

LEARNING *to* SUCCEED

2ND EDITION

By

PHEROZE P. KHARAS



World Zarathushti Chamber of Commerce

FUELING THE FIRE OF ENTERPRENEURSHIP

BOOK – “LEARNING TO SUCCEED”

Review by R. Gopalakrishnan, Former Director TATA Sons,

Author and Corporate Advisor

These days there is great entrepreneurial energy in India. This is quite different from the situation when I was in my thirties. Currently, India counts as number 3 in the world for the number of start-ups. Who knows, it may well become number 1 in the decades ahead!

However, this transformation will not happen all by itself. Several young people should have a driving ambition to be entrepreneurs instead of job seekers; they must have the unquenched fire in their bellies to set up their own business. Equally, the Indian entrepreneurial ecosystem must be supportive and encouraging to help young folks receive guidance. Both must happen—there must be the young people’s spark, and there must be a nurturing of the spark by the experienced people. It is a myth to imagine that start-ups have nothing to learn from grown-ups, or that they are creatures of two different species.

If start-ups are one side of the coin representing new-generation business, then grown-ups are the other side of the same coin. The physical, psychological, and emotional connection between start-ups and grown-ups is important to the economy and to society. Start-ups and grown-ups are connected delicately, a bit like the delicate corpus callosum that connects the right and the left parts of the human brain.

Pheroze Kharas has written a practical and slim book on how to imagine, plan for and set up a new business. It is a step-by-step guide for emerging and aspiring entrepreneurs. Young people should take up the benefit of the lessons of experience that Pheroze Kharas has taken the trouble to write up. He is clearly hugely motivated—in their eighties, few experienced people would undertake such an onerous task as he has done.

Pheroze’s book will stay un-thumbed and smelling fresh if there is no spark of entrepreneurship among the young people. His book can be the fuel that can light up a forest fire of entrepreneurship, provided the spark is there.

Entrepreneurial readers must feel inspired by entrepreneurship—in the tradition of Dadabhai Naoroji, Jamsetji Tata, Ardeshir and Pirojsha Godrej.

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FOREWORD



A business may be defined as a process that converts knowledge into economic values. Knowledge is a key resource that differentiates a business; it is of prime value for the development of a business

A business needs to sustain growth and profits over time, by continually exploring opportunities which are identified and converted into what a customer believes to be of value or fulfills a hitherto unmet need. Most often this is through Innovation, which is about implementing a new practice, process or a change that represents a significant departure from current norms and is difficult to replicate.

The knowledge acquired in relation to a unique Idea or Opportunity, has to be systematically addressed in what is known as a Business Plan. Very briefly it provides answers to the following questions:

1. Does the product or service meet a well-defined customer need?
2. In what segment will the product or service be primarily sold?
3. In what way does the product or service provide more value to customers, than the existing products or service, with which it would compete?

4. Does the product or service have the capability be differentiated adequately from alternative products or service?
5. What investment will be required in developing and marketing the new product or service. The Business Plan also provides a forecast of Financial Results over a reasonable time-frame?

As we all know, the Promoter or Chief Executive Officer, cannot do the work required to run the business all by himself, be it in Sales, Production (or Service) or Finance. Therefore the Promoter or a Manager, with people reporting to him, gets Results through and with People – which is the science of Management.

Like any other science subject, the first step is to put existing knowledge into clearly defined and systematically arranged categories. The work of Management is grouped into four basic Functions and each Function has related activities. Hence the Promoter has to understand that he is a leader who enables people to work most effectively together, by a clean understanding and application of the concepts, principles and techniques of Management.

In my 18 years at Union Carbide India Ltd., we had to learn and implement a Management system that was developed by a consultancy firm of Louis A. Allen Associates, USA. This Management system was initially adopted by the parent Corporation and subsequently practiced worldwide. The work and on-going results expected from each Position in the Organization was defined (called CPA – Critical Performance Area), based on which the performance of the individual was evaluated each year.

The articles on the subject of Management that I have contributed to the Newsletter of the Mumbai Chapter of WZCC, is based on the knowledge and experience of having worked and performed with a very credible Management system in Union Carbide, followed by 35 years as an Entrepreneur – Promoter/Director, M.D. and Chairman of the Board of Ecoplast Limited; a career span of 55 years.

The Articles that comprise this book provide an introduction and a broad outline of the functions and Activities of Management. It is intended to spur interest on

the subject and motivate people to acquire more knowledge, in order to achieve a high level of Performance (work that leads to results) through and with people, in an organisation.

I hope that those reading this book will realise that it is WZCC that provides members with a platform for Learning, along with a Business Advisory Service, for start-ups or those wanting to succeed in their careers. As a member of WZCC for over eight years, I am fortunate that this Chamber of Commerce provides an opportunity to members to share their knowledge, insights, wisdom and experience, from which others can benefit.

Pheroze P. Kharas

ACKNOWLEDGEMENTS

Quite often, it is your children who inspire you to do something in life, that has potential value for others. My daughter Zarine, who is an entrepreneur (and a Committee Member of the Bangalor Chapter, of WZCC), has been persuading me, for over a year, to make a book, comprising of all the Articles that I have written for the WZCC Newsletter, since the year 2008.

She says, people will forget about the Articles you have contributed, nor be able to link the relationship between the Functions of Management, unless all the Articles are combined and serially arranged in a book.

She has also insisted that she will contribute towards the cost of printing the book. The book will be offered to Members, in return for a minor contribution, to WZCC. That way, WZCC will benefit, for providing opportunities to Members, to share knowledge and experience, of potential value, with other Members.

I thank my devoted Daughter Zarine, for her valuable suggestions and contributions.

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CHAPTER 1

ENTREPRENEURSHIP



Why should WZCC be so passionate on Entrepreneurship Development for the Community? The logical response to this question is something that all members need to know.

From what I have read, the world has become an Entrepreneur-friendly place like never before. There is no Government in the world today which says “We do not want Entrepreneurs”. Funding is becoming global and more importantly resources are following ideas. There is a surfeit of “angel funding, private equity and institutional funds (National Small Industries Corporation, Small Industries Development Bank; and many others) that are willing to provide funding to those with vision, ideas and commitment to build a successful enterprise.

Entrepreneurs create jobs. Jobs provide people with livelihood. Given a reliable source of livelihood, people feel emotionally secure. Hence, developing entrepreneurship has become a global priority.

Successful entrepreneurs create great wealth; not just for themselves but for others.

We know of the legacy the earlier generations of Parsi entrepreneurs in terms of housing, healthcare, education and facilities for the under privileged. Can our Community afford to remain apathetic to creating wealth through entrepreneurship? Entrepreneurship is a creative process and for those who are successful, it can create a great sense of accomplishment. Most innovations today come from entrepreneurs, because in large organizations innovation disrupts the established way of doing things.

We, at WZCC, can only hope that this message will spur greater interest amongst the younger generation for entrepreneurship.

The question often asked is: When is it a good time to become an entrepreneur; is it after graduation, after some years of work experience or at another stage in the career. There is no specific answer to this question. Very often the “call” has to come from within to become an entrepreneur.

Experience of having worked as a Manager in a large corporation is of great advantage to managing a business of your own. As you know, the job of a Manager is to optimize the yield from the resources he manages; he has also to redirect resources from areas of diminishing returns to areas capable of higher returns in the future. This is exactly what an entrepreneur will be required to do after establishing his business. A small business needs organized and systematic management even more than big business. Very often that “call” to which I referred earlier, comes at a time when the job can no longer provide the challenge to your creativity and ability to get results through and with people.

Our core group responsible for entrepreneurship development firmly believes that entrepreneurship is an equally important and viable option as a job or service in today’s context. This is because we have today a wide range of programs on Entrepreneurship conducted by leading institutions. In addition, there are specific funding institutions for start-up ventures and “risk-capital”. What this means is that the eco-system for entrepreneurship is much more favourable today than it was two decades ago.

A good example is that of the “National Entrepreneurship Network” (NEN) whose mission is to create and support entrepreneur’s as a catalyst to accelerate economic growth in a emerging economy like India. It’s co-founding institutions include IIT-Mumbai, IIT-Ahmedabad, BITS-Pillani, S.P. Jain Institute of Management & Research-Mumbai and Institute of Bioinformatics & Allied Biotechnology, Bangalore. The non-profit NEN was founded by Romesh Wadhani, Chairman of Symphony Technology Group (USA) under the aegis of the Wadhvani Foundation, which has committed US \$ 20 Million to Entrepreneurship Program. Ms. Laura Parikh, the CEO of NEN says that since 2009, hundreds of entrepreneur’s have been launched. This dramatic change over the past two years has been apparent in the seriousness with which the Institutes are treating their Entrepreneurship Programs; the result of which are coming in, in the form of more and more young people starting new ventures.

Designed to build public awareness and support for entrepreneurship “E-WEEK India” focuses on today’s biggest opportunity and encourages participants to reflect on their role as leaders and innovators in colleges across India. The theme for E WEEK 2010 was “*India-Opportunities Within*”. This included diverse issues like Hydro-Power, Hybrid Transportation; Microbial Nutrients, Conversion of Waste, Composting Kitchen Waste, Health Foods, Alternative Energy, Rural Innovation and Women Entrepreneurship.

Those who went through the NEN Program say that “*we realize that one doesn’t need to have a lot of money to start a business and that entrepreneurs are not born, but handcrafted*”.

A startling piece of statistics was revealed by Kauffman Foundation, USA namely: that start-up businesses are the “*Sole Engine*” of job creation in the US Economy today. Start-ups create an average of 3 million jobs a year while existing firms lose 1 million.

CHAPTER 2

THE EVOLUTION OF MANAGEMENT LEADERSHIP



A Leader's job is to provide direction and guidance so that the members of his group can work effectively together. This means that the leader has to engage himself in some physical and mostly mental effort. Hopefully, this write-up will help entrepreneurs to perceive their own characteristics on leadership and where they stand on the ladder of evolving leadership in managing their business.

When first assuming a leadership role, a person will tend to do the things that come naturally to him. He will use his knowledge, aptitude and personality characteristics, in his attempts to guide and direct the people he leads. A "natural" leader tends to put his personal interests above and those of the group as a whole. His outlook and orientation are "centric". Typically, he sees other members of the team as working for him, rather than with him. He tends to give more emphasis to his own rewards, whether these are financial or psychological. At this "natural" intuitive stage, the leader tends to get his greatest satisfaction from achieving results that are immediate and visible and for which he can claim credit.

The natural leader generally tends to act first, think later. He tends to build his

Organization around individual personalities. He selects key individuals and allocates important work to them. His primary concern is whether the individual has integrity and can do the work without raising questions or discussing the merits of the decision. The approach tends to be successful over the short term. Sooner or later the individuals accumulate diverse and unrelated responsibilities. As it happens most often the individual's successor will not have the experience necessary to perform all the varied or unrelated tasks. As a result each individual entering the group tends to trigger a re-organization.

The natural leader is primarily concerned with making others understand him. Generally, he tells others what he wants and how he wants it. He is not a good listener and makes little effort to understand the different view points of those with whom he works. As a result, the natural leader is insulated from the underlying feelings of his people and communication tends to degenerate.

The success of a natural leader tends to be limited to his own personal strengths and capacity. He does not know how to multiply his efforts most effectively through other people and therefore he has to depend largely on his own strength and ingenuity. Operating within a frame work of short term actions and results he has not learnt how to master the future. As a result, most often his organization begins to outgrow him. If his organization has to survive he has to undergo a transition to becoming a "*management leader*" who specializes in the work necessary to achieve desired results through and with other people. The Management leader accomplishes results by motivating others to do for themselves, rather than through what he can do for them. A management leader can be identified when he puts the needs and interest of his organization ahead of his own personal interests.

The Management leader knows the decision he should make and those that can better be made by others. He establishes the conditions that make delegation possible and consistently pushes authority down to the operating levels. This form of leadership allows people the opportunity to make most of the decisions that relate to their own work.

Instead of building jobs haphazardly around individual personalities the

management leader logically arranges and groups the work to be performed; he ensures that each person has challenging satisfying work to do and that the efforts of his people are directed towards predetermined results.

The Management leader sets out responsibilities so that others know what is expected of them and can decide for themselves whether or not they are obtaining the desired result. The Management leader then gets concerned only with those things that are not progressing according to plan. He can thus exert maximum control with minimum effort. More important, he gives others the tools they need to evaluate their work and correct their own mistakes.

It is indeed interesting to read what the management “guru” - Peter Drucker says about Leadership. Here’s an abstract from his book titled “*The Practice of Management*”:

“Leadership is of utmost importance. Indeed there is no substitute for it. Leadership cannot be created or promoted. It cannot be taught or learnt... Leadership is not about a magnetic personality, it is not about “making friends and influencing people” - that is Salesmanship. Leadership is the lifting of a man’s (your subordinates) vision to higher sights, the raising of a man’s performance, to a higher standard, the building of a mans personality, beyond its normal limitation. Nothing better prepares the ground for such leadership than a spirit of management that is confirmed by the day to day practices of the organization, strict principal of conduct and responsibility, high standard of performance and respect for the individual and his work”.

The leader seeking to develop professional competence in management must begin with a clear and orderly understanding of his tasks and responsibilities. The understanding is based on a systematic arrangement of the work of management into logical groups or categories. Management is about securing results through and with other people, therefore a Management Leader relies not so much on what he himself can do but in what he can get others to do for and with him.

“The mastery of Management is as complex and demanding , as the development of competence in any other professional discipline”. Louis Allen Associates

CHAPTER 3

MANAGEMENT - PLANNING



There is an oft quoted saying, which you have probably heard: “*If you don’t know where you are going, you will never be lost*”. Many small businesses revel in the comfort that they are not ‘LOST’, because they do not know where they are heading nor what opportunities or dangers lie ahead.

There are others who believe in planning, (at least verbally they say so when asked) but prefer to continue doing the routine things, rather than commit time to think about a plan. The more time we spend fighting fires, the less time we have to develop plans that prevent fires. If a business knows where it is going, it is much more likely to get there and more important those working with them will be much more effective and interested. When you plan, you are anticipating future opportunities, problems and obstacles; at the same time, you are making the most effective use of manpower, equipment, facilities and cash. More important, a plan enables you to define the growth and the goals in terms of profit and cash generation that a business is capable of achieving.

The work of management began to be studied during the early years of the two most

successful companies in the world then, Ford Motor Co. and General Motors. The thoughts on modern management were initiated by Alfred P. Sloan, Head of General Motors, in his book "My Years with General Motors". Since then, the subject of management has been widely explored and documented; one major and renowned contributor to management being Peter Drucker and his most widely read book titled "The Practice of Management" and "Managing for Results".

The first step in the advancement of any field is to put existing relevant knowledge into logical groups and clearly defined categories e.g. take Physics - divided into two broad categories : Classical and Modern. The knowledge, concepts and principles of Classical Physics is divided into five basic areas, which are - Mechanics, Heat, Sound, Electricity Magnetism and Light.

It was not until the 60s, that the management consultancy firm of Louis Allen Associates classified management work logically into four basic Functions namely, Planning, Organising, Leading and Control. Each management function was further divided into management activities. In this classification, the work of each Function and Activity is distinct and unique, yet there is a strong inter-relationship, to the extent that no one activity conducted in isolation can give results. e.g.

- The effectiveness of the planning system depends to a large extent on the Control exercised - the activities of Measuring, Evaluating and Correcting performance
- Objectives cannot be attained unless the right people are Selected, Motivated and Developed - part of the activities of Leading
- A CEO cannot Delegate unless the work of each position in an organization is logically arranged, the Performance required is specified and a criteria for measuring performance is defined.

PLANNING

One of the four function of Management is Planning, defined as "The work a Manager performs to predetermine a course of action". Planning involves work on the following associated activities -

Forecasting: The work of estimating and predicting future conditions and events. By forecasting a manager establishes the range of possibilities within which he can commit himself to achieve results or objectives.

Objectives: The primary result that the enterprise or manager is committed to achieve. The characteristic of a management objective is, that it is identified before action to accomplish it is undertaken.

Program: The work of establishing a sequence of action steps, arranged in a priority necessary to accomplish an objective. To carry out a program requires the utilization of resources namely, people, materials, facilities and cash.

Schedules: A management schedule is a time sequence to carry out the action steps in a program.

Budgets: The work a manager performs to allocate resources necessary to accomplish objectives within the Scheduled limits. A budget can be expressed in units of materials, facilities or man hours; however, most often these are converted to money, the common denominator.

Procedures: Establishing procedures is the work a manager does to develop a standardized way of performing specified tasks. Such procedures are common for plant operations, quality control, handling customer complaints, reporting formats and so on.

Policies: These are directives issued generally by top organization levels, for the guidance and direction of personnel in certain aspects of the business, where uniformity of action or behavior is essential e.g. in Corporate Governance, Quality, Safety, Relationship with suppliers and so on.

In all these where does the Vision and Mission Statement fit in for an organization. A Vision Statement is a perception of a unique characteristic (or a broad objective) to which the organization is committed, to sustain the growth of the enterprise over the long run. As an example, I quote the Vision statement for the Mumbai Chapter of WZCC, which is - *“Businessmen, Professionals, Managers in the Corporate Sector and budding Entrepreneurs from our community will aspire for or covet membership of the WZCC (I) - Mumbai Chapter.”*

A Mission statement is a set of commitments that best describes what the organization will do to ensure growth and profitability of the enterprise. It also states the commitment to stakeholders, the environment, the safety of personnel and company's assets, to the laws and regulations that apply to the business and preferably also to the society in which it operates. You may well ask about the purpose and value of these statements - Vision and Mission. The answer lies in the "*Principle of the Objective*", which is "*that organizational efficiency tends to increase as the work performed is directed towards a stated objective*". What this means is that there is no point in deciding what work should be done and what decisions should be made unless and until we have established what end results we are trying to accomplish. It also follows that when a manager assigns responsibility and authority, it should be directed towards clearly defined objectives.

The mastery of management is as complex and demanding as the development of competence in any other professional discipline. The acquisition of knowledge about management involves learning the concepts, principles and techniques of the discipline. An entrepreneur has to evolve into a professional manager if he and his business has to grow and continue to reward investors and stakeholders.

CHAPTER 4

MANAGEMENT - ORGANIZATION



Management is such a huge subject, with literally hundreds of books and articles, written over the years, that the reader may wonder what is gained by reading this Four Part series on Introduction to the Work of Management. In every organization, irrespective of its size or stature or longevity, deficiencies will appear year on year. Without a basic knowledge on the work of management, you may not even be aware of the deficiency; or if you are aware, you may not be able to relate it to one or more Functions or Activities of the work of management, which makes it difficult to analyse the problem and find a long term solution.

To illustrate the point I am making, try to figure out answers to such questions as:

- Is my organization good, bad or in different?
- Where has my planning process gone wrong, that my Company could not achieve what I thought was possible when the year began?
- Why am I continuously mediating on arguments between my employees, which affects the harmony and the joy of working in my organization?
- Why is there such an unmanageable turnover of people in my Company, when I pay them so well?

The first thing in attempting to answer these questions is to find a relationship of the problem with one or more Functions or Activities of the work of management. You may still not have a solution, but then at least you know where your knowledge is lacking, or whom you need to consult and before you do that, be able to establish the “apparent” and the “real” problem in your organization for which you need a solution. You can also identify a training program or lecture on a specific subject, to improve your knowledge which helps you to develop the right skills in management work.

Organising is the process a manager undertakes to determine how the work necessary to reach objectives can be arranged effectively, who should do the work, and how individuals can work together as an efficient team. In other words, “Organising is the work a manager performs to arrange and relate the work to be done so it can be performed effectively by people.”

The relevant questions a manager asks while forming an Organisation are:

- Have I grouped the related work into meaningful positions?
- Has the individual filling each position “understood and accepted” the work/responsibility of that position and the on-going results expected
- Have I created the conditions whereby people in different positions work harmoniously to achieve the objective of the Organisation

The three activities of management organization are:

- Development of an Organisation structure
- Delegation and
- Establishing Relationships

Let us look at each type of work

1. DEVELOPING AN ORGANISATION STRUCTURE

This is the work a manager does to identify and group the work to be performed, so that it can be accomplished most effectively by people working for and with him.

The objective behind the development of a sound organization structure is to get:

- the most important work done by the least number of people, at the least cost and with the greatest satisfaction to the people doing the work.
- to distinguish between primarily “operating” jobs that will be filled by people with skills in accounting, selling, manufacturing, quality assurance and so on and management jobs, filled by people with skills primarily in planning, organizing, leading and controlling.

The subject of Developing an Organization Structure is huge (this introduction is a scratch on the surface) and obviously gets more complex, the larger the organization.

An organization is best developed based on the long-term objectives of the company; in other words, what are you organizing for?

Key objectives, long-term programs and budgets will specify expected product or market end results, growth objectives and requirements for people over the long term. If clearly defined objectives are not available, these need to be developed, before organization work begins.

If an organization chart does not exist, it need to be prepared. In defining the existing organization, the key responsibilities for each position should be identified first and then reconciled with that of the accountable manager. In developing a model plan, you do not consider the people currently in the organization, because that will distort the structure to fit the strength and weaknesses of the current personnel. The better approach is to establish a model in the form of an ideal organization and to build or train people to fit these logical requirements.

2. DELEGATION

If a person does not know what he is supposed to do, he will do what he prefers to do. Very often this is the basic problem in an organization. If the Manager has to get help, work must be done by others (responsibility), decisions must be made (authority), and there must be an obligation to perform (accountability).

Hence, *“Delegation is the work a manager does to entrust responsibility and authority to others and create accountability for results.”*

The following points are important for effective delegation:

- The responsibility, authority and accountability of each person should be defined in writing. This helps clarify for you and the subordinate the work that is to be done, the decisions that are to be made and the results to be accomplished. It is always advisable to outline the limits of authority within which he can make decisions that are necessary.
- Never expect anyone to do the job exactly as you would do it. Do not be afraid to delegate, an occasional failure is part of the process of delegation
- When the subordinate’s ability to perform diminishes, the delegated authority and responsibility should be temporarily withdrawn, until the situation improves
- Before delegating make sure that you have a good planning structure and that objectives, programs and budgets guide the work of your subordinate and provide the yardstick against which performance can be measured
- Give credit freely to encourage progressive improvement in performance

3. ESTABLISHING RELATIONSHIPS

The Manager is dependent on others to accomplish his objectives. His performance depends on his ability to develop effective ways of working with others. Therefore, *“Establishing Relationships is the work a manager performs to create the conditions necessary for mutually cooperative efforts of others.”*

Line of Command:

Let us try and understand, what is called, a Line of Command. There is always a chain of command from the top of the organization to the lowest level concerned with the accomplishment of objectives. This means that each person at a higher level has command authority over those at lower level. If a company is organized to grow and be profitable through the manufacture and sale of plastic products, the manufacturing and sales departments are directly accountable for growth and profitability and therefore, have a “continuing line relationship” with respect to these objectives.

The three basic rules that can be of value to the Manager while exercising his command on relationship are:

1. The better the plans and controls, the less need for direct command
2. The better the understanding and acceptance of commands, the more effectively they will be carried out
3. The more closely the command can be related to the objectives of the person who will carry it out, the better the performance

Line & Staff Relationships:

Whenever two or more people work together, there is always the question of who is accountable for what; who is expected to do what work and who is expected to make what decisions. At the very least, each is accountable for the quality of the mental and physical effort, he puts forth. Let us examine the interface between an accountant and a salesman, who is trying to prepare his budget.

Salesman's Accountability:

- Requesting required information
- Proper use of data in preparing the budget
- Complete budget recommendation
- Explains variances

Accountant's Accountability:

- Advising what is available
- Providing complete and accurate figures
- Reviewing salesman's budget for accuracy
- Informing salesman and sales manager in that order if the budget is not accurate
- Reviewing variances to the salesman and sales manager, in that order

The major problem of organization improvement lies not in the design but in the people involved. The best way is to provide for the participation of the people affected by the organization changes to be made. The more opportunity people have to contribute their ideas, the more strongly they will support the organization changes. The rule is: give as much information as possible about organization changes, to the people involved and as soon as possible.

CHAPTER 5

MANAGEMENT - LEADING



The Manager's success depends on his ability to direct the efforts of others in attaining objectives. This means that the Manager's effectiveness depends on:

- The people he selects for the job
- How he develops their capabilities
- His ability to communicate with them, and
- Motivating them to execute his decisions

“The Management Function of Leading is, therefore, defined as the work a Manager performs to direct and guide people in using their best abilities to attain objectives.”

At one time, leading was largely recognized as the exercise of power, of giving orders and maintaining control but this concept is now outmoded. Studies have shown that people put forth their best efforts only if their work results in satisfaction of their own needs and provides the opportunity to make the most of their ability. People will work best because they want to, not because they have to. People often find their greatest source of satisfaction in the work they do. Therefore, the job of a Manager is

to create the conditions that help people find satisfaction in their work.

The Management Function of Leading comprises of the following five activities, briefly defined as follows:

- “Management Decision Making: The work a Manager performs to arrive at conclusions and judgements”
- “Management Communication: The work a Manager performs to create understanding”
- “Selection of Personnel : The work a Manager performs in selecting people for positions in the organization”
- “Motivation of Personnel: The work a Manager performs to inspire and encourage people to take required action”
- “Development and Performance Counseling: The work a Manager performs to help people improve their knowledge, attitude and skills”

MANAGEMENT DECISION MAKING

A Manager’s effectiveness largely depends on the quality of his decisions. The management work of Planning, Organizing, Leading and Controlling is based on decisions followed by appropriate action. Decision making is the work of a Manager to arrive at conclusions and judgments.

There are two basic types of decisions:

- Spontaneous decisions
- Reasoned decisions

A spontaneous decision is often a hunch - an intuitive reaction based on past memories. Often we decide in terms of a precedent, because it requires the least effort. Yesterday’s decision may seem to be appropriate because it is familiar and was successful. A Manager should be aware of the fact that situations are rarely identical, that things tend to change with time; that a spontaneous decision has an element of uncertainty and the chances of resolving a problem successfully get diminished.

Reasoned decisions are based on a systematic study and logical analysis of the problem. You start by asking the right questions to gather the facts:-

- what happened
- how did it happen
- who is directly and indirectly involved
- when did it happen
- in what sequence
- why did it happen

Discovering “why” the problem occurred will often provide the best clue, to what the problem really is.

It is important to rely mainly on first hand evidence. For example, if your customer has a complaint on your product, don't rely only on what the Purchase Department people tell you: go to the operating level and quality control people, to establish the facts. It is well to remember that individuals involved in any problem, may have a tendency to either exaggerate or suppress facts, based on their personality, preferences and personal ambitions.

Bringing people together for a short group session, will have a synergistic effect; their combined thinking may result in a clearer recognition of the real problem.

When confronted with a problem, most often the ‘cause’ of the problem will immediately come to mind. Don't be tempted to take a spontaneous decision; discipline your mind by saying that this ‘cause’ is the Apparent Problem, the Real Problem may be something else.

Having identified the real problem, we now need to take a decision and put the decision into effect. Managers often lose much of the effectiveness of a decision by walking away from it, without determining a step-by-step course of action to resolve the problem.

Once the real problem is identified what is the applicable logic that allows you to make a right decision? One approach is to look at the problem as an obstacle that

stood in the way of your reaching an objective. Therefore, first think about what is your objective in resolving this problem and what would you like to achieve after the problem is solved. Taking this logic further, you can ask: what will be the acceptable evidence to show that you have achieved the desired result or objective.

Decisiveness is important in decision making. The longer you put off a decision that should have been done now, the more tension you build up. And the more tense you are, the more difficult it is to switch to the relaxed, analytical frame of mind necessary for good decision making.

CHAPTER 6

MANAGEMENT - COMMUNICATION



One of the most important and complex responsibility of a manager is Communication - *“The work a Manager performs to create understanding”*. The effectiveness of a Manager, to a large extent, depends on his skill in communication:

- How plans are implemented
- How work is to be organized
- How people will be motivated
- How performance will be appraised and counseling for improvement will depend on how he conveys the meaning behind these essential aspects of management and in turn understands what others are trying to convey to him.

The ability to listen is a basic personal skill that must be developed by a manager. Communication also involves understanding what others are trying to convey to us, by listening with our mouth shut.

Management Communication in an organization is a four-way process:

- We must first inform ourselves, organize our thoughts logically and sequentially in a way others can understand

- We must keep our subordinates constantly informed about matters that concern them
- Our superior must be told about problems, developments and activities that relate to his responsibilities
- If there is information that relates to the responsibilities of those at our own level, this needs to be conveyed to them promptly.

The three basic Principles of Communication that are often quoted in management books are :

- **Line loss:**

- The more people through whom information passes, the more the meaning tends to be diffused, distorted or lost. Hence, the most effective communication is person-to-person and face-to-face.

The Principle: "The effectiveness of communication tends to vary inversely with its extension".

- **Emotional Appeal:**

- People tend to listen, understand us better if the communication is in some way related to their personal interest, their desire for advancement, their job or their family.

The Principle: "Appeals to emotion tend to be communicated more readily than appeals to reason".

- **Application:**

- If we hear something and understand it, it tends to be transitory in our mind, unless we do something about using it. Once the information or thought is applied, we become part owners of the idea.

The Principle: "The more a communication is used and applied, the better it will be understood and remembered".

Key points in effective communication:

- To make management or committee meetings more effective, we need to think through what we want to say, why we want to say and how we can best get it across before we begin asking or telling.
- The Rule of Four is useful when addressing a group
 - Before you start the main subject of your talk, tell your listeners what you are going to say
 - Say what you have to say
 - Tell them what you said
 - Get them to tell you what they understood
- If people agree with us, they will probably understand us. It is much easier to secure understanding if we begin with a statement of fact and not with our conclusions with regard to the facts. Facts are more easily understood than the value judgments we place upon them.
- Use simple concrete words because abstract words are more difficult to understand
- Don't pour out an idea in one large mass of information; this is often mentally indigestible. Breakup the idea into segments, communicate in short simple sentences. Interjection with questions to get feedback is helpful
- When you want to get through to a person, it will help to seek answers to :
 - What does he believe in
 - What concerns him away from his job
 - What is his background and training
 - What attitudes does he havewhich will enable one to strike a responsive chord and gain his attention more easily.

Every time we want to work with or through others, we must establish the “bridge of meaning”, which is communication. What we know of others, and how we appear to them, depends in large measure upon the facts, impressions and feelings we communicate.

CHAPTER 7

MANAGEMENT - MOTIVATION OF PERSONNEL



Motivation of personnel is the third component under the Management function of Leading. For centuries, fear and coercion were considered to be prime motivators. As time passed, it became obvious that this approach had a crippling disadvantage.

Fredrick Taylor was a pioneer in systematic “work study” approach, to improve performance & efficiency on the shop floor. Soon enough the limits of improvements, through “work study” alone were reached. That is when a sociologist Elton Mayo started studying what it is that stimulates people to improve work efficiency and productivity. Mayo also studied on what inspires people to work and laid the foundation for “Motivation” as a management subject.

The professional manager must be skilled in getting people to work because they want to and not because they have to. In the work they do, people can find one of their greatest sources of satisfaction.

A manager gets his results through people in his organization. No matter how good

his plans, organization and controls, if people cannot undertake their tasks with interest and enthusiasm, a manager will not be able to accomplish the results to its full potential. Hence, it is very important for a manager to create the conditions that will help people find satisfaction in their work.

Motivation is defined as:- *“The work a manager performs to inspire, encourage and impel people to take required action”*.

What is that mainspring that governs our motivation on the job ? It is most likely the desire to feel important and to be recognized as a worthy individual. The younger generation looks for attention, praise and material rewards. Others, perhaps older and mature, get this feeling of importance and recognition from their ability to give it to others; the opportunity to contribute of what we have and of ourselves. (That possibly explains why we retired seniors, derive great satisfaction from being associated with WZCC). Therefore, the task of a manager is to understand what gives his people the feeling of recognition and importance that becomes the mainspring that drives achievement.

The following Principles are quoted in management texts as effective ways of helping ourselves and others to gain greater satisfaction and rewards from the work we do.

PRINCIPLE OF PARTICIPATION

“Motivation to accomplish results tends to increase as people are given an opportunity to participate in decisions affecting those results”.

The important points in putting this principle to practice are:

- Give people a feeling of ownership in the work. To the extent people have a part in making decisions, these decisions become their own.
- The manager however, must reserve the right to make the final decision. He must make this understood or he will be in danger of losing one of the key prerogatives.
- Every suggestion offered merits either answer or action. An idea or suggestion which cannot be used needs to be explained, to create understanding. Once a decision is made, people should be given as much freedom as possible in deciding how they will put it into effect in their unit.

- People should not be asked to participate, if their suggestions cannot be used or if we are not willing to tell them why their ideas are not acceptable.

PRINCIPLE OF COMMUNICATION

The more a person knows about the matter, the more interest and concern he will develop. When a manager makes an obvious effort to keep his people informed, he is telling them “I think you are important; I want to be sure you know what is going on”.

The principle: *“Motivation to accomplish results tends to increase as people are informed about matters affecting those results”*. If people do not understand the results they are supposed to accomplish, they will have little interest and will not be motivated to achieve those results.

PRINCIPLE OF DELEGATED AUTHORITY

The more we permit people to make their own decisions related to the work they do, the greater their feeling of ownership in the results they accomplish; it will generate the motivation to work harder.

The Principle: *“Motivation to accomplish results will tend to increase as people are given authority to make decisions affecting those results”*.

To use this Principle effectively, the manager must set limits within which his people can make their own decisions. This is done by establishing objectives, program, schedules and budgets and controls within which members of his team must work. Once the limits of decision making are agreed, the manager should give his people as much freedom as possible to make their own decision as to how they are going to carry out their part of the job to attain results.

TEAM WORK

People want to feel that they are part of the team. They want to be accepted and liked by their Fellows. How does a manager encourage this kind of team work ? One approach is to create as many opportunities as possible for people to work together with him, such as forming a task force for special projects, delegation of tasks to small work groups and committee participation. The Manager himself must work closely

with members of his team as often as he can.

COMPETITION

Competition is a strong motivating influence. It helps to generate keen interest in results and stimulates initiative and ingenuity in getting the work done. The results must be comparable if the competition is to be fair and equitable. Offer as many consolation prizes as is reasonably possible, without undervaluing the competition.

RECOGNITION

People will consistently work hard if they get continuous recognition from their efforts. Recognition is multiplied if we give it in public.

CONCLUSION

The professional in management must get effective action from others at his own level, from his superior, from staff groups and from people outside his own Company.

Besides, the management skills involved in “Decision Making”, “Communication” and “Motivation” (already covered), a Leader will also be required to cultivate management skills in “Selecting and Developing People” and “Performance Counseling”

CHAPTER 8

MANAGEMENT - DEVELOPMENT OF PERSONNEL



People - Managers and Supervisors are the most valuable resource of an Organization. Therefore, their development through the process of setting performance criteria, performance counseling and imparting knowledge and skills, becomes one of the most important assignments for the head of an organization.

The subject of Development of Personnel is one of the components of the Management Function of Leading. The components of Leading covered in the earlier Newsletters were:

- Decision Making
- Communication
- Motivation

It has been recognized that “the person who is working at the top of his ability, is the most satisfied and productive”. Investment of time and effort in development, brings significant returns. *“Management Development is defined as the work a Manager performs to help people improve their knowledge, attitude and skills.”*

As was explained in earlier Newsletters on the subject of Introduction to Management, no Management Function or Component is independent of the others, but invariably inter-related. The primary requirement for developing people is a sound organization structure - where work is divided logically into positions, responsibility, authority and accountability have been carefully defined; there is no duplication or overlapping of work.

The other essential requirement towards development of people is the development of Performance Standards for each position. A Performance Standard is defined as “the criteria by which work and results can be measured and evaluated”. People want to know how they are performing by means of a ‘yardstick’ to measure their own performance (self-appraisal).

I want to share with you an actual example of a Performance Standard. The Objectives and Performance Standards for the General Manager - Operations, in Ecoplast Ltd. are written under the following Heads:

1. Safety and Health
2. Budgeting and Business Planning
3. Raw Material Purchase & Inventory
4. Direct Cost
5. Material Handling
6. Quality
7. Customer Care & Technical Service
8. Spares & Inventory
9. Maintenance
10. Projects & Innovation
11. Team Member

The example on “Safety and Health” is selected because this is applicable for a majority of businesses in manufacturing, more specifically where hazardous materials are used.

OBJECTIVE AND PERFORMANCE STANDARD

Objective & Performance Standards is a way of implementing a Policy written by either the Board or the top executive. Here is an example of how a Board of Director's policy of Safety and Health is implemented through a Management Objective and Performance Standards. The management Objectives and Performance Standards on Safety and Health becomes a part of the work of the General Manager (Operations) in Ecoplast Ltd.

Policy on Safety and Health

It is the Policy of the Company to safeguard the health of all employees, by taking preventive measures against fire and accidental injuries, in all areas of the Plant and Offices. As part of this Policy, it is equally important to protect all the assets of the Company from theft, fire, or accidental damage.

The Policy will be supported by a statement of Management Objectives, and Performance Standards as evidence for successful implementation of the Policy.

Management Objectives:

To develop and implement a Plan for the safety of personnel from fire, accident and sabotage, in all areas of the Plant and Offices, while at the same time protecting the assets of the Company from fire and accidental damage.

Performance Standards:

The Management Objective and Policy will be considered as having been successfully implemented when:

1. There is no accidental injury to personnel that requires hospitalization
2. The personnel and assets are adequately insured to compensate personnel involved in an accident and to minimize loss on damage to assets.
3. Funds for necessary fire-fighting and other equipment, design and construction of buildings, training of personnel, consultancy and any other expenditure considered critical for safety of personnel and Company's assets, will have been provided promptly.
4. The plant, equipment, materials and all other assets of the Company are safeguarded by selection and installation of appropriate fire and accident

preventive equipment, installed at locations where there can be used most effectively.

5. There is no “down-time” beyond 24 hours over 12 months due to fire or accident.
6. All operating and other plant personnel are trained on safety and fire prevention and are given specific responsibilities to react promptly in an emergency.
7. Operating procedures on safety and fire prevention are understood and implemented by the respective personnel whose skills and response times are evaluated and improved through drills and hands-on practices.
8. All buildings and enclosed storage areas have one or more emergency exits at appropriate locations with clearly visible directions (even through smoke), that are procedures and form part of fire drills and practice sessions.
9. Managers in charge of operations think about worst-case scenarios and likely causes of fire and accidents (including sabotage) with practical solutions that are written as procedures and form part of fire drills and practice sessions.
10. One or more reputed fire and accident prevention consultants is involves in decisions and implementation of the following
 - Selection of reliable fire-fighting equipment and its location.
 - Location of emergency exits
 - Fire alarms and immediate response procedures
 - Drills. Regular training and evaluation report for top management
 - Maintenance of all fire-fighting equipment and log book for record and schedules of maintenance.
 - Understanding and full compliance of Safety Codes and reporting schedules legally or otherwise required.
 - Review Insurance cover along with terms and conditions to prevent disputes while settling claims.
11. There are written inventory holding norms which are strictly followed for hazardous materials (and materials that feed fires) in plant and storage locations, based on safety standards and fire-fighting equipment at respective locations
12. Managers maintain and monitor motivation levels of all operating personnel and ensure that those employees, who (unlike the majority) demonstrate a careless or disgruntled attitude, are removed from the plant without waiting for an opportune moment.
13. An audit of all safety and fire prevention measures, procedures and practices is

conducted at least once each year; the non-performance or deficiencies are promptly corrected and approved by auditor. The Board is kept informed of any accidents, down-time and on progressive improvements in safety standards.

14. Employees are insured for medical care, hospitalization and, in extreme cases, death or permanent disability, due to accident in the plant. The insurance cover as determined by the management is approved by the Board.

The Performance Standard becomes the “*yardstick*” used in the appraisal of a Manager’s performance. It also helps the individual to evaluate his own performance and to determine the areas where improvement is required. It also serves as an effective starting point for later counselling of the individual.

There are several methods of appraising performance. These stated briefly, are:

1. Appraisal by the superior alone
2. Appraisal in which two or more people review and discuss the performance of the individual
3. Self appraisal where the individual evaluates his own performance in terms of the performance standard

Each method of appraisal has its own positive and negative aspects.

In each of these three cases, the superior and the superior’s own superior, are involved in reviewing and finalizing the appraisal.

Evaluation of the potential of the individual for advancement is generally part of the overall appraisal process. What the individual has accomplished in the past is the basis for predicting his future growth.

The purpose of the appraisal is also to identify the probable ability of the individual to fill specific positions at the next higher level. The superior should estimate how long it may take for the individual to prepare for the positions and what training is required to fill that position.

To realize the full value of the performance appraisal, we need to discuss the

findings with the person involved and to help him develop his own program of self-improvement. The rule is: Counsel for improvement not for reprimand.

One common fault in counseling is to have a pleasant discussion but reach no positive conclusion. To avoid this, one needs to maintain a clear focus on communicating on those areas of the individual's performance that require attention.

As far as developmental activities are concerned, one or more of the following are generally applicable:

- i) Job rotation, from one position to another at the same organisation level, with the purpose of Increasing the knowledge and experience of the individual in line with the company's needs.
- ii) Coaching: The personal effort of the manager to instruct and develop the individual on the job, with the purpose of overcoming weaknesses.
- iii) Courses and Seminars are valuable, primarily as a means to imparting new knowledge. Work assignments, case study discussions and other group activities are a valuable means of involving participants and for absorbing the principles and the concepts being communicated.

However, the most important developmental influence is the example of a good boss. People tend to manage as they are managed. The manager who Plans, Organizes, Leads and Controls, as a part of his normal day to day job, will find his subordinates trying to emulate him.

CHAPTER 9

MANAGEMENT - CONTROL



The last but equally important function of Management is Control. The three Management activities under Control are:-

- Establishing Performance Standards
- Management of Performance
- Evaluating and Correcting Performance

Control is the work a Manager does to stay on course. Management Control is defined as *“the work a Manager does to evaluate and regulate work in progress and to determine the results secured”*.

With modern computerized information systems, Control has become a fast and dynamic exercise capable of moving in tandem with the action plan. The Management’s ability to collect, analyze and report information is the key to precise and flexible controls.

Information on results is most valuable for a renewed cycle of improved planning and control, to secure a higher level of results in the future. *“Control of work in process*

is diagnosis and treatment while the patient is still alive. Control of results is a post-mortem which can provide data only after the event.”

Controls are tools the Manager uses to check on the work being done and the result secured, hence it is an important factor for Delegation; the better the controls, the greater the potential for Delegation.

During the early stages of the business, the Manager tends to personally observe the work being done, to make sure that he is getting the results he wants. The Manager tends to spend a great deal of time personally observing everything that is done. This method has the disadvantage of limiting the scope of the Manager to what he can personally observe and appraise. It tends to discourage initiative and independent action because the subordinates feel that the boss is always peering over their shoulders.

Management Control is the more mature stage. The Manager establishes performance standards based on a Plan. These standards are objective and impartial based on the results to be furnished. The Manager is not concerned with minor deficiencies but tends to direct his control efforts largely to major deficiencies which are outside the capability of his subordinates.

The two Principles that can be of value to Managers in understanding control systems and in establishing effective control, are:

- *“In any given group of occurrences, the smallest number of causes will tend to give rise to the largest proportion of results”.*

That means that the Manager should identify the critical factors that can be expected to give rise to most of the consequences or results. This Principle is valuable because it enables a Manager to focus the greater part of his energy and resources on the few variables that yield the desired results.

- *“The greatest potential for control tends to exist at the point where action takes place”.*

This Principle establishes that control should center on the person accountable for carrying the work through to completion.

PERFORMANCE STANDARDS

The first component of Management Control is the work of “*Establishing Performance Standards*”

If a Manager is to obtain consistently good results, he must know the difference between good work and poor work. This distinction should not be based on personal preferences but based on a study of what can be reasonably accomplished. The criteria by which work and results are to be measured and evaluated, is defined as a “Performance Standard”.

Every good Plan* serves as the basis for a Performance Standard. The Plan also has a secondary role, that is to measure action taken and results. The overall yardstick for accomplishment, is determining how close the manager came to meeting the Objectives, that were established as part of the Planning process. The Objectives are Results; the steps required to achieve Results is the Program and the time frame established for each or more Program steps is the Schedule*. Therefore, the Program and Schedule, also provide the basis for a Performance Standard. The Budgets, which is the resources allocated to achieve the Plan also form part of the Performance Standard.

Standards serve as incentives to improvement, only if these are realistic and attainable. Standards set too high discourages achievement; on the other hand, if these are set too low, it encourages slack effort. Therefore, the best way to establish realistic standards is to analyse past performance and on the basis of what has been achieved in the past, raise the Performance Standard.

It is important to have Performance Standards understood and accepted by the people who are accountable. If people participate in developing the Plan - Objectives, Program steps, Schedule and Budgets, they will understand the basis for the Performance Standards and will be better motivated to achieve results.

People should be kept informed of problems and changes in the business environment, their suggestions should be encouraged for modification of the Plan and Standard.

“The best basis for ensuring that Standards are realistic is to secure the understanding and acceptance of the people who will work toward them”.

MEASURING, EVALUATING AND CORRECTING PERFORMANCE

The final three components of the management work of Control are *“Measuring, Evaluating and Correcting Performance”*. Accurate reports enable a manager to remain in touch with operations and make appropriate decisions concerning the work in progress. By keeping himself informed, on what has happened and why it has happened; reports give the manager a reliable basis on building on the past and in planning for the future.

Consider this typical example: The head of Operations, called a plant manager to his office to express his disappointment with high direct labour costs. The plant manager decided the control system needed tightening. Accordingly he held a meeting every Monday morning with his supervisors, who were required to report in detail on costs for the preceding week. While this provided the manager with additional information, it gave neither him nor his supervisors a basis for deciding, what the current costs should be. He was comparing current costs with historical trends and had not had each individual operation studied and analyzed to determine what the costs of efficient operations should be. Only after he set-up work standards, was he able to get his costs to a truly competitive level.

Therefore reporting standards need not always be based on historical trends, but rather on an analysis that is directed towards improvement in efficiency and resulting customer satisfaction.

A report should be complete, accurate and timely. It should say how we are accomplishing the Objectives, Programs and Budgets already established. Once the data are in and the manager has a basis for comparisons, he must take the action necessary to analyze and review programs. *“To appraise work in progress and results secured, is performance Evaluation.”*

Evaluation requires comparison of the actual performance with the standard or budget, for the purpose of identifying the deficiencies which have occurred. There are

two types of deficiencies “Variances and Exceptions;” Variances are generally within the command of the accountable, manager and can be corrected by him. Exceptions are deficiencies which fall outside the limits of acceptable tolerance and generally require the attention of his superior.

Control is effective only to the extent that it motivates managers to take prompt decisive steps to correct matters that are out of phase.

“Performance correction is the work a manager does to rectify and improve the work being done and the results secured.”

There are two types of performance correction; Management action and Operating action. Operating action is short term, an emergency type of corrective action. For example, when you are falling behind on deliveries and you put an extra man on job, it corrects an immediate situation but there is every possibility that the underlying cause remains. However if operating action is to be truly effective it should be backed up with whatever management action is necessary. This means that a manager should analyse the basic causes of variances and determine the need for changing or improving his plans, organization, leadership and controls.

Every variance should prompt a check that the cause of the deficiency is not inadequacy of management. In this way a manager can use controls to maintain a continuing spiral of improvement in performance, a basic requirement of professional management.

CHAPTER 10

BUSINESS ADVISORY SERVICE



WZCC in India has created an opportunity for the Community's younger generation for learning to succeed as professionals and early-stage entrepreneurs.

The value obtained by a few members, prompted WZCC to form a Business Advisory Service (BAS).

Starting your own business or profession is a tempting thought, more so, when you realize that you do not have the opportunity to perform to your full potential, as an employee in an organization. Many individuals with a potentially viable idea hesitate to start a venture, because they are the sole bread-winners of their family and the loss of a regular monthly income can pose problems.

One of the biggest challenges that new entrepreneurs face is to convert the idea into a viable business model. The biggest hurdle is to generate data on the size of the potential market or customer base, the competitive situation and the external environment. Recently, I read about the fervor for entrepreneurship in India, the like

of which has never been seen before. The Economic Times (14th November 2014) reports that several hundred companies are born each year; about 18000 Crores has been invested by 'Seed' and 'Venture Capital' firms since the year 2007. The payback has been discouraging at around 6000 Crores, which demonstrates the magnitude of the challenge.

While India offers many unique opportunities for start-ups, that developed markets do not have, there are some operational issues, such as :

- Lack of mentors, to guide start-ups
- Lack of Bank and Institutional funding for start-ups without collateral
- The time it takes to launch a business in India is 3 months as against 3 days in the US

The World Bank has ranked India 142 out of 189 countries in Ease Of Doing Business Index 2015.

One of the challenges for a start-up is to make a viable business model, whether the business model is in e-commerce or for a product or service. It is most important that the business idea is unique, in the sense, that it is original, different or new, that will get a foothold in the market and benefit the customer or society.

Mentoring is the first essential step that provides tacit knowledge by a mentor to a protégé, to develop an idea into a business model. Mentoring is the offering of advice, information or guidance, by a person with useful experience, skills or expertise, for another individual's personal or professional development. The mentor encourages new ways of thinking and acting and pushes the protégé to stretch his or her capabilities.

A good match between a mentor and a protégé is an essential element of success. A WZCC Core Committee will refer the protégé to the appropriate mentor from the list, based on a review of the information or guidance sought by the protégé; provided that the protégé has made credible efforts and has of clear vision on what he wants to know, where a mentor's role becomes essential, for his/her progress.

A guide to mentoring has been provided to members on the mentoring panel, based on a reference to the book ‘Coaching and Mentoring,’ one of the ‘Harvard Business Essentials’ series.

For developing a business one needs resources in terms of: finance, HR, land, building and equipment or machinery. The work involved in generating and organizing these resources is a herculean task and is often a deterrent for a young start-up and a potential entrepreneur.

There is a way of overcoming this hurdle and is based on my personal experience, of starting a company to produce plastic multi-layer films for flexible packaging and other industrial applications, for the first time in India, in 1981-82. It involved partnering with an existing mid-size company.

My partner accepted my suggestion that we form a private limited company (a joint venture) to produce multi-layer films, so that it is an independent entity, not linked to the sole proprietary business, which produced mono-layer polyethylene films, for the textile industry and commodity packaging.

Very often established businesses see value in a new business idea, that is in some way relevant for the growth or diversity of their business. This growth strategy enables an organization to retain focus on its core competence and at the same time, leverage the strengths of the new partner to expand the customer base for its products or services leading to mutual rapid business growth for both partners.

To implement the concept of the Business Advisory Service, we will need to form a team – a core committee – to carry out the following broadly defined action plan:

1. Promote the concept of the BAS extensively within the Community; not only in Mumbai but other towns and cities. Also, promote the concept through social media sites.
2. Keep expanding the panel of mentors from the present level of 12 and post their specific expertise and business experience on the WZCC Website.

3. Develop a database of business houses, managed by Zoroastrians along with the service or product offered / sold by them.
4. Communicate with business houses on the concept of the BAS, to obtain their reaction on partnering with potential entrepreneurs or start-ups, as and when a mentor approves the business plan.

The most essential attribute for a successful partnership is TRUST, between the key members of the partnering organizations. If this pre-requisite is missing, creating a partnership is futile.

To conclude, I can say that the success of the BAS will depend upon our promotional efforts, the ability of the young entrepreneurs to come up with unique ideas and the foresight shown by Zoroastrian businesses to partner with young entrepreneurs, for their mutual benefit.

CHAPTER 11

CORPORATE GOVERNANCE

A Road Map for improving Business Performance



Corporate Governance broadly refers to the mechanisms, processes and principles by which corporations are controlled and directed.

The Economic Times (1st April 2015) covered an interview with Chris Pierce, CEO, Global Governance Services, an authority on corporate governance. He said, “in 2013-14, global competitiveness statistics of the World Economic Forum, indicate that out of 148 countries, India was 65th, but now it is 94th. In a year, it has fallen from 65th to 94th in the world, concerning the effectiveness of the Boards. So, India is not necessarily getting worse in terms of the Board’s performance but other countries are improving rapidly on corporate governance. This is what the Companies Act, 2013 and the SEBI circular aim to do - to improve the effectiveness of the Boards, as India is slipping down the corporate governance lead table. So, while global investors are looking at India because of its size, it is so important that corporate governance standards should be improved”.

The SEBI Committee on corporate governance defines Corporate Governance as “The acceptance by Management of the inalienable rights of share holders as the true

owners of the corporation and of the Board's role as Trustees on behalf of the share holders." It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company".

The Board members as Trustees on behalf of share holders, are required to guide and motivate the management into sustaining growth and value to share holders. Therefore, one of the important responsibilities of the Board is to review and challenge management performance, essentially of the CEO/M.D. and Key Management Personnel (KMP) in the organization. To make an effective performance evaluation, one needs a well documented criteria or standard. There are two basic or prime documents that all businesses, big or small, must develop. These two are :

- Vision and Mission Statement
- Critical Performance Area (CPA) of the M.D. and Key Management Personnel

A Vision Statement is a perceived, unique characteristic or a broad objective to which the organization is committed to sustain the growth of the enterprise over the long term.

A Mission Statement is a set of commitments that best describes what the organisation will do to ensure growth and profitability of the enterprise. It also states the commitment to stake-holders, to the environment, to the laws and regulations that apply to the business and preferably also to the society in which it operates.

A Vision and Mission Statement provides a holistic view of the company's purpose and the integrity with which it intends to conduct its business, while providing value to share holders.

A company's performance is closely related to its commitment to encourage and develop excellence in people.

The Critical Performance Area (CPA) essentially lays down the performance evaluation criteria for the CEO and KMP. That apart, the CPA :

- Provides a broader vision on the management of the Company.
- Helps to correct a common practice of “micro-managing” an organization, which restrains the development of people and the potential value of human resources.
- Allows the Board to make a wider and yet more specific review of the Organization’s performance, thereby creating a platform for more appropriate comments or suggestions at Board meetings.
- Helps sustain value creation for stake-holders.
- Helps development of a business strategy for growth – which may not have got the attention it deserves.
- Creates a strong performance oriented culture for the organization.
- Provides a more efficient way to link remuneration to achievement of corporate performance targets.

It is also critical that the M.D. and KMP leave a legacy of good management practices by adopting CPAs for all management positions, to enable future generations climb the ladder of success.

As these points reveal, a CPA is more than just a job description. It is a statement of Responsibility and the ongoing Performance Standards, expected from the work assigned to a position.

Other important attributes of a CPA are:

- That all critical on-going work and expected results for a position, is defined, understood and accepted by the individual in that position.
- It allows one to logically group the work, without ambiguity or overlap or conflict, with the work of other positions in the organization.
- It allows one to delegate work and the authority for decision making, to subordinates, by developing their CPAs, without ambiguity or conflict with others in the same department.
- It forms the basis for evaluating the performance of an individual, determine counseling or training needs with the objective of developing the individual for taking greater responsibility and adding value to the organization.

- It provides a basis for making a “deficiency analysis” and to develop a specific objective for either eliminating the deficiency or for making improvements.

Each item of a CPA has a heading under which is a Result Statement followed by Standards; the word Standard is interpreted as : “this result will be achieved when” (the work specified in each Standard is well done). This is best illustrated by the following two examples forming part of an MD’s CPA.

1. VISION & MISSION STATEMENT

The Governance and Management of the Company, in all respects, is aligned to the Vision & Mission (V & M) Statement.

Standards:

- 1.1 The V & M statements are communicated to Senior Management Personnel / Department Heads for their understanding.
- 1.2 The Senior Management personnel, review and discuss the V & M statements with their staff and identify deficiencies, or new ways to improve performance related to accomplishing the V & M of the Company.
- 1.3 There is evidence that professional management - the key functions of planning, organizing, leading and control – are learned, understood and practiced by Senior Managers.

2. ANNUAL BUDGETS

To achieve Budgeted Sales Volumes, Contribution and Operating Profits.

Standards:

- 2.1 The Budget is prepared based on logical assumptions and appropriate risk analysis, related to all operating functions; given in writing to the board before 15th March each year.
- 2.2 The Budget narrative provides a clear vision of the future and the incremental growth projected in profits and related profit ratios.
- 2.3 The narrative also provides Specific Objectives and Standards, delegated to senior Management personnel, for achieving results related to the budget.

- 2.4 Planned capital expenditure, with relevant data, as required in the existing Format, is provided with the narrative.
- 2.5 CRII's Rating, on all four aspects of Fund management, will be 'Stable' or better.
- 2.6 Innovative ideas or opportunities for growth/greater efficiency/cost reduction, are identified for existing products and selected for developing through an Action Plan, submitted to the Board.
- 2.7 The Plan, and its progress, are communicated to the Board, at quarterly review meetings.
- 2.8 Information systems are developed for monthly review, which leads to prompt corrective action.

In general, employees take pride in belonging to an organization which is managed professionally, where performance and accomplishment of results are recognized and rewarded. People in an organization will move, but systems survive and drive the organization.

CHAPTER 12

CRITICAL PERFORMANCE AREA

A Result and Performance Statement for Key Positions in an Organisation



Managing is defined as “*getting Results through and with People*”. Therefore, the Performance and on-going results expected for each specific type of work for a Position (eg. Sales Manager) in an Organization, has to be clearly written, for the “*understanding and acceptance*” of the Manager in that Position.

When you can relate somewhat complex management issues with real life situations or examples, understanding as well as memory retention becomes effective which helps logical application to actual management work.

Today’s real-life situation is like a game of Lawn-Tennis. We will realize its significance as we discuss the subject.

Let us assume that you have heard from your tennis playing friends, that your 12 year old son is extremely talented and has the potential of becoming a National champion. Lets say that you are also convinced.

Lets take a very hypothetical example – just to illustrate the point. The Father who is

quite an autocrat instructs his son as follows :

- You will practice 3 hours in the morning and 3 hours in the evening
- Give up your hobbies, concentrate only on homework and tennis
- Play tournaments in your holidays and I want to see results
- I don't care how you do it I want you to be a national champion

What do you think is the most likely Result of this approach??

Now consider a Father who is well educated and a manager in a company who says:
“I want my son at around age 20 to become one of the top ten world ranked, professional tennis players.”

(He knows the higher ranked you are, the more money you make from tennis and endorsements.)

So, what do you think his approach will be:

- He will hire a “Level -1” coach or put his son in a tennis academy
- Do you think just playing tennis with the coach instructing him for five to six hours a day can make him a top ranked world player?
- The answer is that he has to do a lot many things apart from practicing tennis such as:
 1. Develop stamina by running or cycling and or aerobic exercises until the heart beat is at the desired level after exercise (Your heart must be able to pump enough blood, without straining after three hours of playing, to remove or dissolve lactic acid which accumulates in working muscles. Otherwise it will lead to stiffness, which slows movement and adversely affects eye/hand movement or leg co-ordination, while attempting to hit a ball on the move).
 2. “Weight” or “gym” training to develop “tennis specific” muscles and strength.
 3. Appropriate diet to meet specific requirements of the individual, generally rich in carbohydrates, fruits, vegetables (fibre intake) and protein.
 4. Practising the right techniques of shot making :
 - The grip, stance, transfer of body weight at impact of the racquet with the ball (the ball is in contact with the racquet for only four thousandth of a second).

- A systematic skills improvement process.
5. Mental training and strategizing;
 - Winning the important points in a match (keeping your nerves from choking your play).
 - Analysing strengths and weaknesses of your opponent, while in play.
 6. Playing tournaments, to assess performance and provide leads to improvement.
 - The coach observes and analyses the strengths and weakness of the player.
 - He reviews your match statistics for each Set, such as:
 - Percent of first serves, that are “in”
 - Points won on 1st and 2nd serve
 - Unforced errors
 - Percentage points won at the net
 - Winners : player and opponent
 - And so on

In other words there are six or possibly more types of work required to be done by a professional tennis player in his endeavor to achieve a rank amongst the top ten ATP players. Now consider for a moment, what may happen when any one or more of the six items are ignored? You can, therefore, say that the performance in all six items (or maybe more) is critical, to achieving the result.

Excellence in work directed towards achieving results is defined as PERFORMANCE. (If work is not directed towards achieving results, it becomes an activity). There is a saying that *“anything worth achieving, is always a challenge and demands from the individual, dedication perseverance and application, both mental and physical”*.

Having read this, is the concept difficult to understand? Or are you tempted to say “Oh” its OK for tennis but not for important positions in the organization, because we can deliver results, without having to resort to such a system. You may say, that I’ve been delivering results without such a system; but consider what happens if you are not there and someone else takes over. There is a high probability that he may not know all the performance parameters critical for results; and more than likely he will

be blamed for not performing.

If you do not know what on-going result is expected of you, in your present position,

First: What result can you deliver?

Second: How can you be blamed if you fail to deliver?

Third: You make yourself indispensable and that is not good for an organization.

All of us take pride in belonging to an organization which is managed professionally where performance and accomplishment of results is recognized and rewarded. People in an organization move, but systems survive and drive the organization.

Now, having read this are you or are you not in favour of a Result and Performance' Statement ("Critical Performance Area-CPA") for key positions in the Organization?

CHAPTER 13

CHANGE



*“More than ever before, we must be ready to think every problem afresh,
to change and innovate”*

These are the words of J.R.D. Tata, reproduced from the advertisement that appeared in the daily newspapers on July 29, 2015, which was his 111th birth anniversary.

A few days before this ad appeared, I had compiled a memo for our Company’s M.D. and the key management personnel which was titled “CHANGE”, in order to inculcate a different way to think towards developing a robust business strategy for growth and thereby sustain long term value for our shareholders. I thought of sharing appropriate parts of this memo, with WZCC members, in the hope that it may provide some value.

Change is an inescapable part of an organization’s life and is essential for progress. The “Critical Performance Area” (CPA) – the Work/Responsibility and Results expected from a Position in the Organization – is the first step to this Change.

In an organization, it is People who drive change. Change for us means:

1. Growth, with a technological edge over competition for sustaining value for shareholders.
2. Searching for new customers in India and abroad, and meeting their needs.
3. A committed effort to improve performance in all operating and administrative areas.
4. Developing customer satisfaction, which brings repute to our Organization.
5. Developing a synergy with a few select customers for their growth that is of mutual advantage.
6. Developing management skills – “getting results through and with people” – with expertise in Planning, Organizing, Leading and Control.
7. Promoting the Company by active participation in Seminars and Exhibitions.
8. Adopting an Entrepreneurial outlook: “A state of mind of a person who wants to alter the future”
9. Assigning research projects to Institutions where critical data is required to promote the product.

Change happens through LEARNING:

- By reading appropriate magazines and newspapers to get ideas for innovation, to discover new opportunities, to know what is happening around us in order to assess the probability of risks and to mitigate these.
- Meeting specialists to acquire knowledge on : the film’s performance required of a new application; new customers or the market we want to pursue.
- Searching the NET for acquiring specific knowledge or information.
- Reading select books to acquire knowledge and information that will help improve performance in specific areas.

Remember that reading, enlarging knowledge on your business and showing results as required:

- Gives you a feeling of excitement because you are challenged by new opportunities.
- It allows you to take a positive view of the future.
- And a feeling of achievement for having handled a difficult situation by pursuing the unknown.

We need to develop a culture of creative thinking, a tolerance for risk taking and a willingness to share knowledge which helps team effort.

The most successful and enduring organizations are those with learning oriented cultures and high performance employees.

Assuming that you have understood the relevance of Change and are committed to make it happen through continuous effort at Learning, you might well ask: “Then what, how do we take this forward?” I will attempt to answer this in the subsequent paragraphs.

Once you are committed to reading a couple of hours a week and other ways of Learning as suggested, without disrupting the work and Results (the CPA) expected from you, will get ideas that meets one or more of the criteria mentioned for Change.

Each one of us will contribute an Idea, either for improvement or short-term (1 year) growth or a medium to long-term potential business that needs to be considered as a project.,

Such an idea will be written and submitted for discussion in the Monthly Review Meeting. The Idea will be very briefly described with some very basic facts to show why it meets the criteria for Change and two or three action steps required to gather basic information to determine whether it is worth pursuing further.

The guiding principle for identifying opportunities for growth, is the Vision and Mission statement of the Company.

Let me give you one example on how such an Idea can be developed:

It is a well-established fact that erratic rains, climate change, a growing population and a changing economic profile are putting pressure on the farming economy. India is one of the global leaders in the production of milk, cotton, fruits and vegetables. What is however, surprising is, (as reported by the Ministry of Food Processing) that annually Rupees Twenty thousand Crores of farm produce degenerates and has to be discarded while it is moved from the farm to the point of retail sales. This is basically

due to the lack of proper storage facilities, logistics and packaging to extend the life of the produce. This is an Idea that needs to be developed and is associated with technology, with regard to additives and the Film's performance, that can vary for packaging each farm product.

It is obvious that a mere inventory of Ideas does not make a robust business strategy – what needs to be done follows.

The process that we are working on for development of a Business Strategy is based on the following steps:

- That we first decide on a realistic projected growth of Profit before Tax (PBT) plus depreciation, say at 25% year on year, for at least three years.
- We then estimate the Overheads based on valid assumptions, to arrive at the figure of Contribution, which is required to meet the Overheads and leave surplus to meet the projected growth figures of PBT plus depreciation.
- We then determine what part of this Contribution, that we have projected, can be achieved with the existing products, customers or market.
- The remaining Contribution has to be met by identifying and developing new products, customers or market, based on the conversion of one or more carefully selected Ideas, into a Business Plan.

Management experts tell us that – “it is important to involve people in the process of strategic planning so they understand what is to be accomplished, why it needs to be accomplished and the part they will play in accomplishing it. A stakeholder approach is required. Everyone involved should be treated as stakeholders because they have a personal interest in the outcome, as it affects not only the organization but also themselves. As stakeholders, they have the right to comment on proposals and put forward their own Ideas. In this way, the original concept (Idea) can be refined so that it becomes more achievable with the participation of the stakeholders” (Michael Armstrong – A Guide to Managing for Results).

CHAPTER 14

Excerpts from the Book :
MANAGING IN TURBULENT TIMES
By Peter F. Drucker



MANAGING GROWTH

Every business needs to manage growth. And to do so it needs a growth strategy.

A marginal institution always goes down disproportionately, more whenever the economy goes down, and it comes up disproportionately less, whenever the economy goes up. With every turn of the business cycle it becomes weaker. Once a business has become marginal, it is exceedingly

difficult to reverse this downward drift, in fact, it is almost impossible.



A business needs to distinguish between the wrong kind of growth and the right kind of growth, between muscle, fat and cancer. The rules are simple : Any growth which,

within a short period of time results in an over-all increase in the total productivities of the enterprise's resources is healthy growth. It should be fed and supported. But growth that results only in volumes and does not, within a short period of time, produce higher overall productivities, is fat. A certain amount of fat may be needed; but few businesses suffer from too little fat. Any increase in volume that does not lead to higher overall productivity, except in the shortest of start-up periods, is degenerative if not pre-cancerous. It should be eliminated by radical surgery - fast.

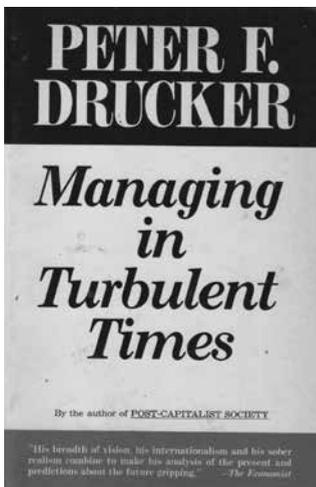
MANAGING INNOVATION AND CHANGE

Knowledge is becoming performance, and this means rapid change. But this does not alter the fact that Technology is changing rapidly and that Innovation, both technological and social, is speeding up and likely to change the structure of economy and society.

We must therefore learn how to make the existing companies, capable of innovation. We need a strategy that will enable existing businesses first to identify the opportunities for innovation and then to give an effective leadership in such innovation.

BUSINESS STRATEGIES FOR TOMORROW

Strategy aims to exploit the new and different opportunities for tomorrow. Any institution needs to think strategically what its business is doing and what it should be doing. Every institution needs to think through what its strengths are. Are they the right strength for its specific business? Are they adequate? Are they deployed where they will produce results?



What specifically is the market for this particular business both at the present time and in the years immediately ahead.

Any business needs to know its strengths and to base its strategy on them. What do we do well? What are the areas in which we perform? Most businesses believe it possible to be a "leader" in every area.

But strengths are always specific, always unique. One gets paid only for strengths; one does not get paid for weaknesses. The question, therefore, is first: What are our specific strengths? And then : Are they the right strengths ? Are they the strengths that fit the opportunities of tomorrow, or are they the strengths that fitted those of yesterday ?

Every “right” product sooner or later becomes the “wrong” product. Every product sooner or later becomes a “commodity”. Every product ages and eventually becomes obsolete. No product can expect to be the right product for more than 30-40 years.

One of the critical strategy decisions is therefore when to diversify and how. A determination to diversify too early, when a single product or product line is still the right product could jeopardize one’s survival.

CHAPTER 15

PREPARATION OF A BUSINESS PLAN



“A Business Plan is a document that explains a business opportunity, identifies the market to be served and provides details about how the entrepreneurial organization plans to pursue it. Ideally the business plan describes the unique knowledge and qualifications that the management team brings to the effort, explains the resources required for success and provides a forecast of results over a reasonable time horizon”

(Entrepreneur’s Toolkit – Harvard Business Essentials).

Our experience, while rendering business advice reveals that unfortunately very few entrepreneurs are skilled at creating a written document that is engaging to read and gives prospective financiers the information needed to make a decision.

An Idea that clearly reveals, the potential to fulfill an hitherto unmet need in the market or for a specific application is the starting point, for an entrepreneur. A credible, well written business plan is essential for any business that seeks outside funding from banks, “angel investors” or venture capitalists.

The Preliminary Process

The thought process, that is necessary before starting to write a business plan, is about seeking answers to the following questions:

1. Does the product (or service) meet a well-defined customer need?
2. In what segment will the product or service be primarily sold?
3. In what way does this product or service provide more value to customers, than existing products or service with which it would compete ?
4. Does the product or service have the capability to be differentiated adequately from existing products or services?
5. What investment will be required in developing and marketing the new product or service?

The structure of a business plan will vary according to its purpose and the type of business. If one goes to Google Search and types “business plan”, one will find templates for a wide range of businesses. The two books I would strongly recommend for reading about a business plan are:

- “*Entrepreneur’s Toolkit*” – a Harvard Business School Publication.
- “*The High Performance Entrepreneur*” by *Subroto Bagchi* – published by Penguin Books-India

A Business Plan comprises of information provided under the following Heads:

Introduction:

- Give the name of the business, the address, e-mail and telephone numbers.
- As head of the business, state your age, qualifications, experience and skills, you believe are an asset to sustaining the growth of the business or the new venture.
- Provide a background of your partners or management team and their position in the organization.
- Who is providing professional and advisory support on :
 - Accounting and Auditing
 - Management Information Systems
 - Legal and Statutory Compliances
 - Business Strategy

Legal Form of Ownership: Specify: Sole Proprietor, Partnership, Pvt. Ltd.

Vision Statement: State your perception in brief of what the business will be achieving over the longer term.

Mission Statement: A set of commitments that best describes briefly what the organization will do to ensure growth and profitability of the enterprise. It also states the commitment to –

- Stakeholders
- Compliance with applicable Laws and Regulations
- The environment and
- The Society in which you operate

Product or Service:

- Describe the product or service that you are offering
- What is special or unique about the product or service ?
- Describe the benefit or value the customer will derive from the product or service.

Market / Demand / Customers:

- Describe the market and the demand for your product / service
- Who are your major potential customers and where are they located ?
- What past trends or assumptions can you provide to indicate the growth of the market ?

Product Promotion and Distribution:

- How do you propose to sell your product / service ?
- Is it by way of a business to business sale or through a distribution channel ?
- If it's the latter, how do you propose to convey the message on your product / service, to your potential customers ?

Competition:

- Who are your predominant or direct competitors?
- What is the edge or advantage that your product or service offers over the competitive product / service ?

Pricing:

- What are the assumptions you have made in determining the price level for your product, vis-à-vis competition ?
- What is the value that your product offers to customers ?

After-Sales Service: Describe the type of after-sales service required to sustain the business.

Quality Parameters: Have you considered appropriate quality standards, to sustain customer satisfaction level ? If so describe these.

Sales Volume and Value: Provide a Table showing sales volume, unit price and / or sales value projections.

- Monthly for the first 12 months
- Quarterly for next 12 months
- Annual figure for the third year

State the basis for the assumptions made with respect to your projections.

Manufacturing Operations: To produce or assemble a final product, the Business Plan narrative should comment on the following important components of the Operations:

- Technology and process route
- Plant capacity and investment (Table showing delivered price of each item and delivery period)
- Plant location – reasons underlying its selection
- Investment in land and factory building
- Raw material or component sourcing
- Requirements for power, water, fuel and other utilities
- Environmental regulations; disposal of waste products
- Manpower and training needs
- Quality parameters

Provide:

- Table of Direct Cost of Production. This is a sum of the cost of items such as raw material, power, fuel, etc. incurred only when the product is produced. The direct cost is generally expressed as the cost per unit of product produced.
- Table of Pre-Operative Expenses

Management and Organization:

- Who will manage the business on a day-to-day basis ?
- What special competencies do people have or will be needed ?
- If the business has more than 10 employees, create an organization chart showing Management and Supervisory levels and a position description for key employees.

Finance Plan: The Finance Plan will consist of a set of tables that show:

- The need for funds
- The routine expenditure for managing the business
- The profit projection and the cash flow

Remember while the Business is important, all is lost if you run out of cash.

The Tables or statements required are:

- Capital expenditure and the timing of the funds
- Working capital estimate
- Start-up or pre-operative expenses
- Means of finance :
 - Promoter's share
 - Investor's share or equity
 - Term loan (from Bank)
 - Working capital (funded by Bank)
- Projected profit and loss
- Projected cash flow
- Break-even analysis
- Projected balance sheet
- Business / profit ratios

The tables and statements should have a back-up of the key assumptions

Executive Summary:

The Executive Summary is written after the Business Plan is complete. However, it should appear at the very beginning of the Business Plan. It should be no more than two pages and include what you can cover in fifteen minutes interview. It should essentially highlight the unique characteristics of your product, customers, the people running the business and what the future holds for the business.

The Formats generally used for recording data for a financial appraisal are:

1. Estimated Cost of The Project
 - Estimates Of Contingency Escalation Provisions
2. Means of Finance
3. Assessment Of Working Capital Requirements
4. Projections Of Performance, Profitability And Repayment
5. Projected Balance Sheets
6. Cash Flow Statement
7. Break-Even Analysis
8. Performance Ratios

For those interested in developing a Business Plan, may write to the CEO, Mr. Aspi Antia (e-mail ID:wzccindia@on-lyne.com) for these eight Formats, while at the same time, attaching data as described under the Head: The Preliminary Process.

The Business Advisory Service of WZCC is available for those who want to benefit from it.

CHAPTER 16

AN ENTREPRENEURIAL JOURNEY



INTRODUCTION

Ecoplast (Ep) was formed as a Private Ltd. Co. in 1982, to produce and sell Polyethylene Multi-layer Films. The promoter Directors were: (late) Mr. T.P. Vashi; Mr. P.P. Kharas and Mr. B.B. Desai.

The Company raised capital on the Bombay Stock Exchange in November 1994 for a major expansion, which was over-subscribed six times. Mr. Kharas was appointed Chairman and Managing Director. He retired as M.D. in September 2007 and Mr. Jaymin B. Desai was appointed M.D. Mr. Kharas remained as a Non-Executive Chairman of the Board till September 2017.

This article is about the business's evolutionary process, which has enabled Ep to sustain its leadership role for over 3 decades in the Multi-layer Polyethylene Film business, by focusing primarily on product innovation and customer satisfaction. More precisely this article is about:

- How one of the Company's critical "mission" namely customer satisfaction progressively evolved.

- How the Company coped with a drastic change in the business environment.
- A Management System – a ladder which all businesses need to climb to get improvement and results.
- The important Milestones in product development and innovation, to sustain leadership as a producer of Multilayer Films.

Ecoplast Ltd. (Ep) is India's most respected and one of the largest suppliers of multilayer (3-layer) co-extruded polyethylene & Co-polymer films to the Flexible Packaging Industry and a variety of other speciality applications, developed over the years.

The Company has had a major role in the development of the Flexible Packaging Industry in India; it refers to the converting or laminating industry which uses multilayer polyethylene and/or ethylene co-polymer films for lamination to one or more substrates, such as polyester film, polypropylene film, often in combination with aluminium foil and/or paper, depending upon the packaging system. The multilayer polyethylene film forms the innermost layer – the heat-seal layer – of the laminate and is in contact with the product packed.

CUSTOMER SATISFACTION

Customer satisfaction implies that an enterprise is offering a product or service of value to the customer; at a price which provides continuing benefits in the product's application, for the customer.

Another important facet of customer satisfaction is customer loyalty, which generally evolves over time, when the customer attains a level of comfort in dealing with a supplier of a product or service.

This results from the “integrity of purpose” of a business or enterprise.

To put it simply a customer must feel confident that you as a supplier are required for the success of his business and that he can rely on the consistency of the product quality. The more value the customer adds while using your product, in making his final product, loyalty becomes more critical and also more enduring.

Product quality is developed based on a given set of product performance requirements generally accepted by the customer and the ultimate end user.

Quality standards are documented in the form of a Quality Policy, Quality Objectives and a Set of Procedures, carried out throughout the organization starting with raw material procurement, to final testing of the product and its verification before shipment to the customer. It is now common to have the Quality Policy, Objectives, Procedures and the customer satisfaction rating audited, based on the Company's standards and procedures documented under ISO 9001:2000, ISO 14001:2004 and ISO 22000:2005.

Another factor which builds customer satisfaction is customer's belief that they are associating with a knowledge- driven enterprise. The customer must see evidence that the enterprise is updating its knowledge on the product and the process, as technology evolves and the benefits from improved product performance are derived by the customer.

The process of evolving customer satisfaction was a huge task and how it happened is explained.

As it happens in all pioneering efforts, the knowledge on designing a multilayer film structure for a specific application was very limited in the early 1980s.

In the supply chain each entity had an opinion on the raw material grades best suited to design a film structure. You can well imagine the confusion that prevailed; most often the film supplier was the target of package failures.

During those days we wondered why nobody made the effort to define the performance expectations of the film in a laminate. In the midst of this confusion we had begun to study each complaint on package failures and to determine its cause. We had, over time, accumulated information which was systematically arranged to help development of a film structure for a wide range of packaging applications.

Also, during this period we came across a relevant article by Dow Plastics, USA in

a technical journal. This article gave us the confidence to inform a customer that a raw material grade is only partly responsible for film performance for a specific application. The polymer grade, the equipment and the process variables combine to determine the level of crystallinity, orientation and the corresponding film properties.

This allowed us to totally change the approach to designing a multilayer film structure. Based on our accumulated knowledge we were able to provide customers with background information which they could use to make an informed opinion about how the film should perform in the packaging process, storage and transportation. This became the subject of a Technical Service Note titled "*The Right Multilayer Film for a packaging Application*".

The factors which influence the performance of the film for a specific application were segregated under three major heads :

1. Compatibility of the film with the product.

(More details on compatibility was provided through a separate Technical Service Note titled "Chemical Resistance of Polyethylenes to various Chemicals and Reagents").

2. Capability of the film to move and seal at predetermined speeds on a packaging line.

(This aspect was discussed in detail in a Technical Service Note titled: "Factors affecting Seal Integrity of Films and Laminates").

3. Optimum mechanical strength to withstand handling, storage and transportation.

These Technical Service notes helped the customer to provide us critical information in a printed format, which was used by us to develop a film structure for every new application.

The new film structure developed would then be tested in our laboratory for film properties that we considered critical for the specific application. The film structure and corresponding properties would be documented for reference for the next order; the film would be assigned a product code and a quality certificate provided to the customer on film properties.

Unfortunately, this was not the end of the story. We found that customers were not systematically evaluating the sample film roll supplied, nor maintaining a record of the evaluation. This resulted in occasional quality issues. This prompted us to prepare another Technical Service note titled : “Evaluation and validation of films”, so that the customer was committed to the performance of the film sample and its related properties.

We soon developed a reputation in the industry as a knowledge based reliable supplier with Quality Assurance levels unmatched in the industry. This reputation enabled us to enter the export market in the UAE with relative ease since most senior managers were Indian, and at some stage worked with our customers in India, had used our films, or at least, heard about us and were therefore ready to accept our films in preference to other European suppliers who were more expensive with longer delivery times. We soon became the largest Indian exporter of multi-layer films.

Perhaps our greatest satisfaction was an enduring business relationship built with one of the world’s leading suppliers of Paper-Foil-Film based laminates for liquid packaging. We became an accredited supplier to TetraPak, India.

CHANGE IN THE BUSINESS ENVIRONMENT

There is nothing more permanent in business than Change. An entrepreneur must accept the fact that Change, either gradual or sudden, will occur through the life of a business. A sudden Change is one that is least expected, triggered by an event that cannot be anticipated.

The two examples of Change which affected our Company and how we dealt with the Change to survive initially and then kept growing, is briefly narrated.

In 1987-88 both Imperial Chemical Industries (ICI) and Union Carbide India Ltd. (UCIL) closed their polyethylene facilities. There was already an acute shortage; raw material from the only other supplier – Indian Petrochemicals Ltd. (IPCL) – was on allocation based on the previous year’s off-take. The allocation to Ep met only 20% of our monthly requirement, the rest 80% was coming from UCIL. Worse, prices of raw materials had sharply escalated by over 60%.

Due to the Foreign Exchange crisis prevailing at that time, Banks required 100% margin to establish a Letter of Credit for import of raw material. Interest rates were at an all-time high. In this situation working capital had come under severe pressure; raw materials available in the grey market had a premium of 12 – 15%. We were at a significant cost disadvantage, as a result profit margins, initially and then Reserves were rapidly eroding.

Additional working capital (offered by our bank) would not work because it would increase our “cash break-even point”. What we needed was additional equity capital. We made a Business Plan with a three year projection based on the assumption that the Government of India would reduce the import duty component, so that the landed price would be near domestic price levels. This assumption was based on a representation made to the Government by all industry associations.

We were fortunate to get a sympathetic year from two potential partners, one of them being Tata Investment Corp., and the other a friend in the diamond industry. Additional equity of Rs.27.5 lacs was brought into the business to meet additional working capital needs. In the year ending 31st March 1989, we had made a loss at the Operating Profit level (before depreciation) and wiped off our reserves. In the following year 1990 we had a minimal profit, after tax, in the subsequent year 1991, with imported raw material at par with IPCL prices, we had made adequate profits to make up for the earlier years losses.

Another example is that of a gradual Change, or a trend, and a dangerous one at that. We had basically one product – multilayer films for lamination for the Flexible Packaging industry. We were the dominant supplier until 2001. Although the demand for films kept growing at around 16% per year, our sales was gradually diminishing. There were two basic reasons, the first related to a common term used in business, Ease of Entry. As multilayer film equipment began to be made in India (not necessarily of the best quality), and at a price much lower than imported equipment, the entry into the business of manufacturing multilayer films became relatively easy. It was not our competitors who were buying equipment to compete with us; in fact our own customers who were back- integrating into the manufacture of films. As a result the business of multilayer films for independent producers like

us was gradually reducing.

We had to act against this tide which would have, otherwise, drowned us like what happened to our competitors.

One obvious choice was to seek markets outside India. Within three years of the first export of multilayer films we became the largest exporter and qualified for the Plexcouncil (Sponsor – Ministry of Commerce and Industry, Government of India) Award for two consecutive years.

At the same time we initiated a vigorous search for new applications of multilayer films (not in the commodity sector) because this appeared to be the only alternate available for survival and growth.

We now have a fairly diversified range of film applications, namely:

- a. Films for lamination to Aluminum foil for the manufacture of jelly filled telephone cables.
- b. Thermally active films for bonding different materials as for example the production of automotive hood liners.
- c. Easy-Peel system for bags and rigid containers.
- d. Films for bonding in the construction of Aluminum Composite Panels.
- e. Films used in lamination to PVC sheet for blister packaging of pharmaceutical tablets.
- f. Films for condom packaging.
- g. Adhesive coated surface protection films.

If one looks at “Change” as a challenge or an opportunity, the chances are that the Organisation will come out stronger and with the business less prone to future changes in the business environment.

Today, because we are diversified in our product applications the threat of customers back-integrating into making films has been significantly reduced. Also, since 2005 raw material prices have escalated by over 125%. The impact on working capital and corresponding interest cost is fairly significant. Yet, unlike 1988, we have built

sufficient resources and learnt to cope with Change.

MANAGEMENT SYSTEM

We have, so far, dealt with the importance of Customer satisfaction and with Change. I would not like to create an impression that these are the only critical factors in the success of an enterprise. A business needs a management system that best suits the Organisation.

Management is a type of work which can secure the most effective RESULTS, through and with people. A Manager is the one who does this work to secure pre-determined RESULTS through and with others.

An enterprise, either embarking on a new business venture or already in business must write a Vision and Mission statement.

A VISION STATEMENT ;

Is a perceived, unique characteristic, or a broad objective, to which the Organisation is committed to sustain the growth of the enterprise over the long term.

For example :

Ecoplast will be a growth oriented Company, focusing on futuristic and technology driven, innovative products, that provide long-term value to customers and shareholders.

A MISSION STATEMENT

Is a set of commitments that best describes what the organisation will do to ensure growth and profitability of the enterprise. It also states the commitment to stake holders; to the environment; to the laws and regulations that apply to the business and preferably also to the society in which it operates.

One may well ask about the purpose and value of these statements. The answer lies in the "*Principle of the Objective*" which is: "*that Organisational Efficiency tends to increase as the work performed is directed towards a stated objective*". It means there is no point in deciding what work should be done and what decisions would be made

unless and until we have established what end results we are trying to accomplish. It also follows that when you assign responsibility and authority it should be directed towards clearly defined objectives.

ACKNOWLEDGEMENTS

In any enterprise it is the Team that delivers results and sustains growth. It is, therefore, appropriate to acknowledge those team members who have made a significant contribution over the last 36 years.

The first, and most significant, name is that of (Late) Mr. Thakore P. Vashi, one of the three Promoter Directors, whose inspiration and encouragement, was the driving force in planning and execution of the multilayer film project in 1980-82.

The two other important early members of the top team that provided valuable support in the initial years were Mr. Bankim B. Desai (Promoter Director) and Mr. Jaymin B. Desai (Managing Director), both graduates in Chemical Engineering. They were outstanding in implementing the plans and driving customer satisfaction.

Their success depended upon their management skills to develop and motivate a valuable team of Managers, Department Heads and Personnel in production, sales, quality control, digital management information systems and administration.

CHAPTER 17

CONCLUSION



My career journey spanning 55 years, as a Market Development Engineer, Branch Manager and Sales Manager in Union Carbide, Plastics & Chemicals Division and then as an Entrepreneur can best be described by the quotes below.

“Excellence is dedication to a job that’s hard to do, going the extra mile and always trying to follow through.”

In 1965, Union Carbide India Ltd. made me a recipient of an Award for Excellence for developing applications for Polyethylene Films for use in construction and agriculture. It was an uphill task since I had little knowledge about how these films could be used in road construction. No one in India had used these films before and therefore, there was little knowledge available in the public domain for me to piggy back on, not to forget that the internet and “Google” had not yet been thought of.

I needed to gather large amounts of information by reading journals and meeting specialists in this field before I could start selling these films. The Air India Building, standing today at Nariman Point, has used the film for waterproofing the basement.

“The secret of success in life is for a man to be ready for his opportunity when it comes.”

This was when I gave up my job in Union Carbide to start the business in production and sales of Multi-Layer Plastic Films. I had made a business plan for this in Union Carbide but it was rejected. Ecoplast was the first in India to produce three-layer films for a wide range of applications in flexible packaging.

“The price of success is hard work, dedication to the job at hand and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.”

This is about overcoming several challenges that we faced in sustaining growth.

“Managers must be concerned with tomorrow. They must not live in the past but must plan for the future – Today”.

This is about what we had to do to overcome Changes in the business environment.

Driving for success and sustainability of an enterprise, is like leaving a valuable legacy for future generations. This is best explained in the letter below from my successor, Mr. Jaymin Desai, at the time of my retirement as Non-Executive Chairman, in September 2017.

Dear Mr. Kharas,

It is with great pleasure and honour that I take this opportunity to write to you on your retirement.

You have been a very good boss, an exceptional leader and a mentor. It gives me great satisfaction to say that we recognize, respect and appreciate all the valuable skills, knowledge and other positive qualities that you instilled in us. We want to thank you for your time and efforts in shaping our professional career.

I, my colleagues and the entire Ecoplast staff express our sincerest gratitude to you for all your uncommon contribution not only towards the company but also towards the career progression of every staff member.

Sir, you spent about 40 years with Late Shri T. P. Vashi family and 31 years with me; inspiring us through out. I consider myself and my colleagues lucky to have been able to work under your leadership. I remember those days of 1988 when we faced a very hostile financial situation but with your contacts and good will in the business fraternity along with your ability to make quick decisions helped us bring back hope to the organization beyond our own expectations.

Sir, you have instilled in each of us values such as determination, tolerance, kindness, honesty, patience and professional skills that are needed to get on with the job in absence. You have worked assiduously for all these years and now is your time to bask in the glory of all the hard work and live your life happily without any stress.

I pray that God continues to shower upon you blessings of good health and may you have endless sweet moments of this life after retirement.

On behalf of the entire Ecoplast family, I wish you Good luck.

Thank you,
Jaymin Desai



World Zarathushti Chamber of Commerce

8, R. N. Gamadia Polyclinic, Gamadia Colony, Tardeo, Mumbai - 400 007.
Tel.: 022 3296 8175 / 2353 2522 Email.: wzccindia@on-lyne.com Website: www.wzcc.net