UNIT 14 MANAGEMENT PERFORMANCE ASSESSMENT AND CONTROL

Objectives

After going through this unit you should be able to:

- describe the need for performance assessment and control for a small scale enterprise
- discuss the measures of total performance assessment
- explain the significance of short term and long term measures of performance
- describe and apply the cost and asset performance measures.

Structure

14.1 INTRODUCTION

Small entrepreneurs need to be better managers than large business tycoons. They face, downscaled of course, all the problems of the larger business and have to deal with most of them personally, without the backup of professionally trained staff and far fewer resources. However, better managing yields rich dividends to the small businessman, earnings on assets have typically been found to be higher for the small entrepreneur.

One of the ways to learn to manage better is by measuring our performance constantly as we' move ahead, and correct ourselves for errors. This unit discusses some easy to apply performance measures which will help you ` measure your own performance, make corrections and finally, manage your success.

14.2 A TOTAL PERFORMANCE INDEX

As a small entrepreneur, you are in the marketplace because you are able to fulfil some unfilled customer needs. The success of your enterprise is therefore measurable by (i) a steady growth of new customers and (ii) a high ratio of repeat customers who sustain the business. Simple monitoring and record keeping will help you keep a track of new and repeat business. With every sale, you know whether it is a new or a repeat customer. Your sales records will let you monitor this information easily. Over a period of time you will get a fair idea of the percentage of customers who contribute to your repeat business as also the rate at which new customers are joining in. A cursory analysis may reveal the following situation.

Table-1

	Time period						
	1	2	3	4	5	6	7
Average Performance							
New Customers	50	52	54	56	58	61	63
Repeat Customers	0	30	31	33'	34	35	37
Total	50	82	85	89	92	96	100

Poor New Sales

New Customer	50	50	40	45	35	40	30
Repeat Customer	0	30	30	24	27	21	24
	50	80	70	69	62	61	54
Poor Repeat Sales ,	50	52	54	56	58	61	63
	0	30	26	22	17	11	06
	50	82	80	78	75	72	69

The average performance scene shows a slow but steady growth (around 4%) of new customer and a 60% repeat buying rate. You can imagine the scenario that would exist if both' rapid new sales and repeat sales accrue. As it is, the business has attained double the sales in the 7th period as compared to the 1st period.

The second case, poor new sales, still shows a fairly high repeat business rate, but dwindling rates of new business. The cause may be poor promotion, poor location, a new effective competitor joining the market and so on. You must analyse the reason adequately to find out the reasons for lack of growth.

The third situation, poor repeat sales, shows the same rate of new business growth as in the first case but the repeat sales fall continuously from 60% in the first period to 10% in the last. The firm is not going out of business as it is still able to attract new customers, but it is not growing, as the repeat business is not adequate, the reasons may lie in poor product performance or bad after sales or indifferent consumer relations.

As a manager you would need to see both the aspects i.e. growth of new business and an adequate sustenance by repeat business. You must decide for yourself a desirable and attainable rate of new business growth as well as the percentage of repeat business to ensure that you have some steady increase in new customers and are able to retain at least 50% of your buyers as repeat customers. This measure of growth gives you a very-general idea of whether you are able to serve your market adequately.

Another overall measure of performance is financial, that of earning on assets which enables you to see if your utilisation and earning of resources compares well with that of your competitors. Your ability to earn on total assets and earn on owners net worth are basically survival measures. The first among these i.e. earning on total assets measures your performance in terms of efficiency with which you use all your resources. The second measure, earnings on networth, shows how much gain in wealth you have made. Just suppose you are in the chemicals business and your accounts look like the figures shown below. Let us see how the two figures can be arrived at

Co. ABC List of Assets	Value	Co. ABC Income Statement shows earnings of the firm	
Cash at hand			
and in Bank	Rs.20,000	Total Sales and	
		Receipts	300,000
Accounts		Minimum cost of	
reeivable	40,000	Goods sold	200,000
Inventory	60,000	All business exp.	90,000
Other current	4,000	Net Profit	
assets		(before taxes)	10,000
		Plus Interest	10,000
Fixed asset (Net)	80,000	Contributions	12,000
Intangible		Earning, excluding	
assets	0	compensation	
		to officers	22,000
Other assets	16,000	Plus compensation	
		to officers	30,800
Total Assets	220,000	Earnings before	
		taxes, including compensation to officer	52,800

Your earning on assets would work out to be 220000 + 22000 = 10%

If the networth of the firm is given as Rs. 78,000 then the return on networth (before taxes) would be 10,000 78,000 = 12.8%.

You can now compare these figures to those of similar firms, or with the data on earnings of SSI units available with your local small industries service institute (SISI) or the local D.I.C. The data is normally given industry wise. You can therefore compare your figures with the industry norm.

The Total Performance Index

You can develop a total performance measure by combining the sales index with the financial performance measure. This index also give a basis for some preliminary diagnosis.

In order to do moderately will a business should be able to as well as the average performance level (indicated in Table 1) as also on the front of earning on assets (in which case average performance can be assumed to be 1 to 1 i.e. 100%). The total performance index would then be 1.00x1.00=100%. The total performance index of a business is the product of its sales and earning indices. This is how you can calculate your own total performance index.

Take your own sales performance figure and divide it by the third line from Table 1 under average performance for the relevant period.

If we take the same assumption that we took under-average performance then your own sales, should be increasing by 4% through addition of new customer and you should be experiencing a 60% repeat customer rate. Suppose you are in your second year of business and in your case the total customer purchases are 150% of the first year. In the Table A the number of customers in the 2nd year under average performance has increased 164% over the first year. Your sales performance index then would be 150%-164%=91%.

1) Calculate your earning on assets and divide them by the industry norm for your type of business. Suppose your assets are Rs.220,000 and your earnings before taxes are Rs.68, 000. The earning on assets would be 31%. If the industry norm for your type of business is 27% then your index of earning performance would work out to be 31%=27%=115%.
2) Now find out the product of the sales performance index and the earning performance index (91% x 115%) you get a total performance index of 105%.

The diagnosis of this figure would be that you are displaying slightly above .average performance (the total performance index for average performance is 100%) with a better financial performance on earnings but-below average marketing performance. The suggested remedial action obviously would be to strengthen your marketing effort.

Table 2 suggests some other possible combinations of total performance index with diagnosis which may suggest appropriate action.

Table 2

	Total performance index	Sales performance index	Earning performance index	Diagnosis
1)	121	110	110	Excellent overall performance
2)	110	110	100	Good sales average earnings
3)	110	100	110	Good earnings, average sales
4)	100	100	100	Average Performance
5)	90	90	100	Poor sales, earnings
6)	90	100	90	Poor earnings
7)	81	90	90	Poor earning poor sales

The case 1 shows outstanding performance cases 2, 3 could improve on the areas (Sales or earning) where they have average showings but they are still above average. The problem casese are 5, 6 and 7 where case 5 needs to pay special attention to augment the sales and marketing efforts and case 6 needs to work hard on his financial management to improve his prospects on earning performance index. Case 7 is the one with real problems that may threaten his survival. He would need to improve both market growth and return on assets if he is to survive.

You have already seen that the sales performance index is actually made up of two factors i.e. the new customers and the repeat customers. In all cases where the marketing performance is low, you would have to analyse whether it is due to low percentage of repeat customers or deficient addition of new customers.

The overall performance index enables you to evaluate your overall managerial performance against other entrepreneurs and give possible clues to the causes of your problems. The following sections will give you more information to enable you to follow up on the diagnosis given by the total performance index.

Activity 1

A) Collect the relevent figures from your balance sheet and income statement (or those belonging to any small scale enterprise that you are familiar with) and try to work out

(a) your sales performance (b) your earnings on assets

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B) Taking Table A and the average performance figures and assuming you are in your fifth year of operation work out your sales performance index.

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C) Assuming that the industry figure for earning on assets in this type of business is .25, work out your earnings performance index:

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D) After calculating your total performance index, what is your diagnosis for your firm/the firm you have taken into consideration.

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14.3 SHORT TERM MEASURES: CONTROL OF CASH FLOW

Cash crisis is a very frequent ailment afflicting small enterprises. Often enough developing as unhealthy outcome of rapid sales growth which has not been acompanied by generation of cash to pay the bills! While enlarging business in the growth phase i.e. getting into the heady experience of being able to add new customers fast and retaining old ones, the entrepreneur often focusses so strongly on building up sales and earnings that he may start generating expenses for expanding the business faster than he can collect cash from customer. The cash flow statement provides a way of relating your sales and earning efforts with their effect on the cash balances.

The purpose of the cash flow statement, as you have already seen in Unit 10, is to trace impact of operations shown in the income statement, upon the cash accounts with the objective of enabling you to maintain enough liquidity to pay your bills in time.

In order to act as an evaluation and control tool the cash flow statement has to be projected into the future. You need a reliable estimate of your cash needs in future in order to avoid a cash crisis or worse, an insolvency on your hands. The possible remedial action in case of cash flow being deficient in meeting cash needs would be

- you can reduce the volume of business and therefore your expenses to reduce demands on cash
- you can expedite collection on accounts receivables
- borrow additional funds from the bank or
- put in more cash yourself if you can.

In order to estimate your cash needs in future you can draw a cash flow schedule and use it as a measure of control as well as evaluation. A cash flow schedule is the projected estimate of cash receipts and expenditures which enables us, if it is followed, to pay our bills in time. In order to make a cash flow schedule you would have to

a) Estimate your cash sales per month.
b) Estimate your sales on credit, the accounts receivables and the customer payments per month by aging the accounts receivable.
c) If you have any other cash receipts like those accruing from a loan collection or sales of assets, estimate them also.
d) A total of (a+b+c) gives you the total of cash inflow per month.
e) You can now estimate your cash outflow by first estimating the payments you expect to make per month.
f) Estimate the payments you expect to make for your purchases.
g) Estimate amounts to be paid on account of salaries.
h) Calculate monthly operating expenses like rent, repairs, supplier and so on.
i) Add (f+g+h) to get the total of your cash outflows.
j) Substract the cash outflow from the cash inflow to get cash balance at the end of each month.

This projected cash flow schedule in order to function as a tool of evaluation, should be compared by what you actually experience, month by month, in term of cash flow. Any shortfall in cash receipts, additions in outflow on unutilized cash balance in excess of your needs must be investigated.

How much cash do you actually need at hand? Ideally, while you would like to have enough to enable you to pay bills in time. as you would not want to have so much cash around that it lies idle and does not earn a profit for you. Two ratios have been used to give an idea of the type of liquidity a business should maintain.

The current ratio is a ratio of all current assets (including, inventory) to all current liabilities. Conservatively, this ratio should be 2:1. You can, on the basis of what you actually experience, annually, work out your current ratio to find out if you have liquidity in excess of your needs or vice versa.

Acid test ratio is a ratio of cash plus receivable to current liabilities. The ratio should at least be 1:1 in order to meet the acid test of paying all your current creditors.

Activity 2

Talk to at least three entrepreneurs, find out how they estimate their cash needs and plan their cash schedules. In case they work out their current and acid test ratios what is the norm they follow, in maintaining cash balances?

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14.4 MEASURES MARKETING PERFORMANCE

You have already studied in Unit 12 how a marketing plan should be drawn up. As a performance appraisal measure then, you would like to have some indicators which could tell you whether your sales targets would be realised as per the plan or not.

You would recall from the marketing plan that you had set targets for marketing tasks and budgeted the marketing performance. The most general form of control then would be to monitor the actual performance and to compare it with the budgeted performance on all targets, periodically. The variance in terms of sales targets, market coverage and distribution costs can be analysed to find out the underlying reasons. Corrective action could then be taken either towards improving performance or modifying the targets to make them more realistic. The tools used to check on plan performance are many. Of relevance to us here are sales analysis, market share analysis, sales expense and financial analysis.

Sales analysis comprises of measuring and assessing actual sales against sales targets. The two specific tools that are used are sales variance analysis and micro analysis.

Sales variance analysis finds out the role each contributing factor has played in causing the variation between planned and actual performance. If the planned target was achieving a sales figure of 80,000 by selling the product A at Rs. 2 per unit (or selling 40,000 units) and the actual sales were Rs. 48,000 as only 30,000 units could be sold at Rs. 1.60, your sales performance variance is Rs. 32,000 or 40% of targetted performance. Sales variance analysis would let you understand what part of this variance is attributable to poor sales target achievement and how much can be attributed to the price cut. You can calculate it as shown below

Variance due to price variation	= (2-1.60)x30,000
	=Rs. 12,000 = 37.5%
Variance due to shortfall in sales target	= (40,000-3,0000) x2
	=Rs. 20,000 = 62.5%
	32,000

Your calculations show that almost two-thirds of your variance is due to decline in the sales volume. You must closely examine the reasons why the targetted volume was not achieved.

You may find the answer by carrying out a micro sales analysis. Micro sales analysis consists in analysing your sales performance product wise, territory wise, sales person wise by comparing the actual performance with target or sales quota. Quotas are quantitative target assigned to territories and salespersons individually, which then also function as standards against which the territory performance or salesperson performance can be measured. In the case discussed above let us assume that the company was selling its product in three territories A, B, C, the targetted and actual performance was as under

	Territory A	Territory B	Territory C	Total
Targetted				
Performance	15,000	5,000	20,000	40,000
Actual				
Performance	14,000	5,250	10,750	30,000
Variance	-1,000	+250	9,250	-10,000

The micro sales analysis clearly reveals that while territory A shows a small negative variation, territory B shows a surplus and territory C displays u46% deficit against the targetted performance. The indicated managerial action is to analyse territory C thoroughly and unearth reasons for the poor performance.

Market Share Analysis - While sales analysis measures your performance in absolute terms, market share analysis gives you an idea of your performance relative to your competitors. As an entrepreneur competing in the market you need to monitor the share of the market you have been able to capture, simply put - an increase in your losing out to them.

Several measures of market shares are in use. Relevant to us are

- Overall market share- a firms overall market share is the sales of the firm calculated as a percentage of the overall industry sales. If you are a manufacturer of TV picture tubes, your sales figure expressed as a percentage of the sales of the whole picture tube industry would give you your overall market share.
- Served Market Share - The market, out of the overall industry which is served by the company offering is known as the served market. The served market share therefore is the company sales expressed as a percentage of the total industry sales in the served market. To develop the example given above, if you were making picture tubes for the colour TV only, your sales expressed as a percentage of the sales of colour TV picture tube industry would give you your served market share.

You can decide upon which particular we assure you would like to use. While industry sales data for overall market share are for more accessible as secondary data, served market share in a more relevant measure for small industries. You may have to take estimates of your served market periodically to get an idea about the overall served market sales figure.

How do you use the market share information? Suppose your market share (in rupees) fell during 1991. Following may be the possible reason

- You have lost some of your old customers to competitors.
- your competitors added on more new customers than you did.
- your existing customers are not buying as much of their supplies from you.
- your present customers are smaller buyers as compared to your earlier ones whom you lost.
- Your price have become lower relative to your competitors.

By regularly monitoring the above factors over time, you can diagnose the reasons for dip in the market share.

Control of Selling Expenses - Another form of marketing control, the periodicity of which can be determined according to your own needs, is to appraise your sales expenses against others. Depending upon how much personal selling is being used, selling expenses vary by type of product and industry. Total selling costs (including salaries of sales personnel, sales management costs travel and promotional expenses) usually vary in the range of 7 to 15% of sales. The lower percentages apply to standardised products of established performance. In products where the quality and performance is to be demonstrated or personally explained, sales costs tend to be higher. You can use two approaches here. You can compare your sales expenses with the targets that you have set for yourself as part of the marketing budget, or utilizing the statistics available from the local S.I.S.l (small industries service institute) you can compare your sales expenses to your specific industry type to find out how are you faring in respect of these cost.

If you are comparing your sales expanses against set targets, you may actually disegregate the sales expenses into various sales expenses to sales ratios. You understand that your sales expenses comprise of sales force expenses, advertising expenses, sales promotion expenses and sales administration expenses. While setting targets which then act as norms against which actual expenses can be measured, On a monthly or quarterly basis you can then monitor all these expenses through a control chart which shows acceptable and unacceptable ranges of variation between targetted expense ratio and actual expense ratios, Deviation falling in the unacceptable ranges may then be investigated to unearth reasons for these variations,

Qualitative Measures of Marketing Performance - All the measures discussed in the context of marketing performance so far are quantitative in native. Qualitative measures, which allow you to have an idea of consumer attitudes towards your product and services, enable you to be proactive and responsive to the needs and preferences of your consumers. One common tool that is often utilized is analysis of consumer complaints and suggestions.These complaints when analysed may provide a pointer to the trouble spots in your marketing offering. Similarly complaints in response to changes/modifications in the total product offering may lead you to a reassessment of the modification decision. -

Periodic surveys of consumer attitudes regarding your products and services also furnish valuable information in respect of consumer expectations and evaluation of. you offering. The findings may enable you to plan better or improve performance in spheres which have been sources of consumer dissatisfaction.

Activity 3

A) Contact three entrepreneurs, such that you have one industrial product manufacturer, one consumer product manufacturer and one service manufacturer. Discuss with them to find out the tools of marketing control that they are using. .

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B) Could you suggest in each case some additional/alternative measures of performance assessment and control, which you think would serve these entrepreneurs better.

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14.5 PRODUCTION SCHEDULE AS A EVALUATION AND CONTROL TOOL

While going through Unit 11 on operational management issues in S.S.I. you studied the formation of a Gantt Chart as well as the simple network charts. All of them form part of setting up the production schedule, which simply put, is the organisation of production operations in a given time frame.

A production schedule when formed is the single most effective performance measurement for your production operations. It is better than u comparison with other firms, because it is designed to reflect your own work situations.

Once the production schedules are established, control can be exercised by. -

monitoring actual performance to see that it is on time as expected by the schedlue'. Any unacceptable range of variation is reported through exception reporting to take a note of the components of the operation which are not functioning well in time Analysis can then follow to pinpoint reasons for variance from expected schedule.

Inventory Control - Inventories form a major share of investment in most businesses, ranging from 30 to 40% of total assets in retail and wholesale trade and from 15-25% in manufacturing organisations. The very size of the investment makes it an important variable from the control perspective. What makes it an interesting excercise in control in the fact that typically the highest usage item may constitute only 10% of the items in stock but account for 70% of the usage, some 20% of the items may account for 20% of the usage and the remaining 70% may account for only 1094 of the usage. This has important implications for inventory planning and specifically in deciding how much money should be tied up in particular categories of inventory. Inventory control should therefore assure that (a) the active inventory .items are always in stock so that there are no lost sales because of a stockout condition and (b) that the inactive items are carried at an essential minimum so that they do not tie up money and space.

Control of inventory comprises of two essential activities. The first consists in maintaining records to indicate clearly the major items in inventory on access cards or stock cards as they are commonly called. The second activity consists of setting up procedures for timely reordering of depleting inventory.

The stock cards are utilized to indicate the amount of inventory of a particular item on hand, the withdrawl of stocks in quantities datewise, the average usage rate and the reserve in stock at the point of reordering.

The periodic reordering on the other hand involves two decisions - the reordering time (called the reorder point) and the quantity of reorder. The reorder point is calculated by multiplying the usage rate per day with the lead time in days, required for the delivery of order. Suppose you are using iron ingots as raw material, the usage rate of which is 300 kg. per day. The lead time to get the order delivered is 5 days. Your reorder point is 1500 kg. Every time your stock card shows a withdrawl to the level of 1500 kg of ingots you would reorder. This situation assumes that there would be no failure on the delivery time schedule, which may not be always true. To provide for such contingencies, specially in critical inventory items, there is a practice of carrying safety stocks, a fixed quantity of inventory over and above the reorder point.

The quantity to order is generally governed by the economic order quantity, calculated by using the holding costs and the ordering costs of the inventory in question. The holding cost comprises of costs involved in holding or carrying the inventory i.e. interest on capital tied up in inventory, insurance and handling costs, cost of storage space and cost of losses and pilferage. The ordering costs are the administrative co^{g}s of placing and procuring orders for the inventory. The EOQ is calculated as

$$EOQ = 2\ OD \div CxI$$

Where D = average annual demand

O = ordering cost

C = cost per unit of the ordered item

I = percentage inventory carrying cost

To summarise, inventory control is the excercise of anticipating buying needs from demand and usage and then buying in economic lot sizes to minimise holding and ordering costs.

Activity 4

Select a small scale entrepreneur running a restaurant. Design an inventory control process for him. Also try to set up a production schedule for his “evening meals production operation”.

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14.6 ASSET MEASURES OF PERFORMANCE: SOME FINANCIAI RATIOS

One of the objectives of running a business is to make the assets and the networth of the business grow over years. In section 14.2 of this unit you read about the earning on asset measure of performance. Besides this overall general measure, some financial ratios are commonly used by entrepreneurs to assess their own performance. Some of the prevalent measures are:

Sales to Receivables Ratio - Also known as receivables turnover, this ratio tells you how expeditiously you get your receivables paid by your customers. The norm varies from industry to industry ranging from 33 to 80 times a year for the pharmaceuticals and drugs business showing the rapid repayment rates in this business. A lower than industry norm suggests that your collection procedures need tightening up as your accounts receivables are taking longer than the norm to get converted to cash.

Cost of Sales to Inventory Ratio (Inventory turnover) - The ratio is indicative of the efficiency with which the inventory gets converted into sales. Median ratios for industry as a whole are available which show considerable variation across industries. A lower than industry norm tells you that you have more capital tied up in inventory and are earning lower profits because of tower sales.

Sales to Working Capital Ratio - This ratio tells you how efficiently you are using your working capital. If in a given business the median ratio is 9 times, it means that the sales are about 9 times the working capital which shows that the working capital on an average is being recycled every 45 days. A high sales to working capital ratio is indicative of high earnings' while a lower than the norm for your kind of business is indicative of the fact that you are bearing a higher cost of capital.

Earning Before Interest and Taxes to Interest. - This ratio is obtained by dividing the EBIT by the interest charges payable by the firm. This ratio is primarily used by bankers and creditors to assess how protected their loan is, because the ratio indicates how many times their interest charges are earned.

Creditors usually prefer a ratio of 3:1 so as to ensure that their interest charges shall be secure even in the event of unfavourable fluctuations in earnings.

Fixed Assets to Tangible Net Worth Ratios -'This ratio obtained by dividing the net fixed assets by tangible networth, is indicative of the extent to which the owners equity has been invested in plant and equipment. A lower ratio would mean a smaller investment in fixed asset as compared to networth, and would therefore be favoured by creditors.

Total Liabilities to Networth Ratio - This ratio of total debt to tangible networth shows the extent to which the owner, compared to the creditors has contributed to the capitalization of the firm. The higher the ratio, the greater would be the risk to. the creditor as his contribution relative to the owner is higher in capital formation. A lower ratio indicates that the owner is providing bulk of the capital and the creditor therefore is relatively secure.

Sales to Net Fixed Assets Ratio - This ratio, is obtained by dividing the sales of the firm by the net fixed assets. It is indicative of the extent of utilization of productive assets by the business. A very high ratio shows that the business is highly labour intensive and the fixed assets are not much used or are highly depreciated.

Older firms with depreciated fixed assets would therefore have higher ratios than comparable newer firms. If you are using this ratio for comparison purposes careful attention must be paid to the age of the firm and the depreciation already allowed by you.

14.7 A COMPREHENSIVE CHECK LIST TO RATE YOURSELF

Having gone through the different aspects of your business that you may need to assess your performance in, you may now be in a position to give yourself an overall rating for your business. An overall performance assessment, however requires far more variables to be included than what we have just been discussing. Given below is an illustrative check list (you can draw up additional items to put into as per your specific requirements) which can be used to arrive at a comprehensive picture of your own enterprise. Such an listing may help you identify probable areas of weakness and highlight activities/procedures worthy of attention.

Area	**Attention accorded by you**			
	High	Medium	Low	Nil
General Management				
1) Existence of business strategy and business plan.				
2) Clear definition and communication of organisational goals.				
3) Participation of operating personnel in annual budget.				
4) Regular monitoring of expenditures, sales, profit against targets set.				
5) Assignment of responsibilities for specific goal/objective attainment.				
6) Clearly defined organisational relationships				

Personnel	**Attention accorded by you**			
	High	Medium	Low	Nil
7) Policy and procedures clearly communicated to the employees.				
8) Compensation plans clearly defined and periodically reviewed.				
9) Updated job description for all jobs.				
10) Performance evaluation job discussed with employees.				
Financial Position				
11) Current financial statements.				
12) Current profit and its analysis.				
13) Cash flow projection both short term and long term.				
14) Comparison of financial ratios with other, similar competitors.				
Marketing				
15) New market and product development plans.				
16) Formal assessment of market and product performances.				
17) Sales analysis and contribution analysis by product, time, customer accounts, markets territory, sales people.				
18) Long and short term sales projection.				
19) Periodic evaluation of promotional plans.				
Production				
20) Reliability of supply sources.				
21) Development of standard costs for each significant operation.				
22) Periodic monitoring of monthly production schedules.				
23) Production tasks clearly defined and assigned.				

24) Time and cost sheets assigning material and labour costs to products and cost centres.
25) Plant and labour productivity review.

Purchasing

26) Purchasing assignments and authority clearly defined.
27) Order cycle for purchase requisitions for both short term and long term requirements reviewed.
28) Development and review of consolidated purchasing plans by commodity and by suppliers.
29) Systematic inventory system synchronised with purchasing action in repetitively purchased products.

Rate each of the above management requirements according to the degree of attention you give them in the organisation. This check list serves like a illustrative management audit. You can add to the list to include your specific requirement.

14.8 SUMMARY

A small scale entrepreneur needs to have a far more continual performance appraisal and control of his operations, both financial and marketing as he has very few reserve resources to fall back upon. This unit discusses overall measures of performance evaluation and control as well as function specific measures. Both quantitative and qualitative measures of control have been discussed. Frequently used financial ratios have also been described. The unit also provides a comprehensive check list to enable the small scale entrepreneur to carry out a diagnostic audit of his own enterprise.

14.9 SELF-ASSESSMENT VUESTI®NS

1) Comment upon the need for performance evaluation and control for a-small scale entrepreneur.
2) What are the measures of overall performance that can be used to assess the working of an S.S.I unit? Explain with an example.
3) How does the production schedule operate as a control tool? Explain.
4) What measures of performance assessment and marketing control would you apply for the following S.S.I enterprises?
   (a) A beauty saloon
   (b) A boutique specialising in exclusive apparel.
   (c) A bakery specialising in supplies to the mid-day meal schemes of some public schools.

14.10 FURTHER READINGS

Stahrl W. Edmunds' “Performanced Measures for Growing Business”, Van Nostrand Reinhold Company, New York, 1982.

E.F. Schumacher, "Small is Beautiful", Harper and Row, New York, 1973.