladesh by facilitating market systems that enhances opportunities for employment and income. M4C is a 5-year project, mandated by the Swiss Agency

for Development and Cooperation (SDC) and Ministry of Local Government, Rural Development and Cooperatives, and implemented by Swisscontact and Practical Action in collaboration with Rural Development Academy, Bogra.

M4C largely works in agricultural sectors such as maize, chilli, jute, rice, etc. where it has taken several interventions in partnership with related public and private partners since 2012. Chilli is one of the key cash crops grown in the chars but the char farmers/traders could never supply directly to agro-processing companies like PRAN due to poor quality which is a result of poor post-harvest practices, insufficient volume and absence of linkages. Char farmers were unaware of the quality desired by the processing companies and did not have access to post-harvest facilities or information on improved post-harvest practices (plucking, drying, sorting, packaging, storage, etc.) to ensure desired quality.

## 2. Overview of the Business Model and role of Swisscontact

M4C initially intended to address the above challenges by partnering and engaging national/ local agro-processing companies however they didn't show interest to directly purchase from the chars due to low and inconsistent volume, limited human resources and lack of clear incentives to develop capacity of farmers and traders. Hence in 2013, M4C identified 25 traders from the chars who were willing to establish linkage with processing companies, learn from them and educate char farmers to adopt required post-harvest practices to produce and supply good quality chilli. M4C facilitated an exposure visit cum training of the traders to PRAN factory and an existing supplier where they learned about how to do business with processing companies, their quality parameters and required post-harvest practices which they disseminated among farmers groups through training sessions.

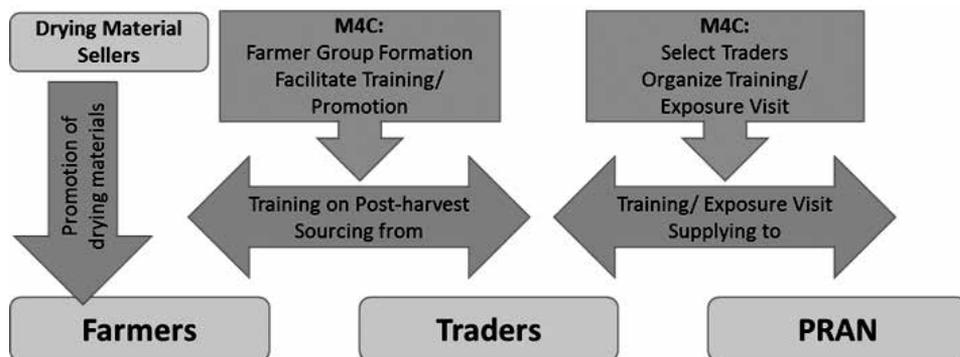


Figure 2: The Business Model and Role of M4C

M4C earlier facilitated formation of 300 farmers' groups in the chars, and supported traders to articulate the message through a pictorial flipchart, and by organizing farmers' training sessions. The traders conducted several trainings where mostly female HH members participated due to their active role in post-harvest processes. Simultaneously, M4C supported local drying material sellers to demonstrate use and benefits of low-cost drying materials (polythene, net, tarpaulin, etc). The trained farmers followed recommended post-harvest practices and were able to produce better quality chilli. Please refer to the figure above for details of the arrangement.

### 3. Overcoming challenges unique to the region

M4C had undertaken following initiatives to address three-pronged challenges, as explained below:

- Facilitated formation of producer groups to accumulate sufficient volume of chilli and establish functioning linkage with char traders
- Shared resources with the processing company to identify, train and equip the char traders to address resource constraint and lack of incentive of the processing company
- Facilitated access to post-harvest information through training of farmers and access to post-harvest facilities through promotion and distribution of low-cost drying materials



Figure 2: Char farmers using low-cost drying materials for drying chilli in the chars



Figure 3: Selim Hossain, chilli trader from Natuarpara, Kazipur, Sirajganj sending shipment to PRAN

### 4. Resulting benefits for the businesses and the poor

67 chilli traders sourced 1,300 MT of dry chilli from 11,600 char farmers in 2014-15 and supplied to different large local/ national

traders at a higher price. Selim Hossain, a trader from Natuarpara, Kazipur of Sirajganj supplied 24 MT of dry chilli to PRAN for the first time. Selim received BDT 15-20/Kg higher price than local market while farmers received BDT 5-10/Kg than in the past. The drying material sellers sold 13,500 yards of tarpaulin, 74 MT of net and 180 MT of polythene. The trained farmers who supplied 430 MT dry chilli to the traders earned BDT 4.30 Million incremental profit and created labor opportunities for hundreds of male and female labor on the chars.

#### 5. **Potential for other private companies**

Since the capability of the char farmers and traders and the model of sourcing from the farmers through char traders have proved to be working, other agro-processing companies can start to replicate this model for chilli as well as other crops like mustard, groundnut, maize, etc.

***Md. Kamruzzaman Titu, Business Manager, PRAN Agro Business Limited** – “A lot of chilli varieties contain heavy metals that we cannot purchase as we maintain very strict quality standards. However, the chilli that we sourced from the chars this year were free from this problem and have already been acclaimed by our quality control team. We look forward to continue sourcing chilli from the chars in upcoming years as the traders made our job easy.”*

## **Manpower Planning**

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Staffing involves filling the positions needed in the organization structure by appointing competent and qualified persons for the job.

The staffing process encompasses man power planning, recruitment, selection, and training.

#### a) **Manpower requirements**

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization.

The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

#### b) **Recruitment**

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. Job descriptions and job specifications are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates.

c) **Selection**

Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

d) **Training and Development**

Training and Development is a planned effort to facilitate employee learning of job-related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms "training" and "development"; "training" denotes efforts to increase employee skills on present jobs, while "development" refers to efforts oriented toward improvements relevant to future jobs. In practice, though, the distinction is often blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).

## Job Analysis

**Job Analysis** is the process of describing and recording aspects of jobs and specifying the skills and other requirements necessary to perform the job. The outputs of job analysis are

- a) Job description
- b) Job specification

### Job Description

A job description (JD) is a written statement of what the job holder does, how it is done, under what conditions it is done and why it is done. It describes what the job is all about, throwing light on job content, environment and conditions of employment. It is descriptive in nature and defines the purpose and scope of a job. The main purpose of writing a job description is to differentiate the job from other jobs and state its outer limits.

### Contents

A job description usually covers the following information:

**Job title:** Tells about the job title, code number and the department where it is done.

**Job summary:** A brief write-up about what the job is all about.

**Job activities:** A description of the tasks done, facilities used, extent of supervisory help, etc.

**Working conditions:** The physical environment of job in terms of heat, light, noise and other hazards.

**Social environment:** Size of work group and interpersonal interactions required to do the job.

### **Job Specification**

Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organization to find what kinds of persons are needed to take up specific jobs.

### **Contents**

A job specification usually covers the following information:

- Education
- Experience
- Skill, Knowledge, Abilities
- Work Orientation Factors
- Age

## **Training**

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Training is a process of learning a sequence of programmed behaviour. It improves the employee's performance on the current job and prepares them for an intended job.

### **Purpose of Training:**

1. To improve Productivity: Training leads to increased operational productivity and increased company profit.

2. To improve Quality: Better trained workers are less likely to make operational mistakes.
3. To improve Organizational Climate: Training leads to improved production and product quality which enhances financial incentives. This in turn increases the overall morale of the organization.
4. To increase Health and Safety: Proper training prevents industrial accidents.
5. Personal Growth: Training gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

### Steps in Training Process

1. Identifying Training needs: A training program is designed to assist in providing solutions for specific operational problems or to improve performance of a trainee.
  - Organizational determination and Analysis: Allocation of resources that relate to organizational goal.
  - Operational Analysis: Determination of a specific employee behaviour required for a particular task.
  - Man Analysis: Knowledge, attitude and skill one must possess for attainment of organizational objectives
2. Getting ready for the job: The trainer has to be prepared for the job. And also who needs to be trained - the newcomer or the existing employee or the supervisory staff.

Preparation of the learner:

- Putting the learner at ease
  - Stating the importance and ingredients of the job
  - Creating interest
  - Placing the learner as close to his normal working position
  - Familiarizing him with the equipment, materials and trade terms
3. Presentation of Operation and Knowledge: The trainer should clearly tell, show, illustrate and question in order to convey the new knowledge and operations. The trainee should be encouraged to ask questions in order to indicate that he really knows and understands the job.
  4. Performance Try out: The trainee is asked to go through the job several times. This gradually builds up his skill, speed and confidence.
  5. Follow-up: This evaluates the effectiveness of the entire training effort

## Training methods

Training methods can be broadly classified as on-the-job training and off-the-job training

### a) **On-the-job training**

On the job training occurs when workers pick up skills whilst working along side experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works. New workers may simply “**shadow**” or observe fellow employees to begin with and are often given instruction manuals or interactive training programmes to work through.

### b) **Off-the-job training**

This occurs when workers are **taken away from their place of work** to be trained. This may take place at training agency or local college, although many larger firms also have their own training centres. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations.

The various types of off-the-job training are

- i. Instructor presentation: The trainer orally presents new information to the trainees, usually through lecture. Instructor presentation may include classroom lecture, seminar, workshop, and the like.
- ii. Group discussion: The trainer leads the group of trainees in discussing a topic.
- iii. Demonstration: The trainer shows the correct steps for completing a task, or shows an example of a correctly completed task.
- iv. Assigned reading: The trainer gives the trainees reading assignments that provide new information.
- v. Exercise: The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.
- vi. Case study: The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.
- vii. Role play: Trainees act out a real-life situation in an instructional setting.
- viii. Field visit and study tour: Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.

## SECTION NINE

# Project Planning and Implementation

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# Performance Appraisal

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Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

## Objectives of performance appraisal

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.

## Process of performance appraisal

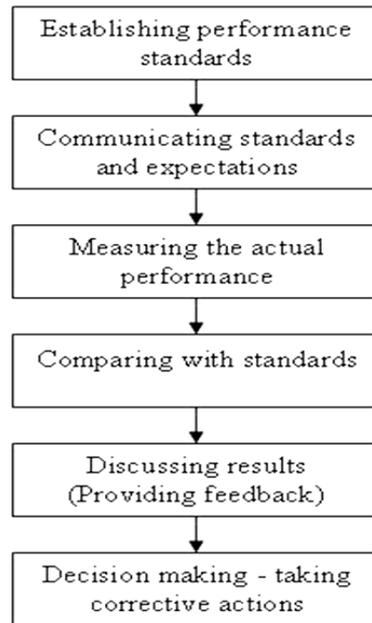


Figure 4: Community meetings

a) **Establishing performance standards**

The first step in the **process of performance appraisal** is the setting up of the standards which will be used as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms.

In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

a) **Communicating the standards**

After establishing the standards, it is the responsibility of the management to communicate the standards to all the employees of the organization.

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

**b) Measuring the actual performance**

The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

**c) Comparing the actual with the desired performance**

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

**d) Discussing results**

The **result of the appraisal** is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

**e) Decision making:**

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

## Creativity and Innovation

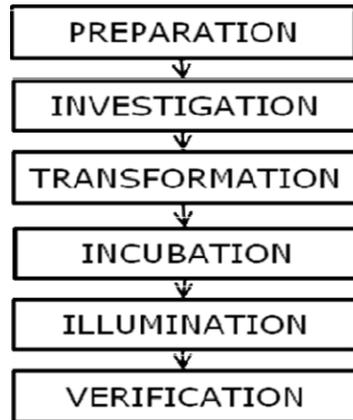
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Often used interchangeably, they should to be considered separate and distinct. Creativity can be described as problem identification and idea generation and innovation is considered as idea selection, development and commercialization.

Creativity is creation of new ideas and Innovation is implementation of the new ideas.

There cannot be innovation without creativity. There can be creativity without innovation but it has no value.

Steps involved in creativity



- a) **Preparation:** This is the first stage at which the base for creativity and innovation is defined; the mind is prepared for subsequent use in creative thinking. During preparation the individual is encouraged to appreciate the fact that every opportunity provides situations that can educate and experiences from which to learn.

The creativity aspect is kindled through a quest to become more knowledgeable. This can be done through reading about various topics and/or subjects and engaging in discussions with others. Taking part in brain storming sessions in various forums like professional and trade association seminars, and taking time to study other countries and cultures to identify viable opportunities is also part of preparation. Of importance is the need to cultivate a personal ability to listen and learn from others.

- b) **Investigation:** This stage of enhancing entrepreneurial creativity and innovation involves the business owner taking time to study the problem at hand and what its various components are.
- c) **Transformation:** The information thus accumulated and acquired should then be subjected to convergent and divergent thinking which will serve to highlight the inherent similarities and differences. Convergent thinking will help identify aspects that are similar and connected while divergent thinking will highlight the differences. This twin manner of thinking is of particular importance in realizing creativity and innovation for the following reasons:

- One will be able to skim the details and see what the bigger picture is the situation/problem's components can be reordered and in doing so new patterns can be identified.
  - It will help visualize a number of approaches that can be used to simultaneously tackle the problem and the opportunity.
  - One's decision-making abilities will be bettered such that the urge to make snap decisions will be resisted.
- d) **Incubation:** At this stage in the quest for creativity and innovation it is imperative that the subconscious reflect on the accumulated information, i.e. through incubation, and this can be improved or augmented when the entrepreneur:
- Engages in an activity completely unrelated to the problem/opportunity under scrutiny.
  - Takes time to daydream i.e. letting the mind roam beyond any restrictions self-imposed or otherwise.
  - Relax and play
  - Study the problem/opportunity in a wholly different environment
- e) **Illumination:** This happens during the incubation stage and will often be spontaneous. The realizations from the past stages combine at this instance to form a breakthrough.
- f) **Verification:** This is where the entrepreneur attempts to ascertain whether the creativity of thought and the action of innovation are truly effective as anticipated. It may involve activities like simulation, piloting, prototype building, test marketing, and various experiments. While the tendency to ignore this stage and plunge headlong with the breakthrough may be tempting, the transformation stage should ensure that the new idea is put to the test.

## KATALYST experience sharing in creativity and innovation

### Lalteer expands quality seed distribution to the chars

Supply chain actors often do not market quality seeds in the remotest places like in the char lands. The existing distribution challenges and incentive structure does not support marketing of these high quality seeds in low quantity (the quantity below critical mass) in these remote isolated chars. As a result the farmers in these areas do not get access to quality seeds and information on modern cultivation techniques which become

a frontier to their potential benefit from yield, optimum use of lands and quality of their produce. In a study it was found that quality seed alone can contribute to increase 15-20% yield of agricultural crops. Katalyst with its co-facilitator SEBA Lt. partnered with LalTeer Seed to aim at increasing awareness and availability of quality vegetable seeds to small farmers in the char areas.

### 1. **Context of the region**

With a range of 7,800qKm, char lands in Bangladesh is the home for somewhere in the range of 6.5 million individuals.

Poverty is more intense and determined in this a portion of the country. More than half of the char populace are practically landless and more than 90% of the populace live under the destitution line.

The customary mind set and poor access to finance are usually the significant hindrances for these families for undertaking commercial approach to produce high value market driven products. In addition, most of these growers do not have access to market information and to the knowledge of good farming practices. Provisions for services in char land are mostly absent due to poor transportation and difficult communications.

The socio-economic relationship in char is quite progressive and based on the need of the society. Women play a vital role in the agrarian economy of char lands. They perform household activities, work for homestead farming and extend their support in field farming activities. They enjoy autonomy in crop selection, control over revenue from sales of homestead produces, own livestock, poultry and other forms of assets, have freedom of speech, take part in election campaign and exercise voting rights.

### 2. **Overview of the Business Model and role of Katalyst - Swisscontact**

In 2010 Katalyst along with its co-facilitator AFE supported two renowned seed companies viz. LalTeer and AR Malik to launch quality vegetables in mini packet at affordable price. The responses were overpowering, the sales of small packs surpassed the objectives by numerous folds. From September 2010 to December 2012 LalTeer and AR Malik sold around 2 million small pack seeds with rough estimation of USD 363,000. Katalyst be that as it may, saw that the remote char dwellers remained barred from the current promoting channel that supplies these minipackets to the mainland smallholder farmers.

The objective is to reduce the poverty of char dwellers by increasing the agricultural productivity of the char lands. Katalyst intended achieving this goal by facilitating increased access

of homestead and smallholder farmers to quality seeds for selected crops as well as by promoting advance farming practices such as optimum use of the homestead area, intercropping and so on.

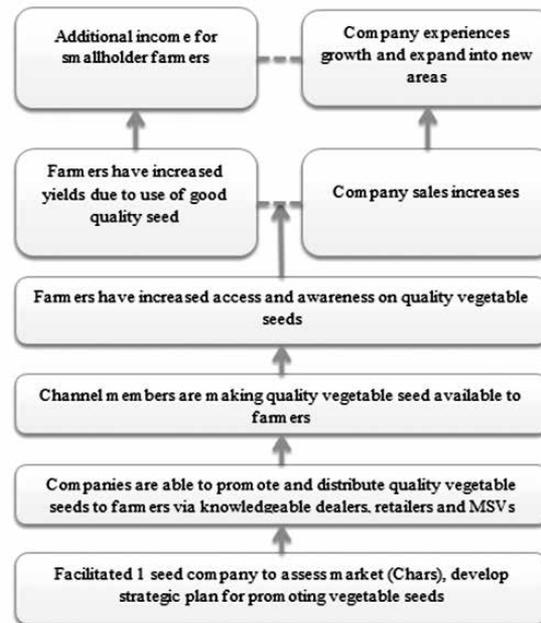


Figure 3: The Business Model

Based on the success of the mini-packet intervention of quality seeds, Katalyst planned to expand the use of mini-pack vegetable seeds in chars which can improve the situation significantly. Mini-pack is an innovative product especially, for homestead vegetable production. It has immense potential for enhancing productivity in the main lands as well as in the remote char lands. Promoting a market for mini pack seeds can bring substantial changes in yields of small scale homestead farming. And the progress in production will increase the demand which will be the added incentive the input companies have been looking for to enter into the char areas. Nonetheless, Katalyst was aware with the fact that; caution must be taken to consider mini-packs as an integral part of the sector as a whole; and not an isolated magic product. In fact popularizing mini packs in chars without proper market linkage for produces to sell might be a recipe to disaster. Similarly expansion in these areas needed a major focus in demonstrating usage for the homestead producers with distribution through the existing channels and as well as newer channels.

Being the pioneer of mini-packs and one of the major seed companies, LalTeer had the capacity to undertake this expansion to the remote char area and were interested in the intervention. KATALYST and co-facilitator SEBA ltd. led strategic planning sessions

with them to fully develop their concepts into workable business plans with cost projections. These strategic planning sessions resulted in fully developed interventions to address challenges faced by the company from within their distribution



systems and raise awareness among farmers regarding quality seeds. LalTeer started their operations in nine chars with a pilot in 2014-15 targeting the small commercial and homestead farmers. LalTeer prepared a comprehensive training module as it was important to provide effective and modern cultivation techniques



to the farmers. The module includes; information on quality seeds and cultivation technique of summer and winter vegetables, usage and benefits of using quality seeds, seed preservation techniques and so on. This module is used in every farmers training, retailer/MSV trainings and at times in the community meetings as well.

Since vegetable cultivation is not so prominent in the char areas, the demonstrations were particularly important. The demonstration plots were supervised and monitored by the field officers hired by LalTeer. Conducting community meetings on different stages of the cultivation process were another important activity piloted by LalTeer. During those meetings the demo farmers were motivated to deliver the message to target audience. According to the intervention plan vegetable trader/s participate in certain activities (e.g. farmers field day, training) in order to build linkage with

the market. With the facilitation of Katalyst and SEBA, LalTeer has developed pot-songs to promote vegetable cultivation in Char. This promotional activity has received massive popularity.



Figure 5: Pot-song at HajirHar

As mentioned earlier, through this intervention Katalyst envisioned to achieve that the private companies have the incentive for them to enter into these remote areas like chars with quality seeds. This business model provides with the opportunity to bring that change in the seed market. Katalyst supported this expansion by developing strategic model and sharing financial risk for promotional and capacity building activities.

### 3. **Overcoming challenges unique to the region**

Farmers in char are not familiar with the hybrid high yield varieties of seed. These seeds cannot be retained. Thus in many cases it has been seen that the farmers were trying to preserve the seed coming from the hybrid variety in order to save the costing of buying seed later. This is a common practice in char. After observing this concern, Katalyst and LalTeer both emphasized on this matter in all the promotional activities. As for saving to buy seed later, it is being mentioned to save some profit from the produce sold. Eventually this will provide the farmers with more profit.

Initially the portfolio of the vegetable to be promoted in char consist tomato. However, after the first round of demonstrations the variety of tomato was found unsuitable for the geographic context of char. Later this variety of tomato was replaced from the portfolio.

### 4. **Resulting benefits for the business and the poor**

Till June 2015, the company have made additional sales to around 10,000 farmers in a season from seven chars. The company is now planning to continue and expand in the char areas as the business viability is there. Nonetheless, tobacco and maize farming in chars are more prominent among the commercial farmers as markets already exist. Accordingly it would be beneficial for the company

to concentrate on promoting vegetable quality seed and cultivation technique initially focusing the homestead farmers. As most of the buyers of vegetable quality seeds are the homestead.



Figure 6: A beneficiary from Shunamgonj Char (Homestead Farmer)

The intervention aims to access a total of 60,734 vegetable farmers from 9 char of Barisal, Sirajganj and Rangpur district. Up to June 2015, 25 retailers have been trained under the intervention and a total number of 10,846 farmers have been accessed (calculated based on sales information thus the ration of access to usage is assumed to be 100%). The <sup>1</sup>Early Sign of Impact Assessment (ESIA) showed a 97% usage to benefit ratio. Thus by the end of the intervention a total of 58,911 farmers are expected to be benefited. The ESIA indicate an attributed average income increase per farmer is BDT 2377.

Due to the intervention, farmers at chars have become more aware about seed quality, seed bed preparation process, timely weeding, fertilizer use and adequate irrigation, etc. During the ESIA high satisfaction among quality seed users was also observed.

##### 5. **Potential for other private companies**

Supply of quality seeds through mini-packets has been highly appreciated by the home gardeners and the hassle for collecting quality seeds from the main land has been minimized. In the remote char areas the presence of any national level seed companies are extremely low, as they don't foresee the potential of this untapped market. However, now that LalTeer one of the leading national seed companies is entering into the market and making additional profit it is about time others will follow in and adapt to it. This trend has been observed multiple times in many of Katalyst's intervention. Moreover, there are companies like Metal,

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1 The ESIA followed a quasi-experimental or DID method for attribution (June,2015)

BRAC are now planning on expanding and strengthen their business in few of the chars as well.

## Leadership

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### Leadership

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

- Leaders act to help a group attain objectives through the maximum application of its capabilities.
- Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers.

### Importance of leadership

1. Aid to authority
2. Motive power to group efforts
3. Basis for co operation
4. Integration of Formal and Informal Organization.

### Leadership style

The leadership style we will discuss here are:

- a) Autocratic style
- b) Democratic Style
- c) Laissez Faire Style

#### a) Autocratic style

Manager retains as much power and decision-making authority as possible. The manager does not consult employees, nor are they allowed to give any input. Employees are expected to obey orders without receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments.

Autocratic leadership is a classical leadership style with the following characteristics:

- Manager seeks to make as many decisions as possible
- Manager seeks to have the most authority and control in decision making
- Manager seeks to retain responsibility rather than utilize complete delegation
- Consultation with other colleagues in minimal and decision making becomes a solitary process
- Managers are less concerned with investing their own leadership development, and prefer to simply work on the task at hand.

### **Advantages**

- Reduced stress due to increased control
- A more productive group ‘while the leader is watching’
- Improved logistics of operations
- Faster decision making

### **Disadvantages**

- Short-termistic approach to management.
- Manager perceived as having poor leadership skills
- Increased workload for the manager
- People dislike being ordered around
- Teams become dependent upon their leader

## **b) Democratic Style**

Democratic Leadership is the leadership style that promotes the sharing of responsibility, the exercise of delegation and continual consultation.

The style has the following characteristics:

- Manager seeks consultation on all major issues and decisions.
- Manager effectively delegate tasks to subordinates and give them full control and responsibility for those tasks.
- Manager welcomes feedback on the results of initiatives and the work environment.

- Manager encourages others to become leaders and be involved in leadership development.

### **Advantages**

- Positive work environment
- Successful initiatives
- Creative thinking
- Reduction of friction and office politics
- Reduced employee turnover

### **Disadvantages**

- Takes long time to take decisions
- Danger of pseudo participation
- Like the other styles, the democratic style is not always appropriate. It is most successful when used with highly skilled or experienced employees or when implementing operational changes or resolving individual or group problems.

### **c) Laissez-Faire Style**

This French phrase means “leave it be” and is used to describe a leader who leaves his/her colleagues to get on with their work. The style is largely a “hands off” view that tends to minimize the amount of direction and face time required.

### **Advantages**

- No work for the leader
- Frustration may force others into leadership roles
- Allows the visionary worker the opportunity to do what they want, free from interference
- Empowers the group

### **Disadvantages**

- It makes employees feel insecure at the unavailability of a manager.
- The manager cannot provide regular feedback to let employees know how well they are doing.
- Managers are unable to thank employees for their good work.

- The manager doesn't understand his or her responsibilities and is hoping the employees can cover for him or her.

## Project Planning

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It is part of project management, which relates to the use of schedules such as Gantt charts to plan and subsequently report progress within the project environment.

Initially, the project scope is defined and the appropriate methods for completing the project are determined. Following this step, the durations for the various tasks necessary to complete the work are listed and grouped into a work breakdown structure. The logical dependencies between tasks are defined using an activity network diagram that enables identification of the critical path. Float or slack time in the schedule can be calculated using project management software. Then the necessary resources can be estimated and costs for each activity can be allocated to each resource, giving the total project cost. At this stage, the project plan may be optimized to achieve the appropriate balance between resource usage and project duration to comply with the project objectives. Once established and agreed, the plan becomes what is known as the baseline. Progress will be measured against the baseline throughout the life of the project. Analyzing progress compared to the baseline is known as earned value management.

### **Project planning generally consists of**

- determining how to plan
- developing the scope statement
- selecting the planning team
- identifying deliverables and creating the work breakdown structure
- identifying the activities needed to complete those deliverables and networking the activities in their logical sequence
- estimating the resource requirements for the activities
- estimating time and cost for activities
- developing the schedule
- developing the budget
- risk planning
- gaining formal approval to begin work

## Steps involved in implementing a project

Let's look at the major steps associated with implementation. Note that many of these activities need to be completed ahead of time. You cannot start planning for implementation while you are actually implementing.

### Prepare the infrastructure

Many solutions are implemented into a production environment that is separate and distinct from where the solution was developed and tested. It is important that the characteristics of the production environment be accounted for. This strategy includes a review of hardware, software, communications, etc. In our example above, the potential desktop capacity problem would have been revealed if we had done an evaluation of the production (or real-world) environment. When you are ready for implementation, the production infrastructure needs to be in place.

### Coordinate with the organizations involved in implementation

This may be as simple as communicating to your client community. However, few solutions today can be implemented without involving a number of organizations. For IT solutions, there are usually one or more operations and infrastructure groups that need to be communicated to ahead of time. Many of these groups might actually have a role in getting the solution successfully deployed. Part of the implementation work is to coordinate the work of any other groups that have a role to play. In some cases, developers simply failed to plan ahead and make sure the infrastructure groups were prepared to support the implementation. As a result, the infrastructure groups were forced to drop everything to make the implementation a success.

### Implement training

Many solutions require users to attend training or more informal coaching sessions. This type of training could be completed in advance, but the further out the training is held, the less information will be retained when implementation rolls around. Training that takes place close to the time of implementation should be made part of the actual implementation plan.

### Install the production solution

This is the piece everyone remembers. Your solution needs to be moved from development to test. If the solution is brand new, this might be finished in a leisurely and thoughtful manner over a period of time. If this project involves a major change to a current solution, you may have a lot less flexibility in terms of when the new solution moves to production, since the solution might need to be brought down for a period of time. You

have to make sure all of your production components are implemented successfully, including new hardware, databases, and program code.

### **Convert the data**

Data conversion, changing data from one format to another, needs to take place once the infrastructure and the solution are implemented.

### **Perform final verification in production**

You should have prepared to test the production solution to ensure everything is working as you expect. This may involve a combination of development and client personnel. The first check is just to make sure everything is up and appears okay. The second check is to actually push data around in the solution, to make sure that the solution is operating as it should. Depending on the type of solution being implemented, this verification step could be extensive.

### **Implement new processes and procedures**

Many IT solutions require changes to be made to business processes as well. These changes should be implemented at the same time that the actual solution is deployed.

### **Monitor the solution**

Usually the project team will spend some period of time monitoring the implemented solution. If there are problems that come up immediately after implementation, the project team should address and fix them.

## **Scientific Method Involved in Designing Project**

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The exact number of steps to the scientific method depends on how you break up the steps, but here is an overview of the basics:

1. Make observations
2. Propose a hypothesis
3. Design and perform an experiment to test the hypothesis
4. Analyze your data to determine whether to accept or reject the hypothesis
5. If necessary, propose and test a new hypothesis

If you are having trouble designing an experiment or even getting an idea for a project, start with the first step of the scientific method: make observations.

### Scientific Method Step 1: Make Observations

A lot of people think that the scientific method starts with forming a hypothesis. The reason for this misconception may be because many observations are made informally. After all, when you are looking for a project idea, you think through all of the things you have experienced (observations you have made) and try to find one that would be suitable for an experiment. Although the informal variation of Step 1 works, you will have a richer source of ideas if you pick a subject and write down observations until a test-able idea comes up. For example, let's say you want to do an experiment, but you need an idea. Take what is around you and start writing down observations. Write down everything! Include colors, timing, sounds, temperatures, light levels... you get the idea.

### Scientific Method Step 2: Formulate a Hypothesis

A hypothesis is a statement that can be used to predict the outcome of future observations. The *null hypothesis*, or no-difference hypothesis, is a good type of hypothesis to test. This type of hypothesis assumes no difference between two states. Here is an example of a null hypothesis: 'the rate at which grass grows is not dependent on the amount of light it receives'. Even if I think that light affects the rate at which my grass grows (probably not as much as rain, but that's a different hypothesis), it is easier to disprove that light has no effect than to get into complicated details about 'how much light', or 'wavelength of light', etc. However, these details can become their own hypotheses (stated in null form) for further experimentation. It is easiest to test separate variables in separate experiments. In other words, don't test the effects of light and water at the same time until after you have tested each separately.

### Scientific Method Step 3: Design an Experiment

There are many different ways to test a single hypothesis. If I wanted to test the null hypothesis, 'the rate of grass growth is not dependent on quantity of light, I would have grass exposed to no light (a control group... identical in every way to the other experimental groups except for the variable being tested), and grass with light. I could complicate the experiment by having differing levels of light, different types of grasses, etc. Let me stress that the control group can only differ from any experimental groups with respect to the *one* variable. For example, in all fairness I could not compare grass in my yard in the shade and grass in the sun... there are other variables between the two groups besides light, such as moisture and probably pH of the soil. Keep your experiment simple.

### Scientific Method Step 4: Test the Hypothesis

In other words, perform an experiment! Your data might take the form

of numbers, yes/no, present/absent, or other observations. It is important to keep data that 'looks bad'. Many experiments have been sabotaged by researchers throwing out data that didn't agree with preconceptions. Keep all of the data! You can make notes if something exceptional occurred when a particular data point was taken. Also, it is a good idea to write down observations related to your experiment that aren't directly related to the hypothesis. These observations could include variables over which you have no control, such as humidity, temperature, vibrations, etc., or any noteworthy happenings.

### **Step 5: Accept or Reject the Hypothesis**

For many experiments, conclusions are formed based on informal analysis of the data. Simply asking, 'Does the data fit the hypothesis', is one way to accept or reject a hypothesis. However, it is better to apply a statistical analysis to data, to establish a degree of 'acceptance' or 'rejection'. Mathematics is also useful in assessing the effects of measurement errors and other uncertainties in an experiment.

### **Hypothesis Accepted? Things to Keep in Mind**

Accepting a hypothesis does not guarantee that it is the correct hypothesis! This only means that the results of your experiment support the hypothesis. It is still possible to duplicate the experiment and get different results next time. It is also possible to have a hypothesis that explains the observations, yet is the incorrect explanation. Remember, a hypothesis can be disproven, but never proven!

### **Hypothesis Rejected? Back to Step 2**

If the null hypothesis was rejected, that may be as far as your experiment needs to go. If any other hypothesis was rejected, then it is time to reconsider your explanation for your observations. At least you won't be starting from scratch... you have more observations and data than ever before!

## **Steps to Developing a Collaborative Project**

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### **Step One: Identify Project Concept**

Obviously you want to start by identifying the theme of the project and a reason for linking up. Try to come up with a Collaborative Project which uses the Internet for a compelling reason. Here are some hints to making your project successful:

1. Keep it simple, and I mean SIMPLE! You can always expand your project next year if it is successful.

2. The most successful projects are small in scope and seek to answer a very finite, answerable question (e.g., Will we find the same microscopic organisms in ponds around the world?).
3. Try to find something which will enrich an already existing part of your curriculum rather than inventing an entirely new activity.
4. The more aligned your project is with regular teaching objectives and national standards, the more success you will have in finding other teachers to participate.
5. Make sure that you share any data you collect and results from the project with all the participating teachers. If they don't feel like they are getting anything back from participating they will not join.
6. Preparation and implementation will be time consuming so make sure you have the time to put into the project before you start.
7. You should start the development of your project at least **3-4 months** before you want to implement it.

### **Step Two: Develop Project Concepts in EXTREME Detail**

Once you have selected the basic idea for your project you will need to plan out all of the details. The more details you plan, the better the project will be, so put some time into this part of the development process. Here are some hints for a successful project:

1. **DEFINITELY** read through the Global School Net Guidelines on How to Design a Successful Project. These are an excellent set of guidelines; stick to them closely.
2. Plan out all experiments, activities, procedures in as much detail as possible.
3. Assemble lists of materials, experiment procedures, project guidelines and other items which teachers would need to have in order to participate.
4. Create a list of requirements which participants will need to fulfill in order to join the project.
5. Create a detailed time line with **ALL** of the dates for the project. This should include when the project starts and ends and any special dates that will be important during the project (e.g. "Submit data by Dec. 30th, 1997").
6. Try to anticipate any problems which might come up during the run of the project. Thinking things through step-by-step as this stage can help make sure things run smoothly later on.

### **Step Three: Develop Web Site for Project (OPTIONAL)**

This is an optional step and depends on how much time you have to develop your project and web programming skills. If this is your first time running a Collaborative Project you might want to hold off on developing a web site since this will add a lot of time onto the development phase. Most Collaborative Projects can be run by just using email. Here are some helpful hints:

1. Take a big block of time to plan out exactly what you want to put onto your web site. Don't just start posting information; this will create a poorly organized site which is not useful to participants.
2. Don't waste time creating lots of background information such as explanations of why the sky is blue. Simply link to sites which already contain this information or refer participants to reference books. Trying to create your own mini-text book is very time consuming and generally a waste since this material already exists.
3. Make sure you always give out the **correct** URL or web site address for your site. If you send out email with the wrong web address in it very few people will be able to find your web site and thus your number of participants will be very low.

### **Step Four: Develop Call for Collaboration Email Message**

Once you have planned out all of the details of your project and possibly put together a web site, you are ready to reach out to other teachers and invite them to participate in your project. To do this you will need to develop what is called the Call for Collaboration Email Message, this is the invitation you will send out to other teachers. Here are some helpful hints:

1. Go to the Global School Net Guidelines on How to Design a Successful Project and read over the template they have created for a Call for Collaboration Email Message. If you follow this same template you will insure that you have included all of the information another teacher will need to decide if he or she should join your project or not.
2. Remember, you will be sending this message out to teachers in very different places around the world, all of whom work in different types of schools and environments, have different school calendars, and teach different subject matter. You need to be sensitive to this and make sure include as much detail as possible about such things as the dates for the project, materials they will need, how they will register and a summary of what their students will be doing.
3. You will want to start sending out your Call for Collaboration at least 6 weeks before the project starts up (see Step Five for more

details). This will give your message a chance to spread around and will increase the number of participants in your project. If you send this out too late there is a good chance no one will join your project.

4. After the initial posting of your Call for Collaboration Message, try posting it again 2-3 weeks later.

### **Step Five: Find Collaborative Project Partners**

Once you have put together your Call for Collaboration Email Message you will be ready to distribute that message to as many teachers around the world as you can. There are several ways of “posting” your Call for Collaboration Email Message on the Internet as well as finding email addresses of teachers to whom you can email your Call for Collaboration. Here are a few sites you can use:

Here are some helpful hints for finding project partners:

1. When emailing large numbers of teachers, use the Address Book or Nickname feature of your Email software. This will allow you automatically distribute your Call for Collaboration email message to many people without sending individual messages to each person.
2. Use the Copy and Paste feature of your computer to quickly copy and paste email addresses from web sites into your email software or interface.
3. Try to reach as many teachers as possible. The response rate to Calls for Collaboration is sometimes as small as 10%, so if you are counting on working with 10 schools you will need to distribute your message to at least 100.
4. Try to use words from the native language of the country when communicating with international partners.

### **Step Six: Implement Project and Evaluate**

Once you have sent out your Call for Collaboration Email Message, you will hopefully begin to have people register for the project. The last step will be to implement your project and evaluate what worked and what didn't so you can improve your project for next year. Here are some hints to keep in mind:

When someone first registers for your project, you should email that person back and confirm that they are able to meet the requirements to participate and are serious about joining. From time to time people will register for your project on the spur of the moment, then back out once the project starts. You want to weed these people out prior to the start of your project.

Keep track of what works and what does not work with the first run of the project. Collaborative projects are very new educational tools and there is no way you can develop a project of this nature and be 100% successful the first time you implement it. Take what you learn from the first attempt and apply it to the second run; this will vastly improve the success of the project the following year.



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