

Vol 6 Issue 11 August 2017

ISSN No : 2249-894X

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*Monthly Multidisciplinary  
Research Journal*

*Review Of  
Research Journal*

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## A REVIEW OF THE MANAGEMENT FUNCTIONS OF SMES



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### 2.2.1 PLANNING

Planning is the most important function of management. It forms the basis for all other managerial functions. Planning means deciding in advance what to do, how to do it, when to do it and who should do it. In the words of Koontz and O'Donnell, "Planning involves selecting enterprise objectives, departmental goals, and programmes and determining the ways of reaching them. Planning thus provides a rational approach",

Planning determines the course of action to achieve a particular result. Planning involves processes that are beyond thinking abilities of the managers. Planning today needs to be pro-active, no matter the scale of operations.

Planning is important to all types of firms, whether large, medium or small. Planning is involving a broad spectrum of activities that range from developing forecasts, setting objectives, deciding policies, formulating programmes, defining procedures, preparing schedules and creating budgets. Following are some of the types of plans:

#### a. Classification of Plans:

##### i. Sectional or Group Plan

Sectional or group planning is done for specific groups or sections within a given department or division. Such plans are prepared to achieve departmental goals. In the absence of departments in very small enterprises, such plans are not so popular in SMEs.

##### ii. Corporate Plan

It is a type of plan that lays down means of achieving corporate objectives. Such plans are responsible for designing strategies and policies for the entire organization. Such plans are rarely seen in SMEs.

##### iii. Long-range Plans

These plans are for a long period. They are prepared for a period of 5, 10 or 15 or more, SMEs seem to opt for informal long range planning. It is important to note that merely being informal does not mean that they are not determined to achieve their long-term objectives. They work hard towards such long-term plans. The only limitation that can be commonly observed that in some cases the limited ability and skills of the managers and due to lack of formal training and management education, the managers of SMEs show signs of being over-ambitious.

##### iv. Medium-term or Intermediate Plans

Such plans cover a period of more than one year but less than five years. They are more detailed and

specific as compared to long-range planning. Such plans are designed to implement strategic plans by coordinating the work of different departments. Again, such plans are mostly of informal nature in cases of SMEs.

#### **v. Short-term Operational Plans**

Such plans are prepared for a period up to one year. They are the most specific and detailed types of plans. The major purpose of operational plans is to make the most of day-to-day operations and to guarantee uniformity of action. Such kind of plans are very popular with SMEs. Yet there is an absence of use of scientific method or formal methods of making such plans.

#### **b. Types of Management Plans;**

##### **a) Multi-use or Standing Plans**

These plans are used repeatedly in situations of a similar nature. They are best suitable to solve recurring problems or problems that have a structured solution. They serve as complete guides to action. These plans help to save time and effort of the managers. Such plans involve and focus on delegation of authority, coordination and control. Objectives, policies, procedures, strategies and rules are some examples standing plans. Such plans were commonly found and implemented in SMEs.

##### **b) Single-use or ad hoc plans**

Such plans are formulated to meet exclusive, exceptional and non-repetitive situations. These are tailored to fit specific situations or problems. A single use plan gets used up and expires once the objectives are achieved. They are volatile in nature. Such plans are used in SMEs only in exceptional circumstances, mostly in cases of uncertainty.

A plan is the result of a process that is based on some kind of scientific principles. During the course of the study, when managers were interviewed and asked about whether they involve themselves in making scientific plans? The answer in most of the cases was "no". Planning is the process of determining, how the organization can get where it needs to go and what it will do to get there. Planning is not an end; it is a means to accomplish decided objectives. Planning delivers the basis for efficient organizing, staffing, directing and controlling. Without planning, there would be nothing left to organize and there would be no one to control.

Planning encompasses anticipating the future. As a matter of fact, as seen with small enterprises, intuition plays a major role where managers lack the ability to employ scientific methods for developing plans. For SMEs, it can be a very tricky thing to actually anticipate the future course of events. Forecasting is thus of paramount importance for SMEs. Forecasting is done with the objective of assessing the uncertain future and providing for it. It is also important to know that in case of SMEs where the scale of operations is very small and the number of products are not more than one or two, forecasting becomes less complicated. With some basic training in computer software packages like Microsoft Excel, managers of a given firm can easily learn the way simple forecasts are made.

Well-designed plans are indispensable to effective management. They help by giving guidelines to perform all the functions of management. Absence of well-defined goal and objectives are the common cause of failure.

It is necessary to define failure in a very different way when we talk about failure in business. Failure is a very subjective concept. For a particular firm, what means failure may mean success to the other. To explain further by quoting an example, let's say there is a firm which finds that survival in the current completion is difficult and it may have its primary objective set to survive. Whereas, some other firm, may set its objective to be growth even during the times of tough competition. Thus, even though the latter firm survives, it would mean that the firm has failed, as the basic and primary objective of the firm was to grow and not merely survive.

It is commonly said that "Failing to plan is planning to fail". Uncertainty and change are inevitable and planning can control them to particular extent. It is such an activity that helps an organization to reduce the element of surprise. It enables an organization to cope with uncertainty and changes that happen in the marketplace. It is something that helps an enterprise to predict future events and make due provision for them.

Planning renders the work more meaningful. It ensures that the activities are more orderly and happen as per schedules. Planning is looking forward and it enables an enterprise to stay in-tune with technological and other advancements.

In the case of SMEs, the first few years after establishment can be a tough especially, when we talk about survival. In the first few years, a SME owner/manager would be busy building up his network. He would be seen dedicating time to mastering the skills of production and business and understanding the intricacies so involved while performing the business. The role of the manager here is like beginner who is learning from the surroundings, making mistakes, small and big ones and learning quickly from them. The major focus is towards creating a rhythm, and maintain a more or less steady tempo. It can be a stressful activity especially when the managers are also concentrating on increasing their business.

Entrepreneurs expressed that they barely had enough revenue to cover their monthly expenses. Some said that they had to let go of their own wife's jewelry to keep everything under control. Several admitted that they were depressed in the beginning and that they suffered with palpable desperation or getting things into place. At times, potential clients can also get the hint about the desperation that a particular supplier is going through and that can be potentially dangerous- selling price wise.

Budgets take time, skill and effort Many SME Managers often end up testing their assumptions which may be right or wrong. There are several questions that trouble the minds of these managers such as what is a relaxed cash flow runway? (Cashflow runway is the amount of time until a new firm goes out of business, assuming the present income and expenses remain constant) Is it two months, five months or a year? For such managers, a business plan plays the role of a safety net

One may agree that the SMEs do not have access to the kind of expertise that is required to formulate scientific plans and budgets. That does not mean that the small and medium firms' management never makes any plans. They do plan and their plans decide the success and the failure of their firms.

### 2.2.2 ORGANISING

Organizing comprises an analysis of activities to be performed for achieving organizational objectives. Under this function of management, these activities are grouped into various divisions, departments, and sections. This is done so that tasks can be assigned to various individuals and people can be held responsible. As a matter of fact, organizing again, is important for all types of business.

It can be said that the intensity of its implementation differs with the firms that have smaller size of operations. For example, a college that has 2000 odd students with require a Principal, A Vice Principal, Head of Departments etc. On the contrary a small tuition class that has less than 50 students might not require such an organizational structure where one or two teachers own and manage such a kind of business. The example can be applied as an analogy to test the relevance of the organization function in SMEs and Large Scale Firms.

With the help of organization, appropriate authority can be delegated by managers to people who they think are worth it Work can be carried out more effectively with the help of organizing. Organizing, being a process, consists of the following elements:

#### a. Departmentation

It is creating and defining various departments, divisions and sections in order to perform various organizational activities. Departmentalization facilitates the creation of responsibility centers. A responsibility center can be defined as that part or unit/location of a firm for which a administrator has authority and responsibility. The company's organization chart is a logical source for determining responsibility centers. Departments are commonly set up as responsibility centers in any organization.

In only a few cases that were related to the SMEs, separate departments were set up meant for keeping the activities organized. Most of the firms that were small did not have a differentiation amongst departments. In Medium scale enterprises accounts departments are very common, and get special and different attention. In very small scale enterprises however, organization seems to be very informal in nature and merely existent

### **b. Linking Departments**

Various departments of the organization are linked together so that they operate in coordinated manner. Linking ensures harmony in the organization. Linking or departments is critical in case of large scale firms, where departments may be present on remote geographical locations. The importance of linking cannot be ruled out at all in case of SMEs. The observation was that linking does not require much of special effort as far as SMEs are concerned. This is because the operations are less complex and are at a much smaller scale.

### **c. Defining Authority and Responsibility**

When a particular activity or group of activities is assigned to an individual or a department, it becomes responsible for its performance. With respect to SMEs, authority and responsibility are more or less central in nature. In small scale enterprises, all the authority and responsibility seems to lie in the hands of the manager or owner.

### **2.2.3 STAFFING**

Staffing, a part of Human Resource Management, is a critical aspect that cannot be overlooked. It is an activity that is required for all kinds of businesses that are in their stages of development. Staffing is concerned with obtaining good people and using their abilities to achieve organizational objectives. Staffing identifies, assesses, places, evaluates and develops individuals at work. With respect to SMEs, Manpower decisions seem to be instant decisions. Very less SMEs seem to use the help of professionals for carrying out the function of staffing.

In SMEs or any other large firms, a well-designed HR policy helps in eradicating majority of the commonly found human resources related problems. Small and medium units seem to be more involved in tapping very less human resources through campus recruitment. Most of their taskforce is appointed on the basis of personal references given by existing workers, friends or relatives.

### **a. Manpower planning**

Manpower planning includes the approximation of how many qualified persons are essential to carry out the allocated activities, how many persons will be accessible, what, if anything, should be done to guarantee that employees supply and demand are balanced at a suitable point in the future.

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. Human Resource Planning enjoys a special treatment especially in case of manufacturing units, in the area of industrialization. Human Resource Planning is more of a systems approach. It is one of those programs that should be carried out in a well- set procedure. The procedure can be said to have the following aspects:

#### **Investigating the current manpower availability:**

With regards to SMEs, since the size and scale of operations is low, it is easy to quickly find out the number of people and kind of people who are currently working in the organization.

- **Making forecasts;**

SMEs seem to neglect manpower forecasting to a large extent. This may be the case as the number of people to be hired is not huge. At the larger scale, it is indeed a daunting task to hire people in huge numbers and thus, it can be said that manpower forecasting is absolutely inevitable for large firms.

- **Developing hire programmes:**

Not popular with SMEs, hire programs decide the success of the staffing department of large scale organization. They are usually followed by New Hire Orientation Programs where the newly hired employees are given an orientation about the work culture or the work philosophy of the organization.

### • Designing training routines:

Training programs that are neatly designed meet the requirements of both- the employees and the organization. Training programs motivate the employees and give them a sense of being developed. In SMEs, training is given mostly in the form of on the job training. In case of machines that have moving parts and are of a dangerous nature, prior training is given either by the managers or the experienced workers or supervisors of the organization.

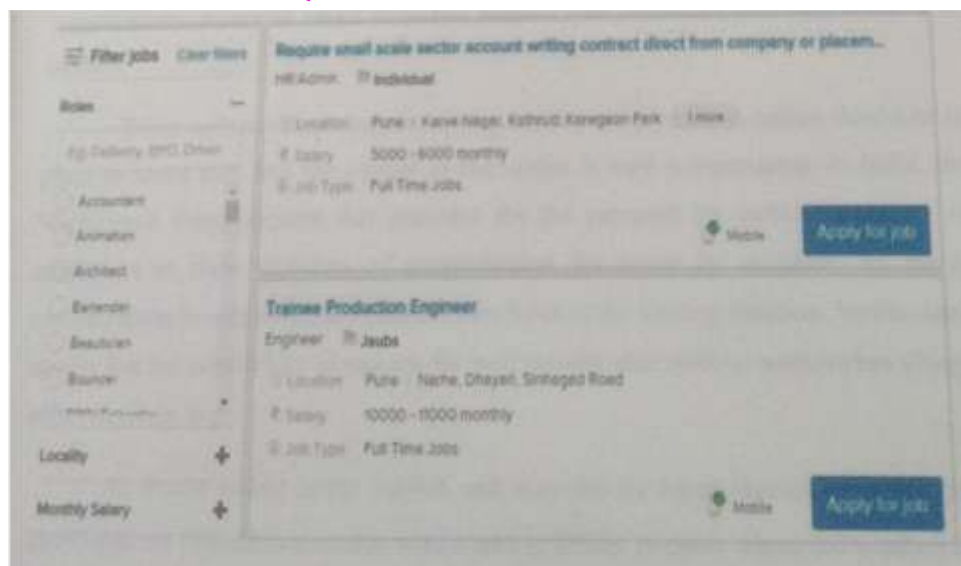
In case of SMEs, manpower planning is based on quick decisions. In most of the cases, the problem hiring of manpower is treated to be structural in nature and decisions of hiring manpower are taken instantaneously. Here again, very less or no professional help is taken. Considering the size of operations or SMEs, such decisions seem to be very easy to make for most of the managers.

### b. Recruitment

Recruitment process is concerned with the identification of possible sources of human resources supply and tapping those sources. Recruitment is a combination of procedures concerned with the identification of sources from where the workers can be hired and persuading them to offer themselves and their physical and mental abilities for employment. It is a form of competition in today's well developed industrial world. Companies compete to develop, manufacture, and capture market shares. Similarly, they also compete to recognize, appeal, and employ the most qualified people. Recruitment is a business and a growing profession too. There are firms that specialize and recruitment agencies.

SMEs seem to prefer recruitment agencies in some cases. Otherwise, to attract educated talent, SMEs also make the use of internet resources like Olx.in or Quikr.in. Online mediums help them to get quicker responses and hire people based on personal interviews. Online advertisements are one of the most cost effective methods for recruitment.

Fig. 2.2.3.  
Quikr.in based advertisements.



### TRAINING OF THE ENTREPRENEUR

Training is concerned with imparting and developing specific skills for a particular purpose. When we talk of training with respect to SMEs, it is the entrepreneurs who should be well trained in the first place.

In order to make sure that today's modern entrepreneurs are stimulated and well- equipped to start and enter into new projects, the Ministry has set up National Level Entrepreneurship Development Institutes. The National Institute for Micro, Small and Medium Enterprises (NI-MSME), which was formed in 1960 in New Delhi was later in 1962, shifted to Hyderabad. It was renamed as Small Industry Extension Training (SIET) after bring



shifted to Hyderabad. The institute was formed to undertake the task of entrepreneurship and skill development training programs on a regular basis. During the year 2015-16, SIET conducted a total of 1644 programmes for different target groups with 50,599 participants till end of January, 2016.

### c. Compensation & Remuneration

Compensation is paid to the employee in case of death of employee, physical injury, or mentally suffered, whereas Remuneration is paid to the employee for the work done to the organization. They both are equally important when it comes to staffing, especially in case of manufacturing organizations. In the case of manufacturing organizations, minor or major accidents happen with machines and men working in tandem.

When such accidents happen, a very healthy compensation policy should be in place to make sure that the worker or the victim is well compensated. In India, the Workmen's Compensation Act provides for the payment by particular classes of employers to their workmen of compensation for injury by accident. As far as compensation is concerned, it forms the very basis of the staffing function. Studies have shown that the probability of success for well remunerated staff or workers has always been relatively high.

As shown earlier in the exhibit, one may see the latest figures of the salaries (2016) that are offered to a worker who works in SMEs. In cases where the workers are required to work on dangerous machines with moving parts, or machines that pollute the air, it is essential that the remuneration bar should be raised. Salaries that range between 5000-11000 rupees, which seems to be the common payment given to small and medium scale employees seems to be too less given today's price trends and cost of living.

### d. Employee Integration

Integration in the real sense means creating a sense of belonging to the enterprise. Employees work very hard for the firm, but if they are not appropriately motivated to do their jobs, they lose the sense of belonging that they have for a firm. Discipline and labour relations are necessary factors of integration. As far as the SMEs are concerned, there seem to be cases of indiscipline that arise naturally due to the level of education of either the entrepreneur/manager or the employee.

### e. Employee safety management practices:

Employee safety is a management related process. It is concerned with reducing dangerous situations in workshops. It targets to control and minimize major or minor accidents that can happen in workshops. Workers work on machines which can be fatal if operated in a wrong way. Thus, safety training should be given to be employees before they actually start working on such machines that can cause them harm. Industrial safety is of paramount importance and should be seriously considered by the managers of all types of firms whether they are large or small scale enterprises.

With regards to SMEs, accidents that range from minor accidents to major accidents that can cause temporary or permanent disability are increasing. In addition to pain and loss to the workers or their family, accidents also disrupt the flow of work for organizations. Following are some of the various dimensions from which today's managers must look at industrial safety;

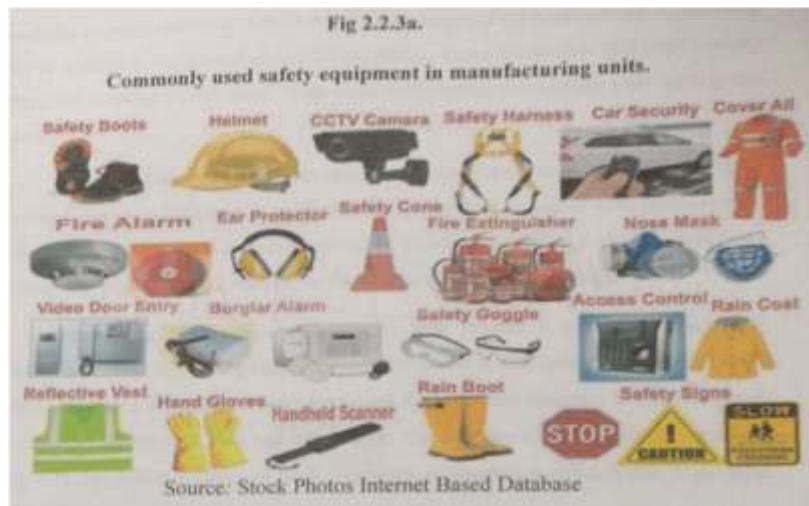
1. Treat the injuries and illnesses of workers
2. Perform fairly regular medical and health checkups of the existing employees.
3. Before a new employee is appointed, medical fitness certificate should be made mandatory.
4. Identification of the various hazards involved in the production processes currently carried out by the organization.
5. Providing proper safety equipment.
6. Making use of safety equipment mandatory for all the employees and anyone who supervises the production processes.
7. Educating the workers about safe practices and work ergonomics.
8. Training the workers for first aid, firefighting, CPR etc.



**Table 2.2.3a.**  
**Kind of safety equipment used in manufacturing facilities:**

Body part	Type of equipment
Hands/ Arms	Rubber gloves, special coated fabric gloves, leather gloves
Body	Special fabric shirts and trousers, jackets, aprons
Hearing and ears	Earmuffs and earplugs
Others	Gas mask, inhaling mask filter
Head	Helmets
Foot and leg	Safety shoes, gumboots, shin guards

With regards to SMEs, the safety management practices seem to be not properly implemented. In some organizations, it was found that though the managers provided the workers with safety equipment, it was not used by all the employees. The employees need to communicate with each other when they are working on machines. Managers complained that to avoid the noise of the machines, instead of using cotton plugs, the employees listen to radio or mp3 songs on their mobile phones. This also seems to affect the overall discipline in the premises. Mobile phones are seriously jeopardizing the safety of the employees in small scale and medium scale organizations.



**f. Maintenance**

Workers are not machines. They need to maintain their health- both physical and mental. As far as large scale industries are concerned, they find it easy to fund employee health programs. Unfortunately, the small scale and medium scale enterprises find it difficult to fund health programs for the employees.

As a matter of fact, majority of the SMEs seem to not provide the workers with health checkups. Maintenance involves provision of various facilities and services that are essential to preserve the physical and mental health of employees, so that they can work more efficiently for the organization. These include measures for health, safety, and comfort of employees. Safety measures have been separately discussed in this chapter.

**CONCLUSIONS:**

Administration control of little or medium undertakings is next to no formalized, for the most part being held in the monetary bookkeeping division, and serve the best possible organization of the organization.

Administration control process goes about as a money related and financial learning of the organization picture, while speaking to the organization's administration as a guide for work in advance and the future system

of the organization.

In the meantime, administration control shows up as a methods for study and activity to deal with the organization, which, in view of data acquired through observing can assess past activities and discover answers for recuperation, defeating mistakes or troublesome circumstances, to make adjustments, changes and alter techniques effectively created.

Administration control practiced inside the organization has a triple significance, while being an inner control, outer control and open control. Interior control administration answers the need of data of the best administration of the organization in regards to its commitments to investors. Open controls lie in avoidance, recognition and battle all demonstrations and deeds in the monetary field which have the impact of tax avoidance and misrepresentation. At the outside level, administration control gives data about the real circumstance of the organization as an instrument and a security factor in guaranteeing the assurance of the interests that rotate around the movement of the organization. In endeavors represented by a full straightforwardness, the administration control ought to be produced and consistently enhanced, on the grounds that lone in these conditions it can add to the combination of the organization in the market economy component and subsequently to development of its budgetary execution.

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