
UNIT 2 PLANNING A FOOD SERVICE UNIT

Structure

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2.1 INTRODUCTION

In the previous unit, we learnt what a food service unit is, and reviewed the different types of food service units operating in our neighbourhood. We also realized that to run the unit successfully you have to adopt various management processes. This unit will focus on management, the processes involved in management and its significance. The other aspect covered in this unit is the process of planning – the types and the steps involved – how to prepare a planning guide or prospectus and how to register a food service unit. Finally the concept of system approach and how the concept is operated in a food service unit is described.

Objectives

After studying this unit, you will be able to:

- discuss the process of management and how it affects the planning of a food service unit,
- enumerate the steps in planning of food service unit,
- formulate budgets to establish food service unit,
- describe the requirements for obtaining a licence to run a food service establishment, and
- discuss the concept of systems approach and how it is applied in a food service unit.

2.2 THE MANAGEMENT PROCESS

Management is identified as a body of systematized knowledge, based on general principles, which are verifiable in business practices. If management is a profession, then the key problem is to decide what a manager does. *Strong* answers by saying that a manager *plans, organizes, delegates, motivates, directs* and *controls*. These are some of the aspects of his work as you may also recall studying earlier in Unit 1. He adds foresight, order, purpose, integration of effort and effectiveness to the contribution of others. Therefore, we can say that *management is a process of planning, organizing, delegating, leading and controlling* the efforts of the organization members and by using all other organizational resources to achieve the stated

organizational goal. *Gullick* has suggested POSDCORB an acronym for management created from the names of seven functions, which include *planning, organizing, staffing, directing, coordinating, reporting and budgeting*.

You may recall studying about these functions in the last unit. Let us briefly define these here as well, before we move further.

Planning: The planning function according to *Gullick* is the basic function of management on which others are dependent. It is on this premise that an organization is able to clearly determine its objective and policies and formulate a plan of action to delegate its employers and for smooth functioning of the organization. Planning can be short term and long term. Day-to-day planning of activities can be referred to as short-term planning. Another important concept of planning is forecasting. *Forecasting* is an essential factor that allows future activities based on the goals and objectives of present and past situations. We will learn about the planning function in greater details later in section 2.3 in this unit. Now let us move on to the organizing function. Thus, we can say that planning is the foundation for top management provided the participants at each level execute their work effectively and sincerely.

Organizing: Through this proper structure of authority with which work is divided and coordinated to meet the goals and objectives of the organization is achieved. This function identifies various tasks of an individual organization and divides it into positions, sub positions by clubbing workers of one particular skill and ability together to bring about correct use of manpower and resources. Organizing serves as a link between various other functions of management.

Staffing: This function involves employing and training of manpower and their maintenance. The prime function of staffing is to hire skillful people that yield desired results according to the need of an organization.

Directing: This function requires the skills and quick continuous process of decision-making. This function essentially deals with delegating responsibility for distribution of workloads along employees and in turn looking after their interests.

Coordinating: This function helps in interlinking and interconnecting various types of activities for its smooth running as highlighted in Figure 2.1. This process of compartmentalization and specialization can only bring about effective functioning of work, which is the part of coordinating.

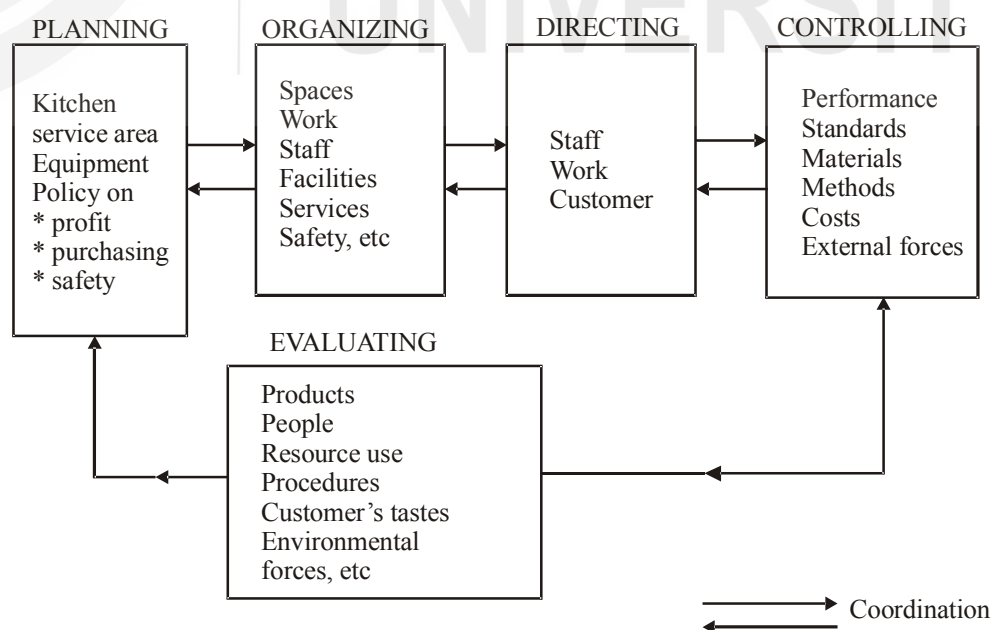


Figure 2.1: Importance of coordinating in performing the function of management

Reporting: This involves keeping various authorities of a department such as managers, executive etc. informed about various tasks through reports, papers, and records. Reporting acts as a mean for smooth functioning of an organization plan.

Budgeting: This is an important part of any food service unit. All activities are planned keeping in mind the monetary resources available on hand. It also involves fiscal planning as well accounting. It is also concerned with keeping the interests of the employees and also at the same time the ability to direct and develop responsibilities.

Thus, management can be summed up as a process of planning, organizing, directing and controlling to accomplish the organizational goals through a coordinated use of human and material resources. It is the process by which human and non-human resources are coordinated to accomplish the set objectives. Thus it is the efficient utilization of resources. What are the resources that they manage? In general terms, the six “M” – money, material, man, machines, minutes and markets.

With this basic recapitulation of the management process, we move on to study the first function of management i.e. planning. Our focus here will be on how to plan a food service establishment.

2.3 PLANNING: WHAT IS IT?

Having gone through the discussion above, it must be evident that decision-making is an important function in any enterprise. A person who manages an enterprise is called a manager. He has to take many decisions in running the unit. The function of decision-making can be termed as *Planning*.

In all the management functions, the function of planning as described by *Gullick* involves developing in broad outlines the activities required to accomplish the goals of the organization in the most effective way. Planning is stated to be the prime function from which all other functions evolve. It is a crucial part of management as it involves assessing the pro and cons of any situation or condition and making appropriate decisions. In this section we will learn what planning means, its significance and the type of plans that are essential for any organization.

Let us begin our study on planning by considering an example. Suppose you have decided to go for a picnic or a trip to a hill station, you will first sit down and consider all activities that will facilitate you to complete this venture well. When you plan to go for a picnic you will first think or decide about the place you would want to go, think about the mode of transport, the activities you plan to do there, the food you want to carry and what each member of the family will do to ensure that all things go well. This exercise is called *Planning*.

During the process of planning you realize, we ask certain questions such as: *What to do? Where to do? When to do? Who will do it? How to do it?*

When we find answers to these questions we are planning our work to achieve our goal. This kind of fact-finding helps us to foresee how things will turn out before they actually happen. So it helps not only to see the end result but also gives scope to plan alternative course of action if some plans do not work out the way you anticipate. The basic objective of planning is to think ahead, clearly determine the objectives and policies and determine and select the course of action towards the accomplishment of goals. We shall now look at the various steps involved in planning next.

2.3.1 Steps in Planning

While planning, we first gather information about all the activities that have to be undertaken, such as the money needed, the raw material that will be used, people who will do the work, the place where the work will be done and the tools needed to do it. This means we start looking at the resources we have and seek information about it, and then chalk out a scheme to use them optimally to accomplish our goal. In other words we gather information about the resources and assess both the external and internal factors which will influence and affect the use of it. Seeking information about our resources will enable us to take the right decision.

The next step is to use this information to chalk out all the activities that will enable to accomplish our goals. Goals are targets that have to be achieved within a pre-determined time. The goals must fairly reflect the accurate forecasting of events. Goals are of many kinds, some short and long term. *Short-term goals* would be some activity that has to be done and outcome realized in a short period of time. Certain other goals are termed *long term* as they are tangible or accomplished after a long time. For example if a caterer produces food and sells it each day it is a short goal, and the profit he generates from this exercise can be termed as a long term goal. It is here that you have to know the different types of plans that are evolved when we plan. So let us get to know about the types of plan next.

2.3.2 Types of Plans

To understand the different types of plans let us trace the life experience of Ramu who desires to be an entrepreneur. What do we mean by the term entrepreneur? Unit 4 later in this course focuses on this aspect.

Ramu was a young man who was desirous of becoming an entrepreneur. This desire of his life can be termed as *Purpose* that motivated him to think in the direction in which he could become an entrepreneur. When he looked around at some of his friends and neighbours, he found two of them successfully running *catering units*. He realized that he too had the interest and aptitude to take up catering as vocation. So he surveyed the market for the right opportunity and realized that there was scope of producing and delivering packed food to office employees. To do this he then spelt out his objectives.

Objectives were a set of formulated plans drawn up to achieve his goal of catering to the specified target. In establishing his objective he spelt out *who his target would be, what kind of food he will make and deliver, where and how he would make it, the type of facility and people needed to do it and at what price he would sell his product*. From this exercise it will be clear to you how when you spell out the objectives it brings about clarity of thought processing which is the essence of planning.

Ramu realized that to run his enterprise he has to establish certain basic *Rules*, which had to be abided by all. In any enterprise it is essential to formulate certain rules or directive, which has to be adhered to by all to ensure that the work is coordinated towards attaining the goal. Some of the rules he enforced were of punctuality of worker and delivery, ensuring hygiene and quality of product.

For the maintenance of standards that Ramu had established he had to spell out the procedures for the activities that had to be taken. Procedures are step-by-step instruction of activities to be undertaken. This gives a sense of direction, clarity of work to be done and consistency in the work that is done. Some examples of procedures he used were standardized recipes, instruction manual for use of the food processor and use of purchase order.

When procedures are formulated it has to be devised considering the environment in which it has to be executed. Some times there is more than one way of doing a thing, for example, if you have to purchase commodities it can be done from retail market, whole sale market, or from the manufacturer or even get it delivered by a dealer. In such a situation taking a decision becomes difficult. So if some guidelines are prescribed to limit your choices then planning becomes much easier. This parameter within which decision can be made is termed as *Policy Guidelines*. The policy guidelines that Ramu adopted for purchase was to buy from fair price shops like Mother Dairy vegetable shop and Kendriya Bhandar.

In the catering unit which Ramu established, he found that when a series of procedures was put in a sequence, a *Programme* was devised. This is best illustrated in seeing how his unit is operating. He had one procedure to purchase, another to store the

raw material, one or more procedures for cooking and then finally packing the food. When all these were performed in the right sequence a programme of food production was accomplished. So in any food service unit, programme such as these have to be undertaken to realize the goal.

Very often the procedures and programme planned for a unit is influenced by both internal and external factors. These factors may alter the plan. Therefore, it becomes necessary to plan alternate plans, which can be adopted to suit the situation. This is termed as evolving a *Strategy*. A strategy may be needed when you do not get the desired item and it calls for thinking of an alternative, a strategy for promotion of products have to be thought of in your sales decline. Evolving alternate plans to meet your goals is termed as developing strategy.

The final plan that you draw up which gives a bird's eye view of operation and management of your resources is the formulation of the *Budget*. The budget is the numerical expression of your plan. It is a plan that reflects the monetary value of your resources and indicates your income as cent per cent and the expenditure as fractions of it.

You would have by now realized how a simple plan like objective finally culminates in the holistic plan called budget. Given in Figure 2.2 is a schematic reference of types of plan.

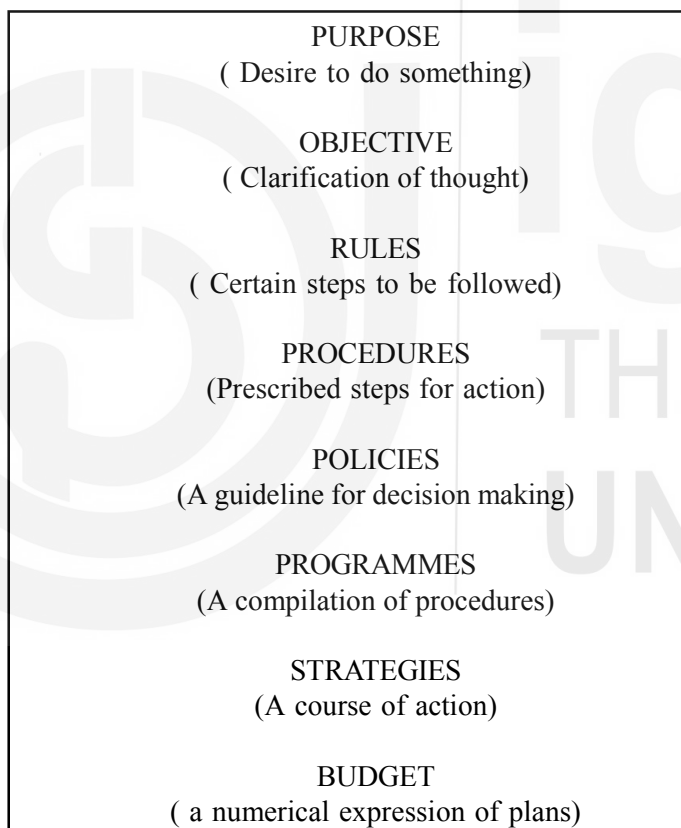


Figure 2.2: Schematic reference of types of plan

So then the planning function of management is quite clear. Take a break here and try to answer the check your progress exercise given next. This will help you assess your understanding regarding the planning function.

Check Your Progress Exercise 1

- 1) Define management and list the functions of the acronym POSDCORB.

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- 2) What is planning? Give the significance of this function of management process.

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- 3) What are the different types of plan which evolve in the planning process?

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In the last section we learnt about the planning function and the types of plans. Next, we shall review the aspects to be considered while preparing a planning guide.

2.4 PREPARING A PLANNING GUIDE OR PROSPECTUS

The first step in the planning process is to prepare a planning guide. Let us first of all define a planning guide or what we call a prospectus. *A prospectus is a formal summary of proposed work; in other words a written description detailing all aspects of the situation under consideration.* The prospectus becomes a good communication tool, which spells out all the course of actions and making available all information pertaining to the operations to other team workers.

In the context of planning a food service unit, a prospectus will be developed around questions such as:

- What type of food service is planned?
- Who are the clientele?
- What kind of menu to be offered?
- How many will be served at a time?
- The type of service
- The time of service
- How and where from will the raw materials be purchased?
- What storage facilities will be needed?
- What kind of equipment will be needed?
- What kind of manpower will be needed to run the unit? Their number, qualifications and skills.
- What kind of facility in terms of space and furnishing has to be provided?
- What are the safety measures to be incorporated?
- What are the cost limitation and projected income?
- What energy sources are available?

The prospectus must be written clearly, concisely, yet in detail. Usually it has various parts. The major divisions being:

A) ***Rationale***

This preliminary section of the prospectus needs to be defined first. It includes the project title, goal, objectives, policies and procedures. This has been discussed

as plans to be drawn out earlier in sub-section 2.3.2. Recollect, in our example earlier how Ramu had drawn up these and formulate these.

B) *Physical and Operational Characteristics*

Physical characteristics relate to the architectural or design features such as an appropriate structural facility compatible with the type of food to be served. For example, for Ramu to produce the Indian menu and pack it in the unit, he has to plan the space and equipment needed for it. Operational data refers to the activities pertaining to the production of food and the menu is the key item of concern. Other operational characteristics are the hours of service, volume of business and the number of clientele who would dine in the unit. The customer profile is necessary to plan the menu and the space. The employee profile is also to be considered to determine the number, shift and facilities necessary for them. All this information is necessary and needs to be included in the prospectus.

C) *Regulatory Information*

This is an essential component and deals with knowing all the regulatory information pertaining to running the food service unit. Information about the license to operate, insurance and information on food, labour laws, standards of sanitation and safety and use of energy resources have to be ascertained. The person who writes the prospectus and later helps to implement it should be a professional food service manager and should have the knowledge and authority to make the decisions.

D) *The Planning Team*

It is necessary to include the experts in the field to draw up the prospectus so that all aspects are thought of and included in the plan. Generally the owner or administrator who has the authority to spend the money and give approval, the foodservice manager, the architect, foodservice design consultant, equipment representative and any others who can help with specific information are included in the planning team. The prospectus should clearly spell out the planning team.

E) *Market Survey*

The prospectus must mention the type of food service unit to be established. Let us look at the experience of Ramu, who is currently running a canteen, and see how he decided to open his food service unit.

How did Ramu decide to run a canteen? Ramu was a young graduate who wanted to venture out in food business. So he first undertook a survey of the various food service units in his neighbourhood, he observed its working and spoke to the managers of the places to learn about its operation. He realized that in this field some technical knowledge which can be acquired through academic pursuit and some working experience is essential to run a unit. Having taken a course in catering management and also having worked in a restaurant for a few years, he felt confident in starting his business.

During his survey he found a dhaba, eateries attached to sweet meat shops, few restaurants some offering all kinds of food and others specialize in certain cuisine, a kiosk in the market place and in the theatre complex, a canteen in the school. He also saw that a district center was coming up and many firms were shifting their office to the premises. He realized that most of the units were running well and saw no point in opening a similar one. But he saw scope in opening a canteen for the office complex or establishing a catering unit to supply packed food to office workers. This exercise where he surveyed the market to analyze the type of food service units that exist and learn about their profile and operation, and also to discern the scope for new venture is called a *market survey*. Thus market survey is an important aspect of a project plan.

Next, aspect to be considered while planning a prospectus is the profile of the clientele, their food choices and preferences.

F) **Identifying Clientele**

Having decided the type of food service unit that is to be opened, it is now very important to study the profile of the clientele, know their food choices and preferences and design your food service to suit their need. How did Ramu get to do this? During his survey he had visited canteens in both government offices and in office complexes and observed its operations. He saw the type of people that work in the offices and the kind of food they eat. He had also seen people who worked in offices but not having a good eating place depending on road side vendors to buy snack items. In his interview with a few people working in the offices he was able to gather information about the type of food they would like to eat and buy. After gathering this information he got a handbill/promotional leaflet made which gave the profile about his catering institution and his ability to provide hot nutritious meals to office employees. In this handbill he listed all the items that he can provide with its approximate cost. His menu was depicted to be unique as it was similar to home food, hot and nutritious as it included more of vegetables, fruit and curd. He priced the packed lunch at Rs 30. He distributed this handbill in the office complex. This served as a first point of contact with his customer, generating in them an interest to try him as their source of food supply.

Along with identifying the client, surveying their preferences is also an important consideration. This aspect is highlighted next.

G) **Customer Preferences**

Knowledge about customer preference is important while planning a food service unit. Let us see how it can be done by looking at Ramu's example. After the handbills were distributed, Ramu checked with the people in the offices as to who were willing to patronize him for their meals and also got the tally of items they would buy. He made a proforma of the items and requested his probable customers to tick their preferences. With others he found their choice verbally. And thus was able to enlist information about the customer's preference and choice.

Having gone through the discussion above you would have got a fairly good idea about the components which form a planning guide. We surely can learn from Ramu's experience.

Now that Ramu knew who his clientele would be and had a fair idea about their food preference he set about to formulate the plans for starting his food service business. Let us review this next.

The first thing Ramu did was to list down the resource that would be essential in running a food service unit. As you know now, Ramu has undertaken a business and finds himself in the role of a manager; so what would be the resources that he would have to plan. Let us say he has to Plan the 6 "M". What are these? You may recall studying earlier, that for any enterprise to be established or run some *Money* is needed, this helps to buy the *Material* that has to be processed, who does the processing – the *Manpower* and he will have to be facilitated by *Machine*. All this has to be done with a time structure so the next resource to manage is *Minutes* and all this is done to capture a good *Market*. So to start or run any enterprise we will need money to buy all our resources and also plan the exact detail of our resources. This process is called *budgeting*, which is explained next.

Planning our money to utilize it for procuring all other resources is an exercise known as making the budget. It is also defined as a numerical expression of all your expenditure. In making the budget we look at our proposed income and allot a certain percentage of our income for each head of expenditure. First of all let us identify the heads of expenditure. Let us do so by taking Ramu's example. To be able to offer ready meals Ramu will have to buy raw food material which is termed as *food cost*, he will have to hire people to do the work so incur *labour cost*, to run an establishment he will have to pay for fuel, electricity, water, insurance etc, all these are categorized as *overhead* expenditure. He will also have to set aside some money for maintenance of his building and equipment and repayment of loans as percentage of income allotted for *maintenance cost*. This whole exercise of running an establishment is for the sole purpose of income generation, so he has to design for profit and build in the profit in planning the expenditure. Ramu being a commercial operator will plan a budget, which will be as given herewith.

Ramu's Budget

Proposed Income is = 100%. (Rs 1,75,000) Rs 35 per meal from 200 customers for 25 days in a month).

This will be allotted as;

Food cost	:	50%
Labour	:	15%
Overhead	:	10%
Maintenance	:	5%
Profit	:	20%

Using the budget breakup presented above, Ramu will run his enterprise once he starts his operation. But before that he has also to plan a budget to start his enterprise. This needs identification of all the resources and costing of it, to know the capital investment needed and also the recurring expenditures.

Let us first look to see where he proposes to run his enterprise. Initially when he started contemplating to start the business he spoke to some of his friends and one of them suggested that a premise where a hosiery factory was running had to shut down (as it was situated near a residential colony) and was now available for rent or sale. So he negotiated with the owner and was able to lease the premises for five years (a good enough time to try his hand also). So now the building was available to him on a monthly rent of Rs 10,000. The building had to be redesigned to provide the necessary work place and equipment. He met an architect and found the approximate cost of remodeling the unit. Ramu now had to decide the equipment that would be necessary to make his unit operational. During his survey he had observed and made a note of the different types of equipment used in food service units. He made a list of them in light of the menu that he was to produce and the delivery system he was planning to adopt. He went to the dealers and found the prices of all these and estimated the cost of these equipment. Then he also calculated the cost of the wiring and electrical installation and other utility cost. This estimated cost (Rs 1,25,000) was labeled as *capital investment*.

He then had to calculate the cost of raw material to be purchased, the labour cost in terms of wages and benefits and the overhead expenditure as rent and utilities incurred in a month when he undertook production and sales. These are termed as *recurring expenditure*. The total money needed by Ramu to start his unit can be summarized as :

INVESTMENT TO START AN UNIT	
ITEM	COST (Rs)
Cost of remodeling the premises and purchase of equipment	1, 25,000 (Capital investment)
<i>Recurring expenditure</i>	
<i>Food cost</i> for producing a meal @ Rs 15.75 (50% of Rs 35)	
for 200 persons for 25 days in a month	87,500
<i>Salary</i> for 5 persons for 1 months	25,000 (15% approx.)
<i>Overhead</i> as rent and utilities pm	17,500 (10%)
<i>Maintenance</i> pm	8,750 (5%)
<i>Profit</i>	35,000 (20%)
<i>Total recurring expenditure</i>	1,38,750 (total of recurring excluding profit)

Ramu realized that the anticipated income of Rs 1,75,000 (i.e. Rs 35 per person from 200 customers in a month (25 working days) will be slow in coming to cover all the expenditure, so he planned the finances needed for 3 months of operation which amounted to 5,41,250 lakh rupees ($1,25,000 + 1,38,750 \times 3$) to start this venture.

So the next question is how he found the finance. Usually when a person starts a venture he invests some personal money in the business. Ramu's family supported him with one lakh rupees given from personal savings and loan from his father. Now this was not enough so he took the advice of one of his friends in the bank who mentioned that loans can be obtained from banks for specific purpose. He also visited the office of small scale industries to find out the scope of them financing him. He was advised to make a project report showing his anticipated income and expenditure and his modus operandi of repayment of loan and submit the proposal to a national bank, which had a scheme for self-employment for youth. He developed a project proposal seeking a loan of 4.5 lakhs and indicated repayment of loan in a period of 4-5 years by repaying Rs 10,000 per month as part of profit generated. He mortgaged his father's house to the bank as security for the lease of loan and he was thus able to start his venture. This is only one way of planning the finances; there are other source of finance and financial institutions.

So then having gone through the discussion above, it is clear that budget forms an important part of a planning guide. Arranging the finances and planning the expenditure in advance is crucial for setting up a food service establishment. One another aspect which is crucial for Ramu is to register the unit and obtain a licence for running the same. This is discussed in section 2.5. Before we move on to the licence section, let us recapitulate what we have learnt so far. Answer the questions given in the check your progress exercise 2.

Check Your Progress Exercise 2

- 1) Explain briefly the steps you would bear in mind before planning a food service unit.

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2) What is a rationale? Why is it important for a food service unit?

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3) How important is a market survey for an individual to start a food service unit.

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4) Briefly discuss the following:

a) Budget

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b) Identifying clientele

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2.5 REGISTRATION OF THE UNIT

According to Food Safety and Standard (Licensing and registration of Food Business) Regulations, 2011, all the food business operators, on a small scale or large scale, have to get themselves registered and obtain a valid license. Any person, who owns, operates or maintains a food service establishment in violation of these regulations, will be subjected to enforcement actions including monetary fines. But, it is to be noted here that every petty food business operator has to obtain a registration certificate under these regulations and on the other hand, large scale business operators or other than petty operators need to have a valid license. Let us first discuss about registration of a unit.

2.5.1 Registration of Food Business

First let us understand what is meant by the term petty food business operator. Petty food business operators, operates their business on small scale and includes the following production units:

- a) Who manufactures or sells any article of food himself or a petty retailer, hawker, itinerant vendor or temporary stall holder; or distributes foods including in any religious or social gathering except a caterer; or
- b) Food business including small scale or cottage or such other industries relating to food business or tiny food businesses with an annual turnover not exceeding Rs 12 lakhs and/or whose
 - production capacity of food (other than milk and milk products and meat and meat products) does not exceed 100 kg/lt per day or
 - procurement or handling and collection of milk is up to 500 lt of milk per day or
 - slaughtering capacity is 2 large animals or 10 small animals or 50 poultry birds per day or less

All of the above operators have to obtain a registration certificate with a photo ID by submitting a form (given in annexure I) after paying predetermined fee of Rs. 100. The procedure of registration will continue after successful submission of application form by one of the officials notified by the state food safety commissioner. After complete satisfaction of the official, regarding points of hygiene and sanitation (highlighted in Box 2.1), a registration certificate and a photo ID are issued within 30 days which have to be kept at premises at any given time.

**Box 2.1: Sanitary and hygiene requirements for food manufacturer/
processor/handler**

- 1) Surroundings of the premises should be clean, free from insects, muddy areas, and polluted areas.
- 2) Premises should be adequately ventilated and proper lighting should be maintained with easy to clean floor, ceilings, walls and furniture. Disinfectants should be used whenever required but not during the conduct of business. Instead fly swaps/flaps can be used.
- 3) Equipments which can cause metallic contamination are injurious to health and should not be used. Cooking, storage and serving of food should not done in utensils of cadmium, lead, non food grade plastic and other toxic material. Copper and brass lining should have proper lining.
- 4) Drainage facilities and waste disposal facilities should be available. Potable water supply should be adequately met.
- 5) A covered bin should be there for disposal of garbage and cleaned regularly.
- 6) Personal hygiene of workers should be maintained properly and transported foods should be maintained at required temperature.

Apart from above points, ***sanitary and hygiene requirements for street food vendors and unit other than manufacturing/processing*** includes following:

- 7) Surroundings should be clean, free from rubbish, waste water, stray animals that can possess serious hazards to health.
- 8) Surface of vending carts should be protected properly and cover with corrosion resistant material.
- 9) The location of the vending unit should be in a place approved by the local authorities and not blocking traffic or pedestrians or near unhygienic locations.

From registration, we will now move onto licensing of a unit. As already informed, license has to be obtained by large scale business operators or other than petty business operators mentioned above.

2.5.2 Licensing for Food Business

Any business operator or entity that does not classify under petty food business operators needs compulsory FSSAI license which can be applied by filling a form (given in annexure II) along with self attested declaration form and copies of documents (refer to FSSAI website, <https://www.fssai.gov.in/cms/food-safety-and-standards-regulations.php>). License is granted after fulfillment of sanitation and hygiene requirements as given in Box 2.1. FSSAI license is classified into two types:

- a) Central FSSAI license
- b) State FSSAI license

Depending upon the size and nature of business, the licensing authority would change accordingly. In general, a large scale food business operator require central FSSAI license whereas medium sized manufacturer, processor or transporter needs state FSSAI license. Information regarding, which unit comes under central FSSAI licensing authority is given in box 2.2 and units other than given in box 2.2, comes under state FSSAI licensing authority. The license is granted for a period of 1 to 5 years. Longer the duration of license, higher would be the application fees. An amount of Rs 7500 has to be paid for central FSSAI license and Rs 3000-5000 for state FSSAI license.

Box 2.2: List of food business comes under the category of central licensing authority:

- Dairy units handling 50,000 lts of liquid milk/day or 2500 million tons of milk solid per annum.
- Vegetable oil processing units with oil expeller unit having installed capacity of more than 2 million tons per day.
- Slaughter houses slaughtering more than 50 large animals or ≥ 150 small animals (including sheep and goat) or ≥ 1000 poultry birds per day.
- Meat processing unit which processes ≥ 500 kg of meat per day or 150 million tons per annum.
- 100% export oriented units.
- All importers importing food items including food additives and ingredients for commercial use.
- Operators operating their food business in two or more states.
- Food catering services in establishments or units under Central Government Agencies like Railways, Air & Airport, Seaport, Defence etc.
- All food business operators manufacturing any article of food containing ingredients or substances or using technologies or processes or combination thereof whose safety has not been established through these regulations or which do not have a history of safe use or food containing ingredients which are being introduced for the first time into the country.

So in our discussion so far we have studied how to apply for a licence or registration and the aspects which are considered by the local authorities for issuing the licence/registration.

Next, we shall focus on the rules regarding grading of food service establishments, particularly the hotels and the restaurants.

2.5.3 Rules Regarding Grading of Hotels and Restaurants

Grading of hotels and restaurants is based on the points scored by the respective food service establishment with respect to the parameters/rules specified in the schedules given in Box 2.1. Grading is done totally on the basis of 100 points as depicted

herewith. Out of 100 points, 75 points are given for matters specified in Schedule C. The remaining 20 points are for aspects specified in Schedule A and 5 points for facilities as per Schedule B.

	Points
Schedule A	20
Schedule B	05
Schedule C	75
Total	100

If the licensee does not observe the rules and conditions specified in the licence, he or she shall be refused licence. If the licensee observes the rules and conditions as per schedule A, B, C, he or she may be given points and graded accordingly as shown in the grading matrix herewith. If the licensee does not observe special and important rules, he or she may be given minus points, as observance of these rules are legally binding on the licensee.

Grading

Points	Grading
35-50	C
51-80	B
81-100	A

If any hotel/restaurant does not qualify for any of the above grades then the concerned licensee is liable for prosecution, or the concerned licence may be suspended or cancelled or the concerned hotel shall be permanently graded C.

Box 2.1: Grading Schedules	
<i>Schedule A: Grading chart for maintaining general cleanliness at hotels and eating places:</i>	
S.No.	Points
1) A place providing for cleaning with detergent or soap and disinfecting and air drying of cooking vessels, cups, saucers, etc.	3
2) A place providing for washing with soap and water and disinfecting of hands and feet of employees.	3
3) Physical cleanliness (daily baths, care of hair and nails, clean uniform, etc.) of employees.	3
4) An independent rest-room for employees and a locker arrangement for their clothes, etc.	3
5) An arrangement to keep off flies from the place of storage of food stuff and the kitchen.	3
6) Cleaning with disinfectant of floor and walls (up to height of 1.8 m (6 feet))	1
7) A separate place for service of eatables and regular cleaning of tables.	1
8) A place with a location to transfer garbage from the area of activity, at least thrice a day.	1
9) A wash place with soap and clean towels for customers.	1
10) Hygienic cleaning of trays used for service of eatables.	1

Schedule B: Grading chart for maintaining a special arrangement to augment natural light and ventilation:

- | | |
|---|---|
| 1) Arrangement to maintain a reasonable temperature or artificial ventilation. | 2 |
| 2) A coat of oil paint on all walls at the work place. | 1 |
| 3) Chimney or an exhaust to reduce suffocation due to smoke where coal or coke is used. Where coal is not used as a fuel, one additional point each for 1 and 2 be granted. | 2 |

Schedule C: General Rules:

S.No.	Points
1) The licence must be displayed at an early visible location.	1
2) Eatables and beverages must be prepared at a completely separate location.	3
3) A wash place of necessary measurement must be built at the work place and be connected with a municipal water supply with a meter; drainage from the wash place must be appropriately connected to the municipal drainage system.	2
4) The floors must be tiled or impervious to disallow seepage; this floor must be washed once a day.	10
5) Vessels, cups and saucers, glass and other equipment must be thoroughly clean before and after use.	10
6) Employees clothing must be kept clean, people suffering from contagious or skin diseases must not be employed; employees must be provided with towels and soaps; they must not serve or handle items on sale without cleaning their hands.	10
7) Garbage must be collected in containers coated with tar, inside and outside; such garbage must be emptied at least twice a day at a municipal garbage bin and cleaned.	2
8) Walls and ceilings must be white washed twice a year (i.e. first week of April and October); if walls are oil painted or varnished, they must be cleaned suitably.	10
9) Eatables must be stored in glass cases that keep flies and dust away; eatables must be prepared only in the kitchen.	10
10) Drinking water must be stored in a clean vessel which is placed at least 39 cm above the floor and should have tight fitting lids with a tap.	10
11) The licenced premises must not in any way be connected with a lavatory or open drainage; the licenced premises must not be used as boarding.	5
12) General cleanliness must be maintained.	2

The grading should be done every two to three years as specified in the municipal health laws.

With this we end our study regarding registration and grading of food service institutions. Next, we shall learn about the systems approach in food service.

2.6 SYSTEMS APPROACH IN FOOD SERVICE

Food service units are establishments or organizations that need to adopt good management techniques to meet their objectives effectively and efficiently. Basically there are three types of approaches. These include:-

- Classical or traditional
- Human relations
- Systems approach

In the *classical style* the premise is on division of work, which will be executed by a specialized person. It has a formal structure where responsibility and authority is defined; having unitary command and a span of control and coordination of the work is the responsibility of the manager. In this style the emphasis is placed more on the accomplishment of tasks and goals. It becomes mechanical and does not recognize the interaction of groups.

Human relation theory was evolved to compensate the deficiency in the classical approach. Here the emphasis is given more on social systems and human behaviour and it recognizes the existence of informal groups in which workers align themselves. This is reflected in organization that has employee participation in decision-making which yields positive effects in terms of morale and productivity.

In the modern world, the emphasis has to be placed equally on both the task and people and a new approach has been evolved integrating the advantage of both the classical and human relation theory with a concept of systems. What is the systems approach? Let us find out.

Systems Approach: What Is It?

Basically, a System can be stated to be a set of inter dependent parts that work together to achieve a common goal. *Coleman* states it more concisely “A system is a set of interrelated parts with a purpose”. The interrelated parts are known as subsystems, each dependent on the other for achieving the goal. Each subsystem contributes to the whole and receives something from the whole while working to achieve the common goals. The management’s role here is seen as a systemic endeavour that recognizes the needs of all parts and decision is made in the light of the overall effect on the organization as a whole and its objectives. This type of leadership is called systems approach.

The word system has five fundamental implications that should be understood and accepted. They are:-

- A system must be designed to accomplish an objective.
- Each element (subsystem) of the system should have a specific work and character.
- Interrelationship must exist among the subsystem, and they should be synergistic in nature.
- The basic ingredients of process i.e. the flow of information, energy and material are more vital than the basic element of the system.
- Organization objectives are more important than objectives of the elements.

Organizations perceived as systems are made up of a variety of subsystems. The most common subsystems found in most of the organizations are:

- *Operational subsystem* – the activities and people who perform the primary functions

- *Management subsystem* – all people and all activities that plan, control and take decisions
- *Information systems* – the collection of people, machines, ideas and activities that gather and process data to provide formal information.

All these subsystems operate within an environment both internal and external of the organization and with supporting resources such as *money, material, time, equipment utilities, facilities* and *personnel*. These together with the information are the *inputs* into the system. The work that is performed is known as *operations*, *transforms* the *raw material to the finished products or services*. These are the *outputs*. The outputs provide the information on how the operation has worked or failed or how it should be changed or modified. This information is known as *feedback* and provides the management with data as base for decision making.

Interrelationship and *Interdependency* are key concepts in system theory. Generally a change in one part of an organization affects other parts of that organization. So any change that is to be taken has to be done in light of its effect or repercussion to other departments. System theory contains the doctrine that the output of the whole of the structure is more than the sum of its parts. This is called *wholism*. The cooperative, synergistic working of the sub systems often yields a total product that exceeds the sum of individual contribution.

This concept can be made clear through this schematic presentation given in Figure 2.4 and understood better with an illustration using a food service unit.

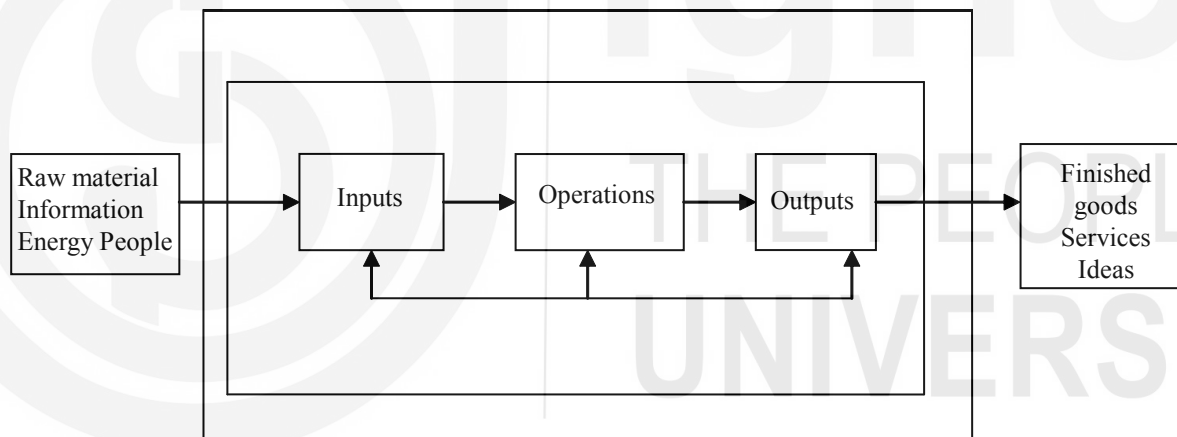


Figure 2.4: Interrelationship and interdependency in systems theory

Let us now see this concept in operation in a food service unit. A food service unit is an organization. In modern term to be successful it should adopt a *Systems Approach*. How does a food service unit qualify as a system? Let us look and match the fundamental principles of systems approach to a food service unit. Every food service unit has a specific objective, that is, to use some raw material and other resources such as energy, people and utilities to transform into finished good and services. To do so the unit should have many subunits like purchase department, store, preparation unit, production and service centers which function independently but in a sequence and is interrelated and interdependent on each other. For example, the purchase department must buy the material for the production unit to process it. The food that comes into the unit has to be received, then stored, issued, produced and served. A pattern that is sequential and interrelated.

When each unit is given some freedom to function independently the work gets done faster, but all decision has to be taken in consonance with other departments, for example if the purchase department decides to buy pineapple in bulk it has to see if

appropriate storage space is available and that there are suitable recipes to utilize them. When there is free flow of information and ideas through record keeping and feedback the information can be utilized to generate more patronage and profit. Any unit that subscribes to these principles is said to be practicing a systems approach.

We hope the discussion presented above should have given you a good insight into what is systems approach and the concept in operation in a food service unit. With this we end our study of this unit.

Now attempt the questions given in the check your progress exercise 3 and recapitulate what you have learnt so far.

Check Your Progress Exercise 3

- 1) What do you understand by systemic approach? Briefly explain.

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- 2) List any five conditions which a food service unit should fulfil to get a licence.

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- 3) How are food service units graded?

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2.7 LET US SUM UP

This unit focused on how to plan a food service unit. We learnt that to run the unit successfully we have to adopt various management processes. The types and the steps involved in the planning process were also described with a focus on how to prepare a planning guide or prospectus. Finally the concept of system approach and how the concept is operated in a food service unit was explained in this unit.

2.8 GLOSSARY

Budget	: the numerical expression of a plan.
Planning	: set of objectives one decides upon to achieve goal.

Purpose	: the desire to carry out a plan.
Procedures	: are step-by-step instructions of activities to be undertaken.
Policy guidelines	: the realm or the perimeter within which decision can be made.
Objective	: set of formulated plans drawn to achieve a goal.
Rules	: set directives an organization must adhere to in order to ensure that work is coordinated towards attaining the goal.
Rationale	: the preliminary section of the prospectus needs to be defined first. It includes the project title, goal, objectives, policies and procedures.
Strategy	: alternate plans thought out to implement a given goal.

2.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

- 1) Management according to Allen is a complex of administration of personal skills. Another definition by Drucker states that it is management that enables the organization to contribute a needed result to society. The functions of POSDCORB include – Planning, organizing, staffing, directing, coordinating, reporting and budgeting.
- 2) The human relations School of Management is a social process because management actions are concerned with relations between the people. However, according to the Decision-making School of Management is a decision making body, a rule making and enforcing body. Hence the difference lies in the basic fact of management as a social process and a enforcing body.
- 3)
 - a) Division of work is based on the concept of specialization of skills and the amount of work done by an individual. In other terms it is assigning of quantum of work to every employee of the food service unit.
 - b) Hierarchy is the chain of command drawn between the staff at the different levels in the organization. It is the sequential and chronological arrangement of ranks of different employees based on experience, remuneration and amount of work done, as well as, skill of the individual.
 - c) Discipline can be defined as mean maintenance of punctuality, adherence to rules and regulations, obedience, courtesy and loyalty towards an organization. This is absolutely essential for smooth functioning of an organization.

Check Your Progress Exercise 2

- 1) Before setting up a Food Service Unit an individual should gather information about all activities required to be undertaken, raw materials to be used, people to be employed, setting-up place of the organization and most importantly chart-out the budget to start such an idea.
- 2) A Rationale can be defined as a preliminary section of the prospectus which is defined first. It includes the project title, goal, objectives, policies and procedures. It is important for planning the budget as it gives an overview of the goals and policies of the organization.
- 3) A Market survey is an essential activity that gives you a idea as to what prevailing trends are. What are the needs and wants of the people and how to go about

organizing and planning them. Market survey is like a preliminary research carried out to have prior knowledge of all basic information needed to begin an organization.

- 4) a) A Budget is aptly called the numerical expression of plans. The budget is a document that describes the monetary resources on-hand and that can be utilized for performing various tasks in a food service organization.
- b) Identifying clientele is part of all food service organization. Here an individual like in a survey can plan and focus the type of clients the food service unit would like to cater to: For example, a food kiosk in a cinema hall can cater to all groups of people especially targeting the youth, by selling attractive fancy foods.

Check Your Progress Exercise 3

- 1) Systems approach can be defined to be a set of inter dependent parts that work together to achieve a common goal. These are also referred to as a set of interrelated parts with a purpose. The interrelated parts are subsystem each contributing to the goal. This type of approach is referred to as System Approach.
- 2) Refer to sub-section 2.5.1. Any 5 of the following:
 - authorized construction/premises.
 - free from sanitary defects.
 - contagious or infectious diseases should not be present in the employees.
 - food items suitable for human consumption should only be sold & stored in the premise.
 - cooking medium should be clearly indicated.
 - no food article should be stored near a toilet, urinal, drain or garbage dump.
- 3) Grading of food service units is on the basis of the parameters or rules specified by concerned authorities. Refer to sub-section 2.5.2 for details and list the parameters on your own.