<u>Financial Appraisal of the Projects</u>

Financial Techniques

1. Payback Period (PP):

This is one of the simplest methods to find out the period by which the investment on the project may be recovered from the net cash inflows, i.e. gross cash inflows less the cash outflows. Any net cash inflow beyond this period will be gain from such investment once the cost of the project is paid back by the income generated from such investment.

It starts with a preconceived notion that the management wants to recover the cost of investment within a ‘specific period’. When the analysis under this system shows that the payback period is less than such ‘specific period’, decision may be taken in favour of the investment for such project

2. Discounted Payback Period (DPP):

One of the drawbacks in the Payback Period Method is that it ignores the time value of money. Under this method the future cash flows are discounted at certain rate to arrive at the present value of the future cash flows. The DPP represents the period by which the estimated future cash inflows discounted as on date recovers the investment costs.

The method followed is the same as the payback period with the difference that the net cash inflows of future years are discounted to the present value.

3. Average Accounting Return (AAR):

This method is also known as the Average Return on Investment (ARI) or Return on Capital Employed (ROCE). It represents the rate of return which the average projected investment earns per annum, the earnings being the annual average of the projected net earnings.

In other words, it can be calculated as:
Average annual net earnings as projected / Average projected investment costs × 100

For the purpose of analysis under this method, we are to estimate a cut-off period also; the period which is to be considered to find out the AAR per annum for the investment.

4. Net Present Value (NPV):

The investor is interested in the investment when the generation of money out of the investment is reasonably in excess of the total investments. In other words, there is sufficient value addition by launching on the project.

We say ‘sufficient’ as otherwise; the investor would like to keep the money as deposits with bank or rank-one business organisation earning considerable interest without such risk in such investment.

Before we discuss in details the NPV, we would like to emphasise the basic conceptual differences between the investments in business (in projects) and the safe deposit:
(i) Business is normally a continuous cyclical conversion process and, in general hopefully as such there is value addition in such process.

This can be explained as the money invested is converted to different production facilities like man, materials, machines etc., which, in turn, produce goods, which, when sold, is converted to debtors and then, on realisation, from debtors it is back to money but with greater amount. This greater amount is the value addition to the relevant investment (of course not the whole investment).

5. Internal Rate of Return (IRR):

The IRR method finds out the rate at which when the cash flows are discounted the NPV becomes zero. In other words, it is that rate which when applied on future cash inflows the present value of such inflows taken together should equate with the present value of the cost of investment.' It is called 'internal', as it is purely related to the return of the particular projected investment only.

Now, we are to find out the rate at which the inward net cash flows duly discounted by such rate will break-even with the outward cash flow on account of the investment for the project. The process starts with the discounting rate of 0 % and then the rate is gradually increased so that the present value of the cash flows is gradually reduced leading to a lesser and lesser NPV till it reaches to zero.

6. Profitability Index (PI):

It represents the relationship between the present value of the future earnings and the cost of investment. Obviously, if there is a positive NPV (the total present value being more than the investment) the index is more than 1, and the index is negative when the NPV is negative.

Being almost similar to NPV, higher the NPV, higher is the index and the project showing higher index is chosen for the investmen

7. Time Value of Money and Present Value:

A further discussion is worthwhile on the time value of money – relevant to financial management and financial technique of project appraisal.

Future value (F.V.):
It is the future value of present cash earning at rate, e.g. the future value of Rs. 5,000 earning @ 12% p.a. for six years is:

5,000 x $(1.12)^6$ = Rs. 9,869 (the FV factor being 1.12)
Present value (P.V.):
It is the current value of future cash flows discounted at a certain rate. The future value of Rs. 1,000 @ 12% p.a. = Rs. 1,120. The investment becomes 1.12 times in one year.

To put it in another way, the present value of the investment earning Rs. 1,120 at the end of one year @ 12% is1,120/1.12 = Rs. 1,000.

The present value of Rs. 9,869 after six years, invested to earn @ 12% p.a., is Rs. $9{,}869/(1.12)^6$ = Rs. 5,000 (we call it discounting).

8. Net Working Capital (NWC):

It is desirable to discuss the NWC which is also considered in financial appraisal. It has been mentioned earlier that the project cost includes margin money for working capital. We also know that the NWC represents net current assets i.e. total current assets, less total current liabilities.

The idea of adding the margin money is based on the fact that, money remains blocked in the net current assets which, in its simplest form, represent inventories and debtors, less creditors.

At the start of the project only a part of such money, i.e. the NWC, is available from the bank and the balance part is considered as an item of project cost (it is not an item of cost in the true sense but represents money necessary to be tied up in the projected business).

9. Scenario Analysis/Sensitivity Analysis:

We have detailed in this part the various types of financial techniques in appraisal of the project which facilitate in taking a managerial decision as to 'go' or 'no-go' for a project. Depending upon the nature of the business concerned and the circumstances of the case, the decision may further be modified towards more and more realistic approach.

The estimates contained in the project report, based on which the analyses are made, may be of 'high- quality' at a point of time but what will happen in case of the 'reality' due to whatever be the reason falling short of the estimates, or vice versa?

Industrial Development Bank of India (IDBI):

Industrial Development Bank of India (IDBI) established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions.Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the Institutions which has been built by IDBI.

Organisation and Management:

IDBI consist of a Board of Directors, consisting of a chairman and Managing Director appointed by the Government of India, a Deputy Governor of the RBI nominated by that bank and 20 other Directors are nominated by the Central Government.

The board had constituted an Executive Committee consisting of 10 Directors, including the Chairman and Managing Director. The executive committee is empowered to sanction financial assistance.The Head office of IDBI is located in Mumbai. The bank has five regional offices, one each in Kolkata, Guwahati, New Delhi, Chennai and Mumbai. Besides the bank have 21 branch offices.

Functions

The IDBI has been established to perform the following functions-

1. To grant loans and advances to IFCI, SFCs or any other financial institution by way of refinancing of loans granted by such institutions which are repayable within 25 year.
2. To grant loans and advances to scheduled banks or state co-operative banks by way of refinancing of loans granted by such institutions which are repayable in 15 years.
3. To grant loans and advances to IFCI, SFCs, other institutions, scheduled banks, state co-operative banks by way of refinancing of loans granted by such institution to industrial concerns for exports.
4. To discount or re-discount bills of industrial concerns.
5. To underwrite or to subscribe to shares or debentures of industrial concerns.
6. To subscribe to or purchase stock, shares, bonds and debentures of other financial institutions.
7. To grant line of credit or loans and advances to other financial institutions such as IFCI, SFCs, etc.
8. To grant loans to any industrial concern.
9. To guarantee deferred payment due from any industrial concern.
10. To guarantee loans raised by industrial concerns in the market or from institutions.
11. To provide consultancy and merchant banking services in or outside India.
12. To provide technical, legal, marketing and administrative assistance to any industrial concern or person for promotion, management or expansion of any industry.

Small Industries Development Bank of India (SIDBI)

The SIDBI was established as a wholly owned subsidiary of Industrial Development Bank of India (IDBI) under a special Act of the Parliament 1988 and started its operations on April 2,

1990. It took over the responsibility of administering Small Industries Development Fund and National Equity Fund which were earlier administered by IDBI. It is the Principal Financial Institution for the Promotion, Financing and Development of the **Micro, Small and Medium Enterprise** (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. It is managed by a team of 10 Board of Directors. The authorised capital of the Bank is Rs. 1000 crore and the Paid up capital is Rs. 450 crore.

Functions of SIDBI

1. SIDBI refinances loans extended by the primary lending institutions to small scale industrial units, and also provides resources support to them.
2. SIDBI discounts and rediscounts bills arising from sale of machinery to or manufactured by industrial units in the small scale sector.
3. To expand the channels for marketing the products of Small Scale Industries (SSI) sector in domestic and international markets.
4. It provides services like leasing, factoring etc. to industrial concerns in the small scale sector.
5. To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.
6. To initiate steps for technological up-gradation and modernisation of existing units.
7. SIDBI facilitates timely flow of credit for both term loans and working capital to SSI in collaboration with commercial banks.
8. SIDBI Co-Promotes state level venture funds in association with respective state government.
9. It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small scale units.

SFC: State financial corporation

At the time of setting up of the Industrial Finance Corporation of India, the necessity of establishing similar other institutions at the state level for assisting the smaller industrial concern had not been recognised because it was not possible for a single institution to satisfy the capital needs of smaller concerns spreaded all over the country. In 1951, the State Financial Corporation was passed by the Central Government to create a separate financial corporation for the states. The S.F.C. meets the financial requirements of small industrial concerns in the private sectors.

Functions of SFC:

The main functions of S.F.C. are as follows:

1. It grants loan and advances to industrial concerns that are repayable within the maximum period of 20 years.
2. It subscribes the shares and debentures of industrial concerns.
3. It underwrites the shares and debentures of the industrial concerns.
4. It guarantees loans raised by the industrial concerns repayable within 20 years.
5. Guarantees deferred payments for purchase of capital goods with India.
6. It acts as an agent of the State and central Government.

According to section 2(C) of the SFC Act 1951 as amended in 1961, the SFC can assist an industrial concern that is engaged in any of the following activities:

1. Manufacture, preservation or processing of goods
2. Hotel Industries
3. Road Transport
4. Generation or distribution of electricity or any other form of power
5. Development of any area of land as industrial estate.
6. Fishing or providing facilities for fishing or manufacture of fish products.
7. Providing special or technical knowledge or other services for the promotion of industrial growth.

SFC provides foreign exchange loans under World Bank schemes.

The SFC occupies an important place as an institution for industrial development in the country. The major beneficiaries of the SFC are assistances are the following industries:

1. Food Processing
2. Textile Chemical and Chemical Products
3. Metal Production
4. Cement.

International Finance Corporation – IFC

The IBRD loans are available only to member country governments or with the guarantee of member-country governments. Further IBRD can only make a loan but it cannot participate in the quality of the project financed. IFC was established in 1956 with the specific purpose of financing private enterprises. It is an affiliate of IBRD. The Board of Governors of the IBRD also constitute the Board of Governors of the IFC. But it is a separate entity with funds kept separate from those of IBRD.

Functions of International Finance Corporation

The purpose of IFC is to further the economic development by encouraging growth of private enterprise in member countries particularly in less-developed areas, thus supplementing the activities of the IBRD The IFC, therefore,

(i) invests in private enterprises in member countries in association with private investors and without government guarantee, in case where sufficient private capital is not available on reasonable terms;

(ii) seeks to bring together investment opportunities, private capital of both foreign and domestic origin, and experienced management, and

(iii) stimulates conditions conducive to the flow of private capital, domestic and foreign, into productive investments in member-countries.

The IFC makes advances in the form of long-term loans or invests in equity shares in a wide variety of productive private enterprises in developing countries. It particularly encourages joint ventures between developed and developing countries, the technical skill available with the former combining with the resources available with the latter. The project which IFC proposes to assist should be an economically viable unit and beneficial to the economy of the member-country.

Normally the financial assistance from the IFC for a unit would not be less than $ 1 million and not more than $ 20 million. Further IFC's investment normally does not exceed 50% of the total investment of the enterprise. In case of its investment by equity contribution, it does not exceed 25% of the share capital. The interest charged on advances varies depending upon proposal and stature of the borrower.

Resources of International Finance Corporation

The resources of IFC consist of capital contributed by its members. It can borrow from the World Bank for the purpose of lending.

Evaluation of International Finance Corporation

The IFC has a slow beginning and much of its assistance was concentrated in Latin and Central American countries. But in recent years it has diversified its area of operations and many developing countries stand benefited. India has also received substantial assistance from the IFC.

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Life Insurance Corporation Act, 1956

Life Insurance Business in India was nationalized with effect from January 19, 1956. On the date, the Indian business of 16 non-Indian insurers operating in India and 75 Provident Societies were taken over by Government of India. Life Insurance Corporation of India, Act was passed by the Parliament on June 18, 1956 and came into effect from July 1, 1956. Life Insurance Corporation of India commenced its functioning as a corporate body from September 1, 1956. Its working is governed by the LIC Act. The LIC is a corporate having perpetual succession and a common seal with a power to acquire hold and dispose of property and can by its name sue and be sued.

Important Provisions of Life Insurance Corporation Act, 1956

- Constitution
- Capital
- Functions of the Corporation
- Transfer of Services
- Set-up of the Corporation
- Committee of the Corporation
- Authorities
- Finance, Accounts and Audit
- Miscellaneous

Role and Functions of LIC

- It collects the savings of the people through life policies and invests the fund in a variety of investments.

- It invests the funds in profitable investments so as to get good return. Hence the policy holders get benefits in the form of lower rates of premium and increased bonus. In short, LIC is answerable to the policy holders.
- It subscribes to the shares of companies and corporations. It is a major shareholder in a large number of blue chip companies.
- It provides direct loans to industries at a lower rate of interest. It is giving loans to industrial enterprises to the extent of 12% of its total commitment.
- It provides refinancing activities through SFCs in different states and other industrial loangiving institutions.
- It has provided indirect support to industry through subscriptions to shares and bonds of financial institutions such as IDBI, IFCI, ICICI, SFCs etc. at the time when they required initial capital. It also directly subscribed to the shares of Agricultural Refinance Corporation and SBI.
- It gives loans to those projects which are important for national economic welfare. The socially oriented projects such as electrification, sewage and water channelising are given priority by the LIC.
- It nominates directors on the boards of companies in which it makes its investments.
- It gives housing loans at reasonable rates of interest.
- It acts as a link between the saving and the investing process. It generates the savings of the small savers, middle income group and the rich through several schemes.

Unit Trust of India:

Objectives, Functions and Schemes!

Unit Trust of India (UTI) is a statutory public sector investment institution which was set up in February 1964 under the Unit Trust of India Act, 1963.UTI began operations in July 1964. It provides opportunity for small-savers to invest in areas where their risk is diversified.

The Unit-holders, if necessary, can sell their units to UTI at the prices determined by UTI. One of the attractions is that the investment in UTI has an income-tax rebate and the income from the UTI is exempted; from income-tax subject to certain limits.

Functions of UTI:

(i) To accept discount, purchase or sell bills of exchange, promissory note, bill of lading, warehouse receipt, documents of title to goods etc.,
(ii) To grant loans and advances.
(iii) To provide merchant banking and investment advisory service.
(iv) To provide leasing and hire purchase business.
(v) To extend portfolio management service to persons residing outside India.
(vi) To buy or sell or deal in foreign exchange dealings.
(vii) To formulate unit scheme or insurance plan in association with or as agent of GIC.

(viii) To invest in any security floated by the Central Government, RBI or foreign bank.

Activities of UTI:

The UTI can sell and purchase the units issued by it, investing, acquire, hold or dispose off securities. Keep money on deposit with the scheduled banks and undertake related functions incidental or consequential to that. All the units issued by the UTI are of the value of Rs. 10 each. These units were put on sale at face value and thereafter at prices fixed daily by the UTI. Units can be purchased in ten or multiples of ten.

Schemes of UTI:

The familiar schemes of UTI are given below:
(i) Unit scheme—1964.
(ii) Unit Linked Insurance Plan—1971.
(iii) Children Gift Growth Fund Unit Scheme—1986.
(iv) Rajyalakhmi Unit Scheme—1992.
(v) Senior Citizen's Unit Plan—1993.
(vi) Monthly Income Unit Scheme.
(vii) Master Equity Plan—1995.
(viii) Money Market Mutual Fund—1997.
(ix) UTI Growth Sector Fund—1999.
(x) Growth and Income Unit Schemes.
What is the meaning of GIC?
GIC meaning: Its full form is General Insurance Corporation of India. The general insurance industry in India was nationalized and a government company known as General Insurance Corporation of India (GIC). General Insurance Corporation of India (GIC) was formed in the recommendation of Section 9(1) of GIBNA.

General Insurance Corporation

The function of the General Insurance Corporation of India (GIC):

1. Carrying on of any part of the general insurance, if it thinks it is desirable to do so.
2. Aiding, assisting and advising the acquiring companies in the matter of setting up standards of conduct and sound practice in the general insurance business.
3. Rendering efficient services to policyholders of general insurance.
4. Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses.
5. Advising the acquiring companies in the matter of investing their fund.
6. Issuing directives to the acquiring companies in relation to the conduct of general insurance business.

7. Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.

General insurance act 1972: general insurance corporation of India

The General Insurance Act 1972 was passed in 1972 to establish a general insurance business in India. 107 insurance companies were nationalized under the general insurance act 1972, who gave special privileges to four subsidiaries for general insurance business transactions.

Delegation of Authority

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

   Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short,

means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps : -

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager,i.e.,the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee's role which means his responsibility and accountability is attached with the authority over to here.

Accountability for project management?

1. Set expectations: In my 20+ years of experience across multiple industries, I've found it is easy to assume that project expectations and goals are clear when they are vague at best. How can they be vague when you have a written document with tasks and accountabilities? Just ask yourself a few questions: 1) If a mini-crisis arises (such as a potential late shipment or a machine issue), will your project lose focus? 2) If a team member's direct manager needs a report or

action item completed, will your project lose focus? 3) If your project comes into conflict with department priorities, will your project lose focus?

Most times, I see these issues derail projects. It's the rare exception where a project manager and executive sponsor think through the potential conflicts, determine priorities and communicate clearly upfront. In these cases, not only is the projects successful but typically the other needs are addressed as well. Think about the 80/20 – which of these types of situations are most likely to occur? How will you handle them? Bring the team and all related parties into the loop as to the priorities, reasoning and process for resolving issues. Miraculously, your project will exceed expectations.

2. Track progress: Tracking project progress sounds like motherhood and apple pie; however, what could be more integral to success? If you don't know how you are doing, how will you know what to adjust?

   How do we accomplish this? It is not sufficient to wait to track progress until the project results timeframe. Instead, track the progress of milestones especially critical path milestones. The 80/20 of your effort should be on these key milestones as they will drive success. If you aren't sure how to track progress without the end result, ask questions. Find out how core team members or project recipients would "see" progress. If critical path milestones are too far out, find out which tasks along the path to the critical path milestone are most likely to run into a roadblock. Be all over it!

   Don't just track task timing. Review the level of quality / result of the task. Review costs. Review service levels. Ask for feedback. Ask your customers.

3. Integrate with performance management processes: People focus on what's measured. Does their performance on your project make a difference to their career success? How can you ensure integration with the performance management process?

   There are several approaches to achieving this objective: 1) Publish and communicate metrics on a frequent basis – preferably weekly. 2) Partner with the organizational leaders associated with your project team members. Make sure the project objectives are a part of each team member's regular performance management process. 3) Make sure the priority of your project is clearly understood in relation to other projects and day-to-day responsibilities. If this means your project is 2nd priority, address upfront. What backups exist? How else can you fill gaps? 4) Clearly communicate the value to the project team members and the rest of the organization. 5) Provide continual feedback (both positive and constructive) and back up with rewards, recognition and performance discussions.

Without a doubt, those companies who consistently deliver project results will outperform their competition. Accountability plays a vital role in ensuring success. Will you put forth the effort to institute accountability practices in your project?.

R's of Contracting

I've spent many years doing contract work for a ton of different companies, both large and small. Over time, I've come to realize that contracting isn't the best way for me to earn a living, not because the money isn't there (it is… in spades…!) but because it just doesn't jive with me as a lifestyle.

Essentially, I don't like being at the beck and call of organizations and I don't like having to bank on those types of relationships to earn an income.

What I do enjoy is taking contracts here and there because I *want* to provide some sort of incredible value to people that I believe I can help at a very large level. I'm hyper-specific and super-picky about who I work with and, again, I like not having to literally bank on this type of income solely.

Over the years I've refined my approach and have codified a lot of what I've learned over the years into some of my many notebooks. I happened across this gem of an overview the other day and thought I'd share it publicly.

(These are top-level considerations that can help you navigate a new and/or existing contractual relationship and create context for obligations and/or expectations. Very helpful stuff, even as a seasoned contractor!)

The Seven R's of Contracting

One. **Results** – What we expect to accomplish

- What are the objectives, success criteria, and what will be considered a job well done/
- What is the scope of the effort?

Two. **Roadmap** – The basic plan we will follow

- What are the key milestones of the plan?
- Identify who will do what by when.

Three. **Roles** – The basic parts each will play

- What roles will you play? Advisor, data analyst, content expert, contract resource manager, trainer…
- Are you the key role or a minor role?
- What roles will the organization play? Decision maker, resource allocator, communicator, tester, leader?

Four. **Responsibilities** – The expectations of each role

- What specific tasks will each role accomplish?

Five. **Resources** – Time, budget, people, information, outside help, etc… needed to complete the effort

Six. **Reporting** – How progress will be reported and reviewed

- Will reporting be via phone, face to face, voicemails, email…

- Will a periodic written progress report be prepared?

Seven. **Relationships** – How we will handle decisions, feedback, and problems

- How will difficult issues be addressed?

For some bonus material, here are some top-level considerations as you move forward with any new client. The are part of the “Contracting Discussion” as you mature an opportunity toward close.

Team building

is a collective term for various types of activities used to enhance social relations and define roles within teams, often involving collaborative tasks. It is distinct from team training, which is designed by a combine of business managers, learning and development/OD (Internal or external) and an HR Business Partner (if the role exists) to improve the efficiency, rather than interpersonal relations.

Many team-building exercises aim to expose and address interpersonal problems within the group.[1]

Over time, these activities are intended[*by whom?*] to improve performance in a team-based environment.[2] Team building is one of the foundations of organizational development that can be applied to groups such as sports teams, school classes, military units or flight crews. The formal definition[*which?*] of team-building includes:

- aligning around goals
- building effective working relationships
- reducing team members' role ambiguity
- finding solutions to team problems

Team building is one of the most widely used group-development activities in organizations.[3] A common strategy is to have a "team-building retreat" or "corporate love-in," where team members try to address underlying concerns and build trust by engaging in activities that are not part of what they ordinarily do as a team.[4]

Team building describe four approaches to team building:[7][8]

Setting Goals[edit]

This emphasizes the importance of clear objectives and individual and team goals. Team members become involved in action planning to identify ways to define success and failure and achieve goals. This is intended to strengthen motivation and foster a sense of ownership. By identifying specific outcomes and tests of incremental success, teams can measure their progress. Many organizations negotiate a team charter with the team and (union leaders)

Role clarification[edit]

This emphasizes improving team members' understanding of their own and others' respective roles and duties. This is intended to reduce ambiguity and foster understanding of the importance of structure by activities aimed at defining and adjusting roles. It emphasizes the members' interdependence and the value of having each member focus on their own role in the team's success.

Problem solving[edit]

This emphasizes identifying major problems

Interpersonal-relations[edit]

This emphasizes increasing teamwork skills such as giving and receiving support, communication and sharing. Teams with fewer interpersonal conflicts generally function more effectively than others. A facilitator guides the conversations to develop mutual trust and open communication between team members.

Effectiveness

The effectiveness of team building differs substantially from one organization to another.[9] The most effective efforts occur when team members are interdependent, knowledgeable and experienced and when organizational leadership actively establishes and supports the team.

Effect on performance

Team building has been scientifically shown to positively affect team effectiveness.[12] Goal setting and role clarification were shown to have impact on cognitive, affective, process and performance outcomes. They had the most powerful impact on affective and process outcomes, which implies that team building can help benefit teams experiencing issues with negative affect, such as lack of cohesion or trust. It could also improve teams suffering from process issues, such as lack of clarification in roles.[3]

Challenges to team building

The term 'team building' is often used as a dodge when organizations are looking for a 'quick fix' to poor communication systems or unclear leadership directives, leading to unproductive teams with no clear of how to be successful. Team work is the best work.

Teams are then assembled to address specific problems, while the underlying causes are not ignored.

Dyer highlighted three challenges for team builders:[15]

- **Lack of teamwork skills**: One of the challenges facing leaders is to find team-oriented employees. Most organizations rely on educational institutions to have inculcated these skills into students. Dyer believed however, that students are encouraged to work individually and succeed without having to collaborate. This works against the kinds of behavior needed for teamwork. Another study found that team training improved cognitive, affective, process and performance outcomes.[11]
- **Virtual workplaces and across organizational boundaries**: according to Dyer, organizations individuals who are not in the same physical space increasingly work together. Members are typically unable to build concrete relationships with other team members. Another study found that face-to-face communication is very important in building an effective team environment.[16] Face-to-face contact was key to developing trust. Formal

team building sessions with a facilitator led the members to "agree to the relationship" and define how the teams were work. Informal contact was also mentioned.

- **Globalization and virtualisation**: Teams increasingly include members who have dissimilar languages, cultures, values and problem-solving approaches problems. One-to-one meetings has been successful in some organizations.[16]

Selection Criteria for Contractors

To minimize accidents, incidents at workplace, selection of Contractor becomes an important tool for managing contractor safety. It is a process to identify an appropriate and suitable contractor who is compatible as well as conversant with client's safety management system. The process of selection of right contractor should include evaluation of safety performance of the contractor, worker's compensation, their recorded injury rates, periodic safety programs being conducted and the competency level of contractor's personnel.

To get certified, qualified and in order to obtain competent personnel from the contractor, process of pre-qualification of contractor is a best practice that the client should opt.

Pre-qualification of contractor helps to create a pool of contractors that have the desired quality, capacity and ability to perform work on projects of a particular size and complexity. This also weeds out contractors with a history of litigation, claims and performance related failures. For any project work, a contractor is required to bid informal contracts for which safety pre-qualification is required.

Technical Criteria for pre-qualification of a contractor on the basis of Safety Competency:

- Contractor should have experience in providing services for a minimum of 3 years in respective field.
- Details of company information with organization structure, list of manpower with the CVs of key personnel, plant and machinery list mentioning year of manufacturing, support agencies, other facilities and resources.
- Details of completion of similar type of projects within last three years indicating their brief scope of work, value of work, contractual duration, actual completion of project, client's name, contact details of that client, safety appreciation or compliance certification or inspection of plant and machineries, HSE statistics, LTI graph etc.
- Details of typical project planning and execution methodology.
- Details of past track record of similar works executed with list of work orders, P.O copies or LOI copies and client completion certificates.
- Details of current commitments – List of all the jobs under execution with the value of the job and percentage completion with particular emphasis on project of similar magnitude carried out.

- Details of experience of working in similar kind of project.
- Details of HSE policy, safety manual, safety plan and implementation procedures in-line with internationally accepted practices along with the statistics for last four years.
- Details of quality assurance and quality control practices currently in place for the execution of similar work.
- Details of contractor's financial performance documents (audited balance sheets with profit and loss statements) and audit reports for last 3 preceding years.
- Details of company's registration, PAN card, service tax and GST.
- Details of documents in support of Health, Safety, Environment and Quality [HSEQ] performance.
- Details of insurance of employee policy, medical evaluation including drug testing policy.
- Details of managing and monitoring sub-contractor performance.
- Details of safety and security evaluation policy.

Financial Criteria for pre-qualification of contractor:

- Turnover in each of the financial year.
- Positive net worth of financial year.
- Liquidity ratio in each of financial year.

The pre-bid and pre-award of contract meetings are to take place between client and contractor representative for selection of a contractor.

- Contractor representative should understand the financial implications to meet expectations of the client to comply with safety management.
- Contractor representative should understand technical impact while execution of contract including managing safety.
- Client and contractor representatives should have clear understanding on safety competency and effectiveness of implementation of the safety program during execution of work.
- Periodic monitoring of the safety performance of contractors.
- To assist in meeting value for money and quality assurance objectives, agencies are to submit a performance report.
- Contract information.
- Contractor to comply pre-qualification questioner process.

The advantage and effectiveness of process of pre-qualification and selection of contractor is the key and a proper tool to achieve contractor safety management.

- It reduces variability during contract execution.
- It improves project completion target effectiveness in terms of cost, quality and project schedule.
- It makes it possible to achieve alignment with contractor before execution work starts.

- Contractor provides knowledgeable, skilled and experienced manpower with sufficient resources to comply with safety management.
- Contractor review for statutory and regulatory requirement in advance.
- Contractor discuss job-specific safety plants.
- Contractor evaluate effectiveness of orientation or trade specific training periodically.
- Contractor reviews plans and job safety analysis before start of work.
- Contractor conduct field audits, documenting the audit's findings and demands corrective action from concerned executive personnel.

Ministry of Finance (India)

The **Ministry of Finance** is an important ministry within the Government of India concerned with the economy of India, serving as the Indian Treasury Department. In particular, it concerns itself

Department of Economic Affairs[edit]

The Department of Economic Affairs is the nodal agency of the Union Government to formulate and monitor country's economic policies and programmes having a bearing on domestic and international aspects of economic management. A principal responsibility of this Department is the preparation and presentation of the Union Budget to the parliament and budget for the state Governments under President's Rule and union territory administrations. Other main functions include:

- Formulation and monitoring of macroeconomic policies, including issues relating to fiscal policy and public finance, inflation, public debt management and the functioning of Capital Market including Stock Exchanges. In this context, it looks at ways and means to raise internal resources through taxation, market borrowings and mobilisation of small savings;
- Monitoring and raising of external resources through multilateral and bilateral Official Development Assistance, sovereign borrowings abroad, foreign investments and monitoring foreign exchange resources including balance of payments;
- Production of bank notes and coins of various denominations, postal stationery, postal stamps; and Cadre management, career planning and training of the Indian Economic Service (IES).

The Foreign Investment Promotion Board (FIPB), housed in the Department of Economic Affairs, Ministry of Finance, was an inter-ministerial body, responsible for processing of FDI proposals and making recommendations for Government approval. FIPB is now abolished as announced by Finance Minister Arun Jaitley during 2017-2018 budget speech in Lok Sabha.[5]

Shri Atanu Chakraborty is the current secretary of this department.[6]

Department of Expenditure[edit]

The Department of Expenditure is the nodal Department for overseeing the public financial management system (**PFMS**) in the Central Government and matters connected with the finances. The principal activities of the Department include pre-sanction appraisal of major schemes/projects (both Plan and non-Plan expenditure), handling the bulk of the Central budgetary resources transferred to States, implementation of the recommendations of the Finaand Central Pay Commissions, overseeing the expenditure management in the Central Ministries/Departments through the interface with the Financial Advisors and the administration of the Financial Rules / Regulations /Orders through monitoring of Audit

Department of Revenue[edit]

The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC)

Department of Financial Services

The Department of Financial Services covers Banks, Insurance and Financial Services provided by various government agencies and private corporations. It also covers pension reforms and Industrial Finance and Micro, Small and Medium Enterprise. It started the Pradhan Mantri Jan Dhan Yojana.

PFRDA, Pension Fund Regulatory and Development Authority (PFRDA) is a statutory body which also works under this department.

Shri Debasish Panda is the current secretary of this department.[9]

Department of Investment and Public Asset Management

The Department of Disinvestment has been renamed as Department of Investment and Public Asset Management or 'DIPAM', a decision aimed at the proper management of Centre's investments in equity including its disinvestment in central public sector undertakings. Finance