Chapter V

Designing a Product Development Programme for Small Scale Industries
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DESIGNING A PRODUCT DEVELOPMENT PROGRAMME FOR SMALL SCALE INDUSTRIES

INTRODUCTION:

In the preceding chapter the role played by market research in product development programme has been discussed. The conclusion drawn is that a comprehensive product development programme for small scale industries cannot be chalked out without an aggressive market research programme. Market research is, therefore, an integral part of product development programme. However, the successful implementation of product development programme in the small scale industries needs special designing conforming to their requirements. It is in this context that an attempt has been made in this chapter to design in a logical manner a "need-based" product development programme suitable for small scale units.

Before doing so, it seems essential to discuss at some length the steps so far taken by the Government of India for product development in the small scale sector.
PRESENT POSITION OF PRODUCT DEVELOPMENT:

The Government of India through the Development Commission, Small Scale Industries (DCSSI) with the Small Industries Service Institute (SISI) in each State and with the Quality Marketing Centres (QMC) is providing assistance and guidance to small scale industries for improving their products quality. As a result, significant progress has been made in this respect by the small scale industries during the last decade but, the momentum is slow. At present, this sector accounts for almost all the items of production in the country, like clinical thermometers, clips, steel wool, wood, wooden electrical accessories, pencil sharpeners, hair clippers, spectacle hingis, shoe cylets, hob nails, animal shoe nails, press buttons, plaster broards, playing cards, measuring cotton tapes, gramophones, fire works, nail cutters, garment buckles, metal buttons and badges, hair pins, hand-humbering and cheque writing machines, leather-foam garments, glass fibre, tape cloth, sleevings, gas burners and cooking ranges, poultry equipment, graphic crucibles, weights, gun metal bushes etc. The contribution of small scale industries to the national production was more than 50 per cent upto 1970 of the following
articles: domestic electric accessories, electric cell bells, metal-clad switches, domestic wireless receivers, mechanical toys, wire netting and wire mesh, expanded metals, barbed wire, rolling shutters, beam scales, upholstery coil spring, wood screws, coolant pumps, cycle pumps, bicycle tube valves, sealed beams, spring washers, industrial brushes, machine screws, snap fasteners, microscope, fountain pens, spectacle frames, pressure cookers, oil pressure stoves, stapling machines, paints, and varnishes, polythene tubing, polythene laminated products, paper cones and cubes, corrugated paper and bound, paper products used in packaging, sensitised paper, tape recorders, ball point pens and refills, absorbent cotton, black insulating tape, loud speakers, amplifiers, flexible metallic tubing, diamond tools, hypodermic needles, machine shop devices, conduct pipes, steel furniture, plastic articles produced by compression moulding techniques, by fabrication and cavvum forming, plastic blow moulded containers, rectifiers, battery chargers, voltage stabilizers and boosters metallic yarn, flooring and rooting tiles, leather footwear and hose pipes.

Facilities pertaining to standardisation and quality control are also being provided by the Development Commission, Small Scale Industries, Small Industries Service Institutes and State Quality Marketing Centres. In many cases, Indian Standards Institution has carried out special investigations to find out ways that suit the small scale producers' interest. Standards for sport goods constitute a case in point. A special investigation was also carried out to standardise raw-materials and constructional details and to evolve suitable tests for assessment of quality. These standards give guidance to manufacturers in satisfying certain essential characteristics such as concentricity of cricket and hockey balls, mechanical balance of rackets for what is mentioned as a "feel" of players, proper resilience of handles and the like. This approach is not confined to sport goods or any particular sphere of industry. Apart from this, investigations have also been undertaken whenever a sound basis for standardisation was found lacking and had to be established.

The ISI Certification Marks Scheme has also been introduced in the small scale industrial sector to establish standards by rectifying defects in the course of production and improve the quality of the products.
It is a third party guarantee to the purchaser that the goods have been inspected, tested and certified by, or prepared under the supervision of a competent agency and may be purchased with a reasonable assurance of quality. Since its introduction in 1955 about 2,400 licences have been issued covering a wide range of goods of the annual production value of Rs.4,300 million\(^1\). For ISI Certification under Quality Marking Schemes the small scale industries can also utilise the testing facilities available with the Small Industries Service Institutes, Extension Centres and State Government laboratories wherever they exist. With the application of Quality Control techniques, the small units have been benefited to a significant extent in the improvement of quality, enhancement of productivity and reduction of costs. To promote quality control in small scale industries, Indian Standards Institute has held training programmes in collaboration with Small Scale Industries Development Organisation, Indian Statistical Institute, and National Productivity Council. These programmes aim at imparting working knowledge of the basic principles and procedures of quality control to enable the trainees to introduce these ideas in small scale units. The programmes lay particular

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emphasis on the importance of inspection and testing schemes leading to quality guarantee by a third party like Indian Standards Institute.

Apart from this, the Development Commission, Small Scale Industries, through its different agencies, is providing special assistance pertaining to product development, by conducting different types of market researches, to only those selected industries which have export potentialities or whose products are in great demand. It undertakes programmes of assistance in the form of three types of surveys namely, Distribution Aid Surveys, the Industry/Product Market Surveys and Commodity Surveys of particular products as discussed below:

1. DISTRIBUTION AID SURVEYS:

Such surveys are undertaken on the specific request of a small entrepreneur. Till recently, it was a free service but now a nominal fee is charged from the requesting party. The survey report is divided into two parts. The first part discusses the supply and the demand perspective of the product in general and the second part analyses the status or the position of the specific brand in the market on the basis of price, quality and other sales-features compared to the competitive brands in the market. It also contains the recommendations made
to the entrepreneur for improving the quality of the product.

1. **INDUSTRY/PRODUCT MARKET SURVEYS:**

The Industry/Product Market Surveys are undertaken not on behalf of any particular producer but on the basis of the preliminary data available with the Economic Investigation Division of the Office of the Development Commission, Small Scale Industries, in consultation with its counterparts in the Small Industries Service Institutes. These surveys have been prepared for the products having export potentialities. The reports of these surveys are circulated amongst the small undertaking associations and the major small entrepreneurs in order to make improvements in the quality of the product.

3. **COMMODITY SURVEYS OF PARTICULAR PRODUCTS:**

Another institution namely, the Indian Institute of Foreign Trade undertakes commodity surveys of particular products manufactured in both the large and small scale sectors of the industry with a view to studying their export potentials and prospects. The Institute has so far completed a number of such studies for the products such as costume Jewellery, curry powder and paste, safety razor blades, gray iron castings, preserved fruits and vegetables, hosiery goods, electric fans, electric lamps
etc. Recently, the Institute has undertaken commodity surveys of sports goods, bicycles and bicycle parts, sewing machines, woolen and cotton hosiery, scientific instruments, certain machine tools, builders' hardware, domestic electrical appliances, steel furniture, storage battery, leather footwear etc. These surveys provide informations relating to the overseas markets tapped up by the manufacturers of the above products in matters of prices, quality, trade terms etc.

These informations are no doubt essential and useful from the point of view of taking valuable decisions about various complex business problems concerning production and marketing of goods. But, merely by providing such informations, the development of small sector can hardly be achieved. It is possible only when the small manufacturers are suggested properly the ways and means to make improvements in the existing system of production and distribution in order to improve the quality of products. Due to several limitations, only a few small scale producers make use of these informations and the rests are not in a position to make an effective use of the assistance provided. Further, in the reports of commodity surveys undertaken for a particular product manufactured by the small and large scale sectors of a particular industry greater
stress is laid on large scale producers and less on small scale industrialists. As a matter of fact, the small producers are not only neglected but they are also not provided with proper guidance and assistance. Quite a large number of small scale industries are still running on traditional lines. Only those units which have registered themselves are being provided assistance and guidance by the facilitating institutions. Moreover, in the development programmes so far chalked out, the problems of different industrial units are considered on comprehensive scale.

It is quite clear from the above discussion that the steps so far taken by the government of India for the development of products of small scale industries are inadequate and do not satisfy the requirements of this sector. Under such circumstances, the development of small scale industries is hardly possible without the introduction of a product development programme in this sector.

NEED FOR PRODUCT DEVELOPMENT PROGRAMME IN SMALL SCALE INDUSTRIES:

Sooner or later, practically every product is either replaced by another one or degenerates into profitless price competition. This calls for Product Development Programme in every business unit; big or small,
but the need is greater in the later case due to the reasons mentioned below:

1. **INADEQUATE MARKET ANALYSIS:**

Due to inadequate market analysis a majority of small scale producers are manufacturing goods without making any arrangement for assessing consumer's action and reactions to the products. Their production policy is based on their own conveniences and profit margin, and they produce only those goods and commodities the production of which is of a simple nature. They do not care for the preferences and choices of the potential buyers in the market. In a sellers market, whatever is produced is absorbed in the market. The producers generally do not know that market conditions are not static. Sellers market sometimes gives rise to buyers market in which only those businessmen gain whose products are of the desired quality and requirements of the consumers\(^1\). Only a few units in our country are producing sophisticated goods keeping the idea of buyers market in mind. They too take into account only Indian conditions. They have no consideration for international market. As a result, the exports of these industries are not up to the mark. Since they lack up to date knowledge of market conditions, they are not in a position

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\(^1\) Based on discussions with the management of Small scale units.
to make improvement in the quality of existing products. Consequently, their products fail to attract the attention of buyers in the market.

2. **PRODUCT DEFECTS:**

There is no denying the fact that there is a dearth of modern machines, equipments and technical know-how in small scale industrial sector. The manufacturers are still using old fashioned machines, tools, equipments and techniques of production. As a result, much of the time, energy and raw-material are wasted and, hence, the goods produced by small scale industries do not penetrate into the market because they are costly, defective and are of poor quality. No testing device to check the defects of the products is used by the small entrepreneurs. Hence, the products manufactured by the small scale industries are found defective and inferior in quality as compared with similar products manufactured by the large scale industries.

3. **HIGHER COST THAN ANTICIPATED:**

It has also been observed that the goods produced by small scale industrial units are costly as compared with large scale industries. The reason is that the small scale units are using traditional technology, due to which much of the raw-material, labour and capital is wasted which ultimately results in higher prices and
leads to smaller sales than anticipated. Due to shortage of capital the small producers are not in a position to install modern machines and equipments. The other reason of high cost of production is that the small scale units, because of their small-size and scale of operation, are deprived of the advantages of mass-production such as internal and external economies. Yet another reason of high cost of production is that the productive capacity of these units remains under-utilised due to a variety of reasons such as shortage of raw-material and power supply, lack of technical know-how, modern methods and techniques of production etc. On the other hand, large scale industries enjoy all the benefits of mass production (internal and external economies) by virtue of their large size and resources which, in turn, lead to a lower cost of production. They have no such problems as are faced by the small scale industries, and, thus, the large scale units dominate over the small units in the production of similar articles.

4. COMPETITION:

The small scale industries are lagging much behind the large scale industries as the former are not in a position to compete with the latter in matters of sale of articles of uniform characteristics and purchase of raw-materials. Due to shortage of finance the small
manufacturers are unable to conduct market research programme to find solutions of the problems of marketing of goods. Price reduction techniques adopted by the large scale units adversely affect the growth of small scale industries. Apart from this, there is competition in the purchase of raw-material also. The small manufacturers generally get raw-material of inferior quality at high-price and sometimes they do not get the supply of even inferior quality at any price which ultimately becomes a cause of failure of these units.

The small manufacturers generally do not know whether they are facing price or non-price competition in the market. While competing price-wise, they should assume the existence of a particular demand curve and try to increase the amount of product sales by lowering the price which is asked. If the demand curve is elastic, the total revenue of a firm can be increased by such action, for the number of units sold increases more than the proportional reduction in price. One of the biggest problems, of course, with regard to both price and non-price competition is the determination of what one's demand curve actually is. Although, economists base considerable analytic work on assumed demand curves, few businessmen have any satisfactory idea of the shape of the demand curves for their respective firms.
This is yet another area in which a small manufacturer needs to be well-acquainted.

Non-price competition is designed to increase sales volume by shifting the demand curve to the right or to maintain sales volume by preventing the demand curve from shifting to the left. A variety of techniques are used in non-price competition, the chief among them are strong personal selling, advertising and fashion promotion, high-quality, and extensive service. Even when undertaking price-competition, one finds non-price competition necessary to some extent, since, for price cuts to be effective, they must be advertised.

There are many good aspects to be mentioned regarding the various methods of non-price competition. Advertising can do much to educate consumers about such things as the availability of new products, and it permits manufacturers to enjoy greater stability of price and to increase sales volume. High quality and service make a consumer's shopping easier and more pleasant, and fashion affords considerable satisfaction to numerous consumers. Non-price competition tends to give one a strong hold on customers, increasing the security of one's operations. Furthermore, when one attempts expansion of operations through reductions in prices, it is relatively difficult to reverse that position and subse-
quently raise prices without creating ill will and losing substantial sales volume. When one undertakes expansion through an advertising campaign, he is relatively free at any time to increase or decrease the amount of advertising without being subjected to criticism from customers.

5. INADEQUATE SALES FORCE:

Marketing of goods requires the services of highly qualified and trained staff. Due to limited resources the small producers cannot employ experienced and expert hands for the purpose of sales promotions. It has also been experienced that those business units which employ salesmen for the purpose of sales promotion fail to achieve the objective because of the fact that they are insufficiently trained and not properly motivated to do the necessary job. Hence, the demand for the products of small scale industries is constantly decreasing in the market due to inadequate sales force. On the other hand, large scale units by applying adequate sales force are successful in their objective of creating more demand for their products and serving their markets efficiently and expeditiously. Hence, the products of small scale industries fail to capture the demands of the consumers in the market.
6. **INSUFFICIENT MARKETING EFFORTS:**

As discussed earlier in the preceding chapter, the small scale manufacturers prefer to sell their products on adhoc basis in the nearest market because of the fact that they run their business alone and that is why they concentrate more on production. To them marketing is secondary business. The other reason that keeps away the small manufacturers from marketing practices is that they lack the methods and techniques of marketing of goods and knowledge of the marketing conditions such as how to sell, where to sell, when to sell and at what price to sell, who are their potential buyers, what are their likes and dislikes, habits customs and systems, what type of competition is prevailing in the market etc. Those manufacturers who deal with the entire marketing functions also lack the perfect knowledge of the market conditions. Whatever efforts are made by them for the purpose are found not only insufficient but also incompatible to the present day requirements.

7. **POOR TIMING:**

When the goods are produced, the small producers try to dispose them off as soon as possible without taking into account the time factor. Due to non-availability of storage facilities, means of transport-
tation and communication and proper marketing knowledge, they are not in a position to wait for the most suitable time to introduce a new or improved product in the market. Hence, because of poor timing of introduction, many products of small industries become technically obsolescent between the conception of the idea and the commercialisation of the product and ultimately they lose their market share.

8. WEAKNESSES IN DISTRIBUTION:

The system of distribution of goods in small scale industrial sector is also defective. Many units either fail to select proper trade channels or perform a poor job in promoting the product to the wholesalers and retailers. Weakness in distribution of goods creates a bad impression in the minds of the consumers about the product which ultimately becomes the cause of failure of the business. The selection of proper channels of distribution creates goodwill about the product in the market as the consumers prefer to select only those qualitative goods which are regularly supplied and easily available at the right price, at the right time, and at the right place as per their requirements. Apart from this, when goods move slowly the unsold or not-yet-
sold items pile up in the factory warehouse, in the channels of trade, or in the inventory of finished goods. All this ties up a part of the total pool of resources - material, money, machinery and manpower. Thus weaknesses in distribution affect the small scale industries adversely.

Due to these reasons, the small scale industries have not yet been developed on sound lines and they are not in a position to compete with large scale industries in the domestic as well as in the foreign markets. All this underlines the need for product development programme based on market research in the small scale industrial sector for their modernisation, promotion and rationalisation.

After having discussed the present position and the need of product development programme in the small scale industrial sector, it seems worthwhile to discuss at some length the concept of a "need-based" product development programme for small scale industries.

**NEED-BASED PRODUCT DEVELOPMENT PROGRAMME FOR SMALL SCALE INDUSTRIES:**

As discussed earlier, product development programme dealing with two major aspects of manufacturing and marketing of goods, renders useful and valuable services to the small manufacturers in taking valuable
decisions pertaining to production and distribution of goods. But the introduction of such a programme in the small scale industrial sector is a difficult task because of their small-size and limited resources. In other words, product development programme is a costly and time-consuming affair, and it requires the services of highly qualified, specialised and experienced personnel. In addition to this, it is an established fact that due to shortage of funds the small manufacturers are not in a position to conduct a comprehensive market research programme for increasing production, reducing cost and improving the quality of products. They are even unable to hire the services of trained and experienced persons for the purpose of sales promotion due to their limited resources. Lack of finance is a serious drawback as the artisans and small scale industries do not have sufficient funds of their own for installing modern machinery and tools and storing raw-materials and finished products. Now the concept of small scale industries has changed in the wake of technological revolution. The term small scale industries

is referred to modern small scale enterprises using modern equipment, techniques of production and management. As such, they can afford product development programme of their own. Even then it is observed that small scale industries as compared with large scale industries are facing the problem of lack of resources. Under such circumstances, the only alternative left is to design a product development programme in such a way as may be suitable for them. In other words, instead of introducing a comprehensive product development programme a 'need-based' product development programme should be initiated in the small scale industrial sector. A need-based product development programme is that which helps to achieve some specific goals or objectives of the enterprise at relatively low cost and in a very short period of time. For instance, the product of a small unit is lagging behind the maturity phase. Hence, the developmental efforts should be concentrated on revitalising it through new packaging, repricing or product modification. The different strategies adopted at this stage to expand sales are increasing frequency of the product's use, developing more varied uses of the product, attracting new users, and finding new uses for the product. These strategies will help
the small scale industries in designing a 'need-based' product development programme at relatively low cost. A product development programme should, therefore, be designed to achieve some specific goals and objectives as a means to an end, not an end in itself. Just as a carpenter looks at the job to be done before selecting the tools best suited to it, the management should analyse developmental tasks before designing the product development programme. To design a product development programme on the above lines and to make the best use of it within the framework of small scale industries will not only help to tide-over financial difficulties, but will also help to achieve the desired goals with limited resources.

DESIGNING THE PRODUCT DEVELOPMENT PROGRAMME.

The task of designing a product development programme for small scale industries is not an easy one. Great care is needed for the purpose because of the peculiar features and characteristics of such units. However, the management can chalk out the programme piece-meal or step-wise. These steps can be classified into three broad stages: At the primary stage, the management should prepare the necessary groundwork and lend whole hearted support to the programme
keeping in view the basic goals of the enterprise. At the secondary stage, the various problems should be determined specifically and necessary adjustments, changes, or modifications should be made in redesigning the programme if the need is felt. At the final stage, the task of product development programme should be entrusted to a team of persons equipped with necessary skill and acumen.

Thus, a good design for product development programme is that which permits satisfaction of a goal in the most efficient manner; but like other good things in life, such a design is not found. Much hard work and tedious analysis is needed for its preparation. While designing the product development programme, a small manufacturer should consider the advices of all those engaged in performing the task of product development. It would help in designing the exact and appropriate structure for product development programme and accomplish the very purpose. The point to be emphasised here is that the design developed in this manner should be best suited to the tasks confronting the small enterprises in the country.

GUIDING PRINCIPLES FOR DESIGNING A PRODUCT DEVELOPMENT PROGRAMME:

Some guiding principles of designing a product
development programme for small scale industries should be taken into consideration. These guiding principles are as follows:

(1) **Availability of resources:**

Available means with the enterprise should be properly analysed and investigated before designing a product development programme. It is, therefore, essential for the management to decide first of all the nature of the product development programme and to see whether it is to be used to improve the existing processes or to develop new products and processes. The latter should not be attempted on an inadequate budget. The capital requirements of each programme should be estimated in anticipation to avoid over and under expenditure. The point to be emphasised here is that the developmental programme should be designed within the limit of available resources so that it can be implemented successfully without putting financial strains on the enterprise. For the purpose of meeting further financial requirements of the product development programme the following techniques should be adopted:

(a) The improvement of existing processes should be related to the annual savings resulting from the improvement.
(b) The development of new products should be related to annual sales value of, or gross margin of profit on, the new products.
(c) The development of existing products should be related to the annual sales value or gross margin derived from the improved products.

(2) **Determination of Objectives:**

The most important and fundamental principle to be followed in the development of an effective designing is the recognition of, and conformity with, business objectives which determine the goals established for guiding the total efforts of the enterprise. No business unit can grow and prosper in an orderly and progressive manner unless goals are well-defined and objectives determined to guide its progress. Greater emphasis should, therefore, be laid on the objectives while designing a product development programme. Moreover, well-defined objectives enable a person to approach a problem systematically and efficiently.

(3) **Defining the tasks to be performed:**

To assign responsibility to a man without explaining the tasks to be performed by him will place him in an awkward position with the consequent loss of
initiative. Defining clearly the tasks to be performed is, therefore, of paramount importance from the point of view of achieving the objectives of the enterprise. From the point of view of administration and management, a design is constructed to execute a programme. But no plan or programme, irrespective of the fact whether it is well designed or not, can be successfully undertaken in the absence of job description. Written job-descriptions are not only useful for the communication of information to those engaged in different developmental tasks but also for filling up the newly created positions. Each person should therefore know his exact place and the part he has to play in the developmental plan designed to achieve the objective of the enterprise.

(4) **Flexibility:**

Flexibility is essential for any framework and constant scrutiny is desirable to maintain that flexibility. Rigidity is contradictory to product development programme. As the purpose of designing a product development programme is either to produce new products and processes or to improve existing products and processes, therefore it is essential that the programme should be so designed as to maintain flexibility and achieve the goals of an enterprise. Although, a
"need-based" design of product development programme depends to a large extent on the nature of the product, it should conform to the scientific and technological advances which pose serious problems to the small scale industries.

(5) **Cooperation:**

In small business the task of product development is generally considered as an extra job which each of the departments has to accomplish in addition to its other important activities. Whereas, the successful implementation of the programme calls for team work and cooperative efforts on the part of various departments. All major functional areas should, therefore, take active part in developing a design for product development programme in order to make it successful. Thus, the task of designing a product development programme needs an integrated approach with all the departments actively engaged in the developmental activities.

(6) **Manageability and control:**

Product development programme should be designed in such a way that it can be managed easily and effi-

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ciently. For the purpose the programme as a whole should be divided into different manageable proportions and designed in such a manner that may avoid over-loading of work and ensure effective control. The control function emphasises that the actual operation should be in consonance with the plan already formulated. No executive can predict the future with certainty, and thus there is the probability that events may occur necessitating changes or modifications in the plan, organisation or even in the objectives. Effective control involves anticipating how the people act and react in a given situation. Once this is known with reasonable certainty, the management can adjust its decisions to the changing conditions. To control the affairs of an enterprise, management should establish standards to measure the performance of work, obtain reports to understand actual thinking and attitudes of the people within the organisation, and supervise people engaged in different developmental tasks. Hence, manageability and control of the product development programme should also be taken into consideration while designing a programme for product development.
Thus a 'need-based' product development programme designed on the lines suggested above will serve the purpose of small scale industries to a great extent. But, it cannot be initiated effectively in the small scale industrial sector unless it is backed by an integrated and effective organisation.

**ORGANISATION FOR PRODUCT DEVELOPMENT PROGRAMME:**

Organisation in a static sense is a structure manned by a group of individuals who are working together for a common goal. In a dynamic sense, organisation is a process of welding together a framework of positions which can be used as a management tool for the most effective pursuit of the goals of an enterprise. In short, organisation defines the part which each member of an enterprise is expected to perform and establishes relations between such members to the end that their concerted endeavor shall be most effective for the purpose of the enterprise. Mooney and Reliey describe organisation as "the form of every human association for the attainment of a common purpose". They visualise it as the process of relating specific duties or functions.

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in a coordinated whole"¹. In their treatment, they emphasise "the inter-relation of duties as well as duties in themselves"².

From the above definitions, it is clear that identification and grouping of work, delegation of responsibility and authority, establishment of relationships -- are the essential features of an organisation. It embraces the duties of designating the departments and personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between departments and individuals.

Furthermore, a clear distinction should be made between organisation and departmentalisation. A department is analogous to an enlarged individual i.e., it is a group of individuals organised for some specific purpose. An enterprise may be well departmentalised but still be poorly organised. Thus, the work of organisation embraces not only the relations that are to exist between departments but also the relations of individuals within each department. In this way, it implies not only a purpose or a set of purposes but a form appropriate to carry on the activities to achieve the objectives of a business unit.


2. Ibid.
The work of thus organising an enterprise is usually entrusted to the general manager and his advisors. If the form of organisation is simple and obvious, it will consist largely of selecting competent personnel. But the increased size of many modern industrial units and the growth of the scientific backward both in manufacturing processes and marketing processes have given rise to specialists in organisation, whose advice may be essential or atleast helpful to the manager in seeing that men, materials, and equipment are functioning properly for the achievement of the desired goals.

**IMPORTANCE OF ORGANISATION:**

The organisation structure provides a relatedness among tasks and responsibilities as well as people. It also determines the nature of work to be done by different personnel in various sections and departments. Under a well organised concern, the system of communication patterns useful to executives and workers are provided so as to fulfil the main objectives of the organisation. Further, it determines the degree of status and prestige of men employed in the concern. Delegation of authority and responsibility is made effective through organisation. Not only this, a sound organisation also helps greatly the continuity
and success of the enterprise. The importance of organisation can be comprehended from the fact that organisation is not merely a chart -- it is the mechanism through which management directs, coordinates and controls the entire business affairs. It is indeed the foundation of management. If the organisation plan is ill-designed, it is merely a make-shift arrangement, then management is rendered difficult and ineffective. If, on the other hand, it is logical, clear-cut and stream-lined to meet the present day requirements, then the requirements of sound management can be achieved. A sound organisation should, therefore, facilitate effective management and smooth operation of an enterprise.

At a time when business is undertaken, various problems arise, and it is for the businessmen to handle these problems. He will have to decide what to do, how much to do, and when to do. Even the distribution of work according to functions will have to be made by him. Decision-making and directing others in the business are the additional functions that are involved in the organisational set up. Thus, it is with the growth of business that departmentalisation and differentiation of structure and functions become necessary for the organisation.
Hence, it is within the framework of an organisation that the enterprise grows. Beyond the organisation structure, no expansion or diversification of a unit can proceed.

We have discussed at length the definition, essentials and importance of an organisation. Now it seems worthwhile to discuss different forms of organisation for product development programme that suit small scale industries.

**TYPES OF ORGANISATION FOR PRODUCT DEVELOPMENT PROGRAMME:**

To meet the requirements of product development programme there are three basic forms of organisation as mentioned below:

(a) **NEW PRODUCT DEPARTMENT**:  

The need for a new product department or product planning department has been increasingly felt for the last few years. Generally, a new product department consists of not more than a team of four to five persons. Staffing in the department usually includes persons experienced in marketing management and market research. This is because of the fact that the smooth functioning of new product department requires an efficient team of persons, well-equipped with adequate knowledge in marketing strategies, consumer behaviour, innovative skill and inquisitiveness for research and development.
(b) **INTER-DEPARTMENT PRODUCT TEAMS:**

Behind most successful new products has been a product development team, whether formal or informal. Such a team may consist of the Sales Manager and Development Engineer in the case of a small business or a team of about five persons drawn from each major functional areas such as marketing, manufacturing, engineering, research and design, and finance and control in case of a large business with extensive new product activity. The team should be accountable to a new product director or to a new product development committee.

(c) **NEW PRODUCT COMMITTEE:**

The formation of a new product committee is frequently a step which precedes the establishment of a new product department. Often the committee is retained after the new product department is established. Many firms have found that both can play a useful role in the new product development programme. But there are inherent dangers in the use of a new product committee. Experience shows that if a committee is established or it seeks to act as a substitute for individual responsibility and initiative with regard to new product problems, it will prove ineffective. A new product committee is frequently used by top executives as a *senior advisory board* to assist in
the review and evaluation of new product plans. If a committee is used to evaluate new product decisions without adequate staff work being previously done, it will not work wisely. On the other hand, if a new product committee is set up as a group to recommend policy and is backed by competent staff for making judgements, it can function effectively.

However, the committee type of organisation is more popular now-a-days and it occupies an important place in the large scale businesses, although it can be formed at any level of operation or staff function. Sometimes, if situation demands, some of the committees may also include both workers and supervisors. It is also not uncommon to form committees entirely of workers.

In practice, the task of product development is usually assigned to a single department or a committee, or both. But when the responsibility is assigned to a single department, it is observed that without the cooperation of all the department that may have any concern with product development, the objective cannot be achieved. Many firms hold instead, that only committee action, with all groups cooperating can achieve the objectives of the enterprise. Many firms have had success in facilitating product development with the
committee type of organisation and it certainly would be foolhardy for any management to delay adopting such a form of organisation if it would ensure good results. It has been observed that a majority (60 per cent) of companies do use some kind of committee organisation\(^1\). In countries with democratic set-up, the committee type of organisation seems to be most successful because it represents larger interests. But the failure rate of four out of five new products, however, indicates that many companies are having difficulties and that perhaps the committee type of organisation is not the whole answer.

From the above analysis it is clear that an ideal organisation for launching a product development programme is that which provides means for controlling a vital part of the units' total efforts, for specifying assignment of duties and responsibilities, for getting an important job done effectively and for coordinating persons of different functional areas working together to make the new product Development programme a success.

Hence, the main task of organisation is to select and combine the efforts of men of proper

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characteristics so as to produce the desired results.

AN ALTERNATIVE STRATEGY:

One of the possibilities that a manufacturer should always keep in front of him is the possibility of buying the services in addition to expenditure made inside the unit for product development purposes. Some units have a policy of spending 25 per cent of their developmental budget on work carried out by other organisations engaged in product developmental tasks. There may be, broadly speaking, four agencies from where services for product developmental work can be bought. These agencies are discussed below at some length:

(1) **EDUCATIONAL INSTITUTIONS OF ADVANCED TECHNOLOGY:**

The work undertaken by these bodies must be of fundamental nature and of scientific value. Technological problems are not usually acceptable, and in any case not many institutions are equipped to deal with the work of specialised nature. A unit which requires fundamental work of scientific value can obtain research facilities from educational institutions of advanced technology for the purpose. As the research work usually takes long time, there is also

1. Based on discussions with the management of Small Scale Units.
a need to maintain a close contact with such insti-
tutions during the period of research work. These
institutions can evaluate the performance or progress
made by the small scale industries in product develop-
ment programme and can also furnish interim reports
to the small scale units on the basis of which nece-
ssary changes or improvements can be made. This tech-
nique is undoubtedly an economic and for obtaining
the desired results.

(2) **PRODUCT DEVELOPMENT CENTRES:**

The small units producing similar products can
establish product development centres on cooperative
basis. Such centres can provide useful informations
and services to the member units, if organised on
modern lines. It is rarely possible to discuss one's
problems with a competitor, but a development centres
can be easily contacted as they are engaged in the
same field of work without being in competition. The
units requiring informations and guidance for pro-
duct development can make use of such centres by
organising them on cooperative basis and employ
highly qualified and specialised persons to serve
the purpose. For meeting the financial requirements
of such centres the member units can utilise easily
and regularly a small portion of their annual pro-
fits as determined by the member units and share the
financial burden equally.
(3) **PRIVATE ORGANISATIONS:**

The services of private organisations actively engaged in product developmental activities can be utilised easily by those units which are not in a position to conduct market research and surveys to find solutions of their marketing problems. For instance, Voltas Distributors provided useful informations and suggestions to the manufacturers for making improvements in the quality of goods by conducting market research and surveys. The point to be emphasised here is that the employment of outside facilities involves non-recurring and fixed expenditures. Another point is that the amount spent by a unit on a particular project and the results achieved can be evaluated and decision can be made either to continue or to drop the project on the basis of project-profitability.

(4) **GOVERNMENT INSTITUTIONS AND AGENCIES:**

Instead of buying the services from educational institutions, product development centres (sponsored by the member units), private organisation, the small manufacturers can approach directly to the institutions or agencies established by the Government of India such as Development Commission, Small Scale Industries, Small Industries Service Institute, Quality Marketing Centres etc. for the purpose of product development.
It is discriminable from the above discussion that the small scale units can either organise a product development programme of their own as suggested above or can employ outside facilities for the purpose of product development. But, keeping in view the small-size and limited resources of small scale units in our country, it is necessary for the Government to come forward to provide facilities regarding product development to the small manufacturers by establishing product development centres at least on regional level in almost every State or, if possible, at district level throughout the country.

**CONCLUSION:**

It is clear from the above discussion that the implementation of a comprehensive product development programme in small scale industrial sector is a difficult task as it is a time-consuming and expensive affair which the small scale units cannot afford because of their limited resources. Under the circumstances, it is necessary to design a 'Need-Based' Product Development Programme that suits Small Scale Industries. For the purpose of successful implemen-
tation of such a programme the need for an effective organisation well-equipped with efficient personnel is imperative. Those manufacturers who are not in a position to undertake such a programme of their own can adopt an alternative strategy of buying outside facilities for the purpose of designing a product development programme in accordance with their limited resources.