BUSINESS ORGANISATION AND MANAGEMENT

Class: B.Com Ist Semester

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Unit I: Foundation of Indian Business

Manufacturing and service sectors:-

SECTORS OF INDIAN ECONOMY:-

Indian economy can broadly be divided into the following sectors:-

Primary sector

Secondary sector

Tertiary or service sector

Primary sector:-

Primary sector or primary industries relate to all those activities which are connected with the extraction, producing and processing of natural resources.
(ii) Secondary sector :-

This sector includes those industries which are related to the process of materials which have already been produced at the primary stage,

(iii) Tertiary or service sector:-

Tertiary or service sector deals with all those activities which smoothen the flow of goods and services from manufacture to those who use them.

MANUFACTURING SECTOR:-

Manufacturing is concerned with the conversion of raw material into finished products. Manufacturing also refers to a range of human activities, from handicraft to hi-tech ,but is most commonly applied to industrial production ,in which raw materials are transformed into finished products. Such finished products may be used for manufacturing other goods, more complex products ,or sold to wholesalers, who in turn sell them to retailers and then to end users , 'the consumers '. Manufacturing is the base for the economic development of a country. The development of many industries is linked to the growth of manufacturing industry. It creates employment as well as revenue to the government. So, manufacturing sector is taken as the wealth producing sector of the economy.

Types of Manufacturing Industries:-

1.Analytical Industry

2. Processing Industry

3.Synthetic Industry

4. Assembly Industries

5. Conditioning Industries

ROLE OF MANUFACTURING SECTOR IN INDIAN ECONOMY:-

In recent years, Indian economy has emerged as one of the fastest growing economies of the world. Economic reforms in 1991 have enabled the private sector to play a larger role in all sectors of the economy. Inspite of all these efforts, the constitution of manufacturing sector in India is much below its potential. The GDP growth in India was largely contributed by service sector. There is a need to increase the competitiveness of Indian manufacturing sector, the ‘Make in India’ initiative of Modi Government is also to prop up the manufacturing sector.

NATIONAL MANUFACTURING POLICY:-

In order to increase the contribution of manufacturing sector, Government of India announced National Manufacturing Policy on Nov., 4 ,2011.

Objectives of NMP:-

(i) To increase manufacturing sector growth to 12-14 percent over the medium term.

(ii) To increase the share of manufacturing in the GDP from the present level of 16 % to 25 % by 2022.

(iii) To create 100 milllion additional jobs in manufacturing sector by the year 2022.

(iv) To enhance global competitiveness of Indian manufacturing sector.

(v) To achieve technological upgradation in manufacturing sector in India.

(vi) To create appropriate skills among the masses so as to achieve faster and inclusive growth.

(vii) To ensure sustainability of growth and to protect the environment.

In order to achieve the objectives of NMP, there was a need to encourage the inflow of foreign investments in this sector, efforts to be made for upgrading of indigenous technology in the country and simplification of procedural and regulatory formalities.

Steps for Promoting Manufacturing Sector:-

1.Promotion of Capital Goods Industry.

2.Promotion of Small, Medium Enterprises.

3. Promoting Industries with Strategic Significance.

4. Promoting Employment Intensive Industries.

5. Establishing National Investment and Manufacturing Zones.

6. Industrial Training and Skill Development.

7. Technological Upgradation.

8. Promotion of Industries where India Enjoys Advantage.

9.Simplifications of Business Regulations.

SERVICE SECTOR:

Introduction:-

Service sector includes all those activities which help in production and exchange processes. This sector helps various activities undertaken in primary and secondary sectors. Service activities include transport, banking, insurance, warehousing, packaging, communication, advertising, etc. All these services are known as business services and are required for production and exchange of goods. There are services which are not required in production process but are required to facilitate day to day life of the people, these services may be provided by doctors, nurses, teachers, crèches, old age homes, restaurants, travel agencies, recreation centres, information technology and so on.

Meaning:-

Service is an economic activity which is used or consumed for the benefit of receiver. A service is not something tangible or physical product which is given to the buyer rather it is used for one's convenience or benefit. The purchase of a service does not result in the ownership of anything physical. For example, we may get the services of a doctor, but cannot purchase it. Similarly, the services of a teacher may be used to teach the students.

Characteristics/Features of Services:-

The nature of services can be described as follows:

1.Intangible.

2. Inconsistency or Lack of Homogenity.

3.Inseparability.

4. No Inventory.

5.Customer's Involvement.

CLASSIFICATION OR TYPES OF SERVICES:-

Services may be classified into three categories:-

1.Business Services 2. Social Services 3.Personal Services.

1. Business Services:- These are the services used by business enterprises to carry on their activities smoothly.

2. Social Services.:- Social services are carried out voluntarily to carry out Social objectives.

3.Personal Services:-These are those services which are experienced differently by service providers.

NEED FOR SERVICE SECTOR:-

Service sector is essential for the following reasons:-

1.Complexity of Products.

2.Rising Income Levels.

3. Increasing Number of Working Women.

4. Increase in Mobility.

5.Growth in Information Technology.

6.Health Consciousness.

IMPORTANCE OR ROLE OF SERVICE SECTOR IN INDIAN *ECONOMY:-*

The service sector has developed as the most important sector in india. It is the largest contributor to the GDP in Indian economy. The role of service sector may be discussed as follows:-

1.Generation of Employment.

2.Helping Manufacturing and Other Services.

3. Contribution to National Income.

4.Improving Basic Facilities.

5. Earning of Foreign Exchange.

6. Improving India's Image.

7. Improving Standards of Living.

CLASSIFICATION OF BUSINESS SERVICES :-

The services required by the business are classified as follows:-

1. Banking:-

(a). Receipt of deposits.

(b). Lending of funds.

(c).Transfer of money.

(d).Agency and other services.

2. Transport:-

(a). Road transport.

(b).Rail Transport.

(C). Water Transport.

(d). Air transport.

3. Communication:-

(a) Postal services

(b). Telephone and Cellular services

(c). E.mail

4.Insurance:-

(a) Life Insurance.

(b) Fire insurance.

(c).Marine insurance

(d). Misc insurance.

5.Warehousing:-

(a).Storing of goods.

6.Miscellaneous:-

(a). Advertising.

(b).Packaging.

REASONS FOR GROWTH SERVICE SECTOR:-

The service sector is rapidly growing in India. The service sector is facilitating the manufacturing and distribution of goods and services, Besides transport , banking, insurance, warehousing, communication, service sector also includes, hotels, restaurants, public administration, defence, community and personal services. Service sector is growing due to the

following reasons:-

1.Creation of Infrastructure.

2. Migration of Population to Urban Areas.

3.Increase in Income Levels.

4.Increase in Women Workforce.

5. Demand for Health Services.

6.Demand for Maintenance Services.

7.Demand for knowledge Economy.

SMALL AND MEDIUM ENTERPRISES:-

INTRODUCTION:-

Small business plays an important role in the development of every country ,especially in a developing country like India. Therefore, this sector is indispensable .Since independence small business sector consisting of small scale tiny units, cottage and rural industry have made significant progress. In the spheres of employment and production, this sector provides a major share. Small business is now producing a wide range of commodities from ordinary consumer goods to sophisticated goods based on the most modern technology like electronic goods, television sets etc. Industrial units are generally classified between small scale, medium scale and large scale units, considering their size, capital resources and the number of labourers engaged. After independence, small scale industries were defined by Industries Development and Regulation Act, 1951 as "Any enterprise which employes not more than 50%, when using power, and 100, when not using power and with capital assets not exceeding Rs 5 lakhs." This definition of small scale industries have been changed a number of times, generally using the investment criterion in plant and machinery. Micro, Small and Medium Enterprises Development (MSMED) Act,2006 has provided first legal framework for the recognition of the concept "enterprise" and integrating the three tiers of three enterprises, viz. micro, small and medium. This Act classifies the enterprises as follows:-

CLASSIFICATION OF ENTERPRISES:-

MSMED Act 2006, categories the enterprises as

(i) Manufacturing and

(ii) providing / rendering of services and that too classified into micro,small and medium enterprises.

Investment Limits:-

For manufacturing enterprises, the investment limit of micro enterprises is fixed at Rs 25 lakh, small enterprises above Rs 25 lakh to Rs 5 crore, medium enterprises above Rs 5 crore to 10 crore.

For service enterprises, the investment limit is fixed at, micro enterprises upto Rs 10 lakh, small enterprises above Rs 10 lakh to Rs 2 crore and medium enterprises above Rs 2 crore to Rs 5 crore.

Classification of Small Business:-

Small business may be classified as follows:-

(i). Small Scale Industries.

(ii).Ancillary Industrial Units.

(iii). Export-Oriented Units.

(iv). Micro Business Enterprises.

(v).Cottage Industries.

(vi). Khadi and Village Industries.

(vii).Rural Industries.

Characteristics/ Features of Small Scale Industreis:-

The characteristics of small scale industries are:-

1.Personal Character.

2.Limited Investment.

3. Limited Area of Operation.

4.Domination of Labour.

5.Located Rural and Semi-Urbal Areas.

6.Managed by Owners.

7. Engaged in Consumers Goods.

ROLE OF SMALL AND MEDIUM BUSINESS IN INDIA:-

Small and medium industries have been playing an important role in india economy in terms of employment generation and growth. It is estimated that small scale sectors has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small scale sector more than 5 times to that of large scale factor.

Following are the some of the important roles played by business in india:-

1.Employment Generation.

2.Production.

3.Equal Distribution of Nation Income.

4.Efficiency of Small Scale Industries.

5.Lessening of Pressure on Agriculture.

6.Use of Locals Resources.

7. Regional Dispersal of Industries.

8.Encouragment to Cooeperation.

9.Suitable for Underdeveloped Areas.

GLOBALISATION AND LIBERALISATION:-

GLOBALISATION:-

Globalisation is a term which has recently come into use along with liberalisation and privatisation. This is not only an economic term as it covers all facts of life---political, social, cultural and economic . This topic has assumed importance in the light of the recent changes in the international business environment and the national economic policy changes.The EXIM policy 1992 -1997, laid stress on the establishment of the framework for globalisation of india's foreign trade. Global dimension is emerging and has emerged to a large extent as a reality today.Thus, globalisation of economy may be defined as the global dimension of the evolving world economy.

In simple economic terms, globalisation refers to the process of integration of the world into one huge market. Such unification will be possible if all the trade barriers among the countries are removed. Even political and geographical have become irrelevant in this aspect.

KENICHI OHMAE, a world renowned management expert and author observes that a global corporation develops a genuine equidistance of perspective. That is managers with a truly global orientation consciously try to set plans and build organisations as if they saw all key customers equidistant from the corporate centre.

In popular sense, globalisation refers mainly to Multiplant operations. The global company views the world as one market, minimises the importance of national boundaries, sources, raises capital and markets wherever it can do the job best.

A company which has gone global is called a multinational corporation (MNC).The words globalisation and internationalisation are often used interchangeable. But globalisation is a wider term, internationalisation implies having business relations with one or more countries, whereas globalisation means adopting a global outlook for the business and business strategies aimed at enhancing global competitiveness.

The important MNCs whose names can be mentioned here are Nestle international, Sony, Philips, IBM, GE, Mc Donald's, Ford etc.

Characteristics/Elements of Globalisation:-

1. Free trade

2. Free movement of capital

3. Free movement of labour

4. Free flow of information and technology.

NEED/REASONS FOR GLOBALISATION:-

There are several reasons of globalisation. Companies generally globalise because of the attractiveness of the foreign markets and sometimes globalisation is due to the compulsions of the domestic market which force the companies to go global. The major causes of globalisation are as discussed below:-

1.More Financial Benefits

2. To Reduce the Cost of Production

3. Shrinking of Time and Distance

4. Growth Potential of Foreign Markets

5. Demand Constraints in the Domestic Market

6. Nationality of the Companies

7. Effects of Liberalisation

8. Spin off Benefits of Globalisation

9. High Tech Industries

10. Business Policy and Strategic Management

ADVANTAGES OF GLOBALISATION:-

Globalisation has both positive and negative impact on the economy of the country.It has positive impact on the Indian economy in the following ways:-

1.Increase in Foreign Trade

2. Increase in Foreign Collaborations

3. Increase in Foreign Direct Investment

4. Expansion of Markets

5. Growth of Service Sector

6. Generation of Employment

7. Improvement in Standard of Living

DRAWBACKS\NEGATIVE IMPACT OF GLOBALISATION:-

Globalisation has following negative effects:-

1. Competition for Domestic Industry

2. Unemployment

3. Domination of Foreign Enterprises

4. Exploitation of Workers

5.Adverse Effect on Culture and Values

6. Lop sided Development

7. Interference in Political Decision Making

8. Tax Evasion

LIBERALISATION:-

The Indian economy until the early eighties was based on the socialistic pattern of the industrial development that envisaged a significant role for the government and a substantial investment in public sector units. The government virtually oversaw the resource allocation process with markets, employees, instruments and prices being almost completely administered by the government. To the extent that private sector also co-existed, besides with many restrictions, the economy was not completely socialistic. Changes in the manner in which industry grew and financed its growth were first made in 1984, when the government took the initial steps of liberalising industry and providing for some flexibility in operations and the manner in which they are financed.

Liberalisation is the process of freeing the economy from licence system and other regulations .The industry and trade is given the freedom to grow at their own and reducing the role of government. It leads to strengthening the market oriented economy where there are virtually no restrictions on the levels of production and processes and import and export of goods and services. The entrepreneurs are free to take economic decisions on the forces of demand and supply.

Liberalisation of trade and industry in India started with the Industrial Policy, 1991 when drastic steps were taken to liberate the economy.

Features of Liberalisation:-

Following are the features of liberalisation:-

1. The industry is given the freedom of producing and distributing the goods and services.

2. No restriction on expansion and growth of business.

3. No restriction on the movement of goods and services.

4. Freedom in fixing the prices of goods and services.

5. Removing unnecessary controls over the economy.

6. Making use of global resources for the country’s progress.

Objectives of Liberalisation :-

The liberalisation measures were introduced by the Government with the following objectives in mind:-

1. To accelerate the rate of Industrial development.

2. To achieve better utilisation of capacity.

3. To achieve economies of scale.

4. To reduce, and in some cases to remove the procedural impediments.

5. To work towards the development of backward areas.

6. To ensure export promotion and import substitution.

7. To increase competitiveness in Indian industry and to ensure healthy competition.

Measures of liberalisation:-

Important measures taken during the eighties for liberalising the industry policy of the country were as follows:-

1. Exemption from Licensing.

2. Relaxations to FERA and MRTP Companies.

3. DE licensing.

4. Re-Endorsement of Capacity.

5. Introduction to the Concept of Broad Branding.

6. Introduction of Minimum Economic Scale of Operation.

7. Development of Backward Areas.

8. Incentives for Export Promotion.

9.Small Scale and Ancillary Units.

TECHNOLOGICAL INNOVATION AND SKILL DEVELOPMENT:-

MEANING OF INNOVATION:-

There are varying definitions of innovation. The meaning can change according to place, time and content. Innovation is largely now thought of as technological innovation, including research and development, invention, but this was not always the case. This concept has been changing from time to time, depending upon the requirements of that period.

Innovation and technological management is an inevitable issue in the high end technological and innovative organisation. Today, most of the innovations are limited with developed countries like USA, Japan and Europe while developing countries are still behind in the field of innovation and management of technology but it is also becoming a subject for rapid progress and development in developing countries. Innovation and technology environment in developing countries are by nature, problematic, characterised by poor business models ,political instability and governance conditions, low education level and lack of world class research universities, underdeveloped and mediocre physical infrastructure ,and lack of solid technology based on trained human resources.

MEANING OF TECHNOLOGY:-

Technology refers to the application of skills, knowledge and ideas to the production or improvement of goods and services. Technology is the application of scientific knowledge for practical purposes. Technology uses technical means like machines, knowledge and tries to find ways and means by which these can interact with the society and environment in general. It is a highly specialised field of study and its use is found in all walks of life.

Technology is the means and processes through which we as a society produce the substance of our existence. The technology here is seen as a human process with human choices and decision- making as the centre. The technology is described as a system, not simply as artifacts or processes in isolation. In broad terms, technology includes five specific items such as tools ,materials, energy forms, techniques and organisation of work.

Components of Technology:-

Following are the components of technology:-

1.Tools.

2. Materials.

3.Energy.

4.Techniques.

5.Organisation of Work.

GOVERNMENT ROLE IN TECHNOLOGY DEVELOPMENT:-

After independence, India has basic problems like poverty, unemployment and under development of India. Indian government has taken the following steps for technological development:

1.Establishment of Technological and Research Institute.

2.Positive Technical Policy.

3.High Growth Rate of Information Technology in India.

4.Incentive for Promoting Technology in India.

POSITIVE IMPACTS OF NEW TECHNOLOGICAL INNOVATIONS :-

Following are some of the positive impacts of technological innovations:-

1.Elimination or Reducing Dangerous Work.

2.Creation of New Jobs and Products.

3. Increase in Skills.

4.Electronic Strength of Information.

5.Cheaper Computer Based Systems.

6.Increased Productivity .

7. Products and Services for Disabled.

NEGATIVE EFFECTS OF INNOVATION AND NEW TECHNOLOGY:-

The new technology has some negatives also, some of these are as follows:-

1. Rising Level of Unemployment.

2.New Jobs in Un-organised Sector.

3.Loss of Skill and Decrease in Job Satisfaction.

4.Reintroduction of Cottage industries.

5.Invasion of Privacy.

SKILL DEVELOPMENT:-

Skill development means developing yourself and your skill sets to add value for the organisation and for your own career development. The attitude of continuous learning and skill developing is essential for one's success in the profession. It requires identifying the skills needed and then seeking out training or on-the-job opportunities for developing those skills. When using the term skill, most people think of an objective, measurable body of knowledge about work and work routines. But skill is more than job knowledge. It also implies job autonomy measured by the range of tasks and the discretion exercised over these tasks. If we define skill as both job knowledge and job autonomy, then clearly it is very difficult to discuss skill independent of the organisation of work.

In debates about the educational implications of the information technology, many disputes have resolved around whether or not this new technology will lead to an increase or decrease in the worker's skills. Clearly, it could lead to both or either, depending upon how work is restructured and reorganised in the workplace over the next few years. Information technology has made possible to a new organisation which could greatly increase workers' skill, defined both as knowledge and autonomy. At this point in the information revolution, we are only beginning to develop new methods of work organisation. We are at the convergence stage in an organisational revolution.

Aims of Skill Development Programme:-

The aim of skill development in India is to support achieving rapid and inclusive growth through:-

1. Enhancing individuals' employability (wage/self employment) and ability to adapt to changing technologies and labour market demands.

2. Improving productivity and living standards of the people.

3. Strengthening competitiveness of the country.

4. Attracting investment in skill development.

Objectives of National Policy on Skill Development:-

The objectives of the national policy on skill development are to :-

1. Create opportunities for all to acquire skills throughout life,and especially for youth ,women and disadvantaged groups.

2. Promote commitment by all stakeholders to own skill development initiatives.

3.Develop a high-quality skilled workforce /entrepreneurs relevant to current and emerging employment market needs.

4.Enable the establishment of flexible delivery mechanisms that respond to the characteristics of a wide range of needs of stakeholders.

5. Enable effective coordination between different ministries, the Centre and the States and public and private providers.

MAKE IN INDIA MOVEMENT:-

INTRODUCTION:-

'Make in India' programme was announced by Prime Minister of India Sh.Narendra Modi while the nation was celebrating 68^{th} Independence Day in New Delhi. The main idea behind this programme was to encourage growth of manufacturing sector which was lacking behind for quite some time. This sector creates more jobs as compared to other sectors but it was showing negative growth at times. The growth of China happened mainly due to the growth of manufacturing sector.

The 'Make in India' programming was actually launched by Prime Minister Narendra Modi on 25^{th} of September,2014 in New Delhi. The purpose of launching this campaign is to make India a destination of global manufacturing hub. In order to make this campaign a success, the PM of India meet the top 40 CEOs of several fortune 500 companies. This plan was launched in the presence of top CEOs from India Inc. Ambassadors, international industry leaders, ministers, govt. officials etc. This campaign aims to attract top companies of well identified countries. A unit of the Commerce Ministry named 'Invest India' has been set up which is guiding all the top foreign investors in terms of regulatory and policy issues as well **as to assist in obtaining the regulatory clearances.**

FEATURES OF MAKE IN INDIA PROGRAMME:-

This programme has the following features:-

1. Offering Opportunities.

2. Favourable place for Development.

3.Offering Ease in Doing Business.

4. Development of Infrastructure.

5.Economic Reforms.

6.Clarity on Policy Planning.

7. No Trust Deficit.

SECTORS IDENTIFIED UNDER MAKE IN INDIA PROGRAMME:-

For the make in India campaign, the government of India has identified 25 priority sectors. These are the sectors where likelihood of FDI (foreign direct investment) is the highest and investment shall be promoted by the government of India. The key sectors identified under the programme include:-

1.Automobiles.

2.Automobile Companies.

3.Aviation.

4. Biotechnology.

5.Chemicals.

6.Construction.

7.Defence Manufacturing.

8. Electrical Machinery.

9.Electronic Systems.

10.Food Processing.

11.Information Technology.

12.Leather.

13.Media & Entertainment.

14.Mining.

15.Oil & Gas.

16.Pharmaceuticals.

17. Ports.

18.Railways.

19.Renewable Energy.

20.Roads & Highways.

21.Space.

22. Textile 8b Garments.

23.Thermal Power.

24.Tourism 8b Hospitality.

25.Wellness.

INITIATIVES BY THE GOVERNMENT FOR IMPLEMENTING MAKE IN INDIA:-

In order to achieve success in make in India programme, following steps have been taken by the government:-

1.Time Bound Project Clearance.

2.Easing Policies and Laws.

3.Investor Facilitation Cell.

4. Identifying Domestic Entrepreneurs.

5. Department of Skill Development and Entrepreneurship.

6.Workshop for Facilitating Implementation.

INCENTIVES OFFERED FOR MAKE IN INDIA PROGRAMME:-

The Central government as well as the State governments provide a number of incentives from time to time. Some of the incentives provided include:-

1. Central Government Incentives.

2.State Government Incentives.

3.National Investment and Manufacturing Zones (NIMZ).

Incentives for making Make in India a reality by the government of India in terms of direct and indirect financial benefits include:-

1.Transfer of Assets.

2.Green Technology and Practices.

3.Technology Development.

4. Special Benefits to SMEs.

5.Government Procurement.

6.Industrial Training and Skill Upgradation Measures.

7. Exit Mechanism.

In addition to the above stated incentives, special dispensations have been envisaged for NRIs investments in the following areas:-

1. Construction Development.

2. Ground Handling and Air Transport Services.

3.NRI investing on non-reparable basis.

4. FDI from Nepal & Bhutan is now allowed in Indian rupees.

ADVANTAGES/BENEFITS OF MAKE IN INDIA PROGAMME:-

Make in India programme has the following benefits:-

1. Development of Industrial Sector.

2. Generation of Employment.

3. Availability of Goods.

4. Increasing Growth Rate.

5. Increasing Foreign Direct Investments.

6. Enhanced Goodwill of the Country.

STEPS REQUIRED FOR THE SUCESS OF MAKE IN INDIA:-

In order to make this movement succeed ,a number of steps will be required to be taken. According to the CII-BCG manufacturing Leadership Survey 2014, while 44% CEOs feel highly confident in the ‘Make in India’ campaign ,would need bold and sustained measures by the both public and private sectors. In order to achieve a manufacturing led transformation, India would need to undertake a well planned and structured approach. There is a need to take steps in the following areas:-

1. Revive Manufacturing.

2. Gain Global Competitiveness

3. Claim Global Leadership.

The steps required in all these areas are discussed as follows:-

1. **REVIVE MANUFACTURING:-**

Manufacturing sector is very important for reviving the growth potential of the economy. India needs the development of manufacturing sector not only to accelerate the growth of the economy but also to create employment opportunities for the huge unemployed population of the country. In order to revive manufacturing, following steps will be required.

1. Developing Infrastructure.

2. Driving Labour Reforms.

3.Ease in Doing Business.

2. GAIN GLOBAL COMPETITIVENESS:-

A country prompting large scale production in manufacturing sector needs to compete in global markets. This will be possible only when quality of products measured upto international standards and prices offered are competitive. China has been successful in entering world markets due to low priced products and good quality products. There will be a need to bring efficiency and effectiveness in manufacturing processes, controlling all types of wastages, using latest technological methods for raising output, controlling various costs, simplifying export processes etc.

For gaining global competitiveness, following steps will be required:-

1. Building an Export Eco-System.

2. Developing an Infrastructure Supporting Export Growth.

3. Developing of Small and Medium Enterprises.

4.Attracting Investments.

5. Betting on Technology and Innovation.

3. **CLAIM GLOBAL LEADERSHIP:-**

In order to sustain growth, a country has to be among the developed countries.Global leadership is required to sustain in the competitive world.It will happen only when a foundation is built to revive manufacturing and competitiveness driven across key sectors.Following steps will be required in this direction:-

1. Sustaining and Expanding Competitiveness.

2.Changing Mindsets.

MAKE IN INDIA:-UPCOMING CHALLENGES:-

1.Creating Healthy Business Environment.

2. Tackling Factors Affecting Competitiveness.

3. Encouraging Small and Medium Enterprises.

4. Keeping Edge on China.

5. Encourage Technology and Research.

DIFFICULTIES/OBSTACLES IN MAKE IN INDIA PROGRAMME:-

Make in India programme may face following difficulties:-

1. Acquisition of Land .

2. Competition from China.

3.Complicated Labour Laws.

4. Bad Health of Banking Sector.

5. Adverse Economic Scenario.

SOCIAL RESPONSIBILITY OF BUSINESS:-

CONCEPT:-

A number of significant changes are taking place in social, political and other aspects. The role of business is being re-examined in the light of these developments. There is a call for social consciousness on the part of business. It is heartening of note that some big business houses are paying attention to the social cause. There is an effort to improve the quality of goods supplied to the society. The research and development programmes are directed to find out way and means for improving the quality of living of the society.

The only aim of business is no more ‘profit maximisation’. The classical school of thought was of the view that a business serves well if it uses resources efficiently and economically. The society is helped in getting goods and services at prices which consumers are willing to pay. By doing all this the business also maximises its profits. The main responsibility of business was to its owners. Their interests should be given primary importance by the business. This feeling changed during the second quarter of 20th century. It was felt that besides owners, business should evolve a balance in the interests of employees, customers, suppliers, government and the general public. In maintaining this balance it is not necessary that profits of the business will be adversely affected, rather these may increase in the long run.

At present there is a feeling that business should help in overcoming social problems. It should try to help society even at the cost of reducing its profits. After all, it is the society consisting of workers and consumers which enable business to earn profits.

Social responsibility refers to the obligations and duties of business to the society. In the words of K.K.Andrew, “Social responsibility may be taken to mean intelligent and objective concern for the welfare of the society.”Howard R. Bowen is of the view that social responsibility is the obligation of the decision-makers to take actions which protect and improve the welfare of the society as a whole along with their own interests.

FACTORS RESPONSIBLE FOR THE REALISATION OF SOCIAL RESPONSIBILITY:-

At present the business is more responsive to the needs and requirements of the society than it was earlier. Some of the factors responsible for the realisation of the responsibility are discussed as follows:-

1.Market Forces.

2.Government Intervention.

3.Emergence of Professional Managers.

4.Growth of Trade Unions.

5.Public Scrutiny.

SOCIAL ISSUES FOR BUSINESS:-

Various thinkers have specified social and other issues where business should contribute.A feeling has come to stay that business does not operate only to promote and protect its own interest. It has to do something for the society on which it is entirely dependent. Some social issues requiring business attention are discussed as follows:-

1.No discrimination in employment.

2.Support for educational institutions.

3.Help for charitable causes.

4. Modernising Facilities.

5.Controlling use of hazardous products.

RESPONSIBILITY OF BUSINESS TOWARDS DIFFERENT INTEREST GROUPS:-

At present, business is expected to balance the interests of various `sections of society. Profit making may be one objective to satisfy owners but there are many more parties which expect much from the business. The employees, consumers, government, community want business to serve them well. In the words of Peter Drucker, “To manage a business is to balance a variety of needs and goals. Objectives are needed in every area where performance and results, directly and vitally, affect the survival and prosperity of the business.....there are eight areas in which objective of performance and results have to set; market standing ;innovation; productivity; physical and financial resources; profitability ; manager performance and development ;worker performances and attitude ; and public responsibility.”

A business is responsible to safeguard the interests of following sections:-

1.Shareholders.

2.Employees.

3.Government.

4.Community.

5.Environment.

6.Consumers.

CASE FOR SOCIAL OBLIGATIONS OF BUSINESS:-

A feeling is persisting for long that a business should not only look to its own interests but should be responsive to social needs. It should play an active role in mitigating the ills of society such as unemployment, environment, pollution, educational backwardness, lack of medical facilities etc. In this context it will be better to see if the business is infact obliged to help the society or not. The following arguments will support the involvement of business in social activities.

1.Creation of Society.

2.Long-term Interests of Business.

3.Moral Justification.

4. Socio-cultural Norms.

5. Useful to Owners' Interests.

CASE AGAINST ASSUMING SOCIAL OBLIGATIONS:-

A business unit is treated as an economic institution, so it is supposed to protect its interests. The feeling is that the unit is run with the money invested by owners so their interest lies in earner more profits. It is argued that a business should not assume any social responsibility. Following agreement are given to favour this view!

1. Diverting from business Objective.

2. Increase in prices

3.Influening Social set up

4. Lack of understanding

5. Lack of Accountability

BUSINESS ETHICS

With the advent of newer technologies and the knowledge economic based on it, we are facing an increasing of Array of Business related Ethical dilemmas. New ethical issues are being created by the growing importance of technology and intellectual property. In todays business world, many ethical codes are not being followed. Many companies are losing public respect, money, customers and trust due to their unethical behaviour. Whether it the question of leaving work early are fixing your books to over state revenue by millions, ethics play a significant role in daily business transactions.

DEFINITION OF BUSINESS ETHICS

There is no clear moral compass to guide leaders through complex dilemmas about what it right or wrong

Attention to ethics in the work place sensitizes leaders and staff to how they should act. Perhaps most important, attention to ethics in the work places helps ensure that when leaders and managers are struggling in times of crises and confusion, they retain a strong moral compass.

Ethics is a part of Philosophy which studies morality-a general term for the standards, rule of conduct and customs that help a society define right and wrong. Business ethics includes the topic such as:-

1. Corporate social responsibility

2. Cross cultural business problem at international level

3. Professional ethics and code of conducts

Business ethics applies principles of general ethics to business principles and to the day-to-day activities in conducting commerce

Business ethics is a specialise study of moral right or wrong. It concentrates on moral standards as they apply to business institution, policies and behaviour. It studies how moral standards apply to systems and organisation through which modern societies produce and distribute goods and services, and to the people who work within these organisation. Business ethics in other words is a form of applied ethics.

Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and action within a company. In the business world, the organisation culture sets standards for determining the difference between good and bad decisions making and behaviour.

In the most basic terms, the definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what it right. The phrase ‘Business ethics’ can be used to describe the action of individual within an organisation, as well as the organisation as a whole.

NATURE OF BUSINESS ETHICS:-

Business ethics is a contradiction in terms of business and ethics because there is an inherent conflict between ethics and self interest pursued of profit. Business exists to make money.

There is no other reason. When ethics conflict with profits, businesses always choose profits over ethics. However, the business or executives that does not profit ethically will eventually pay a price. Business ethics is simply doing the right thing within a particular business context. Business and ethics are not discordant. Most of us adhere to personal rules that govern our social and business behaviour. But, one rule that is cast in stone is that no success will be achieved at the expense of another. We can discuss nature of business ethics as under:-

1.Creates Goodwill and Enhances Profits.

2.Brings Loyalty of Customers and Workers.

3.Reconcile Corporate Interest with Moral Demands.

4.Healthy Rewards in Long Run.

SCOPE OF BUSINESS ETHICS:-

As an organisation, the modern company consists of:-

1.Stockholders who contribute capital and who own the company but whose liabilities for the act of the company is limited to the money they contributed.

2.Directors and officers who administered the Company’s assets and who run the company through various levels of middle managers, and

3.Employees who provide labour and who do the basic work related directly to the production of goods and services.

To cope with their complex coordination and control problems, the officers and managers of the large companies adopt formal bureaucratic systems of rules that link together the activities of the individual members of the organisation so as to achieve certain outcomes or objectives. So long as the individual follows these rules, the outcome can be achieved even if the individual does not know what it is and does not care about it.

Business ethics include not only the analysis of moral norms and moral values, but also attempts to apply the conclusions, of this analysis to that assortment of institutions, technologies, transactions, activities and pursuit that we called business. As this description of business ethics suggests, the issues that the business ethics covers encompass a wide variety of topics. There are three different kinds of issues that business ethics investigates:-

1.Systemic

2.Corporate.

3.Individual.

ETHICAL ISSUES FOR MANAGERS:

Some of the important ethical issues for managers are as follows:-

1.Ethics of accounting information.

2.Ethics of human resource management.

3.Ethics of sales and marketing.

4.Ethics of production.

5. Ethics of intellectual property, knowledge and skills.

6.International business ethics.

7. Ethics of conflicting interests.

EMERGING OPPORTUNITIES IN BUSINESS {FRANCHISING, OUTSOURCING AND E-COMMERCE}

FRANCHISING:-

Franchising is a form of licensing in which the parent company (franchisor) grants another independent identity(franchisee) the right to do business in a prescribed manner. This right can take the form of selling the products, by using the franchisor’s name, products and marketing techniques or general business approach. The franchisee sells franchisor’s products or services, trades under the franchiser’s trade mark or trade name and benefits from the franchisor’s help and support. In return, the franchisee usually pays an initial fee on sales revenue. The franchisee owns the business he runs but the franchisor keeps control over how products are marketed and sold and how business idea is used. The popular examples of franchise business are McDonald, KFC, Subway, Haldiram, NIIT, Bata etc.

The terms and conditions may vary from business to business. But generally the franchisor maintains continuous interest in the business of the franchisee in such an area as location, site selection, training of staff, financing, marketing, promotion, etc. The franchisor also ensures that terms and conditions of the agreement are implemented properly. The franchisee makes a capital investment in the business and also agrees to pay commission sales revenue.

FEATURES OF FRANCHISING;-

The salient features of franchising are as follows:-

1. The franchisor owns a patent or trade mark and allows the franchisee to use it under a licence.

2. There is generally an agreement between the franchisor and the franchisee and agreed terms and conditions are implemented.

3. The franchisee owns the business and makes capital investments.

4. The franchisee is paid an initial amount than a regular fee for the licence. There may be an agreement to pay a percentage on sales revenue or profits on monthly or annual basis.

5. The franchisor will follow the policies of the franchisor regarding modes of operation of business.

6. The franchisor may arrange for the training of employees of the franchisee. This is very common in restaurants and fast food chains.

BENEFITS FROM FRANCHISING:-

The franchiser and franchisee benefit from franchising contracts as follows:-

1.Expansion of Business.

2.Financial Benefits.

3.Enhances Goodwill.

4.Feedback about Products.

BENEFITS TO FRANCHISEE;-

The franchisee benefits in the following ways;-

1.Use of Brand Trade Name.

2.Training of Staff.

3.Quality Products.

4.Benefit of Research and Development.

5.Established Products.

LIMITATIONS OF FRANCHISING:-

Following are the limitations of the franchising:-

1.Restrictions on Working.

2.Large Investments.

3.Specific Period Agreement.

4.Proper Use of Support.

OUTSOURCING OF SERVICES (BUSINESS PROCESS OUTSOURCING):-

Meaning of outsourcing:- Services are the benefits which are passed on to the consumers. A businessman may ask an outside agency to perform some activity on his behalf. The service provider is paid for the service and the receiver devorts hies energy for some other important activity or core activity. In the words of Kotler and Armstrong, “A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything". Under outsourcing the things are got done from outside sources instead of creating them within the organization.

CONCEPT OF OUTSOURCING:-

A new type of business activity has come into being in the last 15 years. It is the practice of getting some business activities being got done by outside agencies. This practice is called Business Process Outsourcing (BPO).The earlier practice was to undertake all business tasks on its own. Only those activities were contacted to outside agencies which would come up occasionally. For example, a company would hire an advertising agency for designing the advertisements or for carrying out advertisement campaign the services of a consultant may be hired for getting the employees recruited etc. Now the companies hire on contract those services which are performed on regular basis also.BPO concept is based on the core competency theory propounded by a renowned management consultant C.K.Prahlad. According to this theory a business enterprise should identify what are its core competencies and focus only on them. It should concentrate on core areas and get out of everything else. The companies have now realised that getting many things done from outside sources is cheap. The outside service provider can take up these tasks in a better and economical way. The companies should concentrate on activities like manufacturing, production management, marketing etc.

The BPO first started in USA where some companies started outsourcing of insignificant tasks such as storage of old records. As the confidence grew in outside agencies more important functions like payroll accounting, recruitment of employees, training of new employees were started being outsourced. In India service outsourcing essentially includes Information Technology Enable Services (ITES). The services such as data processing, medical transcriptions, content development, legal database, human resources and geographic information system etc are being undertaken at present. The call centres are providing services for companies all over the world. The availability of highly technical staff and low cost of services has made India the main centre for outsourcing services.

NEED AND IMPORTANCE OF OUTSOURCING:-

Outsourcing of some services has become very popular these days. A concern may also like to concentrate on its main activities and get other things done through outside agencies.

The need and importance of outsourcing can be described as follows:-

1. Thrust on Core Areas.

2. Use of Specialised Services.

3. Economical.

4. Better Service.

5. Avoiding Labour Problems.

6. Saving on Infrastructure.

7. Lowering Risk Chances.

8. Temporary Services.

TYPES OF SERVICES

Services can be availed of from outside agencies depending upon the requirements of the business. Every business cannot be competitive for all types of activities and it will better to avail those services from outside which are available at competitive prices. Several types of services are offered by specialised agencies.

Some of these services are as follows:-

1. Financial Services

2. Advertising Service

3. Customer Support Services.

4. Courier Service.

5. Communication Services such as ISD, STD, FAX services etc.

6. Airlines Services.

7. Hotel Services.

8. Health Services.

9. Insurance Services.

10. Banking Services.

E-COMMERCE:-

The manner of undertaking business is referred to as ‘mode of business’. The modes of doing business are changing in the recent past. Besides the traditional modes, new methods are being used. This is happening due to rapid economic developments taking place all over the world. There are three trends taking place which are shaping the recent business. These trends may be described as digitization or use of electronic methods of doing business, outsourcing and globalisation.

MEANING OF E-COMMERCE:-

Business refers to activities related to industry, commerce and trade. E-Commerce means the conduct of industry, commerce and trade using computer networks. So it is the business carried through internet. Internet is a public thorough way but firms prefer to have their private and personal internet facilities for their internal functioning.

E-BUSINESS VERSUS E-COMMERCE:-

Many a times, the terms E-business and E-commerce are used interchangeably but both are different in scope. As the term business is a broader term than commerce, E- business is a more elaborate term and includes E-commerce. E-commerce refers to the buying and selling of goods and services with the help of internet. It involves electronic trading of goods and services. E-business is a more comprehensive term and includes not only E- commerce but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management. E- Business is clearly much more than buying and selling of goods over internet i.e., E- commerce.

SCOPE OF E-COMMERCE:-

1. B2B Commerce

2.B2C Commerce

3.C2C Commerce

4.Intra –B Commerce

BENEFITS OF E-COMMERCE:-

1.Ease of formation and lower investment required.

2.Convenience

3.Speed

4.Global reach

5.Cost saving

6.Movement towards paperless society.

LIMITATIONS OF E-COMMERCE:-

1.Low personal touch

2.Delay in delivery

3.Risk

4.Requirement of hardware

5.Low ethics.

UNIT II:- BUSINESS ENTERPRISES:-

FORMS OF ORGANISATION:-

A business enterprise is an institutional arrangement to conduct any type of business activity. The enterprise may be run by one person or association of persons. It may be based on formal or informal agreement among persons who undertake to run the concern. According to Wheeler ,a business undertaking is " a concern, company or enterprise which buys and sells, is owned by one person or a group of persons and is managed under a specific set of operating policies". The persons join together and pool their resources and conduct the activities of the undertaking for the benefit of all.

CHARACTERISTICS OF FORMS OF ENTERPRISES:-

1. Exchange of Goods and Services.

2.Dealing in Goods and Services.

3.Profit Motive.

4.Continuity of Transactions.

5. Risk and Uncertainty.

6.Social Responsibility.

FORMS OF BUSINESS ENTERPRISES:-

A number of forms of organisations exist to suit requirements of different business undertakings. There are three types of business undertaking:

1.Private Enterprises.

2.Public Enterprises.

3. Joint sector Enterprises

1.Private Undertakings:-

These enterprises have the following types of organisation:-

1.Sole Proprietorship.

2.Partnership.

3.Joint Hindu family Business.

4.Joint Stock Company.

5.Co-operative Societies.

2.Public Enterprises:-

Business enterprises owned or operated by public authorities are known as public or state undertakings. In these undertakings, either whole or most of the investment is done by the government. Aim of these undertakings is to provide goods and services to the public at a reasonable rate though profit earning is not entirely excluded. These undertakings have the following forms of organisations:-

1.Departmental Organisation.

2.Public Corporations.

3.Government Companies.

3.Joint Sector Enterprises:-

Joint sector is the form of partnership between the private sector and the Government where management will generally be in the hands of private sector and overall supervision will lie with the BODs giving adequate representation to Government representatives. According to the guidelines of the Central Government ,the capital is to be shared as to State Government 26%, private enterprise 25% and investing public 49%.No single –private party shall be allowed to hold more than 25% of the paid –up capital without the permission of the central Government. Joint sector undertakings ensure the use of development technology and resources of government and private sector.

FACTORS INFLUENCING THE CHOICE OF SUITABLE FORM OF ORGANISATION:-

1.Capital requirement.

2.Liability.

3.Managerial needs.

4.Continuity.

5.Tax liability.

6.Government regulations.

7. Nature of business activities.

8.Relationship between ownership and management.

9.Ease in formation.

10.flexibility.

11.Stability.

SOLE-PROPRIETORSHIP:-

INTRODUCTION:-

Sole-trade is the oldest and most commonly used form of business organisation. It is as old as civilisation. Historically, it appears that business first started with this form of organisation. The development of science and technology the needs of the business also increased and new forms of organisations developed. This organisation is also known as sole-proprietorship individual-proprietorship, single-entrepreneurship. In sole-trade organisation, an individual is at the helm of affairs. He makes all the investments, shares all risks, takes all profits, manages and controls the business himself. A sole-trader mainly depends upon his own resources, so the business is generally on a small-scale basis. The business is normally run with the help of family members but he may employ persons to look after the day-to-day activities of the business. So far as his liability is concerned, it is unlimited. The creditors are entitled to have claim even on his private property. The sole-trader moulds the fate of the concern. It is the competence of the proprietor which determines the future of the business. His powers are unlimited and his decisions are final. He is, infact, the sole organiser, manager, controller and master of his business.

DEFINITIONS:-

Some important definitions are discussed to have a clear view of sole-trade form of organisation.

L.H.Haney, “The individual entrepreneurship is the form of business organisation on the head of which stands an individual as the one who is responsible, who directs its operations, who alone runs the risk of failure”.

James Stephenson, “ a sole-trader is a person who carries on business exclusively by and for himself. He is not only the owner of the capital of the undertaking, but is usually the organiser and manager and takes all the profits or responsibility for losses”.

S.R.Davar, “ The sole-trader is a person who carries on business of his own that is ,without the assistance of a partner. He brings his own capital and uses all his labour.He also gets himself assisted by others to whom he pays a salary by way of remuneration”.

Hence, a sole-trader is a person who sets up the business with his own resources, manages the business himself by employing persons for his help and alone bears all the gains and risks of the business.

CHARACTERISTICS OF SOLE-PROPRIETORSHIP:-

1.Individual initiative.

2.Unlimited liability.

3. Management and control.

4.Motivation.

5.Secrecy.

6.Proprietor and proprietorship is one.

7. Owners and business exist together.

8.Limited area of operations.

ADVANTAGES OF SOLE-PROPRIETORSHIP:-

1.Easy in formation.

2.Better control.

3.Flexibility in operations.

4. Retention of business secrets.

5.Easy to raise finance.

6.Direct motivation.

7. Promptness in decision making.

8. Direct accessibility to consumers.

9.Inexpensive management.

10.No legal restrictions.

11. Socially desirable.

12. Self-employment.

13.Healthy relations with employees.

14.Benefit of inherited goodwill.

DISADVANTAGES OF SOLE-PROPRIETORSHIP:-

1.Limited resources.

2.limited managerial ability.

3.Unlimited liability.

4.Uncertain continuity.

5.Limited scope of employees.

6.No large scale economics.

7.More risk involved.

JOINT HINDU FAMILY FIRM:-

INTRODUCTION AND MEANING:-

Joint Hindu Family Firm is a unique form og business organisation which is found only in India. The business comes into existence when there is an ancestral property and all the members (minimum two members) become associated with it. This form of organisation is managed and controlled under the provisions of Hindu Succession Act,1956.The basis for entry to this business is by birth. Joint Hindu Family Firm refers to a form of organisation where in the business is owned and carried on by the members of the family. The elder member of the family, known as Karta or Manager, controls and manages the business. Karta manages the business with the consultative of other members, known as Co-parceners but ultimate decision making lies with him. The liability of the Karta is unlimited but the liability of the Co-parceners is limited to their shares in the business. All members have equal ownership rights cover the property of an ancestor.

Ancestral property is different from self-acquired property. If a Hindu inherits property from father, grandfather or great grandfather, this is termed as ancestoral property. If a Hindu inherits property from any other relative or acquires property from his personal resources, then it is termed as self-acquired property.

CHARACTERISTICS/FEATURES OF JOINT HINDU FAMILY BUSINESS:-

1.Governed by hindu law.

2.Membership by birth.

3.Management.

4.Limited liabilities of others.

5.Continuity.

6.Minor also a member.

7.Accounts.

8.Implied authority of karta.

ADVANTAGES:-

1.Centralised management.

2.Utmost secrecy.

3.Quick decision.

4.Credit facilities.

5.Work according to capacity.

6.Natural love between members.

7.Economy.

8.Limited liability.

DISADVANTAGES:-

1.No reward for efficiency.

2.Limited capital.

3.Limited managerial skill.

4.Suspicion.

PARTNERSHIP:-

INTRODUCTION:-

The need for partnership form of organisation arose from the limitations of sole-proprietorship. In sole-proprietorship, financial resources and managerial skills were limited; one man could not supervise all the business activities personally. Moreover, risk bearing capacity of an individual was also limited. When business activities started expanding, the need for more funds arose. More persons were required for supervising different functions. It was at this stage that a need for associating more persons arose. So, more persons were associated to form groups to carry on business. These persons brought into the business their financial resources and are also helpful in business administration.

MEANING:-

A partnership is an association of two or more persons to carry on, as co-owners, a business and to share its profits and losses. The partnership may come into existence either as a result of the expansion of the sole-trading concern or by means of an agreement between two or more persons desirous of forming a partnership. When the business expands in size, the proprietor finds it difficult to manage the business and is forced to take more outsiders who will not only provide additional capital but also assist him in managing the business on sound lines. Sometimes, the nature of business demands large amount of capital, effective supervision and greater specialisation. It is the ideal form of organisation for the enterprise requiring moderate amount of capital and diversified managerial talent. This form is not suitable for a business requiring big capital and expert managerial personnel.

DEFINITIONS:-

John A Shubin, “Two or more individuals may form a partnership by making a written or oral agreement that they will jointly assume full responsibility for the conduct of business.”

L.H.Haney, “The relationship between persons who agree to carry on a business in common with a view to private gain.”

Kimball and Kimball, “A partnership firm as it is often called, is then a group of men who have capital or services for the prosecution of some enterprise.”

Section 4 of Partnership Act,1932, “The relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all.”

English Partnership Act, 1690, “Partnership is the relation which subsist between persons carrying on a business in common with a view of profits.”

CHARACTERISTICS OF PARTNERSHIP:-

1.Association of two or more persons.

2. Contractual relation.

3. Earning of profits.

4. Existence of business.

5. Implied authority.

6. Unlimited liability.

7. Principal and agent relation.

8. Utmost good faith.

9.Restriction on transfer on shares.

10. Common management.

11.Partners and partnership are one.

12. Capital contribution.

13.Protection of minority interests.

14. Continuity.

KINDS OF PARTNERS:-

1. Active partner.

2. Sleeping or dormant partner.

3. Nominal partner.

4. Partner in profits.

5. Partner by estoppels or holding out.

6.Secret partner.

7. Sub- partner.

8.Minor as a partner.

ADVANTAGES OF PARTNERSHIP FORM OF ORGANISATION:-

1. Easy to form.

2. Large resources.

3.Great managerial talent.

4.More credit-standing.

5.Promptness in decision-making.

6. Sharing of risk.

7.Relation between reward and work.

8. More possibility of growth and expansion.

9 Close supervision.

10.Flexibility of operations.

11. Secrecy.

12. Protection of minority interests.

13. Easy dissolution.

14.Democratic administration.

15 .Saving in managerial expenses.

DISADVANTAGES OF PARTNERSHIP FIRM:-

1.Unlimited liability.

2.Limited resources.

3. Instability.

4. Mutual distrust.

5.Limitation on transfer on share.

6. Burden of implied authority.

7.Lack of public faith.

8.Lack of prompt decisions.

9.Cautious approach.

KINDS OF PARTNERSHIP:-

1. General partnership.

2. Limited partnership.

3.Limited liability partnership.

LIMITED LIABILITY PARTNERSHIP(LLP):-

Limited liability partnership (LLP) is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership. A partnership firm could not expand its activities because of higher risks and unlimited liability. Since the personal properties of partners can be taken to meet business liabilities, the partners will avoid to expand beyond a certain level because of unlimited liability. On the other hand, in a joint stock company, the liability of members is limited but the working of companies is complicated and lacks flexibility. In order to overcome the limitations of a partnership and company form, an alternative form limited liability partnership, has been created. Government of India passed Limited Liabilities Partnership Act, 2008 and it was notified on 31-3-2009. As per this Act, the LLP shall be a body corporate and a legal entity separates from its members. Any two or more persons, associated for carrying on a lawful business with a view to profit, may be subscribing their names to an incorporation documents and filing the same with the registered, for forming limited liability partnership. The LLP will have perpetual succession.

FEATURES OF LLP:-

1.Limited liability.

2.Perpuatual succession.

3.Seperate legal entity.

4. Mutual rights and duties.

5.No liability for unauthorised acts.

ADVANTAGES OF LLP:-

1.Seperate legal entity.

2.Limited liability.

3. Flexibility in operations.

4. Encourages professionals.

5. Perpetual succession.

JOINT STOCK COMPANY:-

CONCEPT:-

With the technological improvements, the scale of operations of business has increased. The requirements of finances and managerial resources have gone up. The traditional forms of organisation such as sole-proprietorship, joint Hindu family, partnership could not meet the requirements of business. The company form of organisation has developed as the most suitable alternative.

A joint stock company is a association of persons joining together for carrying on business and having a separate legal entity. The persons joining the business contribute to the stock of the company and are called shareholders.

1.A company is registered under the companies act 2013.

2.A company is an artificial persons created under law.

3. Is ia an voluntary association of persons, having separate entity with limited liabilities of shareholders.

4.The company has perpetual succession and a common seal.

5.The shareholders are the real owners of the company and elect BODs for carrying on managerial activities.

6.Shares of a company are transferable without disturbing its continuity.

DEFINITIONS:-

James Stephenson, A company is "an association of many persons who contribute money or money's worth to a common stock and employed it in some trade or business, and who share the profit and loss (as the case may be) arising there from."

Prof. L.H.Haney, "A joint stock company is a voluntary association of individual for profit,having a capital divided into transferable shares, the ownership of which is the conditionof membership."

Section 2 (20) of the companies act 2013 provided that, "Company means a company incorporated under this act are under any previous company law."

FEATURES OF JOINT STOCK COMPANY:-

1.Artificial person.

2.Formation.

3. Separate legal entity.

4.Liability.

5.Control.

6.Risk bearing.

7. Common seal.

8. Transferability of shares.

9.Perpetual succession.

MERITS OF JOINT STOCK COMPANY:-

1. Limited liability.

2. Transfer of interest.

3.Perpetual existence.

4.Scope of expansion.

5.Professional management.

LIMITATIONS OF JOINT STOCK COMPANY:-

1. Difficulty in formation.

2. Lack of secrecy.

3. Impersonal work environment.

4. Numerous regulations.

5. Delay in decision-making.

6.Oligarchic management,

7. Conflict of interest.

TYPES OF COMPANIES:-

1.Private company.

2.Public company.

PRIVATE COMPANY:-

According to companies act, a private company is one which has the following characteristics:-

1.It has a minimum of two members and a maximum of two hundred members.

2.A private company restricts the rights of members to transfer their shares.

3.It prohibits any invitation to the public to subscribe to its share and debentures.

4.Does not invite general public to invest deposits in the company.

5.It has a minimum paid up capital of Rs one lakh.

SPECIAL PRIVILAGES AND EXEMPTIONS AVAILABLE TO PRIVATE COMPANY:-

1.Minimum number of members is two.

2. Minimum number of directors is two.

3.Quorum for general meetings is two members.

4. Managerial renemeration is unlimited.

5. No rotational retirement of directors.

6.No legal restrictions on filling of casual vacancies.

7. Special disqualification for appointment of directors.

8. Restriction on number of directorships is 20.

9. Paid -up capital is Rs 1 lakh

PUBLIC COMPANY:-

According to Indian companies act, all companies other than private companies are called as public companies. It is a company, in which, public at large is interested. A public company has the following features:-

1.It is formed with a minimum of seven members.

2. It invites general public to subscribe its shares.

3.There is no restriction on the maximum number of members.

4. It permits the transfer of shares.

5.Has minimum paid up capital of Rs five lakh.

6.It must allot shares within 120 days from the issue of prospectus.

7.Before starting the business, it requires a certificate of commencement from the registrar of companies.

STAGES FOR FORMATION OF A COMPANY:-

Following are the stages for formation and incorporation of a company:-

1.Promotion

2. Incorporation/ registration.

3. Capital subscription or raising of capital.

4. Commencement of business.

CO-OPERATIVE SOCIETY:-

INTRODUCTION:-

The co-operative movement has been necessitated to protect the interest of weaker section of society. The primary objective of this movement is "how to protect economically the weaker section of society from the oppression of economically strong segment of society?". In all forms of organisation, be it a sole trade, partnership or joint stock company, the primary motive is to increase profit. The business man price to promote his own interest through all possible means including exploitation of consumers. The co-operative form of organisation is a democratic set up run by its members for serving their own interest. It is self-help through mutual help. The philosophy behind cooperative movement is " all for each and each for all".

Cooperative societies are voluntary associations started with the aim of service to members. Hubert Calvest says, " cooperation is a form of organisation where in persons voluntary associate together as human beings on the basis of equality for the promotion of the economic interest of themselves." V.L.Mehta defines cooperation as, "one aspect of a vast movement which promotes the voluntary association of individual having common economic needs who combine towards the achievement of the common economic end they have in view and who bring into this combination a moral effort and a progressively developing realisation of moral obligation." The underlying factor in this definition is the achievement of economic ends. Infact, cooperative movement was started to safeguard the consumers from the exploitation of capitalism. Dr. H.N.Kunzen defines cooperative as , "cooperative is self help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their legs and, therefore, come together not with a view to get profits but to overcome disability arising out of the want of advocate financial resources". This definition suits the Indian context. In India, cooperatives are started by the weaker sections of society for protecting its members from the clutches of profit hungry business.

The Indian cooperative societies act,1912 defines cooperative in section 4 as, "a society which has its objectives the promotion of economic interest of its members in accordance with cooperative principle."

CHARACTERISTICS OF A COOPERATIVE SOCIETY:-

1.Voluntary membership.

2.Political and religious neutrality.

3. Democratic management.

4. One man, one vote.

5.Service motive.

6. Distribution of surplus.

7. Cash trading.

8. Limited interest on investments.

9. State control.

10. Cooperative education and training.

TYPES OF COOPERATIVE SOCIETIES:-

1. Consumers’ cooperatives.

2.Producers’ cooperatives.

3. Marketing cooperatives.

4. Housing cooperatives.

5.Credit cooperatives.

6.Cooperative forming societies.

ADVANTAGES OF COOPERATIVE SOCIETIES:-

1.Open membership.

2. Service motto.

3. Supply of goods at cheaper rates.

4.Democratic management.

5. Low management costs.

6. Surpluses shared by members.

7. Check on other business.

LIMITATIONS OF COOPERATIVE SOCIETIES:-

1Lack of capital.

2.Lack of unity among members.

3.Cash trading.

4.Political interference.

GOVERNMENT BUSINESS INTERFACE:-

INTRODUCTION:-

The role of the state in the business development of almost all countries has undergone a wide change since the days of economist, Adam Smith. In the days of Adam Smith the policy of laissez faire was accepted as the guiding principle of economic and commercial activities. In the earlier days, the state was expected to concern itself with the problems relating to maintenance of law and order. The development of business was left to the judgement of private entrepreneurs. The rationale of laissez faire are free economy was based on the assumptions that “every individual acting as a rationale being tries to get the greatest satisfaction from life from himself and in this process contributes towards the greatest possible satisfaction to society.” But the past experience has shown that the greatest happiness of the greatest number failed to materialise under free economy. The outbreak of two world wars, depression in many countries and social evils of industrial revolution of earlier times compelled government to participate in planning and developing industrial structure of their countries.

Industrial revolution helped all round growth of industries. Private entrepreneurs started working only for a private gain. The exploitation of consumers and workers by the private entrepreneurs became the order of the day. The developments further led to the concentration of economic power in a few hands and creation of monopolies. Thus people realised that the government could no longer allow themselves the luxury of over looking the industrial scene. Russian revolution gave a lead to new economic and political system in the world. State government started realising their social responsibility towards people. The outcome of all these factors was the active participation of the governments in industrial and commercial activities. At present, governments of almost all countries in the world are participating in economic activities in one or the other way. In India, socialistic order has been established after independence. The government has reserved for itself basic and other strategic industries and has left the rest to private enterprise who work under proper regulation by the state in public interest. This pattern of economy is regarded as mixed economy wherein both private and public enterprises work side by side for the economic growth of the company. Mixed economy has been adopted by almost all the democratic countries of the world.

RELATIONSHIP BETWEEN GOVERNMENT AND BUSINESS:-

1. Promoter.

2.Regulator.

3.Arbitrator.

4.Sharer.

5.Guidance and assistance.

BUSINESS RESPONSIBILITIES TO GOVERNMENT:-

1.Tax payment.

2. Voluntary programmes.

3.Providing information.

4.Government contracts.

5.Government service.

6.Political activity.

GOVERNMENT RESPONSIBILITIES TO BUSINESS:-

1.Establishment and enforcement of laws.

2. Maintenance of order.

3.Money and credit.

4.Orderly growth.

5.Infrastructure.

6.Information.

7.Government competition.

8.Inspection and licenses.

9.Tariffs and quotas.

10.Tranfer of technologies.

FACTORS AFFECTING BUSINESS:-

1.Economic and infrastructure factors.

2.Socio-cultural factors.

3. Appropriate technology and managerial techniques.

4.Goverment policies.

PUBLIC ENTERPRISES:-

INTRODUCTION:-

Public enterprises as a form of business organisation have gained importance only in recent times. During twentieth century various governments started participating in industrial and commercial activities. Earlier, the role of government was limited only to the maintenance of law and order. The policy of laissez faire was practiced in most of the countries. The development of industries was left to the judgement of private entrepreneurs. During twentieth century, outbreak of two world wars, depression in many countries and social evils of industrial revolution of earlier times compelled state governments to participate in planning and developing industrial structure of their countries.

Industrial revolution helped all round growth of industries. Private entrepreneurs started working only for profit motive. The exploitation of consumers and workers by private entrepreneurs became the order of the day. Russian revolution gave a lead to new economic and political system in the world. State governments started realising their social responsibility towards people. The outcome of all these factors was the active participation of governments in industrial and commercial enterprises. At present, governments of almost all countries in the world are participating in economic activities in one or the other way. Private sector is hesitant to develop those industries where heavy investment is required and gestation period is long state enterprise is considered necessary to reduce economic inequality and to prevent concentration of wealth in a few hands.

In India, a socialistic order has been established after independence. the industrial revolutions of 1948 and 1956 have clearly defined the role of public and private sectors. The government has reserved for itself basic and other strategic industries. a complimentary role has been assigned to both private and public sectors. At present, public sector enterprises are engaged in manufacturing, trading as well as service activities.

DEFINITIONS:-

State enterprise is an undertaking owned and controlled by the local or state or central government. Either whole or most of the investment is done by the government. The basic aim of a state enterprise is to provide goods and services to the public at a reasonable rate. Though profit earning is not excluded but their primary objective is social service. A.H.Hansen says, “ Public enterprise means state ownership and operations of industrial, agricultural, financial and commercial undertakings”.S.S.Khera defines state enterprises as, “ The industrial, commercial and economic activities, carried on by the central or by a state government, and in each case either solely or in association with private enterprise, so long it is managed by self-contained management”.

“Public enterprises are autonomous or semi-autonomous corporations and companies established, owned and controlled by the state and engaged in industrial and commercial activities”. N.N.Mallya

CHARACTERISTICS OF PUBLIC ENTERPRISES:-

1.Financed by government.

2.Government management.

3.Financial independence.

4.Public services.

5.Useful for various sectors.

6.Monopoly enterprises.

7.Direct channels for using foreign money.

8.Helpful in implementing government plans.

9.Autonomous or semi-autonomous bodies.

OBJECTIVES OF PUBLIC ENTERPRISES:-

1.Helping all round industrialisation.

2.Establishing enterprises requiring heavy investment.

3.To provide necessities.

4.For balanced economic growth.

5.For avoiding concentration of economic power.

6.For establishing socialistic pattern of society.

7.To run monopoly sectors.

8.Exploitation of natural resources.

9.Helping in implementing government plans.

10.To increase government resources.

11.To provide healthy competition to the private sector.

RATIONALE OF PUBLIC ENTERPRISES:-

ARGUMENTS IN FAVOUR OF PUBLIC ENTERPRISES:-

1.Speeding up industrialisation.

2.Planned growth.

3.Balanced regional growth.

4.Mobilisation of surplus.

5. Curbing concentration of economic power.

6.Balancing demand and supply.

7.Helping in social change.

8.Taking over sick units.

ARGUMENTS AGAINST PUBLIC ENTERPRISES:-

1.Delay in completion.

2.Faulty evaluation.

3.Heavy overhead costs.

4.Inadequate returns.

5. Political interference.

6. Inefficient management.

7. Lack of manpower planning.

8.More labour problems.

FORMS OF PUBLIC ENTERPRISES;-

An important questions arise as to what should be the form of organization for running state enterprises. A suitable form of organisation will increase the efficiency of the concern. Excessive dependence on government for finances will increase government interference in the day to day working. These enterprises should be run on business lines and necessary autonomy should be allowed to them. Following forms of organisation are generally used for state enterprises.

A. DEPARTMENTAL MANAGEMENT:-

Department form of organisation of managing state enterprises is the oldest form of organisation. In this form, the enterprise works as a part of government department. The finances are provided by the government and management is in the hands of civil servants.

The minister of the department is the ultimate incharge of the enterprise. The enterprise is subjected to legislative scrutiny. Departmental management is suitable for public utility services and strategic industries. In India, railways, post and telegraph, radio and television are working as government departments. In the same way strategic industries like defence, atomic power are under government.

CHARACTERISTICS:-

1. The undertakings are wholly dependent on government for finances. State treasury provides finances and surplus money (profits) is deposited in the treasury.

2. The management is in the hands of the government. The enterprise is managed and controlled by the civil servants of the department.

3.The budget of the department is passed by the parliament and /or by the state legislature.

4.The accounting and audit control applicable to other government departments are applicable to state enterprises also.

5.The department enjoys legal immunity. Governmental sanction is necessary for suing the undertakings.

ADVANTAGES:-

1. Useful for specific industries.

2. Help in implementing govt policies.

3. Complete govt control.

4. Legislative control.

5. Sources of income for govt.

6. Secrecy

7.Useful for developing enterprises.

DISADVANTAGES:-

1. Excessive govt interference.

2. Shortage of competent staff.

3. Centralisation of powers

4. Red tapism

5.Inefficiency

6. Political changes effect their working

B. PUBLIC CORPORATIONS:-

Public corporations are created by a special statute of a state or central govt. A legislative act is passed by defining the sphere of work and mode of management of the undertakings. A public corporations is a separate legal entity created for a specific purpose. In India, the reserve bank of India, Damodar valley corporation, state trading corporation, industrial development bank of India, industrial finance corporation are some of the corporations created by special acts of parliament.

According to President Roosevelt, “a public corporation is clothed with the powers of the govt but possessed of the flexibility and initiative of a private enterprise.” “public corporation is a continuation of public ownership, public accountability and business management for public ends.” (Herbert Morrison). An exhaustive definition is given by Earnest Davis, “public corporation is a corporate body, created by public authority with defined powers and functions and financially independent. It is administered by a board appointed by a public authority to which it is answerable. Its capital structure and financial operations are similar to those of public company, but its stock- holders retain equity interests and are deprived of voting rights and power of appointment of board.”

CHARACTERISTICS:-

1. Separate legal entity

2. Govt investments

3. Financial autonomy

4. Govt appointed management

5. Service motive

6.Independent recruitment of employees

7. No govt interference.

ADVANTAGES:-

1. Internal autonomy

2.Flexibilty

3. Free from govt interference

4. Employment of competent persons

5. Run on business lines

6. Accountability

7. Services to society

DISADVANTAGES:-

1. Limited autonomy

2.Difficulty in making changes.

3. Misuse of financial autonomy.

4. Lack of personal touch

5. Govt control.

C.GOVERNMENT COMPANY:-

A company owned by central and /or state government is called a government company. Either whole of the capital or majority of the shares are owned by the government. In some cases, private investment is also encouraged but atleast 51% shares are held by the government. Management of these companies is under the control of the government. Subsidiary companies of government companies are also covered under government companies.

According to Indian Companies Act,1956,"Government company means any company in which not less than 51% of the paid up share capital is held by the central government or by any state government or governments or partly by the central government and partly by one or more state governments and includes a company which is a subsidiary of a government company."

Government companies are registered both as public limited and private limited companies but the management remains with the government in both the cases. Government companies enjoy some privileges which are not available to non-government companies. No special statute is required to form government companies.

Government companies enter those fields where private investment is not forthcoming. Sometimes, government has to take over sick units in private sector. These companies are also useful where joint ventures are to be taken up. Nationalised industries can also be run up by government companies. Some of the examples of government companies in India are Coal mines authority limited, Steel authority of India limited.

ADVANTAGES:-

1.Flexibility in management.

2.Run on commercial lines.

3.Healthy competition.

4.Financial autonomy.

5.Helpful in developing neglected sectors.

6.Providing industrial environment.

DISADVANTAGES:-

1.Slackness in management.

2.Political interference.

3.Red-tapism.

4.Limited autonomy.

5.Official domination.

INTERNATIONAL BUSINESS AND MULTINATIONAL CORPORATIONS:-

INTERNATIONAL BUSINESS:-

A country cannot fulfil all the requirements of the people by producing everything required by them. One country may produce some goods in the country in a better way while other goods may be purchased from other countries. The distribution of natural resources is also universally distributed among different countries. Different countries specialised in different goods. The goods which are required but are not produced in the country are purchased from those countries where those goods are produced at competitive prises. When business is done between two or more countries, it is called international business.

NATURE OF INTERNATIONAL BUSINESS:-

1.Involvement of atleast two countries.

2. Use of foreign exchange.

3.Government control.

4.Language difference.

5. More risks involved.

6. Law of comparative costs.

SCOPE OF INTERNATIONAL BUSINESS:-

1.Trading.

2.Services.

3.Manufacturing and marketing.

4.Global sourcing for production.

5. Sourcing and marketing.

6.Foreign investments.

CONCEPT AND FEATURES OF MULTINATIONAL CORPORATIONS:-

DEFINITION:-

A multinational corporation refers to an organisation which has its headquarters in one country and business operations in other countries.UNO has defined multinational corporations as, "Enterprises which own are control production are service facilities outside the country in which they are based." In the words of W.H.Moreland, "Multinational corporations are companies are those enterprises whose management, ownership and controls are spread in more than one foreign country."An MNC has its registered office in one country (called home country) and it carries its business operations in a number of foreign countries (called host countries). An MNC may control production and marketing facilities in more than one country. For example, Coco cola is a company registered in USA and it has production and marketing facilities in many countries of the world, including India.

MNC and other terms:-

The terms such as Multinational Corporation, transnational corporation, global multinational, International Corporation, global enterprises are to commonly liked that it becomes necessary to draw a distinction between these terms. A company which implies manufacturing are service operations in atleast one country may be regarded as an international corporation. The term multinational corporation applies more than international operations i.e. there are direct investment in other countries and a considerable share of the total business being in foreign countries. Multinational operate in other countries with the help of subsidiaries. A transnational corporation is a multinational in which both ownership and control are dispersed internationally. There is no principal domicile and no one central source of power. The examples of such corporations are shell, unilever, royaldutch. A global corporation is one which views the entire world as a single, homogeneous market which should be catered to by globally standardised products.

Multinational Corporation started about 25 years ago, have spread their operations all over the world. USA has the maximum number of Multinational Corporation in the world. Some specialised in selected products only while others take up varied products. In India, MNC'S operate in the fields such as:- Chemicals, electrical machinery, aluminium, metal and its products, pharmaceuticals, heavy engineering goods, consumers goods etc. Some multinational operating in india are :-

1.Sony, Japan.

2.Suzuki,Japan.

3.Ponds,USA.

4.Hindustan lever limited, UK.

5.Lipton, UK.

6. General motors, USA.

FEATURES OF MULTINATIONAL CORPORATIONS:-

1.Operations in several countries.

2.Giant size.

3.Centralised management.

4. Professional management.

5.Dominate markets.

6. International market.

7.Tranfer of resources.

METHODS OF OPERATIONS:-

1.Subsidiary companies.

2.Branches.

3.Joint venture companies.

4.Franchise holders.

5.Turn-key projects.

BENEFITS OF MULTINATIONAL CORPORATIONS:-

1.Supplementing capital.

2.Transfer of technology.

3.Philip to domestic industries.

4. Lower cost of production.

5.Creating employment opportunities.

6.Improving balance of trade.

7.Research and development activities.

DISADVANTAGES OF MULTINATIONAL CORPORATIONS:-

1.Harmful for producers.

2.Harmful for consumers.

3.Bad business ethics.

4.Currency manipulations.

5.Political dominance.

6. Disregard for national priorities.

7.Creating monopoly.

8. Promotion of alien culture.

UNIT -III MANAGEMENT AND ORGANISATION

PLANNING: Planning is the first and most important function of management that determines in advance what should be done. It is looking ahead and preparing for the future. It is a process of deciding the business objectives and chalking out the methods of attaining those objectives . In other words, it is the determination of what is to be done, how and where it is to be done, who is to do it and how results are to be evaluated. Planning takes place at all levels of an organization. Managers at all levels have to plan. It is a continuous exercise. It enables us to do things in an orderly manner. It secures economies in operation.

IMPORTANCE OF PLANNING: without planning business decisions would become random, adhoc choices. Four concrete reasons for the paramount importance of the planning function are:

1.-**Minimises Risk and Uncertainty**: In today's increasingly complex organizations, intuition alone can no longer be relied upon as a means for making decisions. This is one of the reason why planning has become so important. By providing a more rational, fact-based procedure for making decisions, planning allows mangers and organizations to minimize risk and uncertainty. Planning does not deal with future decisions, but with the futurity of present decisions. The manager has a feeling of being in control if he has anticipated some of the possible changes and has planned for them. It is through planning that the manager relates the uncertainty and possibility of tomorrow to the facts of today and yesterday.

2.-Leads to Success: Planning does not guarantee success, but studies have shown that, often things being equal, companies which plan not only outperform the no planners but also outperform their own past results.

3.-Focuses Attention on the Organization's goals: Planning helps the managers to focus attention on the organization's goals and activities. This makes it easier to apply and coordinate the resources of the organization more efficiently. The whole organization is forced to embrace identical goals and collaborate in achieving them. It also enables the manager to chalk out in advance an orderly sequence of steps for the realization of organizations goals and to avoid a needles overlapping of activities.

4.-Facilitates Control: In planning, the manager sets goals and develops plans to accomplish these goals. These goals and plans then become standards or benchmarks against which performance can be measured. The function of control is to ensure that the activities conform to the plans. Thus, controls can be exercised only if there are plans.

PROCESS OF PLANNING/STEPS IN PLANNING:

The process of planning consists of the following stages/steps

1. **Analysis of environment:** first of all the external and internal environment of the organization is analyzed thoroughly. Analysis of the external environment reveals opportunities to be taken advantage of and the threats to be met. Apart from the opportunities and threats the example, a business enterprise has to make predictions about demand for its existing products, its market share, competitive conditions, areas of expansion and growth, etc. Then the firm must analyse its internal environment consisting of its resources, organization structure, management position, and values.

2. ***Establishment of objectives***: on the basis of environmental conditions and the values of the top management, goals of the organization are established. Objectives are formulated in all the key areas of operations. Objectives should be laid down in clear and specific terms. Identification of goals and priorities enables the organization to focus its resources effectively.

3**. Identification of Alternative Courses of Action**: After establishing the objectives, alternative ways of achieving them are identified. For example, in order to increase sales an enterprise may depend on advertising, price reduction, quality improvement, new package design, etc. Identification of alternative courses of action requires imagination, foresight and ingenuity.

4**. Evaluation of the Alternative**: Once alternative are identified, they are evaluated in terms of cost, risk, benefits, etc. While evaluating the alternatives the objectives and environment of the enterprise must be kept in view.

5. **Choice of master plan**: After evaluating and comparing alternative courses of action, the most appropriate strategy and policy are selected. Strategy and policy are long range plans.

6. **Formulation of derivative plans**: several operating plans are required to implement a strategy or policy. These derivative plans are of short range and they are useful in day to day operations.

7**. Integration of Plans**: Various major and derivate plans are properly coordinated so that they support one another. A coordinated structure of plans is developed to ensure cooperation and coordination between different parts of the organization.

8**. Implementation and Review**: The various plans are communicated and explained to employees so as to obtain their commitment . Proper understanding of plans is necessary.

Steps are taken to execute the plans. Established plans are periodically reviewed and revised in the light of changing environment and goals of the organization.

TYPES OF PLANS

All plans flow from objectives. In order to achieve the objectives of an enterprise a variety of plans are made by manager which are:

Standing plans: A standing plan is a plan which serves as a guideline to managerial action. It provides readymade answer to given situation. when an activity is to occur repeatedly, a standing plan is used. Examples of standing plan are policies, procedures, methods and rules.

Single use plan: A single use plan is designed for specific purpose or period. Once the object of such plans is completed they are not used again.

Long Range plans: An enterprise wishes to become a leader in the industry it has to make plan for long period of time which may vary from three to five years.

Short Range plans: Short range plans are plans for guiding the day to day actions of an undertaking. These plans are generally for one year.

Intermediate Plans: A plan which is neither long range nor short range is called intermediate plan. Usually these plans are for one to three years.

Financial and non-financial plans: Financial plans refer to monetary and non-monetary plans such as raising of capital, loan etc. Non-financial plans relate to physical resources of concern.

Formal and Informal Plans: Certain plans are formal(written) where as there are other plans which are informal (unwritten).It is always better to prepare formal plans as it helps in exercising effective control and brings to light the weaknesses at the initial level.

LIMITATIONS OF PLANNING:

A manager's plan are directed at achieving goals. But a planning effort encounters the following limitations.

1. Planning is an expensive and time consuming process. It involves significant amount of money, energy and risk without any assurance of the fulfillment of the organizations objectives.

2. Planning sometimes restricts the organization to the most rational and risk free opportunities.

3. The scope of planning is said to be limited in the case of organizations with rapidly changing situations.

4. Flexibility of planning cannot be maintained when there are unforeseen changes in the environment (recession, change in govt. policies) When such events take place, the original plan loses its value and there is need to draw up a fresh plan.

Planning may sometimes face people's resistance to it

Whatever be its limitations planning is essential for every business enterprise.

DECISION MAKING

Decision making is an essential part of modern management. Innumerable decisions are taken by human beings in day to day life. In business undertakings, decisions are taken at every step. All managerial functions viz., planning, organizing, staffing, directing, coordinating and controlling are carried through decisions. Decision making is thus the core of managerial activities in an organization.

NATURE OF DECISION MAKING

1.Decision making is a goal oriented process as it aims at achieving certain specific goals of the organization.

2.Decision making is a selection process in which best alternative course of action is chosen from the given alternative course of action.

3.Decision making is a continuous process because a manager is required to take decisions continuously for different activities.

4.Decision making is considered both an art as well as science.

5.Decision making is the responsibility of managers at all levels of management.

6.Decision making can be both positive as well as negative.

7.Decision making are made for future course of action based on the basis of past experience and present condition.

DECISION MAKING PROCESS/STEPS/TECHNIQUES

1.**Defining the problem**: The first and the foremost step in the decision making process is to define the real problem. A problem can be explained as a question for and appropriate solution. Manager should consider critical or strategic factors in defining the problem.

2.**Analyzing the Problem**: The next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures

3.**Developing alternative solutions:** The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action.

4.**Selecting the best type of alternative**: It is not an easy task to select the best alternative. The points to be kept in mind are risk element involved against the expected gain, economy of effort involved in each alternative, proper timing and limited human resources available.

5.**Implementation of the Decision**: Under this step manager has to put the selected decision into action. For this three things are important (i) proper communication of decisions to subordinates (II) Acceptance of decision (III) correct timing in the execution of decision.

6.**Follow Up**: A follow up system ensures the achievement of the objectives. It is exercised through control.

7.**Monitoring and Feedback**: Feedback provides the means of determining the effectiveness of the implemented decisions, mechanisms should also serve as an instrument of preventive maintenance so that the problems can be prevented before they occur.

STRATEGY

Strategy refers to the determination of the purpose (or mission) and the basic long term objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary to achieve these aims. Therefore, objectives are part of strategy formulation. Strategy is a broad plan for bringing the organization from the present position to the desired position in future.

FEATURES OF STRATEGY

The following features of strategy may be gleaned from the various definitions:

1.Strategy is a comprehensive and integrated plan for the allocation of scare organizational resources.

2.Strategy is designed to improve the organization's relations to its environment. This is known as environmental adaptation. Strategic decisions are primarily concerned with the external forces.

3.Strategy involves choices that determine the nature and direction of the organizations activities towards attainment of goals.

4.Strategy sets the direction, while other plans decide how this direction is put into action. Therefore, strategy must be formulated before plans are made.

5.Strategy is an interpretative plan in the sense that it provides meaning and content to other plans.

6.Strategy making is primarily the responsibility of top management. However, people at all levels are involved in strategy implementation.

7.Strategy is a standing and long term plan.

Every organization needs a strategy to achieve its objectives. Strategy provides a unified and coherent framework for setting long term directions and for making major decisions on the optimum deployment of critical resources.

FORMULATION OF STRATEGY

Formulation of strategies and policies is a creative and analytical process. It is a process because particular functions are performed in a sequence over the period of time.The process involves a number of activities and their analysis to arrive at a decision.the implementation is closely related with formulation of strategy because it will provide feedback for adjusting strategy or policy. The following are some of the points which helps in the strategy formulation:

1.**Organisational Mission and Objectives**: Mission is the fundamental unique purpose of an organization and objective is the end result which an organization strives to achieve. Hence the starting point.

2.**Environmental Analysis** : The process of environmental analysis includes collection of relevant information from the environment, interpreting its impact on the future of organizational working, and determining what opportunities and threats are offered by the environment. The process of environmental analysis works better if it is undertaken on a continuous basis and is made an intrinsic part of the strategy formulation.

3.**Corporate Analysis**: While environmental analysis is the analysis of external factors, corporate analysis takes in to account the internal factors. In the case of an established and ongoing enterprise, a thorough appraisal of its current position is essential to identify its strengths and weaknesses . Once the weaknesses and strengths of the enterprise are identified, each of them should be assigned weights according to its degree of importance. Management can then identify the areas that need immediate attention.

4. **Identification of alternatives**: Management has to search for and evolve alternative strategies to bridge the gap and to reach its goals. For example, if the objective of the firm is rapid growth, development of new markets, introduction of new products, acquisition of outside firms may be the strategic alternatives. Each strategic alternative has its own merits and demerits. It is, therefore, necessary to analyse carefully and evaluate against some predetermined criteria the implications of each alternative.

5. **Choice of strategy**: Once the available strategic alternatives are evaluated and compared, management selects the strategic alternative that will maximize the long run effectiveness of the organization. Selection of overall strategy is both the right and the duty of the top management but the resulting choice permeates deeply into the organization. In order to make an effective strategic choice top management must have a clear shared conception of the firm and its future. The strategic choice must be clear and unambiguous.

6**. Implementation**: Strategic planning, to be effective, must go beyond the allocation of resources to achieve organizational objectives. It must be accompanied by strategic thinking that also includes designing an appropriate structure, an effective management information system, a budgeting system to facilitate the accomplishment of strategic objectives and a reward system that supports the strategy.

When these are undertaken, these may produce results which can be compared in the light of objectives set and control process comes into operation. If the results and objectives differ, a further analysis is required to find out the reasons for the gap and for taking suitable action to overcome the problems because of which the gap exists. This may require change in strategy and policy if there is a problem because of the formulation inadequacy. This puts back the managers at the scrutiny point of the strategy and policy formulation.

ORGANISING

Organising is the creation of a harmonious structure of authority –responsibility relationship. It is the mechanism through which management directs, coordinates and controls the business. It aims at achieving optimum coordination of the function of any business and its workers. Organising is that part of managing that involves establishing an intentional structure of role for people to fill in an organization. It is intentional in the sense of making sure that all the tasks necessary to accomplish goals are assigned and, it is hoped, assigned to people who can do them best. Organising is the human relationship in group activity equivalent to social structure. It involves the extent of delegation, degree of work, specialization, span of control and use of specialists as well as informal organizations.

PROCESS/ STEPS IN ORGANISING

The managerial function of organizing may be called as the Process of Organising. When the objectives have been set and policies been framed, the necessary infrastructure of organization has to be built up. The concentration is on the activities and functions. These are considered as the building blocks of the organizational structure. There are no such rules as to which will lead to the best organizational structure.

The following steps can be of great help in designing a suitable structure:

Clearly defined objectives: The first step is to lay down its objectives in clear terms.it will help in determining the type and basic characteristics of the organization.

Determining Activities: In order to achieve the objectives of the organization certain activities are necessary. The activities will depend upon the nature and size of the enterprise.

Assigning Duties: The individual groups of activities are then allotted to different individuals according to their ability and aptitude.

Delegating Authority: Every individual is given the authority necessary to perform the assigned activity effectively. Authority delegated to a person should commensurate with his responsibility. An individual cannot perform his job without necessary authority or power.

Co-coordinating Activities: The activities and efforts of different individuals are then synchronized. Such coordination is necessary to ensure effective performance of specialized functions. Inter relationship between different jobs and individual s are clearly defined so that everybody knows from whom he has to take orders and to whom he is answerable.

Providing physical facilities and right environment: The success of an organization depends upon the provision of proper physical facilities and right environment. Whereas it is important to have right working environment.

Establishment of structural relationship for overall control: It is very essential to establish well defined clear cut structural relationships among individuals and groups. This will ensure overall control over working of all departments and their coordinated direction towards the achievement of pre-determined goals of business.

OBJECTIVES OF ORGANISING

- Effective Management of the enterprise.
- Maximum production at minimum cost.
- Sustained growth and diversification.
- Cooperation of Employees.
- Discharging Social Responsibility.

DEPARTMENTATION

The horizontal differentiation of tasks or activities into discrete segments is called departmentation. Departmentation is one important step of building an organization. The aim is to take advantage of the division of labour and specialization up to certain limit.

FORMS/TYPES OF DEPARTMENTATION

There are several bases for departmentation, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases:

Functions: Most widely used base for departmentation is function. Each major function of the enterprise is grouped into a department.For example, there may be production, finance and marketing departments .A sales manager is responsible for the sale of all products manufactured by the company.

Products: This form is eminently suited for a large organization manufacturing a variety of products. Under this method, for each major product, a separate semi-autonomous department is created and is put under the charge of a manager who may also be made responsible for producing a profit of a given magnitude.

Customers: An enterprise may be divided into a number of departments on the basis of the customers that it services. One big advantage of this form is that it ensures full attention to major customer groups and this helps the company to earn goodwill.

Regions or Territory: When several production or marketing units of an organization are geographically dispersed in various locations, it is logical to departmentalize those units on a geographical basis. The Indian Railway is the example.

Time: in this type of departmentation activities are grouped on the basis of timing of their performance. This type of departmentation is generally found in the production function of the enterprise.

Process:Departmentation is done on the basis of several discrete processes or technologies involved in the manufacture of a product.Whenever work that would otherwise be done in several different locations in an enterprise is done in one place because of the special equipment used, departmentation by process is involved.

Combined Base: It is quite typical to find an organization following different base of departmentation at different organizational levels. For example, an organization manufacturing agricultural machinery may follow 'product' as the base at primary level and 'territory' as the base at intermediate level and 'function' as the base at the ultimate level. Another form of combined base organization which is becoming very popular nowadays is matrix organization. In this form of organization (also called grid or lattice pattern), two types of departmentation—functional and product –exist simultaneously.

DELEGATION OF AUTHORITY

Delegation of authority is an important managerial practice of getting things done through others by sharing the authority with them .It enables the managers to distribute their workload to others and concentrate on important functions which they can perform better because of their position in the organization. By delegating authority the manager does not surrender his authority or give this authority away .The delegating manager always retains the overall authority which was assigned to him to perform his functions.

SIGNIFICANCE

Delegation of authority is of vital importance for effective and efficient functioning of an organization. Delegation is widely recognized as an art of getting best results. It lessens the burden of top executives by relieving them of the botheration of taking routine decisions which others can take efficiently. This enables them in concentrating on vital aspects of management. Delegation facilitates quick decisions relating to various matters because the authority of decision making has been distributed to so many persons. It is considered to be one of the effective means of training subordinates and building morale by providing ample opportunities for executive development. It also provides ample opportunity to subordinates for showing their capabilities and talents.

ELEMENTS

The process of delegation consists of three elements.

1. Assignment of duties or tasks (responsibility): Duty means the activities or tasks which the subordinate is expected to perform by virtue of his position in the organization. It represents mental as well As physical activities required to perform the assigned work and as such it can be delegated. A person on delegation, performs a job or completes a given work has also responsibility. If he has no responsibility, he would not have done any work. Thus doing something within the powers assigned is keeping up one's own responsibility which is part and parcel of delegation.

2.Granting authority to perform the duty: If a man is assigned certain duties, he must also be given authority necessary for the performance of such duties. Authority is the right granted to an individual to direct and influence his subordinates.

3.Creation of an obligation, accountability: It is obligatory on the part of the subordinate to satisfy his superior that he performed his duties according to the best of his abilities. By accepting an assignment a subordinate, in fact, gives him promise to do his best in carrying out his duties. Having taken a job, he is normally bound to complete it. He can be held accountable for results.

Decentralisation of Authority

Every organization has to decide as to how much decision making authority should be centralized in hands of chief executive and how much should be distributed among the managers at lower levels. In decentralized setup it is delegated to the levels where the work is to be performed. Decentralisations is concerned with the Decentralisations of decision making authority to the lower levels in managerial hierarchy. There cannot be absolute decentralization of authority in the organization because the manager cannot delegate all his authority without surrendering his position as a manager.

ADVANTAGES

1. **Decentralisations reduces problems of communication and red tape**: As an organization grows larger, it takes longer for top managers to get the information necessary to make decisions. Decentralisation unclogs the communication process and improves the organizations efficiency.

2. **Decetralisation permits quicker and better decision making**: The managers who are close to the work and are, therefore, most knowledgable about the specific details and circumstances of problems that arise in their departments have the authority to take action.As a result, they often make better decisions than top managers who are not in touch with the specifics of the situation.

3. **Decentralisation recognizes an actually captilises on the importance of the human element under decentralization,Managers are able to exercise more autonomy:** This gives them power, prestige and status. They feel more motivated and satisfied in their jobs. Autonomy subordinate units permits greater experimentation and flexibility to meet new conditions. Ideas do not have to be sold to top management before they can be tried.

4. **Decentralisation leads to a competitive climate within the organization**: Each division is made in to a distinct profit center and this encourages the head to exercise greater initiative and ingenuity since he is being compared with his peers on various performance measures.

5. **Decentralisation ensures the development of more capable managers**: Because managers in a decentralized structure often have to adop and deal with difficult situations, they are assumed to be excellently trained for promotions into positions of greater authority and responsibility.

6. **Decentralisation facilitates diversification of products, activities and markets**: Under decentralization the diversification of products , activities and markets etc, is facilitated. A centralized enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

Groups and Teams

Study of ‘groups’ is most important so as to understand the behavioral process in organizations. A group is an assemblage, cluster, or aggregation of persons considered to be related in some way or united by some common interests. According to Bernard M.Bass a group is “a collection of individuals whose existence as a collection is rewarding to the individuals” . In the words of
Edgar Schien, a psychological group consists of any number of people who;
• Interact with one another;
• Are psychologically aware of one another; and
• Perceive themselves to be a group.

Therefore we can say a group is a number of persons who communicate with one another often over a span of time and who are few enough so that each person is able to communicate with all the others, not at second hand, through the other people, but fact-to-face”.

Types of Groups

In organizations, there are two types of groups-viz. formal groups and informal groups.
Formal groups
Formal groups are formed by the organizations. These groups are formed in order to help the organization to achieve its specific goals. The goals of formal group are determined according to the needs of the organization. Some of the examples of formal groups are committees, tasks, groups and command groups.
Informal Groups
Informal groups emerge naturally in organization. It is just like the shadow of the formal organization. It is because organizational members perceive that is difficult for their organizational to formally fulfil some of the bare needs and feel that membership in a group can help them to achieve their goals and meet their needs. Sometime informal group is

formed due to ideological similarity of employees. The examples of informal group are interest groups, friendship groups are examples of informal groups.

Reasons for Group formation

People join groups because of several reasons. Some of the reasons are as :-

1. According to C. Grattan Kemp, the desire for need satisfaction is a strong motivating force for the formation of groups. More specifically, the security, social, esteem, and self-actualization needs of some employees can be satisfied only when they join groups
2. Groups provide some degree of warmth and support for individuals. Quite expectedly, aloneness leads to a degree of insecurity. Groups provide security to the members.
3. People join groups because of economic considerations also. For example, individuals working at different points on an assembly line may be paid on a group incentive basis if the production of the group determines the wages of every individual member. Further, workers join groups to exert pressure on the management to revise the wage rate.
4. Another reason for the people to group themselves is the proximity and attraction. Proximity means the physical distance between employees performing job. Attraction means attraction of people by virtue of their perception of similarity (in terms of attitudes, ideas, thoughts, beliefs, performance, some common denominators etc.) People who have close proximity have a tendency to form groups. Further, to sustain the interaction and interest, a group is often formed.
5. Individuals may be attracted to join groups by virtue of the group goals. Organizational tasks, more often than not, expect cooperative effort of a group of people. The formal (or informal) groups can be extremely useful in solving specific work problems in organizations.

Teams

It is a formal work group. People work in a group does not mean that they work in a team. A team is formed by the organization for some specific purpose. In a team, there is a high level of interaction among its members. The members of the team work together very intensely to achieve a common goal. In course of working together, the member of the team learns the abilities and experiences of their members to accomplish things that could not be achieved working desperately or by any other kinds of work groups.

Self-Managed Work Teams:

Self-Managed work teams are little different from normal teams. The members of self-managed work team are responsible for ensuring that the team accomplishes its goals. Leader of this team is identified by its members. The performance of leadership tasks is assigned to individual group members. The team is empowered to disciple its member who are not performing at an adequate level. There is coordinating efforts across groups members and even hiring and firing for and within the team is done by the team itself. In the recent years self-managed teams are gaining popularity and they have created a dramatic impact on organizational as well as on their members.

UNIT IV:-

LEADERSHIP, MOTIVATION AND CONTROL:-

LEADERSHIP:-

INTRODUCTION:-

Leadership being a significant factor has been transforming societies and economies of the world since the days of antiquity. Despite the fact that achievement is a consequence of the contributions made by many people, only one or few persons are recognised. Why it happens? According to Prof.K.Seshaiah, they is something special in them like superiority,dominance,uniqueness,love,recognition,presidence,forwardness,drive, influence, status and chairman. Out of these aspects most important is influence. Why? Because, when leader creates a group's/ organisation's mission's and make strategies to achieve them, he has to influence different persons in different ways. Thus, excellence of a leader depends upon the capability to deal with different types of relationship successfully.

During the great economic depression, the American people needed someone to restore their confidence and to provide a method of combating the economic crises they were facing. Franklin D.Roosevelt became a leader to accomplish these tasks.

When we talk about business organisation, people working their also need leaders as guiding force in order to achieve goals of organisation. Effective leadership is one of the major attributes that separates successful organisation from unsuccessful organisations.

DEFINITIONS AND CHARACTERISTICS OF LEADERSHIP:-

To define leadership in one or two lines is a tough job. Because every theorist, every scientist, business executive, political orator, social worker and educationist has defined leadership in his own way.

Tannenbaum has defined leadership as, "Leadership is interpersonal influence exercised in a situation and directed through communication process, towards the attainment of the specified goal or goals".

Glover John G. says, "Leadership is that outstanding aspect of management which manifests ability, creativeness, initiative, inventiveness and which gains the confidence, corporation and willingness of the p[eople to work by organising and building employee morale".

According to Koontz and O'Donnell, "It is influencing people to follow you and to work willingly for the advancement of a common goal".

According to Hersey and Blanchard, “Leadership is a process of influencing the activities of an individual or a group towards the achievement of a goal in a given situation”.

Terry has defined leadership as, “Leadership is essentially a continuous process of influencing behaviour. A leader breathes life into the group and motivates it towards goals. The lukewarm desires for achievement are transferred into a burning passion for accomplishment”.

Analysis of various definitions quoted above, highlights the following characteristics of leadership:-

1. It is a continuous process of influencing behaviour.

2. It highlights the relationship between leader and followers.

3. It involves interpersonal influence in a specific situation towards the attainment of a specific goal.

4. The followers work willingly to achieve goals. They are not coerced by a leader rather they are influenced by him.

5. Leadership is exercised through a power which a leader may enjoy these powers may be based upon organisational factors or individual factors. In otherworld’s, leaders can emerge from within a group as well as by formal appointment to lead a group.

TYPES OF LEADERS/LEADERSHIP STYLES:-

1.Motivation based leadership types:-

1. Positive.

2. Negative.

2.Authority based leadership types:-

1.Autocratic leadership.

2.Democratic leadership.

3. Free- rein/ laissez faire leadership.

3.Supervision based leadership types:-

1. Ohlo state university model.

2. Michigan university model.

3. Blake and mouton’s managerial grid.

LEADERSHIP THEORIES:-

A. Trait Approach:-

This is the traditional approach which assumes that leaders are born not made. According to this approach, leader must possess some qualities to become a successful and effective leader.

According to review done by Stogdill of various research studies, following traits must be present in a successful leader:-

1.Physical and constitutional factors (height, weight, physique, energy, health, appearance).

2. Intelligence

3.Self confidence.

4.Sociability

5. Will (initiative, persistence, ambition)

6.Dominance

7.Surgency (talkative, cheerfulness, enthusiasm, expressiveness , alertness and originality).

Ghiselli, however found that leaders who have drive to act independently, self assured and decisive are successful leader.

Following are the innate qualities in a leader:-

1.Physical features.

2.Intelligence

Above mentioned two qualities are innate, following are some of the acquired qualities which a leader can acquire and increase with the help of training programmes:-

1.Emotional stability.

2.Human relations

3. Empathy.

4. Objectivity.

5. Motivating skills

6.Technical skills

7.Communication skills.

B. Situational Approach:-

According to Rolf E. Rogers, "Leadership is specific and always relative to particular situation in which it occurs".

Various situations call for different leadership styles. Traits and abilities which make a leader, successful leader, vary from situation to situation. A leader in one situation is not necessarily a leader in another situation. One leader may display different traits to deal with diverse problems. Vroom says, “I do not see any form of leadership as optimal for all situations. The contribution of a leader’s actions to the effectiveness of his organization cannot be determined without considering the nature of the situation in which that behaviour is displayed”.

Important aspects of situation theory:-

1. Leader’s behaviour is dependent upon the nature of organization and its structure.

2. Leader’s role is dependent upon group goal. Goal determines, which relevant attributes he possesses to achieve a goal.

3. Leader’s behaviour is largely dependent upon the needs and attitudes of the followers. Sometimes it is difficult to determine whether needs are affecting the attitude of people or attitude is affecting the needs.

4. The way in which the work is divided and the activities are organized also influences the style of leadership. Democratic leadership can be successful in those work groups where people have direct contacts with one another and find it easy to share the information they need to coordinate their jobs.

5. Pressure of time is another major situation which affects the leadership style, e.g. If there is emergency or crises, the leader cannot wait for the opinions and suggestions of his followers.

MOTIVATION:-

MEANING:-

Motivation is the ability to change the behaviour of a person. This term can be traced to the latin word “mover” which means to move. It is a human psychological characteristic that affect a person’s degree of commitment. It converts the ability and energy to do the work into willingness to do that work.

Human resource is required to be motivated for making itself starter, result oriented and committed. Likert has called motivation as the core of management. Thus, an important task of management is to keep employees satisfied by rewarding them according to organisational objectives.

There are numbers of factors that affect motivation such as financial rewards(wages, bonus, commission etc.) and non-financial (recognition, status, job enrichment etc.).Motivation is a complex aspect as financial incentives may be important for some and non-financial incentives may be important for others. The managers must, therefore, determine what motivates the human behaviour.

DEFINITIONS:-

W.G.Scott, “ Motivation means stimulating people to action to accomplish desired goals”.

Dubin, “Motivation is the complex of forces starting and keeping a person at work in an organisation”.

Vance, “Motivation implies any emotion and desire which so conditions one’s will that the individual is properly led into action”.

Fred Luthans, “Motivation is a process which begins with a physiological or psychological need or deficiency which triggers behaviour or a drive that is aimed at a goal or incentive”.

Weihrich and Koontz, “Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces. To say that managers motivate their subordinates is to say that they do these things which they hope will satisfy these drives and desires and induce the subordinates to act in a desired manner”.

FEATURES/NATURE/CHARACTERISTICS OF MOTIVATION:-

1. Motivation is inner feeling.

2. Produces goal oriented behaviour.

3. Motivation can be positive as well as negative.

4. Motivation is a dynamic and continuous process.

5. Motivation is a complex process.

6. Hampered by frustration.

7. Different from job satisfaction.

IMPORTANCE OF MOTIVATION:-

1. High performance.

2. Low employee turn-over and absenteeism.

3. Better organisational image.

4. Better industrial relations.

5. Acceptability to change.

6. Creates supportive work environment.

7. Helpful in changing attitudes of employees.

THEORIES OF MOTIVATION:-

MASLOW’S NEED HIERARCHY:-

Motivation is influenced by the needs of a person. There is a priority of certain needs over others. The importance of needs will influence the level of motivation. A.H.Maslow, an American social scientist, has given a framework that helps to explain the strength of certain needs. He has categorised human needs into five categories. He is of the opinion that a person tries to achieve first category first and then moves on to the next and so on.

This theory indicates the following features:-

1. There are 5 levels of needs.

2. All the needs are arranged in a hierarchy.

3. Once one level is satisfied, the next level will emerge as depressed need seeking to be satisfied.

4. The physiological needs and security needs are finite, but higher order needs are infinite.

5. Various needs are interdependent and overlapping:-

1. Physiological Needs.

2. Safety Needs.

3. Social Needs.

4. Esteem or Ego Needs.

5. Self-fulfilment or Actualisation Needs

Maslow has categorised the needs in order of priority. An individual spends money from one need to another. When one need is satisfied then the other become the motivator. All the needs are interdependent. It is not necessary that only one need is satisfied at one time. A person may move to other needs even if earlier needs are not fully satisfied. When the peak of a need passes then it causes to be a motivator.

HERZBERG'S MOTIVATION-HYGIENE THEORY:-

This theory has been advocated by Prof. Herzberg of Case Western Resource University, USA after surveying 200 engineers and accountants employed by firms in and around Pittsburgh. Herzberg concluded that there were two sets of conditions. First type of conditions, described as maintenance or Hygiene Factors do not motivate employees by their presence but their absence dissatisfies them. The other conditions called motivating factors operate to build strong motivation and high job satisfaction, but their absence hardly proves dissatisfying.

1. *Hygiene Factors:-*

Hygiene factors do not lead to higher level of motivation but their absence leads to dissatisfaction. These are also called maintenance factors because these factors maintain the level of performance on the job and any increase beyond this level does not motivate the employees. These are related to work environment and not to job content.

These factors are given as follows:-

1. Company's policy and administration.

2. Technical inspection.

3. Mutual personal relation with inspector.

4. Mutual relation with other team members

5. Salary

6. Working conditions.

7. Personal life

8. Security of employment

9. Status

10. Environment.

These factors relate to conditions under which the job is performed. They produce no growth in workers but restrict loss of growth. These factors are necessary to maintain reasonable level of satisfaction in employees.

2. *Motivational Factors:-*

These factors provide high degree of motivation and job satisfaction to employees, but any decrease in these factors does not affect level of satisfaction among the employees. These factors are related to job content.

These factors are:

1.Achievement

2. Recognition

3.Innovative projects

4.Challenge

5.Opportunities for growth

6.Responsibility

Based on Hergberg's two factor theory, managers should ensure there are sufficient hygiene factors (salary, bonus, security etc.) on the job so that workers are not dissatisfied with their job. Any further increase in hygiene factors will not improve their performance. Further, for motivating the employees job content i.e. motivational factors should be upgraded. The job should have sufficient challenge to utilise full ability of employees. If a person's ability cannot be fully utilised, then there will be motivational problem.

COMMUNICATION:-

INTRODUCTION:-

Communication is most essential to the successful functioning of organized activity. For any organization, whether social or economic, it is through communication only that people are linked together to achieve common objectives. All management functions in an organization are carried out through communication. The success of a manager lies in his ability to transfer information and knowledge to a subordinate in a way that it is understood in the same manner. Research studies revealed that top executives spend 75 percent to 95 present of their time communicating. Therefore, communication is a fundamental function for any group activity. It is only through good communication system that activities in an organization can be effectively coordinated.

MEANING AND DEFINITION:-

Communication is a process of transmitting information from one person to another. It plays very important role in the efficient functioning of an organization. No management can succeed in achieving its goals unless and until it has a properly developed and systematic communication system. There is hardly any human activity which is not dependent on communication.

The term "communication" has been derived from the Latin word communist which mean "common". Therefore, it refers to not only sharing of information but also understanding of meaning. It is a two way channel.

Following definitions describing the term communication will further help in understanding its meaning and concept.

Dr. McFarland, views communication as "a process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understandings are reached among human beings.

Luthan, defines communication as "the transmission of commonly meaningful information. It is a personal process that involves the exchange of behaviours."

The American Management Association defines communication as "any behaviour that results in an exchange of meaning".

THE COMMUNICATION PROCESS:-

The communication process refers to flow of information passing through various stages. In order to make communication process clear and understandable, theorists have developed **various models.**

ELEMENTS OF COMMUNICATION PROCESS:-

We have seen in the above mentioned models, given by various theorists that there are some basic elements present in the communication process without which this process in incomplete. These are mentioned below.

1.Sender

2.Message.

3.Encoding.

4.Channel.

5.Receiver.

6.Decoding.

7.Feedback.

"An idea, no matter how great, is useless until it is transmitted and understood by others. Perfect communication, if there were such a thing, would exists when a thought or an idea was transmitted so that the mental picture perceived by the receiver was exactly the same as that envisioned by the sender." Robbins

BARRIERS IN COMMUNICATION:-

It is very essential for the management to maintain an efficient flow of communication. Sometimes messages are not effectively transmitted or received because of various obstacles and distortions.

A. Semantic barriers:-

Semantic barriers arise due to the differences in meaning which different people attach to different things:-

1.Badly expressed message.

2.Faulty translations.

3.Unclarified assumptions.

4.Word Interpretation.

5.Specialist's language.

B. Psychological Barriers:-

Psychological barriers are the major barriers in interpersonal communication:-

1.Personal Emotions and Biases.

2.Failure to communicate.

3.Undue reliance on written word.

4.Premature evaluation.

5.Inattention.

6.Barriers in superiors and subordinates.

Sometimes, Superiors often feel that they don't have sufficient time to talk to their subordinates, and sometimes they don't have faith in their subordinates. Superiors often think that subordinates are not capable enough to understand the information.

C. Organizational Barriers:-

1. Organization Policy, Rules and Regulations.

2.Status Relationships.

3.Complexity in organization structure.

4. Organizational facilities.

NATURE AND PROCESS OF CONTROL:-

INTRODUCTION:-

One of the most universally accepted pieces of advice from old-experienced managers is "Plan your work, work your Plan". Control is that process which guides activity towards some predetermined goals and helps in working out on pre-defined plan. Control completes the sequence of management process which starts from planning. In the first stage of planning, managers decide how the scarce resources would be best utilised to achieve organizational goals; at the controlling stage managers try to visualize whether resources are utilised in the same manner as planned.

DEFINITIONS:-

The controlling function consists of actions and decisions managers undertake to ensure that actual results are consistent with desired results. The key to effective controlling is to plan for specific results.

The following are the few of the definitions of controlling.

"Controlling is determining what is being accomplishes, that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plan." George R. Terry

“Control is the process of checking actual performance against the agreed standards or plans, with a view to ensure adequate progress or satisfactory performance and also recording such experience as it gained as contribution to possible future needs.” Brech

“Control is the process of checking to determine whether or not, proper progress is being made towards the objectives and goals and acting if necessary to correct the deviations.” Haimann

“Controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished.” Koontz and O’Donnel

Review of above mentioned definitions makes it clear that controlling is that function of management where actual performance is matched with the desired performance and if there are deviations between the actual performance and planned performance, corrective actions are suggested. Control function can be applied to all activities of business whether they are quantitative in nature or qualitative like, production, finance, marketing, personnel.

CHARACTERISTICS OF CONTROL:-

Based on the definitions of control, following characteristic features can be identified:-

1.Continuous process.

2.Executive process.

3.Forward looking.

4.Dynamic process.

5.Coordinated- integrated system.

6.An influence process.

PROCESS OF CONTROL:-

In every sphere whether human, financial, materials and sales, controlling process remains the same. Control is reciprocally related to planning. Control is exercised in order to work on a plan and planning is done in order to exercise a control. Robert J. Mockler’s definition of control points out the essential elements of the control process.

Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.

1.Establishing of standards.

2.Measurement of performance.

3.Comparing performance with standards.

4.Analysis of Deviations.

5.Taking Corrective Action.

The real test of a good control system is whether right action is taken at the right time.

UNIT-V- FUNCTIONAL AREAS OF MANAGEMENT

Meaning of Marketing

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer. Businessman regards marketing as management function to plan, promote and deliver products to the customers. Human efforts, finance and management constitute the primary resources in marketing.

According to Philip kotler, "marketing is human activity directed at satisfying needs and wants through exchange process".

The American marketing association defines marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchange that satisfy individual and organisational objectives.

The above definitions make it quite clear that marketing starts with identification of customer's wants and then satisfying those wants through products and services. The modern concept of marketing is customer-oriented and focuses on earning profit through customer satisfaction.

Evolution of marketing concept

Since the industrial revolution, the concept of marketing has undergone significant changes. Various concepts which have evolved over a period of time are discussed hereunder.

1. *Production orientation concept:* Till 1930 , there prevailed a strong feeling that whenever a firm has a good product, it results in automatic consumer response and that needs little or no promotional effort. This production-oriented marketing concept was built on " good wine needs no push" premise. This is, if product Is good and price is reasonable, there is no need for special marketing efforts.
2. *Sales orientation concept:* The failure of the production oriented philosophy of 1930s paved way for change in the outlook that was possible during 1940s. This reshaped philosophy came to be known as sales orientation concept. It states that mere making available the best product is not enough. It is futile unless the firm resorts to aggressive salesmanship. Effective sales-promotion, advertising and public-relations are of top

importance. The essence of this concept is “goods are not bought but sold”. The maker of the product must say that his product is best and he fails if he keeps mum.

3. *Customer orientation concept:* This philosophy was brought into play during 1950s and points out that the fundamental task of business entity is to study and understand the needs, wants, desires, and values of potential customers and produce the goods in the light of these findings so that customer specifications are met totally. Here, the starting point is the customer rather than the product. The enterprise is to commence with the customer and end with the requisite product. It emphasis the role of marketing research well before the product is made available in the market place.
4. *Social orientation concept:* There has been further refinement in the marketing concept particularly during 1970s and 1980s. Accordingly, the new concept goes beyond the consumer needs and matching the products accordingly. This philosophy cares not only for consumer satisfaction but for consumer welfare or social welfare. Such social welfare speaks of pollution free environment and quality human life. Thus, a firm automobile firm has to produce not only produce fuel efficient automobile but less pollutant one. Thus, social welfare becomes the added dimension.

Marketing management

Marketing management is an important functional area of business management responsible for the flow of goods and services from the producers to the consumers. It performs all managerial factions in the field of marketing. Marketing management identifies market opportunities and comes out with appropriate strategies for exploring those opportunities profitably. It has to evaluate marketing programme and evaluate continuously the effectiveness of marketing mix. It has to remove the deficiencies observed in the actual execution of marketing plans, policies and procedures. It looks with the marketing system of the enterprise.

American Marketing Association has defined Marketing Management as “planning, production, and control of entire marketing activity of a firm or a division of firm, including the formulation of marketing objectives, policies, programmes, strategies and reappraising product development of organisation to carry out plans, professional working operations and controlling performances.”

According to Philp kotler, Marketing Management is the art and science of choosing the target markets and building profitable relationship with them. Marketing management is a process involving analysis, planning, implementation and control and it covers goods, services, ideas and goal to produce satisfaction to the parties.

From the above definitions, it can be concluded that Marketing Management is the process of management of marketing programmes for accomplishing organisational goals and objectives.

Functions of Marketing Management

The following are the important factions of marketing management

1. Assessing the marketing opportunities.
2. Planning marketing activities.
3. Providing effective marketing organisation.
4. Motivating the human-side.
5. Evaluating and adjusting marketing efforts.

Marketing Mix

Marketing information is used to assess the situation in marketing planning. Specific marketing targets are selected in the form of market segments. For each segment or subdivision of the market management formulates a combination of a number of devices or types of marketing activities that are integrated into a single marketing programme to reach a particular target or market segment. The combination of these marketing methods or devices is known as the marketing mix.

According to philp kotler, "marketing mix is the mixture of controllable marketing variables that the firm uses to peruse the sought level of sales in the target market." Therefore, the marketing mix indicates the appropriate combination of four Ps for achieving marketing objectives. The components are also known as marketing mix variables or controllable variables as they can be used as per business requirements. In the simplest manner, the basic marketing mix is the blending of four inputs or sub mixes which form the core marketing system: (a) product mix, (b) price mix (c) Distribution Mix, and (d) promotion mix.

Elements of Marketing Mix

As explained above, marketing mix has four elements viz., product mix, price mix, distribution mix and promotion mix. These detailed analysis of these elements is given below.

1. The *Product Mix:-* The product is the focus of making and marketing efforts. Product is the sum total of physical and psychological satisfaction it provides to the buyer. The product mix is the composite of products offered for sale by the firm, over period of time.

The product mix has the following important variables:

- The product line and product range
- Product design
- Product package
- Product quality
- Product labelling
- Product branding
- After sale-service and guarantees

2. *The Place Mix:-* Place or distribution mix stands for the matching arrangement for the smooth flow of goods and services from the producers to the consumers. It is concerned with creation of place, time and possession utilities. In other words, it

signifies two things viz., ----- physical distribution and the channels of distribution. The basic place mix variables are given as under:-

- Transportation
- Warehousing
- Inventory levels and distribution
- The channels of distribution

3. *Price Mix:-* price is a major marketing tool that helps in directing product to a specific consumer segment. Price is the value of a product expressed in terms of money. Price is a powerful instrument in which both the buyers and sellers are keenly interested. It is the price of a product or service that ensures a decent return on investment, guarantees stable economics stature, creates, maintains and extends market and market share.

There are good number of variables affecting the price of a product and few of them are given hereunder:

- The pricing policies and strategies.
- The terms of credit
- Terms of delivery
- Margin

4. *Promotion Mix:-* promotion mix is the communication mix which deals with the personal and impersonal persuasive communication about the product or service of the manufacturer. Though companies communicate with their potential customers in wide variety of ways, the most distinguishable categories are two namely------ personal and impersonal. Personal communication relate to face to face meeting between the sales force of the company and the clientele. On the other hand, impersonal communication includes----advertising, sales promotion, and public relations.

The promotional mix variables worth considering are following:-

- Personal selling
- Advertising
- Sales—promotion
- Trade fairs and exhibitions

Pricing policies and practices

Meaning of price :- price is the amount needed to acquire a product. It the cost that has to be incurred by the buyer to acquire a product or service. Economists define price as the exchange value of a product or service., always expressed in money. price is the amount charged for the product or service including any warranties or guarantees, delivery, discounts, services or other items that are part of conditions of sale and are not paid for separately. To the buyer price is a package of expectations and satisfactions. Thus, price must be equal to the total amount of benefits (physical, economic, social and ecological benefits).

Pricing is equivalent to the total product offering. This offering includes a brand name, a package, product benefits, service after sale, delivery, credit and so on. Pricing can therefore, be defined as the money value of a product or service agreed upon in a market transactions. pricing decisions influence following marketing variables:-

- Sales volume
- Profit margin
- Rate of return on investment
- Trade margins
- Advertising and sales promotion
- Product image
- New product development

Pricing Policies

Different pricing policies, which can be adopted by business enterprises are stated below.

1. Cost-oriented or Cost-based Pricing policy :- it is also referred to as 'cost plus' pricing. This policy assures that no product is sold at a loss but a fixed percentage of profit is added to the unit cost. Under cost- based pricing policy, the price determination of a product is made on the basis of cost of production plus an additional profit margin.
2. Demand-oriented or Demand-based pricing policy :- under this method, demand is the prime factor for pricing and price is fixed on the basis of demand for the product. A high price is charged when and where the demand is intense, and low price is charged where demand is low. Price discrimination is usually adopted under such circumstances.
3. Competition-oriented or Competition-based pricing policy :- under this policy, neither the cost of the product nor the demand for the product is considered. But only the prices of the competitors are taken into account. If the competitor changes the price, the company has to fall in line. Similarly company's cost of production and demand for the product may change; but if the competitor's price is constant the company may not change its price. Some times deliberate pricing policies may be formulated to sell above, below, or generally in line with competition.

Product Life Cycle

Product life cycle represents the ageing process of a product during its sales history from the time it is introduced to the time when it is withdrawn. It is the fact of existence or every product. It is similar to the human life-cycle. The length of the life-cycle, the duration of each phase and the shape of the curve vary widely for different products. But in every instance, obsolescence or decay eventually occurs when the need disappears or a better, cheaper and more convenient product may suit the same need or a competitive product due to superior marketing strategy suddenly gains a decisive advantage.

Stages Of Product Life Cycle

Every product through a life cycle having five stages: introduction, growth, maturity, saturation and decline. The life cycle gives the sales revenue and profit margin-history of a product over a time frame. The explanation of each stage of product life cycle is given as under.

I. Introduction :- In the early stage when the product is introduced in the market, sales revenue begins to grow but at a very slow rate. Profits may not be there as business enterprise may have low sales volume, large production and distribution costs. At this stage, business enterprise may require heavy advertising, sales promotion. Weaknesses may be revealed and the must be promptly removed. Product development and design is considered critical at this stage.

II. Growth :- it is the stage during which the product is accepted by consumers and the traders. During the growth stage, the rate of increase in sales volume is very rapid. Profits also increase at an accelerated rate. In spite of competition, there may rising sales and profits. The firm fives top priority to sales volume and quality maintenance may have secondary preference. For marketing success, manufacturing and distribution effectiveness are vital factors.

III. Maturity :- During this stage, keen competition brings pressure on prices. Increasing market expenditure and falling prices will reduce profits. Additional expenditure is involved in product modification and improvement or broadening the product line. Marketers have to adopt measures to stimulate demand and face competition through additional advertising and sales promotion. Low prices, increasing competition, rising manufacturing cost, and declining profits are features of this stage.

IV. Saturation :- The saturation point occurs in the market when all potential consumers are using the product and only replacement sales take place. Consumption achieves a constant rate and the marketers have to concentrate exclusively on a fight for market share. At this stage, prices may fall rapidly and profit margins may become small.

V. Decline stage :- Once the peak or saturation point is reached, product inevitable enters the decline stage and becomes obsolete. It may be gradually displaced by some new innovation. Sales drop severely, competition dwindles, and even then the product cannot stand in the market. A marketer is expected to keep new products ready to fill up the gap created by the demise of existing products.

VI.

Financial Management

Corporation finance or financial management emerged as a distinct field of study in the early part of 20TH century as a result of consolidation movement and formation of large sized business undertakings. In the initial stages of the evolution of corporation finance, emphasis was places on the study of sources and forms of financing the large sized business enterprises. The grave economic recession of 1930's rendered difficulties in raising finances from banks and other financial institutions. Thus, emphasis was laid upon improved methods of planning and control, sound financial structure of the firm and more concern for liquidity. The ways and means of evaluating the credit worthiness of firms were developed.

The post World War II era necessitated reorganisation of industries and the need for selecting sound financial structure. In the early 50's, the emphasis shifted from the profitability to liquidity and from institutional finance to day to day operations of the firm. The techniques of analysing capital investment proposals in the form of capital budgeting were developed. In other words, modern phase of corporation finance began in mid-fifties and it has now become now more analytical and quantitative. The techniques of models, mathematical programming and simulations are presently being used in corporation finance and it has achieved the prime place of importance.

Meaning of Financial Management

Financial management refers to that part of the management activity which is concerned with the planning and controlling of firm's financial resources. It deals with finding out various sources for raising funds for the firm. The sources must be suitable and economical for the need of the business. The most appropriate use of such funds also forms a part of financial management.

Financial management is indispensable to any organisation as it helps in :-

- Financial planning and successful promotion of an enterprise;
- Acquisition of funds as and when required at the minimum possible cos.
- Proper use and allocation of funds.
- Taking sound financial decisions .
- Improving the profitability through financial controls.
- Increasing the wealth of the investors and the nation.
- Promoting and mobilising individual and corporate savings.

Objectives of Financial Management

The objectives of financial management are discussed in detail as under

Profit Maximization:- profit earning is the main aim of every economic activity. A business being an economic institution must earn profit to cover costs and provide funds for growth. No business can survive without earning profit. Profit is a measure of efficiency of a business enterprise. Profits also serve as a protection against risks which cannot be ensured. The accumulated profits enable a business to face risks like fall in prices, competition from other units, adverse government policies etc. Thus, profit maximisation is considered as the main objective of business. However, profit maximisation objective has been criticised on many grounds. A firm pursuing profit maximising objective starts exploiting workers and customers. Hence, it is immoral and leads to a number of corrupt practices. Further, it leads to colossal inequalities and lowers human values which are an essential part of an ideal social system. Even as an operational criterion for maximising owner's economic welfare,

profit maximisation has been criticised on the following drawbacks.
(a). ambiguity.
(b). Ignores time value of money.
(c). ignores risk factor.
(d). Effect of dividend policy on the market price of shares is also not considered under profit maximisation objective.

1. Wealth Maximisation:- wealth maximisation is the appropriate objective of an enterprise. Financial theory asserts that wealth maximisation is the single substitute for a stockholder's utility. When the firm maximises the stockholders wealth, the individual stockholder can use this wealth to maximise his individual utility. It means that by maximising stockholder's wealth the firm is operating consistently towards maximising stockholder's utility. A shareholder's current wealth in the firm is the product of the number of shares owned multiplied with the current stock price per share. Following arguments are advanced in favour of wealth maximisation as the goal of financial management :-
(a). it serves the interests of owners, as well as other stakeholders of the firm : i.e. long term creditors, employees, and society.
(b). it is consistent with the objective of owner's economic welfare.
(c). The objective of wealth maximisation implies long run survival of the firm.
(d). It takes into account the risk factor and the time value of money as the current present value of any particular course of action is measured.
(e). the effect of dividend policy on market price of shares is also considered as the decisions are also taken to increase the market value of the share.

Sources of Finance

Every business needs funds for two purposes------for its establishment and to carry out its day to day operations. Long-term funds are required to create production facilities through purchase of fixed assets, such as plant, machinery, land, building, furniture, etc. investment in these assets require that part of firm's capital which is blocked on a permanent basis and is called fixed capital. Funds are also needed for short-term purposes for the purchase of raw materials, payment of wages, and other day to day expenses. These funds are known as working capital.

The various sources of raising long term funds include issue of shares, debentures, ploughing back of profits, and loan from financial institutions. The short- term requirements are met from commercial banks, trade credit, instalment credit, advances, etc.The various sources of finance have been classified in many ways. However, for the sake of convenience, the sources of funds can be classified into the following categories:-

1. Security financing----Financing through Shares and Debentures
2. Internal financing----Financing through Retained Earnings
3. Loan financing------Financing through both short term and long term loans
4. International Financing

Long Term Sources Of Finance

The different sources of long term finance are as follows :-

a. Equity Shares
b. Preference Shares
c. Retained Earnings
d. Debentures
e. Loans from Financial Institutions
f. Venture Capital Funding
g. Lease Financing

Equity Shares

Equity shares, also known as ordinary shares , represent the owner's capital in a company. The holders of these shares are the real owners of the company. They have a control over the working of the company. Equity shareholders are paid dividend after paying it to the preference shareholders. The rate of dividend depends on the profits of the company. They may be paid higher dividend or they may get nothing. These shareholders take more risk in comparison to preference shareholders regarding dividend and return of capital. Equity capital cannot be redeemed during the life time of the company

Features of Equity Shares

1 Equity shares provide permanent capital to the company and cannot be redeemed during the life time of the company. Equity shareholder can demand refund of their capital at the time of liquidation of the company and such demand can be made only after all other claims including that of preference share have been met by the company.
2 Equity shareholder have a residual claim on the assets of the company. The have claim on income left after paying dividend to preference shareholders. The rate of dividend is not fixed, it depends upon the earnings available after paying dividend on preference shareholders.
3 Equity shareholders have a residual claim on ownership of company's assets . in the event of liquidation of a company, the assets are first utilised to meet claims of creditors and preference shareholders and any thing left thereafter, belongs to equity shareholders
4 Equity shares make holders of such share real owners of the company. Equity shareholders have voting rights in the meetings of the company and have a control over the working of the company. The control in case of the company rests with the Board of Directors who are elected by the equity shareholders.
5 Another distinct feature of equity share is limited liability. Thus, although equity shareholder are real owners of the company, there liability is limited to the value of shares they have purchased.

Debentures

A debenture is a written instrument acknowledging a debt and containing provisions as regards the repayment of principal and the payment of interest at a fixed rate. According to Sec.2 of Companies Act, 1956, debenture includes debentures, debenture stock, bonds and any other securities of a company whether constituting a charge on the assets of the company or not. Debenture represents debt. The person contributes money through debentures are called debentureholders.The main features of debentures are discussed below :-

1. The rate of interest on payable on debentures is fixed and is payable on the face value of the debentures.
2. The debenture holders do not enjoy voting rights except at their class meetings. They do not have rights to elect directors and to participate in the management.
3. The debentures are redeemable during the life of the company.

Kinds of debentures

Depending upon the terms and conditions of the issue and redemption, the debentures may be of following types :-

1. Unsecured debentures are those, which are not secure on any asset of the company.
2. Secured debentures are those, which are secured either on a particular asset or on all assets of the company in general.
3. Redeemable debentures are those, which are repayable after a specified period of time in lump sum or in instalments during the life time of the company.
4. Irredeemable debentures are those, which are not redeemable during the lifetime of the company.
5. Registered debentures are those, which are payable to the persons whose names appear in the Register of Debenture-holders of the company.
6. Bearer debentures are those, which are payable to the bearer thereof.
7. Convertible debentures are those, the holders of which have a right to convert them into shares.
8. Non-convertible debentures are those, the holders of which do not have a right to convert them into shares.

Venture Capital Financing

The venture capital financing refers to the financing of new risky venture promoted by qualified entrepreneurs who lack experience and funds to give shape to their ideas. In a broad sense, under venture financing, venture capitalist make investment to purchase equity or debt securities from inexperienced entrepreneurs who undertake highly risky venture with potential of success.

Some common methods of venture capital financing are given below :-

1. Equity Financing :- the venture capital undertakings generally require funds for longer period but may not be able to provide returns to the investors during initial

stages. Therefore, the venture capital finance is generally provided by way of equity share capital.

2. Conditional Loan :- A conditional loan is repayable in the form of a royalty after the venture is able to generate sales. No interest is paid on such loans. In India, venture capital financers charge royalty ranging between 2 and 15%, actual rate depends upon other factors of venture such as gestation period, cash flow patterns, riskiness and other factors of enterprise.
3. Income Note :- It is a hybrid security which combines the features of both conventional loan and conditional loan. The entrepreneur has to pay both interest and royalty on sales but at substantially low rates.
4. Participating Debentures :- Such security carries charges in three phases---in start up phase, no interest is charged, next phase a low rate of interest is charged upon a particular level of operation, after that, a high level of interest is required to be paid.

Leasing Financing

Leasing is an alternative to the purchase of an asset out of owned or borrowed funds. Under leasing, the asset is purchased initially by the lessor (leasing company) and thereafter leased to the user (lessee company) which pays specified rent, known as lease rent, at specified intervals. Lessor gets advantage of depreciation allowance being tax deductible and lessee has advantage of lease rent being tax deductible.

There are two basic kinds of leases : - 1. Operating Lease, 2. Financial Lease

1. Operating Lease – It is a short term lease on a period to period basis. The leaseperiod in such a contract is less than the useful life of the asset. The lease is cancellable at short period of time. The lessor usually has the option of renewing the lease after the expiry of lease period. Insurance, taxes and maintenance of leased asset is generally the responsibility of the lessor.
2. Financial Lease :- A lease is classified as financial lease if it ensures the amortisation of the entire cost of investment plus the expected return on capital outlay during the term of lease. Such a lease is usually for a longer period and non-cancellable. As a source of funds, the financial lease is an alternative similar to debt-financing. Most of the leases in India are financial leases that are commonly used for leasing land, building, machinery and fixed equipment,

Securities And Exchange Board of India (SEBI)

The reforms in the Indian economy, which began in the year 1991, led to increase in the volume of business in both the primary and secondary segments of the capital market. However, a multi crore securities scam rocked the Indian financial system in the year 1992. The then existing regulatory framework was found to be fragmented and inadequate and hence a need for an autonomous, statutory, and integrated organisation to ensure the smooth functioning of capital market was felt to fulfil this need, the Securities and Exchange Board of India (SEB I), which was already in existence since April 1988, was conferred statutory powers to regulate the capital market.

Role Of Securities And Exchange Board Of India (SEBI)

The SEBI ACT, 1992, casts upon SEBI the duty to protect the interests of investors in securities and to promote the development of and to regulate the securities market through appropriate measure. These measure undertaken by the SEBI depict the role it plays in carrying out it obligations in this regard. The measure provide for :-

a) Regulating the business in stock exchanges and any other securities market.
b) Registering and regulating the working of stock broker, sub-brokers, share transfer agents bankers to the issue, registrars to an issue, merchant bankers, portfolio managers, and such other intermediaries who may be associated with securities market in any manner.
c) Registering and regulating the working of collective investment schemes, including mutual funds.
d) Prohibiting fraudulent and unfair trade practices in securities market.
e) Promoting investor education and trading of securities in securities market.
f) Prohibiting insider trading in securities.
g) Regulating substantial acquisition of shares and takeover of companies.
h) Calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges and intermediaries and self regulatory organisations In the securities market.
i) Performing such other functions as may be prescribed by the government.

Concept of Human Resource Management

The success of an organizational mainly depends mainly upon its human capital. This is why human element is considered the important part of business and the most valuable asset.The importance of human factor in an industry was greatly emphasized by Elton Mayo and his colleagues in the 1930s. They conducted studies in human relations for almost twelve years in Hawthorne Plant of Western Electric Company at Chicago. They pleaded that a worker is not a mere commodity but a human being first than a worker. This is how human resource has considered a valuable asset for a company. It has been defined as the total knowledge, skills creative abilities, talents and aptitude of an organization’s workforce as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of an organization. As far as Human Resource Management is considered, it is a management function involving procurement, development and maintenance of efficient and dedicated workforce in an organization.

According to the Institute of Personnel Management (United Kingdom), human resource management is an integral but distinctive part of management, concerned with people at work and their relationships within the enterprise. It seek to bring together into an effective organization the men and women who staff the enterprise, enabling each to make his/her best contribution to its success, both as a member of working group and as an individual. It seeks to provide relationship within the enterprise that is conducive both to effective work and human satisfaction.

Objectives of HRM

HRM aims to achieve both efficiency and justice. Following are the important objectives of HRM.

1. To ensure the effective utilization of available human resource.
2. To build and maintain cordial relations between people working at different levels of the organization.
3. To achieve the development of each individual employee to his fullest potential.
4. To provide fair working condition, wages and amenities to employees so that each one of them makes maximum possible contribution to the organization.
5. To help other managers in solving their personnel problems.

Functions of Human Resource management

The functions of human resource management may be broadly divided into two categories:

Managerial functions and Operative functions

Managerial Functions

The managerial functions of HRM is concerned with planning, organize, directing and controlling the activities of human resources.

Planning: Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making that is choosing from among alternative future course of action. Plan thus provides a rational approach to preselected objectives. Under the planning function, the personnel manager lays down personnel policies and programmes for the enterprises.

Organising: It is the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing their objectives.

Directing: It implies the initiation and maintenance of organized action. It includes the issuance of orders and instruction, supervision, and stimulation of personnel to execute them. Thus, direction involves guidance and motivation of people to execute the plans.

Controlling: The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished

Operative Function

The operative functions of the human resource management are concerned with Procurement, training & development compensation, integration and maintenance of personnel.

Procurement: It means hiring the required number of suitable persons to fill various positions in the organization. It involves manpower planning, recruitment selection, placement etc. of the personnel. First the manpower requirements are determined in terms of number and quality of the personnel. Then the various sources of personnel are identified and devices are used to select the right candidate for the various jobs. The selected persons are assigned the right jobs.

Development: It involves improving the knowledge and skills of personnel for efficient performance of their jobs. It includes training, executive development, promotion, appraisal etc. of personnel.

Compensation: The function involves the determination of equitable remuneration of the personnel for their contribution to the objectives of the organization. Compensation can be paid in both monetary and non-monetary units. Determination of compensation includes job evaluation, wage and salary administration bonus or profit-sharing incentive plans.

Integration: It implies reconciling the interests of the personnel with the organizational objectives. This requires a two-way communication system to create mutual understanding and cooperation among workers and management. Collective bargaining, grievances, procedure industrial discipline, code of conduct, suggestion scheme etc. are the means used to create a sense of belonging and team-work among personnel.

Maintenance: Maintenance function involves the creation of proper working condition so that personnel may work with dedication and efficiency. Sound working conditions help to ensure the healthy, safety, welfare, motivation, and morale of employees.

Records, Research and Audit: Systematic and up-to-date records of absenteeism, employee turnover, industrial disputes, industrial accidents, wage payments, grievances etc. are necessary to help top management in the formulation of appropriate personnel policies and procedures. Personnel research involves the collection and dissemination of data to identify the causes of various personnel problems like absenteeism, labour turnover, industrial disputes, accidents etc. While personnel audit helps to evaluate the effectiveness of personnel policies and procedures.

Employer-Employee Relationship

The success of an organization depends upon the relationship between the parties within an organization. The better the relations, the better be the environment of an organization. Employer and Employee relationship is also termed as industrial relations. The term industrial relations refer to all types of relationship between all the parties concerned with industry. The parties related to industry are the workers and the management representing the owners. Thus, industrial relations connote a vast complex of relationships obtaining between management and employees, union and employees and between employees themselves. Both parties to industrial relations have a common interest in industry, but many a time they are found to be pulling in different directions which leads to industrial unrest. Therefore it is more important to secure and maintain the cooperation of both workers and management to achieve good industrial relations.
According to Dale Yoder, “The term ‘industrial relations; refers to the relationship between management and employees or among employees and their organization that arises out of employment”.

Objectives of Industrial Relations

The important objectives of Industrial Relations are as:

i. To promote healthy labour-management relations.
ii. To protect the interests of employees as well as management by securing the highest level of mutual understanding and goodwill among them.
iii. To raise productivity to a higher level and to contribute to the economic development of the country.
iv. To check industrial conflicts and minimize the occurrence of strikes, and lockouts.
v. To minimize labour turnover and absenteeism by providing job satisfaction to the workers.
vi. To facilitate and develop industrial democracy based on workers’ partnership in management of industry.

Significance of Good Industrial relations

The industrial relations in an organization must be harmonious or cordial. Such relations can lead to following benefits:

1. Cordial industrial relations bring harmony and removes causes of disputes.
2. Due to cordial industrial relations, workers take interest in their jobs and work efficiently. This leads to higher productivity and production of the enterprises where they are working.
3. Sound industrial relations are based on consultation between the workers and the management. This assists in the establishment of industrial democracy.
4. The workers should get sufficient economic and non-economic benefits to lead a happy life. It is possible when the relations between workers and management are cordial and the productivity is high.

5. Good industrial relation implies the existence of an atmosphere of mutual cooperation, confidence and respect within the enterprise. In such atmosphere, there are common goals which motivate all members of the organization to contribute their best. Consequently, there is higher productivity, higher income, and increased job satisfaction-all resulting in higher morale of the workers.