



UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION

B.COM

(1st SEMESTER)

Core Course: BCIB01

BUSINESS MANAGEMENT

(2019 ADMISSION ONWARDS)

BUSINESS MANAGEMENT STUDY MATERIAL

1st SEMESTER

Core Course: BCIB01

B.COM

(2019 ADMISSION ONWARDS)



**UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION**

Calicut University- PO, Malappuram,
Kerala, India - 673 635

**UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION
STUDY MATERIAL FIRST SEMESTER**

**B.COM
(2017 ADMISSION ONWARDS)**

Core Course: BCIB01
BUSINESS MANAGEMENT

PREPARED BY:

RAJAN P
Assistant Professor of Commerce
School of Distance Education
University of Calicut

CONTENTS

MODULE	PAGE No
Module 1	1 - 26
Module 2	27 -67
Module 3	68 - 88
Module 4	89 - 116
Module 5	117 - 127

MODULE 1

NATURE AND SCOPE OF MANAGEMENT

Managing is essential in all organized co-operation, as well as at all levels of organization in an enterprise. It is the function performed not only by corporation President and the army general but also of the shop supervisors and the company commander. Managing is equally important in business as well as non business organizations. During the last few decades, Management as a discipline has attracted the attention of academicians and practitioners to a very great extent. The basic reason behind this phenomenon is the growing importance of management in day to day life of the people.

Because of the divergent views, it is very difficult to give a precise definition to the term “Management”. It has drawn concepts and Principles from economics, sociology, psychology, anthropology, history, and statistics and so on. The result is that each group of contributors has treated Management differently. Management is invariably defined as the process of “getting things done through the effort of others”, getting from where we are to where we want to be with the least expenditure of time, money and efforts, or co-ordinating individual and group efforts, or co-ordinating individual and group efforts towards super-ordinate goals.

Harold Koontz defines management in a very simple form where he states that “Management is the art of getting things done through and with the people in formally organized groups”.

Dalton E. McFarland defines Management as “Management is defined for conceptual, theoretical and analytical purposes as that process by which Managers create direct, maintain and operate purposive organization through systematic co-ordinated co-operative human effort.”

NATURE AND SCOPE OF MANAGEMENT

The study and application of Management techniques in managing the affairs of the organization have changed its nature over the period of time. The nature of Management can be described as

1. Multi disciplinary

Management integrates the ideas and concepts taken from disciplines such as psychology, sociology, anthropology, economics, ecology, statistics, operation research, history etc. and presents newer concepts which can be put in practice for managing the organizations. Contributions to the field of management can be expected from any discipline which deals with some aspects of human beings.

2. Dynamic Nature of Principles

Principles are a fundamental truth which establish cause and effect relationship of a function. Based on practical evidences, management has framed certain principles, but these principles are flexible in nature and change with the changes in the environment in which an organization exists. In the field of Management, organization researches are being carried on to establish principles in changing society and no principles can be regarded as a final truth.

3. Relative, Not Absolute Principles

Management Principles are relative, not absolute and they should be applied according to the need of the organization. Each organization may be different from others. The difference may exist because of time, place, socio-cultural factors etc. A particular management Principles has different strength in different conditions and therefore Principles of Management should be applied in the light of the prevailing conditions.

4. Management, science or Art

Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. It is a systematized body of knowledge. Management, being a social science may be called as an inexact or pseudo science. The

meaning of art is related with the bringing of desired result through the application of skills. It has to do with applying of knowledge or science or of expertness in performance. Management can be considered as an art and a better manager is one who knows how to apply the knowledge in solving a particular problem.

5. Management as a Profession

The word profession may perhaps be defined as an occupation based upon specialized intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary. Profession is an occupation for which specialized knowledge, skills and training are required and the use of these skills is not meant for self satisfaction , but these are used for the larger interests of the society and the success of these skills is measured not in terms of money alone. Management possess certain characteristics of profession, while others are missing. Therefore, it cannot be said to be a profession, though it is emerging as a profession and the move is towards management as a profession.

6. Universality of Management

There are arguments in favour and against the concept of universality. The arguments in favour of universality are:-

[a]management as a process and the various process of management are universal for all organizations

[b]distinction between management fundamentals and techniques [c]distinction between management fundamentals and

practices. The arguments against universality are:-

[a]management is culture bound

[b]management depends upon the objectives of an enterprise

EVOLUTION OF MANAGEMENT

Creative, dynamic management is a driving force behind the success of any business. In today's marketplace, change is rapid and managers are expected to deal with a broad set of issues and needs. How they address those issues is very different today than it was a hundred years ago. Times have changed, labor has changed, and, most importantly, management

philosophies have changed. The management philosophies of yesterday are valuable tools for managers to use today. The development of management thought has been evolutionary in nature under the following four parts:-

- 1.Pre-Scientific Management Era [Before 1880]
- 2.Classical Management Era [1880-1930]
- 3.Neo-Classical Management Era[1930-1960]
- 4.Modern Management Era [1950 onwards]

During pre-scientific management era, valuable contributions were made by Churches, Military organizations and writers like Charles Babbage and Robert Owen. A school of thought emerged in this era is known as pre-scientific management school.

The earliest management philosophy, the classical perspective, emerged in the 19th and early 20th century in response to a problem businesses grapple with today: how to make businesses efficient operating machines. In the factory system, managers had the challenge of coordinating a huge, unskilled labor force, complex production systems, and an expansive manufacturing operation. The classical theorists like F.W.Taylor and Henri Fayol concentrated on organizational structure for the accomplishment of organizational goal.

Frederick Winslow Taylor's solution was the Scientific Management approach which proposed that productivity could be improved only by a series of precise procedures developed from a scientific observation of a situation. This approach standardized labor and training, employee hiring, and tied compensation to increased productivity. While highly successful, this approach did not take into consideration the diversity of abilities and needs within the workforce.

The neo classical writers like Elton Mayo and Chester I. Barnard tried to improve upon the theories of classical writers. They suggested improvements for good human relations in the organization. A crucial shift in management philosophy came in the 1920s with a new emphasis on human behaviours, needs and attitudes in the workplace over the economy and efficiency

of production. This new way of thinking led the way for the human resource perspective, which saw workers as a resource to be fully utilized, as opposed to tools from which to extract utility. It suggested that beyond the need for worker inclusion and supportive leadership, organizations should design jobs to meet the higher needs of their employees and utilize their full potential. This perspective paved the way for the role that human relations departments play in organizations today.

The modern management thinkers like Robert Schlaifer and Herbert Simon define organization as a system. They also consider the impact of environment on the effectiveness of the organization. The social system school, the decision theory school, the quantitative management school, the systems management school, etc. are the contributions of modern management era.

To sum up

- (A) Early management approaches which are represented by scientific management, the administrative management theory and the human relations movement
- (B) Modern management approaches which are represented by scientific management, the administrative/management science approach, the systems approach and the contingency approach

SCHOOLS OF MANAGEMENT THOUGHT

The development of thought on Management dates back to the days when people first attempted to accomplish goals by working together in groups. With the work of Frederic Taylor and Henri Fayol, there was serious thinking and theorizing about managing many years before.

In the early 19th century, industrialization and the factory system saw the advent of assembly line operation and costing systems. Management Principles in business were adopted in the latter half of nineteenth century. As the concept of management evolved, various schools of management thought emerged. Thus there came a myriad ways of classifying management theories. One such classification was given by Koontz, who classified the

theories into the following six groups: The management process school The empirical school The human behavioural school The social systems school The decision theory school The mathematical school

The purpose of this article is to identify the various schools of management theory, indicate the source of the differences, and to provide some suggestions for disentangling the management theory jungle. Koontz describes six schools of management theory as follows.

1. The Management Process School

The management process school views management as a process of getting things done with people working in organized groups. Fathered by Henri Fayol, this school views management theory as a way of organizing experience for practice, research and teaching. It begins by defining the functions of management.

2. The Empirical School

The empirical school views management theory as a study of experience. Koontz mentions Ernest Dale's comparative approach as an example which involves the study and analysis of cases. The general idea is that generalizations can be drawn from cases that can be applied as guides in similar situations. As such it is also known as case approach or management experience approach. According to this school, management is considered as a study of managers in practice. It is a study of success and failures in the application of management techniques by managers in their practice. Theories of management can be developed by studying large number of experiences because some sort of generalizations can be possible.

3. The Human Behaviour School

The central thesis of the human behaviour school is that since management involves getting thing done with people, management theory must be centered on interpersonal relations. Their theory focuses on the motivation of the individual viewed as a socio-psychological being. This approach can be divided into two groups ; interpersonal behaviours approach and group behaviours

approach.

4. The Social System School

The members of the social system school of management theory view management as a social system. March and Simon's 1958 book *Organizations* published by Wiley is used as an example, but Koontz indicates that Chester Barnard is the spiritual father of this school of management. The social system school identifies the nature of the cultural relationships of various social groups and how they are related and integrated. Barnard's work includes a theory of cooperation which underlies the contributions of many others in this school. Herbert Simon, and others expanded the concept of social systems to include any cooperative and purposeful group interrelationship or behaviour. According to this approach, the organization is essentially a cultural system composed of people who work in co-operation. As such, for achieving organizational goals, a co-operative system of management can be developed only by understanding the behaviour of people in groups.

5. The Decision Theory School

The decision theory school of management concentrates on the rational approach to decisions where alternative ideas or courses of action are analyzed. The decision is the central focus. This approach looks at the basic problem of management around decision making – selection of suitable course of action out of the given alternatives. Major contribution to this approach has come from Simon, March, Cyert, Forrester, etc. The major emphasis of this approach is that decision making is the job of every manager. The manager is a decision maker and the organization is a decision making unit. Therefore the basic problem in managing is to make rational decision.

6. The Mathematical School

The mathematical school of management views management as a system of mathematical models and processes. This includes the operations researchers and management scientists. But Koontz points out that in his view mathematics is a tool, not a school.

Frederick Taylor and Scientific Management

Frederick Winslow Taylor is generally acknowledged as “the father of scientific management.” His experiences as an apprentice, a common labourer, a foreman, a master mechanic

, and then the Chief Engineer of the Steel company gave Taylor ample opportunity to know at first hand the problems and attitudes of workers and to see the great opportunities for improving the quality of Management.

Taylor's principal concern throughout most of his life was that of increasing efficiency in production, not only to lower costs and raise profits, but also to make possible increased pay for workers through their higher productivity. Taylor saw productivity as the answer to both higher wages and higher profits, and he believed that the application of Scientific methods, instead of custom and rule of thumb, could yield the productivity without the expenditure of more human energy or effort.

Taylor's famous work entitled the “The Principles of Scientific Management” was published in 1911. Scientific Management is not any efficiency device, in its essence, scientific management involves a complete mental revolution on the part of the working man in any particular establishment or industry – and is equally complete mental revolution on the part of those on the management side. The great mental revolution that takes place in the attitude of two parties is that together they turn their attention towards increasing the surplus than dividing the surplus.

The fundamental Principles that Taylor was underlying the Scientific approach of Management may be summarized as follows:-

1. Replacing rules of thumb with science.
2. Obtaining harmony in group action, rather than discord
3. Achieving co-operation of human beings, rather than chaotic individualism.
4. Working for maximum output rather than restricted output.
5. Developing all workers to the fullest extent possible for their own and their company's highest prosperity.

Contributions of Henry Fayol

Henri Fayol (Istanbul, 29 July 1841–Paris, 19 November 1925) was a French mining engineer, director of mines, who developed independent of the theory of Scientific Management, a general theory of business administration also known as Fayolism. His contributions are generally termed as operational management or administrative management.

He was one of the most influential contributors to modern concepts of management. Fayolism is one of the first comprehensive statements of a general theory of management developed by Fayol. He has proposed that there are six primary functions of management and 14 principles of management. The Primary function of management are forecasting planning organizing commanding coordinating and controlling. Fayol's contributions were first published in the book form titled as "Administration Industrielle et Generale" in French language, in 1916. Fayol looked at the problems of managing an organisation from top management point of view. He has used the term 'administration' instead of 'management' emphasising that there is unity of science of administrator. For him, administration was common activity and administrative doctrine was universally applicable. Fayol found that the activities of an industrial organisation could be divided into six groups.

1. Technical [relating to production]
2. Commercial [buying, selling and exchange]
3. Financial [search for capital and its optimum use]
4. Security [protection of property and person]
5. Accounting [including statistics] and
6. Managerial [planning, organisation, command, coordination, and control]

Pointing out that these activities exist in business of every size, Fayol observed that the first five were well known, and consequently he devoted most of his book to analyse the sixth one, that is, managerial activity. Fayol has divided his approach of studying management into three parts; [1] managerial qualities

and training [2] general principles of management and [3] elements of management

[1] Managerial qualities and training

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical [health, vigour and address]
2. Mental [ability to understand and learn, judgement, mental vigour, and adaptability]
3. Moral [energy, firmness, initiative, loyalty, tact, and dignity]
4. Educational [general acquaintance with matters not belonging exclusively to the function performed]
5. Technical [peculiar to the function being performed] and
6. Experience [arising from the work]

General Principles of Management

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. Henry Fayol strongly felt that managers should be guided by certain principles while giving the management principles, Fayol has emphasised two things.

1. The list of management principles is not exhaustive but suggestive and has discussed only those principles which he followed on most occasions.
2. Principles of management are not rigid but flexible.

Fayol evolved 14 general principles of management which are still considered important in management. These are:

1. Division of work:

This principle suggests that work should be assigned to a person for which he is best suited. Work should be divided up to that stage where it is optimum and just. This division of work can be applied at all levels of the organization. Fayol has advocated

division of work to take the advantages of specialization

2. Authority and responsibility:

Responsibility means the work assigned to any person, and authority means rights that are given to him to perform that work. It is necessary that adequate authority should be given to discharge the responsibility. Authority includes official authority and personal authority. Official authority is derived from the manager's position and personal authority is derived from the personal qualities. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3. Discipline:

This principle emphasizes that subordinates should respect their superiors and obey their orders. On the other hand, superiors' behaviour should be such that they make subordinates obedient. If such discipline is observed, there will be no problem of industrial disputes. Discipline is obedience, application, energy, behaviour and outward mark of respect shown by employees. Discipline may be of two types; self imposed discipline and command discipline. Self imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognized authority.

4. Unity of command:

Subordinates should receive orders from one superior only. If he receives orders from more than one person, he can satisfy none. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greatest is the feeling of personal responsibility for results. Fayol has considered unity of command as an important aspect in managing an organization.

5. Unity of Direction:

Each group of activities having the same objective must have one head and one plan. In the absence of this principle, there may be wastage, over expenditure and useless rivalry in the same organisation. Unity of direction is different from Unity of command

in the sense that former is concerned with functioning of the organization in respect of its grouping its activities or planning while later is concerned with personnel at all levels in the organization in terms of reporting relationship.

6. Subordination of individual to general interest:

While taking any decision, the general interest, i.e., the interest of the organization as a whole should be preferred to individual interests. Individual interest must be subordinate to

general interest when there is a conflict between the two. Superiors should set an example in fairness and goodness.

7. Remuneration:

Management should try to give fair wages to the employees and employees should have the satisfaction of being rightly paid. Remuneration must give satisfaction to both the employers and employees.

8. Centralization:

Everything which goes to increase the importance of subordinate's role is decentralization and everything which goes to reduce it is centralization. When a single person controls the affairs of an organization, it is said to be complete centralisation. In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organization, control is divided among a number of persons. Thus centralization is more in small concerns and it is less in big concerns. Fayol's opinion was that the degree of centralization should be fixed on the basis of capabilities of the persons.

9. Scalar Chain:

This is the chain of superiors from the highest to the lowest ranks. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made. It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short circuited only in special circumstances when its rigid following would be detrimental to the organization. For this purpose, Fayol

has suggested gang Plank which is used to prevent the scalar chain from bogging down action.

10. Order:

This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. In social order, there should be right man in the right place. Placement of men and materials should be properly made. Proper space should be made available where materials can be kept safely. Each man should be provided the work for which he is best suited.

11. Equity:

This principle requires the managers to be kind and just so that loyalty can be won from the subordinates. Equity is a combination of justice and kindness. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. Stability of Tenure:

Employees should be selected on the principles of stability of employment. They should be given necessary training so that they become perfect. There should not be frequent termination of employees. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well.

13. Initiative:

Within the limits of authority and discipline, managers would encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. Esprit de Corps:

This is the principle of 'Union is strength' and extension of unity of command for establishing team work. Managers should infuse the spirit of team work in their subordinates.

Fayol made it clear that these principles can be applied to most organizations, but these are not absolute principles. Organizations are at liberty to adopt those which suit them or to delete a few according to their needs.

MANAGEMENT AS A SCIENCE AND AN ART

The controversy with regard to management, as to whether it is a science or art is very old. Specification of exact nature of management as science or art or both is necessary to specify the process of learning of management. Management is not easy. It is not an exact science. In fact, it is seen as an art that people master with experience.. When viewed as an art, management is remarkable, but natural expression of human behaviour. It is intuitive, creative and flexible. Managers are leaders and artists who are able to develop unique alternatives and novel ideas about their organizations needs. They are attuned to people and events around them and learn to anticipate the turbulent twists and turns around them.

However, artistry in management is neither exact nor precise. Artists interpret experience and express it in forms that can be felt, understood and appreciated by others. Art allows for emotion, subtlety and ambiguity. An artist frames the world so that others can see new possibilities.

Science is extraordinary. It is a method of doing things. It is the organized systematic expertise that gathers knowledge about the world and condenses the knowledge into testable laws and principles. When science is done correctly, it can advice us in all of our day to day decisions and actions. The Process of scientific theory construction and confirmation can be viewed as involving the following steps:-

1. The formulation of a problem or complex of problems based on observation.
2. The construction of theory to provide answers to the problem or problems based on inductions from observations
3. The deduction of specific hypothesis from the theory.
4. The recasting of the hypothesis in terms of specific measures and the operations required to test the hypothesis.
5. The devising of the actual situation to test the theorem; and
6. The actual testing in which confirmation does or does not occur

Management as an art

The artistic talents of the manager can be enriched by the usage of scientific tools. The artist in any manager definitely has an edge. His creativity and productivity can be magnified by using the correct scientific methods. The art of management existed long before automation. Without doubt, the science has made the management easier. But focusing only on the science may lead to shift of focus of the entire team and create overheads. Success of managers depends on how effectively they can use the scientific aid to enhance their artistic skills. Medicine engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception

Art is concerned with particle knowledge and personal skill for doing out the desired results. In management, a manager should have practical knowledge & skill. Otherwise his performance will be adversely affected.

Management is a way of doing a specific action while doing the function of an art is to achieve the success in a given action.

According to George R. Terry, “Art is bringing about of a desired result through application of skill.” Thus, art has 5 essential features.

- i. Practical Knowledge
- ii. Personal Skill
- iii. Concrete Result
- iv. Constructive Skill
- v. Improvement through practice

These 5 functions of art also belong to the management. When a manager uses his management skill then he must have practical knowledge for solving managerial problem. A manager also has power to face the problem to find out the result, which is only possible when he/she has constructive skills. To improve the managerial skill, managerial work should be done on regular basis because regularity and practice make the work effective. So, we can say that manager is an artist since he/she posses the

skill of getting the work done through and with the people. Therefore, it can be concluded that manager is an artist and management is bound to be an art.

Management as a Science

Science refers to an organized and systematic body of knowledge acquired by mankind through observation, experimentation and also based on some universal principles, concepts, and theories. Principles of science are developed through testing & observation. With the help of concept of science it can safely be concluded that management is also a science because it is based upon certain principle and concerned as a systematized body of knowledge, observation, test and experiment is a science, however it is not exact as physics, chemistry, biology, etc.

Before trying to examine whether the management is a science or not we have to understand the nature of science. Science may be described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is Systematized in the sense that relationships between variables and limit have been ascertained and underlying principal discovered. Three important characteristics of science are.

1. It is a systematized body of knowledge and uses scientific methods for Observation;
2. Its principles are evolved on the basis of continued observation and experiment; and
3. Its principles are exact and have universal applicability without any limitations

Judging from these criteria, it may be observed that management too is a systematized body of knowledge and its principles have evolved on the basis of observation not necessarily through the use of scientific methods. However, if we consider science a discipline in the sense of our natural science one is able to experiment by keeping all factors and varying one at a time. In

the natural science it is not only possible to repeat the same conditions over and over again, which enables the scientist to experiment and to obtain a proof. This kind of experimentation cannot be accompanied in the art of management since we are dealing with the human element. This puts a limitation on management as a science. It may be designated as 'inexact' or 'soft science'

MANAGEMENT PROCESS or SCOPE OF MANAGEMENT

Briefly, there are 5 core functions that constitute Scope of Management functions or the process of management. They are Planning, Organizing, Staffing, Directing and Controlling.



Scope /Process of Management

1. Planning

The first management function in scope of management functions that managers must perform is PLANNING. Within this function plan is created to accomplish the mission and vision of the business entity. Under the mission is considered the reason for the establishment, while under the vision is considered where business entity is aiming. The plan must define the time component and to plan necessary resources to fulfill the plan. Accordingly plan of organization is developed together with required personnel; method of leading people is defined and controlling instruments for monitoring the realization of plans.

Organizing is the second function manager, where he had previously prepared plan, establish an appropriate organizational structure in business organization. In part, it determines the ranges

of management, type of organizational structure, authority in the organization, types and

ways of delegating and developing lines of communication. The organization and its subsystems are placed under the plan, which was created as part of functions, ie planning. Organizing basically involves analysis of activities to be performed for achieving organizational objectives, grouping them into various departments and sections so that these can be assigned to various individuals and delegating them appropriate authority so that they can carry their work properly. In performing construction and organization in particular must pay attention to formal and informal lines of communication, because if these lines are not adequately monitored the possibility of collision between them, resulting in delays and / or even failure to achieve the goal.

2. Staffing

Staffing, as the next function of management, consists of a selection of appropriate staff for the organization to reach a goal / goals easier and more efficient. According to today's experience is well known that it is difficult to financially evaluate, quality and efficient staff. Staff is one of the more valuable, if not the most valuable resource in any successful organization. For this reason, good planning of personnel policies, as a function of management, and corresponding execution of that selection of high quality people is becoming increasingly important. The task of this management function is to set rules related to employment and personnel policies. Staffing basically involves matching jobs and individuals. This may require a number of functions like manpower planning, recruitment, selection, training and development, performance appraisal, promotion transfer, etc. The responsibility for staffing rests on all managers at all levels of the organization. It increases as one goes up in the organizational hierarchy. In order to facilitate the effective performance of staffing function, personnel department is created in large organizations.

3. Directing

Direction is an important managerial function through which

management initiates actions in the organization. It is a function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organization objectives. It is a function to be performed at every level of management. Direction is a continuous process and it continues throughout the life of the organization. It initiates at the top level in the organization and follows to the bottom through the hierarchy. It emphasizes that a subordinate is to be directed by his own superior only. Direction has dual objectives. On the one hand, it aims in getting things done by subordinates and, on the other, to provide superiors opportunities for some more important work which their subordinates cannot do.

4. Controlling

Control is any process that guides activity towards some pre-determined goals. It can be applied in any field such as price control, distribution control, pollution control etc. It is an element of management process and is defined as the process of analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Control process tries to find out deviations between planned performance and actual performance and to suggest corrective actions wherever these are needed. Controlling is a forward looking function as one can control the future happenings and not the past. Every manager has to perform the control function in the organization. It is a continuous process and control system is a co-ordinate integrated system.

Performance of various managerial functions in an integrated way ensures fair degree of co-ordination among individuals and departments. Co-ordination is related with the synchronization of efforts which have amount, time and direction attributes. Co-ordination is thus treated as the essence of management.

MANAGEMENT AND ADMINISTRATION

Simply put, management can be understood as the skill of getting the work done from others. It is not exactly same as administration, which alludes to a process of effectively administering the entire organization. The most important point

that differs management from the administration is that the former is concerned with directing or guiding the operations of the organization, whereas the latter stresses on laying down the policies and establishing the objectives of the organization. Broadly speaking, management takes into account the directing and controlling functions of the organization, whereas administration is related to planning and organizing function.

Basis for Comparison Management Administration

Meaning An organized way of managing people and things of a business organization is called the Management. The process of administering an organization by a group of people is known as the Administration.

Basis for Comparison	Management	Administration
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle & Lower Level	Top level
Role	Executive Concerned with Policy Implementation	Decisive Policy Formulation
Area of operation	It works under administration.	It has full control over the activities of the organization.
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And How will it	What should be done? And When is be done?

	should be done?	
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Focus on	Managing work	Making best possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.
Function	Executive and Governing	Legislative and Determinative

A clear distinction may be made between administration and management in the following way:

1. Administration is concerned with policy making, whereas management with policy implementation.
2. Functions of administration are legislative and largely determinative, while that of the management are executive and governing.
3. Broadly speaking, administration is concerned with planning and organizing, but motivating and controlling functions are involved in management.
4. Board of directors of any company is normally concerned with administration, whereas personnel below that level are in charge of management

Management By Objectives (MBO)

MBO is both a philosophy and approach of management. It is a process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates, assess the contribution of each individual, and integrate individuals with the organization so as to make the best use of organizational resources. Thus MBO is a system for integrating managerial activities.

According to Koontz and O' Donnell, "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organizational objectives"

Features of MBO

The following are the important features of MBO

1. MBO is an approach and philosophy to management and not merely a technique.
2. MBO gives emphasis on objectives.
3. MBO is concerned with the participation of concerned managers in objective setting and performance reviews.
4. MBO reviews performance periodically.
5. Objectives in MBO provide guidelines for appropriate systems and procedures. MBO establishes a community of interest and a shared sense of vision among all the managers.

Process of MBO

The following are the stages involved in the MBO process

1. Setting of organizational objectives

The first step in MBO is the definition of organizational objectives and purpose. Usually the objective setting starts at the top level of organization and moves downward to the lowest managerial levels. The setting objective includes defining the purpose of organization, long range and short range organizational objectives, divisional or departmental objective and individual manager's objectives.

2. Identification of Key Result Areas

Organizational objectives provide the basis for the identification of Key Result Areas (KRAs). KRAs are derived from the expectations of various stakeholders and they indicate the priorities for organizational performance such as profitability, market standing, innovation, productivity, social responsibility etc.

3. Setting subordinates' objectives

The achievement of organizational goals is only possible through individuals. So each individual manager must know in

advance what he is expected to attain. Every manager in the managerial hierarchy is both superior and subordinate (except the managers at top and bottom level). The process of objective setting begins with superior's proposed recommendations for his subordinate's objectives. In turn, the subordinate state his own objectives as perceived by him. Thereafter the final objectives for the subordinates are set by the mutual negotiation between superiors and subordinates.

4. Matching resources with objectives

Resource availability is an important aspect of objective setting because it is the proper application of resources which ensures objective achievement. So there should be a matching between objectives and resources.

5. Appraisal

Appraisal tries to measure whether subordinate is achieving his objective or not. Appraisal is undertaken as an on-going process with a view to find out deficiency in the working and also to remove it promptly in order to attain the objectives of organization.

6. Recycling

Though appraisal is the last aspect of MBO process, it is used as an input for recycling objectives and other actions. Recycling process include setting of objectives at various levels, action planning on the basis of those objectives and performance review. Each of these three aspects gives base for others. This process goes on a continuous basis.

Benefits of MBO

The benefits of MBO can be seen as follows

1. MBO helps in better managing the organisational resources and activities.
2. Since organizational objectives are defined very clearly in MBO, they help in relating the organization with its environment.
3. MBO provides greatest opportunity for personnel satisfaction because of their participation in objective setting and

rational performance appraisal.

4. MBO stimulates organisational change and provides a framework and guidelines for organizational change.

Problems and Limitations of MBO

Each organization is likely to encounter specific problems in MBO practice but some of the common problems are as follows

1. MBO is a time consuming and costly process
2. Manager's failure to teach MBO philosophy
3. Problems in objective setting
4. more emphasis on short term objectives
5. Danger of inflexibility in the organization in a dynamic environment
6. MBO creates frustration among managers

In spite of these obstacles and problems in MBO, it continues to be a way of managing organization.

MANAGEMENT BY EXCEPTION

Management by Exception is an employee empowerment and management style, policy or philosophy wherein managers intervene only when their employees fail to meet their performance standards or when things go wrong. The idea behind it is that management's attention will be focused only on those areas in need of action. If the personnel are performing as expected, the manager will take no action. MBE normally involves substantial delegation by the manager to his team.

The MBE is similar to the vital signs monitoring systems in hospital critical care units (ICUs). When one of the patient's vital signs goes outside the range programmed into the machine, an alarm sounds and staff runs to the rescue. If the machine is quiet, it's assumed that the patient is stable, and they will receive only regular staff attention. Management by Exception (MBE) is a "policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results". The concept of MBE was propounded by: Frederick Winslow Taylor.

Attention and priority is given only to material deviations requiring investigation and correction. It is a part of motivational and control techniques. Its objective is to facilitate management focus on really important tactical and strategic tasks.

Significance of MBE:

- Proper and timely decision making and appropriate flow of action and employees' activities.
- Better utilization of managers' time by bringing to their attention only those conditions that appear to need managerial action.
- Easy identification of discrepancies.
- Benefit to customers since MBE makes it easier for the business to grow and improve its service rather than use valuable resources on routine tasks.

Types of Exceptions: There are two types of exceptions which are identified and managed through MBE: Problems Below Opportunities Above standard performance and results. and results. Need to be strategized and Need to be identified and solved in time. tapped.

Process of MBE:

1. Identifying and specifying Key Result Areas (K.R.A.s)
2. Setting standards and outlining permissible deviations, especially for K.R.A.'s

Comparing actual results with the standards

3. Computing and analyzing deviations
4. Identifying non - permissible, that is, critical deviations in K.R.A.s
5. Strategizing and taking corrective actions

MANAGEMENT BY MOTIVATION

Motivation in management describes ways in which managers promote productivity in their employees.

The definition of Motivation

Often, people confuse the idea of 'happy' employees with 'motivated' employees. These may be related, but motivation

actually describes the level of desire employees feel to perform, regardless of the level of happiness. Employees who are adequately motivated to perform will be more productive, more engaged and feel more invested in their work. When employees feel these things, it helps them, and thereby their managers, be more successful. It is a manager's job to motivate employees to do their jobs well. So how do managers do this? The answer is motivation in management, the process through which managers encourage employees to be productive and effective.

Methods for motivating employees

The following methods are used by management to motivate employees

- I. Management use rewards and incentives to motivate them. Rewards are of two forms, they are intrinsic and extrinsic. Intrinsic rewards are derived from within the individual. Extrinsic rewards pertain to rewards that are given by another person.
Incentive is an act or promise for greater action, which is given in addition to wages to an employee in recognition of achievement or better work.
 1. Monetary incentives ; Providing reward in terms of rupees.
 2. Non monetary incentives ; the incentives which cannot be measured in terms of money.
 - Job security
 - Praise or recognition
 - Promotion opportunities
 - Suggestions scheme
 - Challenging jobs
 3. Using spot awards. Its given to employees as soon as the praise worthy performance is observed.

MANAGEMENT BY PARTICIPATION

It is one of the motivational techniques aimed at activating and engaging employees, and at the same time meeting their higher order needs. Employee is incorporated into the management

process and has an influence on the decision making process. Employee participation can also have financial dimension. Depending on the adopted criterion we can distinguish following types of participation: formal, informal, direct, indirect, active and passive. In theory the management there are two kinds of participation models an American and a German. First is characterized by trust and tolerance, domination of managers and less formal contacts. In the German model important role is played by co-decision, negotiation and legal regulations.

Workers' participation in management is an essential ingredient of Industrial democracy. The concept of workers' participation in management is based on Human Relations approach to Management which brought about a new set of values to labour and management. Traditionally the concept of Workers' Participation in Management (WPM) refers to participation of non- managerial employees in the decision-making process of the organization. Workers' participation is also known as 'labour participation' or 'employee participation' in management. In Germany it is known as co-determination while in Yugoslavia it is known as self-management. The International Labour Organization has been encouraging member nations to promote the scheme of Workers' Participation in Management.

According to Keith Davis, Participation refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share the responsibility of achievement.

According to Walpole, Participation in Management gives the worker a sense of importance, pride and accomplishment; it gives him the freedom of opportunity for self-expression; a feeling of belongingness with the place of work and a sense of workmanship and creativity.

Forms of Participation

Different forms of participation are discussed below:

- **Collective Bargaining:** Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements

are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counter threats like; strikes, lockouts and other direct actions.

- **Works Councils:** These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.
- **Joint Management Councils and Committees:** Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.
- **Board Representation:** The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers' representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.
- **Workers Ownership of Enterprise:** Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and workers council. Even in such a system, there exist two distinct managerial and operative functions with different sets

of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

Levels of Participation

Workers' participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation:

1. Information participation: It ensures that employees are able to receive information and express their views pertaining to the matters of general economic importance.
2. Consultative participation: Here works are consulted on the matters of employee welfare such as work, safety and health. However, final decision always rests at the option of management and employees' views are only of advisory nature.
3. Associative participation: It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decisions of employees.
4. Administrative participation: It ensure greater share of works in discharge of managerial functions. Here, decision already taken by the management come to employees, preferably with alternatives for administration and employees have to select the best from those for implementation.
5. Decisive participation: Highest level of participation where decisions are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

Performance Management

Performance management (PM) includes activities that ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the

performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas.

This is used most often in the workplace, can apply wherever people interact— schools, churches, community meetings, sports teams, health setting, governmental agencies, and even political settings - anywhere in the world people interact with their environments to produce desired effects.

Armstrong and Baron defined Performance Management as a “strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.”

It may be possible to get all employees to reconcile personal goals with organizational goals and increase productivity and profitability of an organization using this process. It can be applied by organisations or a single department or section inside an organisation, as well as an individual person. The performance process is appropriately named the self-propelled performance process (SPPP)

Advantages of performance management

1. Performance based conversations

Managers get busy with day-to-day responsibilities and often neglect the necessary interactions with staff that provide the opportunity to coach and offer performance feedback. A performance management process forces managers to discuss performance issues. It is this consistent coaching that affects changed behaviours.

2. Targeted Staff Development

If done well, a good performance management system can be a positive way to identify developmental opportunities and can be an important part of a succession planning process.

3. Encouragement to staff

Performance Appraisals should be a celebration of all the wonderful things an employee does over the course of a year

and should be an encouragement to staff. There should be no surprises if issues are addressed as they arise and not held until the annual review.

4. Rewards staff for a job well done

If pay increases and/or bonuses are tied to the performance appraisal, process staff can see a direct correlation between performance and financial rewards.

5. Underperformers identified and eliminated

As hard as we try, it is inevitable that some employees just won't "cut the mustard" as they say. An effective performance management process can help identify and document underperformers, allowing for a smooth transition if the relationship needs to be terminated.

6. Documented history of employee performance

It is very important that all organizations keep a performance record on all employees. This is a document that should be kept in the employee's HR file.

7. Allows for employee growth

Motivated employees value structure, development and a plan for growth. An effective performance management system can help an employee reach their full potential and this is positive for both the employee and manager. A good manager takes pride in watching an employee grow and develop professionally.

Disadvantages of Performance Management

1. Time Consuming

It is recommended that a manager spend about an hour per employee writing performance appraisals and depending on the number of people being evaluated, it can take hours to write the department's performance appraisal but also hours meeting with staff to review the performance appraisal.

2. Discouragement

If the process is not a pleasant experience, it has the potential to discourage staff. The process needs to be one of encouragement, positive reinforcement and a celebration of a

year's worth of accomplishments. It is critical that managers document not only issues that need to be corrected, but also the positive things an employee does throughout the course of a year, and both should be discussed during a performance appraisal.

3. Inconsistent Message

If a manager does not keep notes and accurate records of employee behaviour, they may not be successful in sending a consistent message to the employee. We all struggle with memory with as busy as we all are so it is critical to document issues (both positive and negative) when it is fresh in our minds.

4. Biases

It is difficult to keep biases out of the performance management process and it takes a very structured, objective process and a mature manager to remain unbiased through the process.

Fill in the blanks

1. _____ is regarded as one of the major contribution made by Peter F. Drucker to the management discipline
2. _____ is the world's most sought after business guru and strategist
3. _____ are the series of experiments that studies the relationship of productivity and work conditions.
4. The management principle which says that the authority and responsibility flows.....
5. _____ Principles says that there should always exist one head and one plan for group of activities having the same objectives.
6. The concept of job enrichment is a contribution and offspring of _____

Answer

1. MBO
2. Michael Porter
3. The Hawthorne studies
4. Scalar chain

5. Unity of direction
6. Herzberg
 1. According to ————— approach, management is a logical process and it can be expressed in terms of mathematical symbols and relationship
 - a. Empirical
 - b. Management science**
 - c. Contingency
 - d. Operational
 2. approach of management heavily concentrates on people aspect of management
 - a. Human relations
 - b. System
 - c. Empirical**
 - d. Management science
 3. ————— is the art of knowing exactly what you want men to do and then seeing that how they do it in the best and cheapest way.
 - a. General management**
 - b. Scientific management
 - c. Administration
 - d. None
 4. ————— is introduced to secure the benefits of division of labour or specialization at the supervising level under scientific management.
 - a. Operating management
 - b. Functional foremanship
 - c. Either a or b**
 - d. None
 5. ————— helps to determine a fair days work and rest period to complete it
 - a. Work study**
 - b. Time study

- c. Motion study
 - d. All of these
6. The main objective of _____ study is to determine and eliminate unnecessary and wasteful movement
- a. **Work study**
 - b. Time study
 - c. Motion study
 - d. All of these
7. The author of the famous book “General and industrial management” is
- a. Henry fayol
 - b. **Fw taylor**
 - c. Henry gantt
8. According to fayol, the principles of management are _____
- a. Rigid
 - b. Flexible
 - c. A or B
 - d. **None**
9. _____ comprehensive managerial system that integrates many key management activities in a systematic manner, consciously directed toward the effective and efficient achievement of organizational objectives.
- a. MBE
 - b. **MBO**
 - c. WPM
 - d. Kaizen
10. Encourages the involvement of stakeholders at all levels of an organization in the analysis of problems, development of strategies, and implementation of solutions
- a. **MBE**
 - b. WPM
 - c. MBO
 - d. **KAIZEN**

Short answer type questions

1. Define management
2. What does profession mean
3. Name three functional areas of management
4. What does financial management mean
5. What does personal management mean
6. Define administration
7. What is scalar chain
8. What is motion study

Essay question

1. Management is a trinity of art, science and profession.
Discuss
2. Discuss the concept “management as science”
3. Briefly he evolution of management thought

1. MODULE II

FUNCTIONS OF MANAGEMENT

The management process involves performance of certain fundamental functions. One useful classification of managerial function has been given by Luther Gulick, who abbreviating them using the word POSDCORB – Planning, Organizing, Staffing, Directing, Co-ordinating, Reporting and Budgeting. George R Terry has mentioned four fundamental functions of management, Planning, Organizing, Actuating and Controlling. In short, different scholars in the field of management have their own classification of functions of management. Some scholars add few functions and delete some other functions. The Important functions of management are discussed below: -

PLANNING

Meaning

Planning is the most crucial and foremost function of management. It is defined as the process of setting goals and choosing the means to achieve those goals. A sound planning is imperative for the successful achievement of the goals in the desired direction. It is rightly said “well plan is half done”. It involves setting of objectives and goals, designing appropriate strategy and course of action, and framing plans and procedure etc for execution of the proposed activities under the project.

Definitions

According to George R Terry, “Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.”

According to Henry Fayol, “Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined goals.”

Generally speaking, planning is deciding in advance what is

to be done, that is, a plan is a projected course of action.

Features of Planning

1. Planning is looking in to the future
2. It involves predetermined lines of action
3. Planning is a continuous process
4. Planning integrates various activities of an organization
5. Planning is done for a specific period
6. It discovers the best alternatives out of available alternatives
7. Planning is a mental activity
8. Planning is required at all levels of Management
9. It is the primary functions of Management]
10. Growth and prosperity of any organization is depends upon planning

Objectives of Planning

Planning in organization serve to realize the following objectives:

1. To reduces uncertainty
2. To bring co-operation and co-ordination in the organisation
3. To bring economy in operations
4. Helps to anticipate unpredictable contingencies
5. To achieve the pre determined goals
6. To reduce competition.

Advantages of Planning

Planning helps the organization to achieve its objectives easily. Some of the advantages of planning are given below:

1. It helps the better utilization of resources
2. It helps in achieving the objectives
3. It helps in achieving economy in operations
4. It minimizes future uncertainties
5. It improves competitive strength
6. It helps effective control

7. It helps to give motivation to the employees
8. It develop rationality among management executives
9. It reduces red tapism
10. It encourages innovative thought
11. It improves the ability to cope with changes.
12. It create forward looking attitude in Management
13. It helps in delegation of authority
14. It provide basis for control

Planning premises

The process of planning is based upon estimates and predictions of the future. Though past guides the plans in present, plans achieve the goals in the future. Therefore, the forecast of future events leads to efficient plans. Since future events are not known accurately, the **assumption** is made about these events.

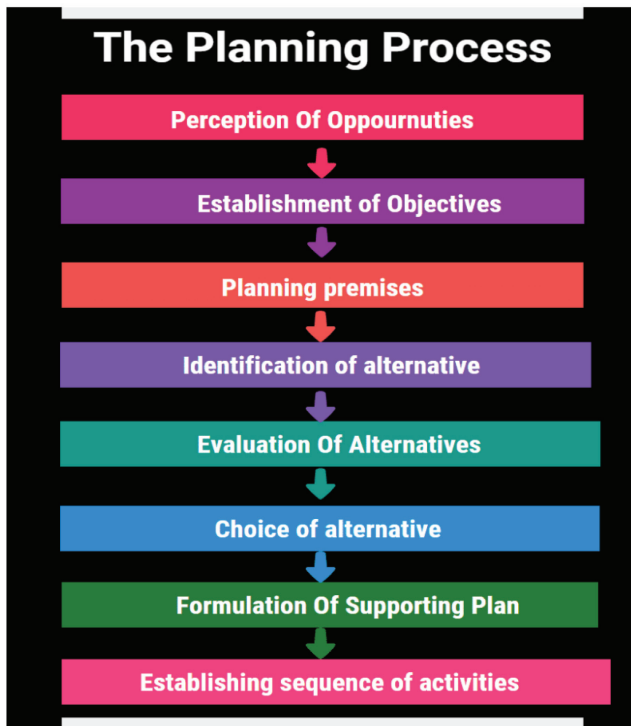
These events may be known conditions (even changes in the tax laws as announced in the **budget**) or anticipated events which may or may not happen (entry of a competitor in the same market with the same product).

Though these assumptions are primarily based on scientific analysis and models, managers also use their intuition and **judgment** to make assumptions about future events. By identifying the factors (assumptions) that affect plans is called premising and the methods used for making premises are called forecasting.

The done forecast or the assumptions about the future which provide a base for planning in present are known as planning premises. This is the expectation or forecasts made for achieving the goals.

Planning Process

It is not necessary that a particular planning process is applicable for all organization and for all types of plans because the various factors that go into planning process may differ from plan to plan or from one organization to another. This can be presented by using the following diagram.



Perception of Opportunities:- It is the beginning of planning process. This Provides an opportunity to set the objectives in real sense. It helps to take the advantage of opportunities and avoid threats. Once the opportunities are perceived, the other steps of planning are undertaken.

1. **Establishing the objectives:-** This stage deals with the setting of major organisational and unit objectives. The organizational objectives should be specified in all key areas. Once organizational objectives are identified, objectives of lower units can be identified in that context.
2. **Establishing planning premises:-** It means deciding the condition under which planning activities will be undertaken.

Planning premises may be external or internal. The nature of planning premises differs at different levels of planning.

3. **Identification of alternatives:-** This point says that a particular objectives can be achieved through various actions. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce the number of alternatives.
4. **Evaluation of alternatives: -** Various alternatives which are considered feasible may be taken for detailed evaluation. It is evaluated on the basis of contribution of each alternative towards the organizational objectives in the light of its resources and constraints.
5. **Selection of alternatives: -** After the evaluation, the most fit one is selected. At the same time a planner must be ready with alternatives, normally known as contingency plans, which can be implemented in changed situation.
6. **Developing supporting plans: -** After formulating the basic plan, various plans are devised to support the main plan. These plans are known as derivative plans.
7. **Establishing activities:sequence of -** After formulating basic and derivative plans, the sequence of activities is determined, so that plans are put in to action.
8. **Devising a mechanism of Project monitoring and Evaluation.**

Types of Plans

A manager is required to develop a number of plans to achieve the organizational objectives. Three major types of plans can help managers to achieve their organizational goals.

1. Operational Plans
2. Tactical Plans
3. Strategic Plans

1. **Operational Plans:** It is one that a manager uses to accomplish his or her job responsibilities. In other words, it is the plan used to achieve operational goals. Operational

goals are the specific result expected from the departments, work groups and individuals. Operational plans may be single use plans or ongoing plans.

- a. **Single use plans:** It is applied to those activities which do not recur or repeat. A special sales programme is an example of single use plan, because , it deals with the who, what, where, how and how much of an activity. It includes:
 - (i) **Budget:** It is a statement of expected results expressed in quantitative terms for a definite period of time. It is prepared keeping in view the objectives , resources and of the enterprise. It is a useful control device and helpful in co-ordinating the activities. It predicts sources and amounts of income and how much they are used for a specific project.
 - (ii) **Programme:** It is a sequence of activities to be undertaken for implementing the policies and achieving the objectives of an organization. It tells what is to be done to achieve the goals.
- b. **Continuing or ongoing plans:** These are usually made once and retain their

value over a period of years while undergoing periodic revision and updates. The following plans are included in this category.

(i) **Policy:** It provides broad guidelines for managers to follow when dealing with important areas of decision making. It is basically a general statement that explains how a manager should attempt to handle routine management responsibilities. They are standing answers to recurring questions.

(ii) **Procedures:** A procedure is a set of step by step direction that explains how activities or task are to be carried out. An established procedure ensures uniformity of action. Most organization has procedures for purchasing supplies and equipments. By defining steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

(iii) Rules: It is an explicit statement that tells an employee, what he or she can and cannot do. Rules are definite and rigid. Rules are “do” and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behaviour of employees. For eg. Rules about absenteeism permit supervisors to make discipline decision rapidly and with a high degree of fairness.

2. **Tactical Plans:** These are plans which usually span one year or less. It is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.
3. **Strategic Plan:** It is an outline of steps designed with the goals of the entire organization in mind, rather than with the goals of specific divisions. It look ahead over the four, five or even more years to move the organization from where it currently to where it wants to be. Top managements strategic plan for the entire organization becomes the frame work and sets dimension for the lower level planning.

Contingency Plan: These plans are used when the original plan proves inadequate because of changing circumstances.

Limitations of Planning

Following are the limitations of Planning

1. **Time consuming:** The management cannot prepare any plan without taking much time . A number of steps are required to complete planning process.
2. **Costly:** It is considered as an expensive process. A lot of money is to be spent for collection, analysis and editing of data.
3. **False sense of security:** The management people think that there is security, if planning is properly adhered. But this is not true in practice.
4. **Technological changes:** The management is not in a position to change its policies according to technological changes. It will affect the planning process.

5. Political climate: A change in the political climate leads to a change in the policy and attitude towards different financial aspects. It will affect the planning process.
6. Lack of reliable data: The success of all the plans are based on the availability of reliable data. It is very difficult to procure reliable data.
7. Initiative: Planning compels everyone to work as per plan. It reduces the scope for initiation from the part of employees and they will become more mechanical.
8. Limitations of forecasts: Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

ORGANISING

Meaning and Definition

The process of organizing involves establishing an intentional structure of roles for the staff at all levels of hierarchy in the organization. It is the function of identifying the required activities, grouping them into jobs, assigning jobs to various position holders, and creating a network of relationship, so that the required functions are performed in a co-ordinated manner, leading to the accomplishment of desired goals.

According to Koonts O Donnel, "Organizing involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments, and the provision of authority delegation and Co-ordination."

According to GR Terry, "Organizing is the establishing of effective behavioural relationship among persons so that they may work together effectively and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives."

Steps in Organizing

The logical sequence of steps in organizing is mentioned below:-

1. Establishing objectives

2. Designing Plans and Policies
3. Identifying specific activities
4. Grouping activities according to available resources
5. Delegating the authority necessary to perform the activities.
6. Tying the groups together through authority relationship and communication.

Functions of Organisation

The following are the important functions of organization

1. **Determination of activities:-** It includes the deciding and division of various activities required to achieve the objectives of the organization. The entire work is divided into various parts and sub parts.
2. **Grouping of activities :-** Here, identical activities are grouped under one department.
3. **Allotment of duties to specified persons:-** For the effective performance, the grouped activities are allotted to specified persons.
4. **Delegation of authority:-** Assignment of duties should be followed by delegation of authority. It is difficult to perform the duties effectively, if there is no authority to do it.
5. **Defining relationship:-** When a group of person is working together for a common goal, it is necessary to define the relationship among them in clear terms.
6. **Co- ordination of various activities:-** The delegated authority and responsibility should be co-ordinated by a responsible person.

Principles of Organisation

The following are the important Principles to be followed by management for the success of an organization.

1. **Principle of definition: -** It says that, it is necessary to define and fix the duties, responsibilities and authority of each work. In addition to that the organizational relationship of each worker with others should be clearly defined.

2. **Principles of Objectives:-** The objectives of different departments should be geared to achieve the main objective of the organization.
3. **Division of work:-** A work should be assigned to a person according to his educational qualifications, experience, skill and interest. It will result in attaining specialization in a particular area.
4. **Principles of continuity:** It is essential that there should be a re operation of objectives, re adjustment of plans and provision of opportunities for the development of future management. This process is taken over by every organization periodically.
5. **Principles of Span of Control:** This principle determines the number of subordinates a superior can effectively manage.
6. **Principles of Exception:** Here, all the routine decisions are taken by the subordinates; senior managers will only deal with exceptional matters. It is known as management by exception.
7. **Principles of flexibility:** The organizational set up should be flexible to adjust to the changing environment of business.
8. **Principles of Unity of Direction:** All departmental goals are tuned to achieve common goal. So there should be co-ordination of all the activities.
9. **Principles of Balance:** There are several units functioning separately under one organizational set up. So, it is essential that the sequence of work should be arranged scientifically.
10. **The scalar principle:** It says that each and every person should know who is his superior and to whom he is answerable.
11. **Principle of efficiency:** The work should be completed with minimum members, in less time, with minimum resources and with the right time.
12. **Delegation of Authority:** Authority should be delegated to the subordinate for the successful completion of assigned job.

13. **Principles of responsibility:** Each person is responsible for the work completed by him. So the responsibility of the subordinates should be clearly defined.
14. **Principles of Uniformity:** The work distribution should be in such a manner that there should be an equal status and equal authority and powers among the same line officers.
15. **Simplicity and Accountability:** The structures of the organization should be simple and the higher authorities are accountable for the acts of their subordinates

Classification of Organization

1. **Formal Organisation:** It is an organizational structure which clearly defines the duties, responsibilities, authority and relationship as prescribed by the top management. It represents the classification of activities within the enterprise, indicate who reports to whom and explains the vertical flow of communications which connects the chief executive to the ordinary workers.
1. **Informal Organisation:** It is an organizational structure which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. The friendship, mutual understanding and confidence are some of the reasons for existing informal organization.

Differences between formal and informal Organisation:

Formal Organisation	Informal Organisation
1. It is created deliberately	1. It is spontaneous.
2. Authority flows from top to bottom	2. Informal authority flows from top to bottom or horizontally.
3. It is created for technological purpose	3. It arises from man's quest for social satisfaction
4. It is permanent and stable	4. There is no such permanent nature and stability
5. It gives importance to terms	5. It gives importance to

- | | |
|--|---|
| of authority and function. | people and their relationship. |
| 6. It arises due to delegation of authority | 6. It arises due to social interaction of people |
| 7. Duties and responsibilities of workers are given in writing | 7. No such written rules and duties. |
| 8. Formal organization may grow to maximum size | 8. Informal organisation tends to remain smaller. |

ORGANISATION STRUCTURE

Organisation is designed on the basis of principles of division of labor and span of management. The success of the organization depends upon the competence and efficiency of the officers. It is necessary to chalk out line of authority among the people working in an organization.

Types of Organizational Structure

A brief explanation of the important types of organizations is given below:-

LINE ORGANISATION

Under Line organization, each department is generally a complete self contained unit. In this type of organization, the line authority flows from top to bottom vertically. It clearly identifies authority, responsibility and accountability at each level, departmental heads are given full freedom to control their department. This type of organization is followed in the army on the same pattern. So, it is also called military organization.

Features of Line organization

1. It consist of vertical direct relationship
2. Authority flows from top to bottom
3. Operations of this system is very easy.
4. It facilitate to know from whom one should get orders and to who one should give orders
5. Existence of direct relationship between superior and subordinates
6. The superior will take decisions within the scope of his authority.

LINE AND STAFF ORGANISATION

In this type of organization Line officers have authority to take decisions and implement them, but the staff officers will assist them while taking decisions. The function of staff officers are only an advising one. They should advise and help line managers to take proper decisions. In the fast developing industrial world, the line officers are not in a position to acquire all the technical knowledge, which are necessary for taking right decisions. That gap may be bridged with the help of staff officers. The staff officers may be experts in a particular field.

Features of Line and Staff Organisation

1. Authority flows from top to bottom
2. Line Officers will takes decisions on the basis of suggestions given by staff officers
3. Staff officers have no power to take decisions and no control over subordinates.
4. The workers get the instructions only from the line officers

Advantages of Line and Staff Organisation:

1. A line officer can take sound decisions on the basis of proper advice from the staff officer.
2. The work load of line officers would be reduced to some extent,
3. It promote the efficient functioning of the line officers
4. The principles of unity of command are followed in the line and staff organization.
5. A very good opportunity is made available to the young person to get training.
6. It facilitates the workers to work faster and better.
7. It enables the organization to effectively utilize the staff officer's experience and advice.

Disadvantages of Line and Staff Organisation

1. If the powers of authority is not clearly defined , it will lead to confusion though out the organization.
2. The line officers may reject the advice from staff officers

without assigning any reason.

3. The staff officers may under estimate the powers of line officers.
4. The staff officers are not involved in the actual implementation of the programme.
5. The staff officers are not responsible if favorable results are not obtained.
6. The difference of opinion between line officers and staff officers will defeat the very purpose of specialization.
7. The line officers may misunderstand the advice given by staff officers.

FUNCTIONAL ORGANISATION

In this type of organizations, specialists are appointed in top position through out the organization. Various activities of the enterprise are classified according to functions and functional heads will give directions related to his functions. Workers, under functional organization, receive instructions from various specialists.

Characteristics of Functional Organisation

1. The work is divided according to specified functions.
2. Authority is given to specialists to give orders and instructions in relation to specific functions.
3. The decision is taken only after making consultations with the functional authority relating to his specialized area.
4. The executives and supervisors discharge the responsibilities of functional authority.

ADVANTAGES OF FUNCTIONAL ORGANISATION

The following points will explain the benefits of functional organization.

1. Benefit of specialization:- In this type of organization, each work is performed by a specialist. It helps to enhance the efficiency of the organization.
2. Reducing work load: Each person is expected to look after

only one type of work. It reduces the unnecessary work allotted to them.

3. **Relief to line executives:** Under functional organization, the instructions are given by the specialists directly to the actual workers. Hence, the line executives do not have any problem regarding the routine work.
4. **Mass production:** Large scale production can be achieved with the help of specialization and standardization.
5. **Flexibility:** Any change in the organization can be introduced without any difficulty.

DEPARTMENTATION

Departmentation refers to grouping of jobs, identified earlier, into work units on some logical basis. Every level in the hierarchy below the apex (the Board of Directors and the EO) is departmentalised and each succeeding lower level involves departmental differentiation. Different systems use different words to denote departmentation. In the military organisation, group, company, and battalion are used; in the government, department, branch, and section are used; and in the private sector department, divisions, sections, cells or projects are used. Departmentation is a part of the organization process. It involves the grouping of common activities on the basis of a function of the organization under a single person's control. Departmentation means the process by which similar activities of the business are grouped into units for the purpose of facilitating smooth administration at all levels.

Definition

Departmentation refers to the classification of activities on operations of an undertaking into functionalized categories. It is created in product wise, process-wise or area wise. It ensures proper direction to and control on them.

Process of Departmentation

1. Identification of work.
2. Analysis of details of each work.

3. Description of the function of the organization.
4. Entrusting the function to a separate person who has specialized in the respective field.
5. Fixing the scope of authority and responsibility of the departmental heads.

Need and Importance of Departmentation

1. It increases the operating efficiency of the employees.
2. It makes the executive to be alert and efficient in his duties.
3. It increases the prestige and skill of the departmental heads.
4. It makes the departmental heads efficient.
5. Further expansion of the organization is possible.
6. It gives advantages like facilitating budget preparation, effective control of expenditure, attaining specialization, better coordination etc.

Methods of Departmentation

The following are the basis of dividing responsibility within an organisation structure:

1. Functional Departmentation.
2. Product wise Departmentation.
3. Territorial or Geographical Departmentation.
4. Customer wise Departmentation.
5. Process or Equipment wise Departmentation.
6. Combined or Composite Form of Departmentation.

1. Functional Departmentation:

It refers to grouping the activities of an enterprise on the basis of functions such as production, sales, purchase, finance, personnel, etc. The actual number of departments in which an enterprise can be divided depends upon the size of establishment and its nature. To begin with, we may have three or four main departments. With the growth in the size of the business, more departments and sub-departments may be created.

2. Product Wise Departmentation:

The grouping of activities on the basis of products is very popular with large organisations having distinct type of products.

Under this method, all activities related to one type of product are put together under one department under the direction of a production manager. An electronic company, for instance, may have different departments dealing in television sets, radios and transistors, computers, agro-dairy instruments, etc.

Product wise departmentation is also known as multi-functional product departmentation, because each product department handles all the functions concerning it.

3. Territorial or Geographical Departmentation:

When several activities of an enterprise are geographically dispersed in different locations, territorial or geographical departmentation may be adopted. All activities relating to a particular area or zone may be grouped together under one zonal manager or head.

4. Customer Wise Departmentation:

A business house may be divided into a number of departments on the basis of customers it serves, viz., large and small customers ; industries and ultimate buyers ; government and other customers. The peculiar advantage of customer wise departmentation is that it ensures full attention to different types of customer and their different needs, tastes and requirements can be read effectively.

5. Process or Equipment Wise Departmentation:

An enterprise where production is carried through different processes may adopt process wise departmentation to enable continuous flow of production. Similarly, where work is carried on machines which are common, departments may be created on the basis of equipment, such as

milling departments, grinding departments, lathe department etc. The main advantage of this method is that it avoids duplication of equipment in various activities.

6. Combined or Composite Method of Departmentation:

In practice, it may not be advisable to create departments on the basis of any one of the above mentioned methods. An enterprise may have to combine two or more of the methods of

departmentation to make best use of all of them. Such a method is known as combined or composite method of departmentation.

DELEGATION OF AUTHORITY AUTHORITY

It is the power to make decisions which guide the actions of others. In other words, it is the power to give orders and make sure that these orders are obeyed. In order to finish the work in time, there is a need to delegate authority and follow the principles of division of labour.

Definitions

According to Koonts and O'Donnell, " Authority is the power of command others to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental purposes."

According to Luis Allen, "It is the sum of powers and rights entered to make possible the performance of the work delegated."

RESPONSIBILITY

It is the obligation to do something. In other words, it is the obligation to perform the tasks, functions, or assignments of the organization. The essence of responsibility is obligation. If a person is entrusted with any work, he should be held responsible for the work that he completes

Definitions

According to Davis, "Responsibility is the obligation of individual to perform the assigned duties to the best of his ability under the direction of his executive leader."

In the words of Theo Haimann, " Responsibility is the obligation of subordinates to perform the duty as required by his superior."

DELEGATION OF AUTHORITY

Delegation is a process which enables a person to assign a work to others with adequate authority to do it. The authority can be delegated but not the responsibility. Delegation of authority is considered to be one of the most important methods of training subordinates and building morals. It is acknowledged that

delegation of authority is one of the surerest and best methods of getting better results.

PRINCIPLES OF DELEGATION

The following are the important principles of delegation.

1. **Delegation to go by results:** The superiors should clearly know what he expects from the subordinates before delegation of authority. It should be noted that the objective of the organization are to be accomplished in time.
2. **Non-delegation of responsibility:** Assigning duties does not mean delegation of responsibilities. A superior can delegate authority but not responsibility.
3. **Parity of authority and responsibility:** Responsibility without authority will make a person an inefficient one. So there should be a proper balance between authority and responsibility.
4. **Unity of command:** A subordinate should be assigned duties and responsibilities only by one superior and he is accountable only to the concerned superior.
5. **Definition of limitation of authority:** There should be a written manual which help a person to understand the authority in right direction.

STEPS IN SUCCESSFUL DELEGATION PROCESS

The following steps will help the successful delegation of authority.

1. **Deciding the goals to be achieved:** The purpose of delegation is to enable efficient accomplishment of organizational objectives. If it is not clearly defined, the subordinate may hesitate to accept the authority.
2. **Establishment of definite responsibility:** The authority and responsibility of each subordinate should be clear in terms. It helps to avoid duplication of authority.
3. **Determining what to delegate:** This will necessitate the evaluation of the capacity of the individual and needs of the organization.

4. **Training:** Subordinate should be properly trained in handling delegated work.
5. **Control system:** There should be a suitable control system to keep a careful watch over the performance of the subordinates.

TYPES OF DELEGATION

A brief explanation of the different types of delegation is given below:

1. **General delegation:** It means granting authority to the subordinate to perform various managerial functions and exercise control over them.
2. **Specific delegation:** Here, orders or instructions are delegated to a particular person specifically.
3. **Written delegation:** When authority is delegated in written words it is known as written delegation.
4. **Unwritten delegation:** If authority is delegated on the basis of custom or usage etc, it is known as unwritten delegation.
5. **Formal delegation:** If duties and authority are shown in the organizational structure of the enterprise, then it is called formal delegation.
6. **Informal delegation:** If a person exercising authority without getting it from the top management in order to perform his assigned duties, it is a case of informal delegation.
7. **Downward delegation:** It is a case where the superior delegate duties and authority to his immediate sub ordinate.
8. **Sideward delegation:** A person delegate authority to another person who is also in the same rank as he is in the organization.

CENTRALISATION AND DECENTRALISATION

Centralization: It means concentration of decision making authority at the top level management. All the decision are taken by the top management without delegating to the subordinate. As far as a big organization is concerned, it is not possible to run

the organization for long period without delegating the authority.

Decentralization: In decentralization, each section has its own workers to perform activities within the department. According to Allen, "Decentralisation refers to the systematic efforts to delegate to the lowest levels all authority except that which can only be exercised at central point."

Advantages of Decentralization

1. It saves the time of top executive and give relief to the top executive
2. Decentralisation gives the subordinates the freedom to act and make some decisions. It gives him a feeling of status and recognition.
3. It helps to coordinate the activities of the organization in a better way.
4. It helps to take prompt and quick action at the earliest.
5. It is a best devise to develop future business executives

Disadvantages of Decentralisation

1. It is suitable only to a big business enterprise.
2. It creates problem of co-ordination among various levels
3. There is a chance to miss the uniformity in policies and procedures.

SPAN OF CONTROL

Span of management or Span of control means the number of people managed efficiently by a single officer in an organization. It is an accepted truth that large number of subordinates cannot be supervised and their efforts coordinated effectively by a single executive. Only limited numbers of persons are allocated to the executive for dividing the work. The limit of number of members for span of control may be increased or decreased according to the levels of management.

According to Urwick, the ideal number of subordinates is four in case of higher level management and eight to twelve in case of lower level management.



Factors affecting the span of Control

The following are some of the factors which influence the span of control.

1. **Nature of work:** If the works are repetitive in nature, the supervisor can control a large number of subordinates and vice versa.
2. **Leadership qualities of the supervisor:** If the supervisor has more skill and capacity to control the subordinates, the span of management may be increase and vice-versa.
3. **Capacity of the subordinates:** If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates.
4. **Delegation of authority:** If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased.
5. **Level of supervision:** Depending up on the requirement of supervision needed, the span of control may vary. In other words degree of span of control can be increased at bottom level and decreased at top level.
6. **Fixation of responsibility:** In case the responsibility of subordinate is clearly defined, then the superior can supervise large number of subordinates.
7. **Communication methods:** The methods used for communication is very important. If new and modern techniques are used, then lesser time is required to control

and vice-versa.

8. **Using of standards:** If standards are used to detect the errors, then the executives can control more number of subordinates.

STAFFING

Staffing may be defined as a process of recruiting and equipping the people to handle various positions and perform assigned tasks in line with the structure and the overall goals of the organisation. It is the managerial function which involves managing the organisation structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

In the words of Benjamin, “It is the process involved in identifying, assessing, placing, evaluating, and directing individuals at work place.”

Staffing Function

Staffing function involves Man power planning, Recruitment, Selection, Training and Development and Performance Appraisal.

MAN POWER PLANNING

Meaning and Definition

Planning of man power resources is a major managerial Responsibility to ensure adequate supply of personnel at the right time both in terms of their quality, quantity and aptitude Man power planning, which is also called HR Planning consists of putting right number of people at the right place, right time doing the right things for which they are suited for the achievement of goals of the Organisation.

Man power planning is carried out in a set of procedures. The procedure is as follows:

- a. Analyse the current man power inventory
- b. Marketing future man power forecasts
- c. Developing employment programme
- d. Design training programme.

RECRUITMENT AND SELECTION

Recruitment is the process of finding the apt candidate and inducing them to apply for the job in an organisation. The success of any recruitment depends upon the procedure followed by the company while recruiting the members.

Definition

According to McFarland, “The term recruitment applies to the process of attracting potential employees of the company.”

In the words of Edwin B Flippo, “It is the process of searching for prospective employees and stimulating them to apply for the job in the organisation.”

Sources of Recruitment

Sources of recruitment may be external or internal.

External sources: - It includes

- a. Advertisement
 - b. Employment agencies
 - i. Public Employment Exchanges
 - ii. Pvt. Employment agencies
 - c. Campus recruitment
 - d. Deputation
 - e. Employee recommendations
 - f. Labour unions
 - g. Gate Hiring
 - h. Unsolicited applications
 - i. Jobbers and Contractors
 - j. Walk in interviews
- Internal Sources: It includes
1. Transfers
 2. Promotion and Demotion

SELECTION

It is the process adopted by an organisation to select adequate number of persons who are fit for the job. Selection procedure starts with the end of recruitment. Since it is a process of rejecting the application of a candidate who is not suitable for the job, selection is described as negative process.

TRAINING

It refers to a Programme that facilitates an employee to perform the job effectively through acquiring increased knowledge and skills.

According to Edwin B Flippo,” Training is the act of increasing the knowledge and skills of an employee for doing a particular job.”

Types of Training

The training may be of

- I. On the Job Training
- II. Off the Job Training

I. On the Job Training: It refers to the learning while actually performing a particular work or job. This type of training is more suitable to every type of employees. It includes:

- a. On specific job training
- b. Rotation of position /job rotation
- c. Special projects
- d. Apprenticeship training

II. Off the Job Training: Under this method, a trainee is removed from his normal working place and spends his full time for training purpose in any other place. It includes:

- a. Special course and lectures
- b. Conference
- c. Case study
- d. Roleplaying
- e. Management games etc

DIRECTION

Directing is the process of integrating the people within the organisation so as to obtain their willing co-operation towards meeting the pre determined goals.

According to Theo Haimann,” Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are

carried on as originally planned.”

Principles of Direction:

The following are the basic principles of directing:

1. **Integration of individual and organizational goals:** This implies that the individuals contribute to the organizational goals to their maximum capabilities and at the same time satisfy their personal needs.
2. **Participative decision making:** Effective direction can be achieved by involving individuals and groups in decision making process.
3. **Delegation of Authority:** The subordinates should be delegated with adequate authority in order to facilitate decision making.
4. **Effective communication:** The managers should ensure free flow of communication at all levels of organizational hierarchy.
5. **Right type of leadership:** The management should develop leadership quality among the employees.
6. **Unity of Command:** This principle states that the subordinates should get directives from one superior only and should be accountable to one superior only.
7. **Appropriateness of direction techniques:** The direction techniques selected should be according to the situation.
8. **Follow up:** The management should see that whether the direction issued by them is carried out or not.

In simple words, direction can be described as providing guidance to workers for doing work.

Techniques of Direction

There are mainly three techniques are used for direction:

1. **Consultative direction:** Under this method, the supervisor has consultation with his subordinates before issuing a direction. The consultation is made to find out the feasibility, enforceability and nature of problem.
2. **Free rein direction:** Under these techniques, the subordinate is encouraged to solve the problem independently. The subordinate should take initiative to solve the problem

3. Autocratic direction: It is opposite to free rein direction. The supervisor commands his subordinates and has close supervision over them.

MOTIVATION

Motivation is the process of channelling a person's inner drives so that he wants to accomplish the goals of the organization. Motivation concerns itself with the will to work. It seeks to know the incentives for the work and tries to find out the ways and means whereby their realization can be helped and encouraged.

Motivation is a Latin word which means to move. Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways.

According to Louis Allen, "motivation is the work of a manager performs to inspire, encourage and impel people to take required action"

In the words of William G Scott, "motivation means a process of stimulating people to action to accomplish desired goals"

Thus motivation is a process by which a need or desire is aroused and a psychological force within our mind sets us in motion to fulfill our needs and desires. An unsatisfied need becomes the motive for a person to spend his energy in order to achieve a goal.

Characteristics of Motivation

The following are the important characteristics and nature of motivation

1. Motivation is an internal feeling – Motivation is a psychological phenomenon which is a force within an individual that drives him to behave in a certain way.
2. Motivation produces goal-directed behaviour – An individual's behaviour is directed towards a goal.
3. Motivation is related to needs – Needs are deficiencies which are created whenever there is a physiological or

psychological imbalance.

4. Motivation can be positive or negative – Positive or incentive motivation is generally based on rewards. Negative or fear motivation is based on force and fear.
5. Motivation is a continuous process – Satisfaction of human needs is a never ending process. It is a continuous process. So motivation is also a continuous process.
6. Motivation is dynamic – Needs of a person today may be different from needs of tomorrow. So motivation is highly dynamic.

Importance and benefits of Motivation

Motivation is an effective device in the hands of a manager for inspiring the work force and creating confidence in it. By motivating the work force, management can achieve the organizational goals. The various benefits of motivation are

1. A manager directs or guides the workers' actions in the desired direction for accomplishing the goals of the organization by motivating the workers.
2. Workers will try to be efficient as possible by improving upon their skills and knowledge so that they are able to contribute to the progress of the organization.
3. Ability to work and willingness to work are necessary for performing any task. These two things can be created only by motivation.
4. Motivation contributes to good industrial relations in the organization.
5. Motivation is the best remedy for resistance to changes. If the workers of an organization are motivated, they will accept any change whole-heartily for the organizational benefits.
6. Motivation facilitates the maximum utilization of all the factors of production and thereby contributes to higher production.
7. Motivation promotes a sense of belonging among the workers.
8. Motivation leads to lower turnover and absenteeism because

a satisfied employee will not leave the organization.

Theories of Motivation

There are many internal and external variables that affect the motivation to work. Behavioural scientists started to search new facts and techniques for motivation. These are called as motivation theories. The most important theories are

1. McGregor's Theory X and Theory Y
2. Herzberg's Two Factor Theory
3. Maslow's Need Hierarchy Theory
4. McClelland's Achievement Theory

McGregor's Theory X and Theory Y

The style adopted by a manager in managing his subordinates is basically dependent upon his assumption about human behaviour. Theory X is negative, traditional and autocratic style while theory Y is positive, participatory and democratic. Thus these two theories are contrasting set of assumptions about human behaviour.

Theory X – This is the traditional theory of human behaviour which makes the following assumptions

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. He lacks ambition, dislikes responsibility and prefers to be directed.
3. He is inherently self-centered, indifferent to organizational needs.
4. He is by nature resistant to change.
5. Working method of the people is generally traditional and hence there is little scope for the development and research.
6. People would be passive without active intervention by management. Hence they must be persuaded, rewarded, punished and properly directed.
7. He is gullible, not very bright.

Theory Y – As a result of many psychological and social researches McGregor developed an opposing theory- theory Y.

according to McGregor, Theory Y is based on the following assumptions

1. Work is natural as play or rest, provided the conditions are favorable. The average human being does not inherently dislike work.
2. External control; and the thrust of punishment are not the only means for bringing about efforts towards organizational objectives. Man will exercise self direction and self control in the service of objectives to which he is controlled.
3. Commitment to objectives is a result of the rewards associated with their achievement.
4. The average humans being, under proper conditions learn not only to accept responsibility but also to seek it.
5. He has capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems in widely, not narrowly distributed in the population.
6. Under conditions of modern industrial life the intellectual potentialities of people are only partially utilized.

Difference between theory X and theory Y

Theory X

Theory Y

- | | |
|---|--|
| 1 Theory X assumes human beings inherently dislike work and are dissatisfied with work. | Theory Y assumes that work is as natural as play or rest |
| 2 Theory X emphasizes that people do not have ambition and they shrink responsibility. | Theory Y assumes just reverse. Given proper conditions, people have ambitions and accept responsibility. |
| 3 Theory X assumes that people in general have little capacity for creativity. | According to Theory Y, the creativity is widely distributed in the population. |

4 According to Theory X, people lack self motivation and require be externally controlling and closely supervising in order to get maximum output.	In Theory Y people are self directed and creative and prefer self control.
5 Theory X emphasizes upon centralization of authority in decision making process	Theory Y emphasizes the decentralization and greater participation in decision making process.

Herzberg's Two Factor Theory (Motivation – Hygiene Theory)

The motivation – hygiene theory was proposed by Fredrick Herzberg, a well known psychologist, in 1959. According to Herzberg, there are two separate factors that influence motivation. They are

(i) hygiene or maintenance factors and (ii) motivational factors.

Hygiene Factors – They are also called as dissatisfiers. The presence of these factors will not motivate people in an organization. Otherwise dissatisfaction will arise. Herzberg called these factors as maintenance factors because they are necessary to maintain a reasonable level of satisfaction in the employees. Any increase beyond this level will not provide any satisfaction to the employees; however, any cut below this level will dissatisfy them.

Motivation Factors – These factors are satisfiers. These are a set of job conditions which operate primarily to build strong motivational factors. According to Herzberg, the six motivational factors motivate the employees are achievement, recognition, advancement, challenging work, possibilities for growth and responsibility.

However, Herzberg model is not applied in all conditions. The classification as maintenance and motivating factors can only be made on the basis of level of persons' need satisfaction and relative strength of various needs.

Maslow's Need Hierarchy Theory

Abraham Harold Maslow, an eminent US psychologist, gave a general theory of motivation known as Need Hierarchy Theory in 1943. According to him, there seems to be a hierarchy into which human needs are arranged. The needs are as follows

1. **Physiological Needs** – these needs are related to the survival and maintenance of life. These include hunger, thirst, shelter, sex and other bodily needs.
2. **Safety or Security Needs** – These consist of physical safety against murder, fire accident, security against unemployment etc.
3. **Social or Love Needs** – these needs are also called as affiliation needs. These consist of need for love, affection, belonging or association with family, friends and other social groups.
4. **Esteem or Ego Needs** – The esteem needs are concerned with self respect, self confidence, feeling of personal worth, feeling of being unique and recognition. Satisfaction of these needs produces feeling of self confidence, prestige, power and control.
5. **Self Actualization or Self Fulfillment Needs** – Self actualization is the need to maximize one's potential, whatever it may be. It is the need to fulfill what a person considers to be his real mission in life. It helps in individual to realize one's potentialities to the maximum.

McClelland's Achievement or Need Theory

David C McClelland, a Harvard psychologist, has proposed that there are three major relevant motives, most needs in work place situations. According to him, the motives are

1. The Need for Achievement i.e., strives to succeed.
2. The Need for Affiliation i.e., warm relationship with others.
3. The Need for Power i.e., controls other people.

According to McClelland, every motive is acquired except striving for pleasure and avoiding pain. He proposed that people

acquire these needs for achievement, power and affiliation through experiences over the time. On the job, people are motivated by these needs, and the manager can learn to recognize these needs in workers and use them to motivate behaviour.

McClelland used the Thematic Apperception Test (TAT) to study human needs. The TAT process involves asking respondents to look at pictures and write stories about what they see in the pictures. The stories are then analysed to find certain themes that represent various human needs.

LEADERSHIP

Leader

A leader is someone who has the capacity to create a compelling vision that takes people to a new place, and to translate that vision into action. Leaders draw other people to them by enrolling them in their vision. What a leader does is inspire people and empower them. Thus a leader is a person who has a vision, a drive and a commitment to achieve that vision, and the skills to make it happen.

LEADERSHIP

Leadership is an activity on the part of the managers to get something done by others, willingly and not by compulsion. Leadership is a process of influence on a group. Leadership is the ability of a manager to induce subordinates to work with confidence.

In the words of Koontz and O' Donnel, "leadership is the ability of a manager to induce subordinates to work with confidence and zeal."

According to Chester I Bernard, "leadership refers to the quality of the behaviour of

individual whereby they guide people on their activities in organized efforts"

According to Luis A Allen, "a leader is one who guides and directs other people. He gives

the efforts to his followers a direction and purpose by influencing their behaviour"

Thus leadership is a psychological process of influencing followers and providing guidance, directing and leading the people in an organization towards attainment of the objectives of the enterprise.

Nature or Characteristics of Leadership

1. A leader should have followers
2. leadership is basically a personal quality
3. leadership involves a community of interest between the leader and his followers
4. leadership is a process of influence
5. leadership is the function of stimulation
6. A leader ensures absolute justice
7. Leadership is a continuous, dynamic and ever evolving process.

Importance of Leadership

Without a good leader, organization cannot function efficiently and effectively. The leader guides the action of others in accomplishing the organizational goals. A good leader motivates his subordinates, creates confidence and increases the morale of workers. The importance of leadership can be discussed as follows

1. Leadership is the process of influencing the activities of an individual or a group towards the achievement of a goal.
2. An effective leader motivates the subordinates for higher level performance.
3. Leadership promotes team spirit and team work which is quite essential for the success of any organization
4. Leadership is an aid to authority as it helps in the effective use of formal authority.
5. Leadership creates confidence in the subordinates by giving them proper guidance and advice.

Functions of a Leader

The functions of a leader can be detailed as follows

1. Taking the initiative—A leader initiates all the measures which

are necessary for the purpose of ensuring the health and progress of the undertaking in a competitive economy.

2. He identifies group goals
3. he represents the organization
4. He acts as an arbitrator
5. To assign reasons for his actions
6. To interpret the objectives of organization
7. To guide and direct the organization
8. To encourage team work
9. He manages the organization

Leadership Styles

The term leadership styles can be defined as a leader's behaviour towards group members. It refers to the pattern of behaviour which a leader adopts in influencing the behaviour of his subordinates in the organizational context. Different leadership styles can be categorized as follows.

1. Autocratic Leadership

Autocratic leadership is also known as authoritarian, directive, leader centered or monothetic style. Under this style, leader concentrates all authority in himself, instructs a subordinate as to what to do, how to do it, when to do it etc. He also exercises close supervision and control over his subordinates. There are three categories of autocratic leaders

- a. **Strict Autocrat**—A strict autocrat relies on negative influence and gives orders which the subordinates must accept. He may also use his powers to disperse rewards to his group.
- b. **Benevolent Autocrat**—The benevolent is effected in getting high productivity in many situations and he can develop effective human relationship. His motivational style is usually positive.
- c. **Manipulative Autocrat**—A manipulative autocrat leader is one who makes the subordinates feel that they are participating in decision making process even though he has already taken the decisions.

2. Participative Leadership

This style is also called as democratic, consultative, group centered or ideographic style. A participative leader is one who consults and invites his subordinates to participate in decision making process. Under this style, subordinates are freely allowed to communicate with the leader and also with their fellow subordinates and take their own initiative.

3. Laissez Faire or Free-rein Leadership

Under this style of leadership, the leader largely depends upon the group and its members to establish their own goals and make their own decisions. The leader is passive and assumes the role of just another member in the group. Only very little control is exercised over group members. This style is also known permissive style of leadership. This style is suitable to certain situations where the manager can leave a choice to his groups.

Qualities of a successful leader

The following are the major innate qualities in a successful leader.

1. Physical features like height, weight, health and appearance
2. Intelligence
3. Emotional stability
4. Human relations
5. Empathy
6. Objectivity
7. Motivating skills
8. Technical skills
9. Communicative skills
10. Social skills.

LEADERSHIP THEORIES

Leadership is the process of influencing others towards the accomplishment of goals. Recent efforts by behaviourists have shown a trend towards integrating the numerous theories of leadership. A number of theories and approaches to study leadership have been developed. There are broadly three theories of leadership.

- Trait Theory
- Behaviour Theory
- Contingency Theory

(a) Trait Theory

This theory of studying leadership is taken into consideration to analyze the personal, psychological and physical traits of strong leaders. The assumption made in this theory was that some basic traits or set of traits differentiates leaders from non-leaders. For example, the leadership traits might include intelligence, assertiveness, above average height, self- confidence, initiative and understanding of interpersonal human relations. The existence of these traits determines the importance of leadership. Possession of these traits helps the individuals to gain possession of leadership. Since all individuals do not have these qualities, only those who have them would be considered potential leaders.

(b) Behaviour Theory

The behavioural theory assumed that effective leaders behaved differently from ineffective leaders. It also identified the need of consistency of behaviour of good leaders. This theory can be more clearly understood with the help of following case studies.

- **The Michigan Studies:**

Researchers at the University of. Michigan, led by Rensis Likert, began studying leadership in the late 1940s. Depending on broad discussions with both the managers and sub-ordinates, the Michigan studies identified two forms of leadership behaviour. They are discussed as below:

Job-centered leadership behaviour :

The first was called job-centered leadership behaviour, which focuses on performances and efficient completion of the assigned tasks. A job-centered leader interacts with group members to explain task procedures and oversee their work.

Employee centered leadership behaviour:

The second behaviour was identified as employee centered leader behaviour, which focuses on, high performance standards

to be accomplished. This can be done by developing a cohesive work group and ensuring that employees are satisfied with their jobs. Thus, the leader's primary concern is the welfare of theordinates. The Michigan researchers thought a leader could show signs of one kind of behaviour, but not both.

- **The Ohio State Studies:**

At about the same time, a group of researchers at Ohio State also began studying leadership. The Ohio State leadership studies also identified two major kinds of leadership behaviours or styles, which are as follows:

Initiating-structure behaviour:

In initiating-structure behaviour, the leader clearly defines the leader-subordinate roles so that everyone knows what is expected. The leader also establishes formal lines of communication and determines how tasks will be performed.

Consideration behaviour:

In consideration behaviour, the leader shows concern for subordinates feelings' and ideas. He attempts to establish a warm, friendly and supportive.

(c) Contingency Theory

The main assumption of contingency theory is that the behaviour of an appropriate leader varies from one situation to another. The motive of a contingency theory is to identify key situational factors and to specify how they interact to determine appropriate behaviour of a leader. The three most important and widely accepted contingency theories of leadership are as follows:

- **The LPC theory:**

The first contingency theory of leadership is Fred Fielder's Least Preferred Co- worker (LPC) Model. Fielder identified two types of leadership: task-oriented and relationship- oriented. Fielder believes that a leader's tendency to be task-oriented or relationship oriented remains constant. In- other words, a leader is either task-oriented or relationship- oriented while leading his group members. Fielder used the Least Preferred Co-worker (LPC) scale to measure the type of leadership. A leader

is asked to describe characteristics of the person with whom he or she is least comfortable while working. They can do this by marking in a set of sixteen scales at each end, by a positive or negative adjective. According to Fielder, the contingency factor favours the situation from the leader's point of view. This factor is determined by leader-member relations, task-structure and position-power, which are discussed as below:

- **Leader-member relations:**

A Leader-member relation refers to the nature of relationship between the leader and his work group. If the leader and the group enjoy mutual trust, respect, confidence and they like one another, relations will remain good

- **Task-structure:**

Task-structure is the degree to which the group's task is clearly defined. When the task is routine, easily understood, and unambiguous and when the group has standard

procedures, the structure is assumed to be high. When the task is non-routine, ambiguous, complex, with no standard procedures and precedents, structure is assumed to be low. .

- **Position-power:**

Position-power is the power vested in the position of a leader in an organization. If the leader has the power to assign work, administer rewards and punishment, recommend employees for promotion or demotion, position-power is assumed to be strong. If the leader does not have required powers, the position-power is weak. From the leader's point of view, strong position power is favourable and weak position power is unfavourable.

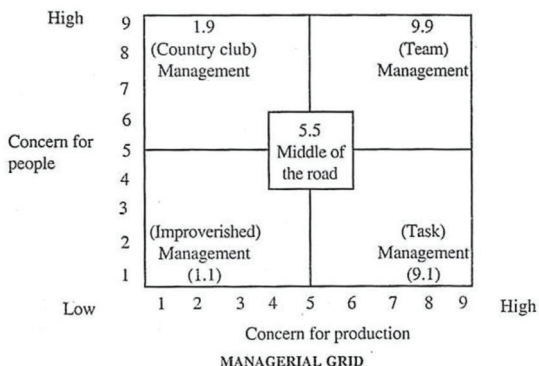
(d) The Path-Goal theory

The path-goal model of leadership was introduced by Martin Evans and Robert House. Path-goal theory says that a leader can motivate subordinates by influencing their expectations. Leaders can motivate sub-ordinates by making clear what they have to do to get the reward they desire. The path-goal model assumes that leaders can change their style or behaviour to meet the demands of a particular situation.

This model identifies four kinds of leader behaviour: directive, supportive, participative and achievement-oriented. According to this model managers can adjust their behaviour to include any four kinds of leadership behaviour mentioned above. For instance, while leading a new group of sub-ordinates, the leader may be directive in giving guidance and instructions to them. He may also adopt supportive behaviour to encourage group cohesiveness, to look after their needs and ensuring that they get the rewards and benefits. As the group becomes more familiar with the task and as new problems are taken into consideration, the leader may use participative behaviour by which he can participate with employees in making decisions and take their suggestions as well. Finally, the leader may use achievement-oriented behaviour to encourage continued high performance of sub-ordinates.

Managerial grid theory

At conception, the managerial grid model was composed of five different leadership styles. These styles were a relation between a manager's concern for people, concern for production and his motivation. The motivation dimension really provides the underlying motive of the leader behind a successful leadership style. Thus the managerial grid model categorizes leaders into one of 81 possible categories. Later, two additional leadership styles were added as well as the element of resilience.



**Log in to <http://edu-article.blogspot.com>

1. The Indifferent or Impoverished (1,1)

These leaders have minimal concern for people and production. Their priority is to fly under the radar while they content to seek solutions that won't bring any negative focus to themselves or their department. Preserving their employment, position as well as their seniority is what drives their elusive and evading behaviours. In short, the indifferent leaders are ineffective and are sorely lacking in any of the traits that can be attributed to successful and effective leaders.

2. The Country Club or Accommodating (1,9)

These leaders will go above and beyond to ensure that the needs and desires of his employees are met. These leaders are making the assumption that their staff will yield maximum results as they are likely to be self-motivated when they are lead in such environment. These leaders will have behaviours that will yield and comply with the needs of their staff. The productivity of the group however, can suffer from the lack of attention on tasks.

3. The Status Quo or Middle-of-the-Road (5, 5)

These leaders balance out the needs of their staff with those of the organization, while not adequately achieving either. These leaders will balance and compromise their decisions, often endorsing the most popular one. They dedicate minimal efforts towards facilitating the achievements of their staff or the production results in average or below average levels.

4. The Dictatorial or Produce, Perish or Control (9, 1) Similar to autocratic leader

These leaders focus all of their attention to production-related matters and very little towards the needs of their employees. These leaders will direct and dominate while holding the belief that efficiency gains can only be achieved through rigid disciplines especially those that don't require human interaction. Employees are considered expendable resources. Productivity is usually short

lived as high employee attrition is unavoidable. The dictatorial style is inspired by the McGregor X theory.

5. The Sound or Team (9,9)

According to Dr. Robert R. Blake and Dr. Jane Srygley Mouton (and I agree), the sound leader is the most effective leadership style. These leaders will contribute and are committed, can motivate and are motivated while holding the belief that trust, respect, commitment and employee empowerment are essential for fostering a team environment where team members are motivated, thus resulting in maximum employee satisfaction as well as the most efficient productivity. This sound leadership style is also inspired by the McGregor Y theory.

COMMUNICATION

Communication is a process in which Information, Ideas, Thoughts and Feeling exchanges within two or more person.

It is a process of sending and receiving information between two or more people. The person who is sending message referred to as the sender, while person who is receiving information is known as receiver.

Types of Communication

People communicate with each other in different ways that depends on the message. There are two types of communication are:

1. Verbal Communication
2. Non Verbal Communication

Verbal Communication

Verbal communication refers to that communication in which message is transmitted verbally. It can be done by the words of mouth and a piece of writing. When we talk to others, we assume that others understand what we are saying because we know what we are saying. But this is not the case. Usually people bring their own attitude, perception, emotions and thoughts about the topic and hence creates barrier in delivering the right meaning.

It can be divided into two forms: Oral Communication
Written Communication

Oral Communication

Oral Communication is that communication which formed orally like spoken of words. It includes face-to-face conversation,

speech, telephonic conversation, videos, radio, television. It can be influenced by pitch, volume, speed and clarity of speaking.

Written Communication

Written communication has great significance in today's business world. It is an innovative activity of the mind. Effective written communication is essential for preparing worthy promotional materials for business development. Speech came before writing. But writing is more unique and formal than speech. Effective writing involves careful choice of words, their organization in correct order in sentences formation as well as cohesive composition of sentences. Also, writing is more valid and reliable than speech.

Nonverbal Communication

Nonverbal communication is the sending or receiving of wordless messages. We can say that communication other than oral and written, such as gesture, body language, posture, tone of voice or facial expressions, is called nonverbal communication. Nonverbal communication is all about the body language of speaker.

Nonverbal communication helps receiver in interpreting the message received. Often, nonverbal signals reflect the situation more accurately than verbal messages. Sometimes nonverbal response contradicts verbal communication and hence affects the effectiveness of message. It involves appearance, body language, and Sound.

There are two types of communication are:

1. Formal Communication
2. Informal Communication

Formal Communication

In formal communication, certain rules, conventions and principles are followed while communicating message. Formal communication occurs in formal and official style. Usually professional settings, corporate meetings, conferences undergoes in formal pattern. In formal communication, use of slang and foul language is avoided and correct pronunciation is required.

Authority lines are needed to be followed in formal communication.

Informal Communication

Informal communication is done using channels that are in contrast with formal communication channels. It's just a casual talk. It is established for societal affiliations of members in an organization and face-to-face discussions. It happens among friends and family. In informal communication use of slang words, foul language is not restricted. Usually, Informal communication is done orally and using gestures. Informal communication, Unlike formal communication, doesn't follow authority lines. In an organization, it helps in finding out staff grievances as people express more when talking informally. Informal communication helps in building relationships. Informal channel of communication is also known as Grape wine.

Downward communication

Communication which flows from the superior to subordinates is referred as downward communication. It is needed,

- To get things done
- To prepare for changes
- To discourage misinformation and suspicion
- To let the people feel the price of being relatively well

informed.

Upward communication

It flows from a subordinate position to superior position. That is, the subordinate work performance report, their opinions, ideas and suggestions, complaints and grievances of subordinates, etc.,.

PROCESS OF COMMUNICATION

Communication is a process of exchanging verbal and non verbal messages. It is a continuous process. Pre-requisite of communication is a message. This message must be conveyed through some medium to the recipient. It is essential that this

message must be understood by the recipient in same terms as intended by the sender. He must respond within a time frame. Thus, communication is a two way process and is incomplete without a feedback from the recipient to the sender on how well the message is understood by him.

1. **Sender / Encoder** – Sender / Encoder is a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response. For instance – a training manager conducting training for new batch of employees. Sender may be an individual or a group or an organization. The views, background, approach, skills, competencies, and knowledge of the sender have a great impact on the message.
2. **Message** – Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.
3. **Medium** – Medium is a means used to exchange / transmit the message. The choice of appropriate medium of communication is essential for making the message effective and correctly interpreted by the recipient. This choice of communication medium varies depending upon the features of communication. For instance – Written medium is chosen when a message has to be conveyed to a small group of people, while an oral medium is chosen when spontaneous feedback is required from the recipient as misunderstandings are cleared then and there.
4. **Recipient / Decoder** – Recipient / Decoder is a person for whom the message is intended / aimed / targeted. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.
5. **Feedback** – Feedback is the main component of

communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal (through words) or nonverbal (in form of smiles, sighs, etc.). It may take written form also in form of memos, reports, etc.

Most Common Barriers to Effective Communication

1. **Physical Barriers:** this has to do with poor or outdated equipment used during communications, background noise, poor lighting, temperatures that are too hot or too cold.
2. **Attitudes:** emotions like anger or sadness can taint objectivity. Also being extremely nervous, having a personal agenda or “needing to be right no matter what” can make communications less than effective. This is also known as “Emotional Noise”.
3. **Language:** this can seem like an easy one, but even people speaking the same language can have difficulty understanding each other if they are from different generations or from different regions of the same country. Slang, professional jargon and regional colloquialisms can even hurt communicators with the best intentions.
4. **Physiological Barriers:** ill health, poor eyesight or hearing difficulties, pain.
5. **Problems with Structure Design:** companies or institutions can have organization structures that are not clear, which can make communications difficult. Also to blame for faulty communications are bad information systems, and lack of supervision or training of the people involved.
6. **Cultural Noise:** people sometimes make stereotypical assumptions about others based on their cultural background.
7. **Lack of Common Experience:** it’s a great idea to use examples or stories to explain a point that is being discussed. However, if the speaker and the audience cannot relate to these examples because they do not have the same knowledge or have not shared the same experiences then this tool will be ineffective.

8. **Ambiguity and Abstractions Overuse:** leaving things half-said, using too many generalizations, proverbs or sayings, can all lead to communications that are not clear and that can lend themselves to misinterpretations.
9. **Information Overload:** it takes time to process a lot of information and too many details can overwhelm and distract the audience from the important topics. Keep it Simple, Sweetie.
10. **Assumptions and Jumping to Conclusions:** This can make someone reach a decision about something before listening to all the facts.
11. **Psychological barriers** can be described as the cause of distorted communication because of human psychology problems. Psychological barriers may be ; Attitude and opinions, Emotions, Filtering and distortion of message, Status difference, Inattention, Closed mind, Fields of experience.

CO-ORDINATION

It is a process of integrating the interdepartmental activities as unified action towards the fulfilment of the predetermined common goals of the organization.

According to Henry Fayol, “To co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success. In a well co-ordinated enterprise, each department or

division, works in harmony with other and is fully informed of its role in the organization. The working schedule of various departments is constantly turned to circumstances.”

Features

1. It is not a separate function of management.
2. It is necessary to all levels of management.
3. It is a continuous and dynamic process.
4. Group efforts are more relevant than individual efforts.
5. Unity of action is the heart of co-ordination.
6. It is a system concept.

Types of Co-ordination

The following are the important types of co-ordination.

1. **Vertical co-ordination:** - It refers to co-ordination between activities of a manager and his subordinates
2. **Horizontal co-ordination:-** It refers to co-ordination among peers – ie employees working at the same levels in organizational hierarchy and among various departments.
3. **Diagonal co-ordination:** It is co-ordination among the users and between users and service personnel, which is achieved through understanding, negotiation and voluntary effort.

Principles of Co-ordination:

In order to ensure effective co-ordination, the co-ordination should be based on certain principles:

1. **Personal contact:** Effective co-ordination can be achieved through personal contact. Personal contact avoids controversy and misunderstanding.
2. **Reciprocal relationship:** This principle says that all factors in a situation are reciprocally related. Each factor influences other factor.
3. **Dynamism:** Co-ordination is modified according to the external and internal actions and decisions ie co-ordination should be a dynamic one.
4. **Continuity:** It says that co-ordination is a continuous process.
5. **Self co-ordination:** According to this principle, the function of one department affects other departments and in turn, is affected by the function of other departments.
6. **Clear cut objectives:** As per this principle, the departments heads should know clearly the objectives of the organization.
7. **Effective communication:** Effective communication is very necessary for the proper co- ordination.
8. **Early stage of starting:** The co-ordination should be

started even from the planning function of management.

TECHNIQUES OF EFFECTIVE COORDINATION IN ORGANIZATION

Some of the techniques that are used to achieve effective coordination are given below:

1. **Direct Contact:** One of the most effective means of achieving coordination is direct contact. Written communication, modern electronic, mechanical devices, etc., can also be used.
2. **Group Meetings:** Group meetings are said to be an effective means of achieving coordination. At the time of meeting, superior comes into personal contact with those connected with the actual problems. Such meetings encourage the people to integrate their efforts. Coordination can be achieved through regular meetings of superiors and subordinates.
3. **Organizational Structure:** Coordination can be achieved only when the authority and responsibility of each and every person are clearly defined. In other words, the organizational structure should be designed properly so as to permit coordination among various activities along the line itself.
4. **Effective Communication:** In achieving coordination, effective communication plays a vital role. Communication greatly helps in coordination. The purpose of communication is to promote deep understanding among members by bringing and maintaining coordination in order to achieve the ultimate goals.
5. **Committees:** In order to coordinate the various activities, various types of committees may be appointed. Committees provide the means for synchronizing various efforts. Committees develop better understanding and morale among the members. They are greatly advisory in nature and make use of the best efforts of the members.
6. **Staff Meetings:** Staff meetings at regular intervals helps in achieving effective coordination because such meetings

provides opportunities for frank discussions and better exchange of ideas of people from different sections. This infuse a feeling of unity among the members which makes them to jointly work for the organization.

7. **Effective Leadership:** Leader inculcates a feeling of collectivism in the employees and forces them to work as a team. Individuals within the group, may possess varied interests and multiple goals. Leader reconciles these conflicting goals and restores equilibrium. A good leader can achieve coordination at all stages. Hence, effective leadership is essential for achieving coordination.
8. **Informal Coordination:** Many organizations adopt informal means of coordination through processes of social, unofficial interactions, relationship and mutual adjustments. They are very often more effective than formal means.

CONTROLLING

The Control function is closely related with all other functions of management. The management control is the process of ensuring that the actual plan implementation matches with the original plan. It is an on-going and dynamic function and linked with other function of the management in a circular relationship.

Definition

According to Koonts O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plan."

Steps in Control Process

The control process involves four basic steps as mentioned below:-

1. **Establishing standards:-** Standard represents criteria of performance. This implies the statement of goals and objective envisaged under the planning process are stated in clear and measurable terms along with specific milestones. The standard should have some characteristics to produce effective performance.

2. **Measurement of performance against standards:** The measurement of performance is an on- going process. Several techniques are used by the management to measure the performance.
3. **Comparing the actual performances with standards:** The measured results are compared with the project and standards. In case the performance meets the standards, then it would mean that the performance or activity is progressing in the desired direction.
4. **Taking corrective action:** In the situations when performance does not confirm to the specified criteria of the standards, then it is necessary to take corrective measures to deal with the observed deviations in the performance.

CONTROL TECHNIQUES

Financial controls

Financial audits, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally. Financial ratio analysis examines the relationship between specific figures on the financial statements and helps explain the significance of those figures:

Liquidity ratios measure an organization's ability to generate cash. Profitability ratios measure an organization's ability to generate profits. Debt ratios measure an organization's ability to pay its debts.

Activity ratios measure an organization's efficiency in operations and use of assets.

Budget controls

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs. Budgets not only help managers plan their finances, but also help them keep track of their overall spending.

A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organizations according to who does the budgeting and how the financial resources are allocated. Some budget development methods are as follows:

Top down budgeting. Managers prepare the budget and send it to subordinates.

Bottom up budgeting. Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.

Zero based budgeting. Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.

Flexible budgeting. Any budget exercise can incorporate flexible budgets, which set “meet or beat” standards that can be compared to expenditures.

Break Even Analysis

Break Even Analysis or Break Even Point is the point of no profit, no loss. For e.g. When an organisation sells 50K cars it will break even. It means that, any sale below this point will cause losses and any sale above this point will earn profits. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take collective action to improve its performance in the future. Break-even analysis is a simple control tool.

PERT and CPM Techniques

Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) techniques were developed in USA in the late 50's. Any programme consists of various activities and sub-activities. Successful completion of any activity depends upon doing the work in a given sequence and in a given time.

CPM / PERT can be used to minimise the total time or the total cost required to perform the total operations.

Importance is given to identifying the critical activities. Critical activities are those which have to be completed on time otherwise the full project will be delayed.

So, in these techniques, the job is divided into various activities/sub-activities. From these activities, the critical activities are identified. More importance is given to completion of these critical activities. So, by controlling the time of the critical activities, the total time and cost of the job are minimised.

Management Audit

Management Audit is an evaluation of the management as a whole. It critically examines the full management process, i.e. planning, organising, directing, and controlling. It finds out the efficiency of the management. To check the efficiency of the management, the company's plans, objectives, policies, procedures, personnel relations and systems of control are examined very carefully. Management auditing is conducted by a team of experts. They collect data from past records, members of management, clients and employees. The data is analysed and conclusions are drawn about managerial performance and efficiency.

Management Information System (MIS)

In order to control the organisation properly the management needs accurate information. They need information about the internal working of the organisation and also about the external environment. Information is collected continuously to identify problems and find out solutions. MIS collects data, processes it and provides it to the managers. MIS may be manual or computerised. With MIS, managers can delegate authority to subordinates without losing control.

Computers and information controls

Almost all organizations have confidential and sensitive information that they don't want to become general knowledge. Controlling access to computer databases is the key to this area.

Increasingly, computers are being used to collect and store information for control purposes. Many organizations privately monitor each employee's computer usage to measure employee performance, among other things. Some people question the appropriateness of computer monitoring. Managers must carefully

weigh the benefits against the costs—both human and financial—before investing in and implementing computerized control techniques.

Return on Investment (ROI)

Investment consists of fixed assets and working capital used in business. Profit on the investment is a reward for risk taking. If the ROI is high then the financial performance of a business is good and vice-versa.

ROI is a tool to improve financial performance. It helps the business to compare its present performance with that of previous years' performance. It helps to conduct inter-firm comparisons. It also shows the areas where corrective actions are needed.

Multiple Choice Questions

1. Luther Gullick described functions of management as ——
 - a. **PODSCORB**
 - b. POSDCORB
 - c. POCSCROB
 - d. PODSORB
2. _____ is the basic function of management
 - a. Organizing
 - b. Directing
 - c. Controlling
 - d. **Planning**
3. _____ are the goals, aims or purposes that organization wish to achieve over varying periods of time
 - a. **Objectives**
 - b. Policies
 - c. Rules
 - d. Procedures
4. _____ is a sequence of activities to be undertaken for implementing the polices and achieving the objectives of organization.
 - a. **Programmes**

- b. Policies
- c. Rules
- d. Procedures
- 5. _____ is an organizational structure which clearly defines duties, responsibilities and authority
 - a. **Formal**
 - b. Informal
 - c. Natural
 - d. None of these
- 6. _____ organization arises voluntarily or due to social interaction of people
 - a. Formal
 - b. **Informal**
 - c. Line organization
 - d. All of the above
- 7. Authority is the right to give _____ and the power to exact obedience
 - a. Information
 - b. **Orders**
 - c. Money
 - d. None of these

Short answer type questions

- 1. What is organization
- 2. What is formal organization
- 3. What is scalar chain
- 4. What is chain of command
- 5. Define authority
- 6. What is centralization
- 7. What is decentralization
- 8. What is departmentation

1. MODULE III

BUSINESS ETHICS

Ethics, also called moral philosophy, the discipline concerned with what is morally good and bad and morally right and wrong. The term is also applied to any system or theory of moral values or principles.

At its simplest, ethics is a system of moral principles. They affect how people make decisions and lead their lives.

Ethics is concerned with what is good for individuals and society and is also described as moral philosophy.

The term is derived from the Greek word *ethos* which can mean custom, habit, character or disposition.

Ethics covers the following dilemmas:

how to live a good life our rights and responsibilities the language of right and wrong moral decisions - what is good and bad?

Our concepts of ethics have been derived from religions, philosophies and cultures. They infuse debates on topics like abortion, human rights and professional conduct.

Approaches to ethics

Philosophers nowadays tend to divide ethical theories into three areas: metaethics, normative ethics and applied ethics.

Meta-ethics deals with the nature of moral judgment. It looks at the origins and meaning of ethical principles.

Normative ethics is concerned with the content of moral judgments and the criteria for what is right or wrong.

Applied ethics looks at controversial topics like war, animal rights and capital punishment

Definitions

The concise oxford dictionary defines ethics as the treating of moral questions. Chambersdictionary defines ethics as “a code of behavior considered correct”.

Simply put, ethics involves learning what is right or wrong, and then doing the right thing- but “the right thing” is not nearly as straightforward as conveyed in a great deal of business ethics literature.

Features of ethics

1. The concept of ethics deals with human beings.
2. It is the study of a set of systematic knowledge about moral behavior and conduct. So it is social science.
3. Ethics seeks to determine the nature of the norms, ideal or standard and seeks to enquire into the fitness of human action to this standard.
4. It is an area dealing with moral judgment requires moral standards by which to judge human conduct.
5. Ethics tries to set the standard for the ultimate and or the highest goal is pursued. So, ethics separates goods and bad, right and wrong, fair and unfair, moral and immoral and proper and improper human action.
6. Ethics is about what is right and what is wrong and law is about what is lawful and what is unlawful.

Moral Standard

A moral standard refers to the norms which we have about the types of actions which we believe to be morally acceptable and morally unacceptable. Specifically, moral standards deal with matters which can either seriously harm or seriously benefit human beings. The validity of moral

standards comes from the line of reasoning that was taken to back or support them, and thus are not able to be formed or changed by particular bodies of authority.

Ethics and Morality

Morals are the social, cultural and religious beliefs or values of an individual or group which tells us what is right or wrong. They are the rules and standards made by the society or culture which is to be followed by us while deciding what is right. Some moral principles are:

what is morally correct may not be objectively correct.

Ethics is a branch of philosophy that deals with the principles of conduct of an individual or group. It works as a guiding principle as to decide what is good or bad. They are the standards which govern the life of a person. Ethics is also known as moral philosophy. Some ethical principles are:

Truthfulness Honesty Loyalty Respect Fairness Integrity

Personal and professional ethics

Personal ethics refers to the ethics that a person identifies with in respect to people and situations that they deal with in everyday life.

Professional ethics refers to the ethics that a person must adhere to in respect of their interactions and business dealings in their professional life.

In some cases, personal and professional ethics may clash and cause a moral conflict. For example:

A police officer may personally believe that a law that he is required to enforce is wrong. However, under the Code of Conduct for the New Zealand Police, he is required to obey all lawful and reasonable instructions to enforce that law unless there is good and sufficient cause to do otherwise.

A doctor may not personally believe that the course of medical treatment chosen by a patient is the right one. However, under the Code of Ethics for the New Zealand Medical Association, she must respect the rights, autonomy and freedom of choice of the patient.

Theories of ethics

Theories are a set of assumption, propositions, or accepted facts that attempt to provide a plausible or rational explanation of cause and effect relationships among a group of observed phenomenon. The word's origin stresses the act that all theories are mental models of the perceived reality. The English word theory was derived from ancient greek philosophy theories. It means a looking at, viewing , beholding and referring to

contemplation or speculation or opposed to action. Theory is a set of principles thoughtfully devised to explain a group of facts or phenomena. These principles are repeatedly tested and widely accepted by the universe. Theory explains how some aspects of human behavior or performance is organized. It thus enables to make predictions about that behavior. The components of theory are concepts and principles. A principle expresses the relationship between two or more concepts or constructs.

Relevance of theory of business ethics

Theory of business ethics helps

1. To provide us a framework for moral decisions and for assessing their rightness or wrongness.
2. To serve and guard business interest.
3. To accomplish the expectations of stakeholders to the maximum possible extent.
4. To thwart damages and harm to the society due to the operations of business.
5. To contribute the well being of the society by discharging benevolent and social welfare activities.

Teleological Ethical Theories

The Teleological Ethical Theories are concerned with the consequences of actions, which means the basic standards for our actions being morally right or wrong depends on the good or evil generated

Types of Teleological Ethical Theories

□ **Ethical Egoism:** The ethical egoism is a teleological theory that posits, an action is good if it produces or is likely to produce results that maximize the person's self-interest as defined by him, even at the expense of others. It is based on the notion that it is always moral to promote

one's own good, but at times avoiding the personal interest could be a moral action too. This makes the ethical egoism different from the psychological egoism which holds that people are self-centered and self-motivated and perform actions only with the

intention to maximize their personal interest without helping others, thereby denying the reality of true altruism (sacrificing one's personal interest in the welfare of others).

□ **Utilitarianism:** The Utilitarianism theory holds that an action is good if it results in maximum satisfaction for a large number of people who are likely to get affected by the action.

Suppose a manager creates an annual employee vacation schedule after soliciting the vacation time preferences from all the employees and honor their preferences, then he would be acting in a way that shall maximize the pleasure of all the employees.

Eudaimonism: Eudaimonism is a teleological theory which posits, that an action is good if it results in the fulfillment of goals along with the welfare of the human beings. In other words, the actions are said to be fruitful if it promotes or tends to promote the fulfillment of goals constitutive of human nature and its happiness. Suppose manager enforce employee training and knowledge standards at work, which are natural components of human happiness

Theory of virtue ethics

The virtue ethical theories hold that ethical value of an individual is determined by his character. The character refers to the virtues, inclinations and intentions that dispose of a person to be read to act ethically. Virtue ethics is broad term for theories that emphasize the role of character and virtue in moral philosophy rather than either doing one's duty or acting in order to bring about good consequences. A virtue ethicist is likely to give this kind of moral advice: "act as a virtuous person would act in your situation" virtue ethics has roots in plato and Aristotle, and is agent centered rather than act centered.

The word virtue has interpreted differently by many philosophers. The important examples of virtues are honesty, loyalty, duty, patience, perseverance, temperance etc. honesty is a virtue of a person. But we cannot call a person honest who

speaks the truth only once, but who speaks the truth as his or her general practice.

Aristotle thought that there were two overriding virtues, intellectual and moral. The intellectual virtues claimed by him were acquired by inheritance and education and the moral ones through the imitation of practice and habit. The highest virtue, according to Aristotle was intellectual thought. Aristotle published his major work on ethics in 350 bc and dedicated to his son nicomachus. His ethics is known as nicomachean ethics.

The virtues that he lists in his nicomachean ethics are:-

1. Courage
2. Temperance
3. Liberality
4. Magnificence
5. Magnanimity
6. Patience
7. Truthfulness
8. Wittiness
9. Friendliness
10. Shame
11. Justice

Strengths of Virtue Ethics

1. Character Traits

Virtue Ethics deals with a person's virtues and how he or she uses them in making the lives of other people better. If a person has virtues, he or she can act morally and will be able to treat others with respect, compassion and love. These virtues prompt a person to do good things to others because these are innate in him or her, as opposed to the theory of Kant where people are forced to do good deeds out of duty.

2. Better People

Virtues such as generosity, honesty, compassion, friendliness, assertiveness and the like are already present in people and should be practiced in everyday living. The theory of

Virtue Ethics makes it possible for people to be better individuals and members of society who are willing to help other people, thinking of others first over personal interest. With these virtues, people become better persons.

3. Broad and Holistic

Having no particular criteria, Virtue Ethics encompasses different virtues which are important live in harmony with other people. It also does not attempt to worsen the complexity of things by categorizing what are moral acts or not but instead had developed throughout the years. Also, as compared to other ethical theories which can be a threat to morality and are confusing, Virtue Ethics is a holistic approach that it considers the totality of a person, including the skills, character traits and emotions.

4. Agent-centered

Another powerful attribute of Virtue Ethics is its centeredness or focus on the character of the moral agent and not concerned on consequence and duty or obligation. This also makes it flexible since it allows an individual to decide depending on his or her moral values and not just by simply following the law.

5. Sense of Community

Virtue Ethics motivates an individual to have high regard to personal relationships and encourage or motivates a person to be sensitive of others and take care of other people.

6. Preservation of Goodness

According to Tacitus, people can be easily corrupted with power and luxury which can impede liberty. Having said this, Virtue Ethics serves as a shield against polluting the minds of individuals and making them bad people. Instead, this approach makes it possible for an individual to preserve and make better the life he or she already has and enjoy it rather than dream of a life with luxury and power.

Weaknesses of Virtue Ethics

1. Without Focus

Critics of virtue ethics say that this theory lacks focus when it comes to determining the types of actions that are morally

acceptable and permitted from the ones that should be avoided. Instead, it concentrates more on the qualities an individual has to enhance or improve in order to become a good person. Virtue theorists can consider murder as an immoral act which makes it unsuitable to be used as a moral act when it comes to legislation, say in court. It is also considered to be not action-guiding.

2. Nature of Virtues

Another weakness attributed to virtue ethics is the difficulty in determining the nature of virtues. This is due to the difference in opinions and perspectives of people who are inherently different from each other and came from diverse cultures and societies. These aspects lead to differences on what is morally right or wrong for people. Thus, it is hard to identify these virtues.

3. Self-centeredness

According to opponents of virtue ethics, it deals with a person's own character when it is supposed to be how the actions of an individual affect other people. Other theory of ethics expects a person to think or regard other people instead of personal gain and interest.

4. Misguidance

Those who are not in favor of virtue ethics find this theory to be misguiding when it comes to educating or motivating people. This is because it leads people to rely on luck when it comes to attaining moral maturity. Also, this can result to people asking why others are luckier to have achieved moral maturity while there will be those who are not lucky enough even if this is not brought about by their own doings.

5. Limited

Since Virtue Ethics concentrate on only a limited number of virtues, it is not able to help the population but only an individual. This is one of the weaknesses seen by opponents, saying that this theory is not concentrating on the bigger picture.

BUSINESS ETHICS

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas

to business behaviour. Ethical business behaviour facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it's coming to know what is right or wrong in the workplace and doing what's right

- this is in regard to effects of products/ services and in relationships with stakeholders. Business ethics is concerned with the behaviour of a businessman in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A businessman should not ignore the business ethics while assuming social responsibility. Business ethics means the behavior of a businessman while

conducting a business, by observing morality in his business activities. According to Wheeler Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

Characteristics of business ethics

The following are the important features of business ethics:-

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline
2. It is considered both as a science and an art.
3. It continuously test the rules and moral standards and is dynamic in nature
4. It is based on theological principles such as sincerity, human

welfare, service, good behavior etc.

5. It is based on reality and social customs prevailing in business environment.
6. It studies the activities , decisions and behavior which are related to human beings
7. It has universal application because business exists all over the world
8. Many of the ethical principles develop the personal dignity
9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors

IMPORTANCE OF BUSINESS ETHICS

There may be many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision making skills. It is generally viewed that good business ethics promote good business.

1. The power and influence of business in society is greater than ever before. Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.
2. Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development and thereby increases the goodwill.
3. Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics helps to create mutual trust and confidence in relationship.
4. The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means

to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.

5. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyze, and provide solutions to the ethical problems and dilemmas they are confronted with.
6. A business can prosper on the basis of good ethical standards and it helps to retain the business for long years.
7. Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
8. In the age of complexity in business fields , competition is increasing day by day Good ethical standard helps the business to face the challenges.

BASICS OF BUSINESS ETHICS

1. Honesty. Ethical executives are honest and truthful in all their dealings and they do not deliberately mislead or deceive others by misrepresentations, overstatements, partial truths, selective omissions, or any other means.
2. Integrity. Ethical executives demonstrate personal integrity and the courage of their convictions by doing what they think is right even when there is great pressure to do otherwise; they are principled, honorable and upright; they will fight for their beliefs. They will not sacrifice principle for expediency, be hypocritical, or unscrupulous.
3. Principle of proportionality: This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conducts of business.
4. Non co-operation in evils: It clearly points out that a business should not co-operate with any one for doing any evil acts.
5. Co-operation with others: This principles state that business should help others only in that condition when other deserves for help.

6. Commitment to excellence. Ethical executives pursue excellence in performing their duties, are well informed and prepared, and constantly endeavor to increase their proficiency in all areas of responsibility.
7. Leadership. Ethical executives are conscious of the responsibilities and opportunities of their position of leadership and seek to be positive ethical role models by their own conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.
8. Universal value: According to this principle the conduct of business should be done on the basis of universal values.
8. Human dignity: As per this principle, man should not be treated as a factor of production and human dignity should be maintained.
9. Non violence: If businessman hurts the interests and rights of the society and exploits the consumer by overlooking their interests this is equivalent to violence and unethical act.

STRUCTURE OF ETHICS MANAGEMENT

Every one who is entrusted to manage ethics in this organization is bound to prepare a sound ethical programme which should include the following components:-

1. Formal code of conduct
2. Ethics committee
3. Ethical communication
4. An Ethic office with Ethical officers
5. Ethics Training Programme
6. A disciplinary system
7. Establishing an ombudsperson.
8. Monitoring

1. Code of conduct

Several organizations that have undertaken to implement ethical behaviour at their workplaces have started the process with developing and implementing codes of conduct for their

employees. Codes of conduct are statements of organizational values. It comprises of three elements such as a code of ethics, a code of conduct and statement of values. a code of conduct is a written document, inspirational in contents and specifies clearly what is acceptable or unacceptable behavior at workplace and beyond ,when the employees represent their organizations outside. In general the code should reflect the managements desire to incorporate the values and policies of the organization. The statement of values envisages by the management to serve the public and normally addresses the stakeholders groups.

Code of Ethics

Every time a new business is launched anywhere in the world , whether a one man operation or a full blown brick – and- mortar corporate enterprise, the owners must adopt a code of ethics for the business. For small businesses the code is usually unwritten. And sometimes not even discussed and decided upon, but still a code exists. Larger businesses often have written codes of ethics and employees are twined in them and required to adhere to the code. A code of ethics is a buzzword to employees to observe ethical norms and forms the basis for rules of conduct. It is comprehensive enough to cover the entire scheme of organizational ethics expected to be followed by everyone in the company. It usually specifies methods for reporting violations, disciplinary action for violations and a structure of the due process to be followed. A code of ethics must summarize the beliefs and values of the organization. Codes of ethics vary among businesses, and also from one country to another,. When business grows large enough to expand its operations into other countries, It is critical to hire talent to assist in training existing personnel with regard to the integrity, understanding, responsibility, and cultural norms of the country where the new operation is located. All employees must be treated equally, and any issues of inequality must be dealt with quickly, fairly, and in a manner that is satisfactory to all.

2. Ethics committee

Ethics committee is formed in many organizations. They are

wholly devoted at work places. These committees can rise concerns of ethical nature; prepare or update code of conduct, and resolve ethical dilemma in organizations. they formulate ethical policies and develop ethical standards. The committee evaluates the compliance of the organization with these ethical norms. The members of the ethical committee should be selected from those persons who have knowledge in their industry, their code of ethics and community standards. The committee members are also conscious about the corporate culture and ethical concise of the organization.

The following committees are to be formed:-

i. Establishing an ethics committee at the board level

The committee would be charged to oversee development and operation of the ethics management programme.

ii. Establishing an Ethics Management committee

Ethics Management committee would be charged with implementing and administrating an ethics management programme, including administrating and training about policies and procedures, and resolving ethical dilemmas. The committee should be comprised of senior officers.

3. Ethical communication system

The next step is the establishment of an effective ethical communication system. Ethical communication system place an important role in making an ethics programme successful. It should allow employees to make enquiries , get advice if needed or report wrong doing. Ethical communication system is a necessity to educate employees about the organizations ethical standard and policies. It has the following objectives

1. to communicate the organizations' values and standards of ethical conduct or business to employees
2. to provide information to the employees on the company's policies and procedure regarding ethical conduct of business.
3. to help employees to get guidance and resolve questions regarding compliance with the firms standards of conducts and values.

4. to set up the means of enquiry such as telephone hotlines, suggestion boxes and email facilities for employees to contact with and get advice from competent authorities.

Along with these means of communication there are other ways, that can be used to communicate an organization's moral standards to its employees. Top management can communicate the ethical standards to lower level managers and they can communicate it to operational levels. Sometimes the organization publishes newsletters. It can be used to expose company's code or ethics. If an organization has briefing and management meeting, these can be used as a means of communicating values. Certain companies use attractive multi colored posters to publicize their codes and ethics, these posters are placed in most visible places of the organization premises.

4. Ethics office and officers

Ethics offices are to be established to communicate and implement ethics policies among employees of the organization. For this purpose an ethics officer is to be appointed. The ethics officer should develop a reputation for credibility, integrity, honesty and responsibility through establishment of such ethics monitoring bodies.

Functions of the ethics officers

1. Ethics officers are responsible for assessing the needs and risks that an organization-wide ethics programme must address.
2. To develop and distribute a code of conduct or ethics
3. To conduct ethical training programme for employees
4. To establish and maintain a confidential service to answer employees questions about ethical issues.
5. To ensure that the organization is in compliance with governmental regulations
6. To monitor and audit ethical conduct
7. To take action on possible violations of the company's code
8. To review and update code in time

5. Ethics Training Programme

To ensure a good ethical behaviour in the organization the employees are to be given training. For this purpose a corporate ethical training programme is to be devised. The main objective of an ethical training program is to offer assistance to employees to understand the ethical issues that are likely to arise in their work place. When new employees are to be recruited, the induction training should be arranged for them. This training will help to familiarize with the company's ethical code of behaviour. Importance of abiding code should be dealt with at the induction meeting. A well developed and proper training programme will help the employees to understand the organizations policies and expectations, important and relevant rules, bye laws and regulations which are to be complied in the organization by the employees. For the success of the training programmes , the senior executive from every department must involve fully in the training programme.

6. Disciplinary system

Code of conduct or ethical behaviour codes should be properly enforced in the organization to achieve the organization's objectives. A disciplinary system should be established to deal with ethical violations promptly and severely. If unethical behaviour is not properly dealt with, it will threaten the entire social system that supports the ethical behaviour of the organization. While enforcing disciplines to ensure ethical conduct, companies should be consistent. ,i.e., the company should adopt a fair attitude towards every one without any discrimination or bias.

7. Establishing an ombudsperson

The ombudsperson is responsible to help coordinate development of the policies and procedures to institutionalize moral values in the workplace. This position usually is directly responsible for resolving ethical dilemmas by interpreting policies and procedures.

8. Monitoring

To become an ethical programme fruitful and successful, an effective monitoring committee is to be formed. It can be monitored through keen observation by ethics officers, internal audits, surveys, investigations and supporting systems.

SCOPE OF BUSINESS ETHICS

Ethics in Compliance

Compliance is about obeying and adhering to rules and authority. The motivation for being compliant could be to do the right thing out of the fear of being caught rather than a desire to be abiding by the law. An ethical climate in an organization ensures that compliance with law is fuelled by a desire to abide by the laws. Organizations that value high ethics comply with the laws not only in letter but go beyond what is stipulated or expected of them.

Ethics in Finance

The ethical issues in finance that companies and employees are confronted with include:

- In accounting – window dressing, misleading financial analysis.
- Related party transactions not at arm's length
- Insider trading, securities fraud leading to manipulation of the financial markets.
- Executive compensation.
- Bribery, kickbacks, over billing of expenses, facilitation payments.
- Fake reimbursements

Ethics in Human Resources

Human resource management (HRM) plays a decisive role in introducing and implementing ethics. Ethics should be a pivotal issue for HR specialists. The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee.

The issues of ethics faced by HRM include:

- Discrimination issues i.e. discrimination on the bases of age, gender, race, religion, disabilities, weight etc.
- Sexual harassment.
- Affirmative Action.
- Issues surrounding the representation of employees and the democratization of the workplace, tradeization.
- Issues affecting the privacy of the employee: workplace surveillance, drug testing.
- Issues affecting the privacy of the employer: whistle-blowing.
- Issues relating to the fairness of the employment contract and the balance of power between employer and employee.
- Occupational safety and health.

Ethics in Marketing

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. The ethical issues confronted in this area include:

- Pricing: price fixing, price discrimination, price skimming.
- Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.
- Misleading advertisements
- Content of advertisements.
- Children and marketing.
- Black markets, grey markets.

Ethics of Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

- Defective, addictive and inherently dangerous products and
- Ethical relations between the company and the environment include pollution, environmental ethics, and carbon emissions trading.
- Ethical problems arising out of new technologies for eg. Genetically modified food

Factors influencing business ethics

1. A man's personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behaviour.
2. It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society.
3. Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.
4. When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill.
5. Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Sometimes, the society itself may turn against a company.
6. The firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

Arguments Supporting Business Ethics

- Ethics applies to all human activities.

- Business cannot survive without ethics.
- Ethics is consistent with profit seeking.
- Customers, employees, and people in general care about ethics.
- Studies suggest ethics does not detract from profits and seems to contribute to profits.
- To meet demands of business stakeholders
- To enhance business performance
- To promote personal morality

Arguments Against Business Ethics

- In a free market economy, the pursuit of profit will ensure maximum social benefit so business ethics is not needed.
- A manager's most important obligation is loyalty to the company regardless of ethics.
- So long as companies obey the law they will do all that ethics requires.
- An ethical company cannot be competitive and viable.
- Employees, as "loyal agents," - obligated to serve their to advance the employer's self interest.

Environmental Issues That Affect Business

Key environmental issues affecting business include industrial waste, sustainable development of raw materials and water and air emissions. These issues affect business because laws require businesses to change equipment and procedures to meet imposed standards, which costs businesses money. Many businesses undertake stricter changes in an effort to preserve the environment and "do what's right." These businesses pay for the protective and proactive environmental measures and attempt to recoup the expenses through consumer good will or the added consumer base gained from an environmentally friendly policy.

Waste: Businesses that manufacture products create, at some point in the manufacturing process, manufacturing waste. Environmental laws and good environmental citizenship prohibit the indiscriminate dumping of manufacturing byproduct, so

businesses must decide how best to dispense with it. Many implement recycling programs, others sell what they can of the waste to other manufacturers who use it in their own manufacturing processes as raw material. Either way, the effect is additional cost to the business in man hours, procedures, equipment and handling all specific to moving the waste products out of the business's manufacturing process and facilities.

Sustainable Development of Raw Materials: All manufacturers use raw materials to put together their goods. When these raw materials are natural, such as wood, laws and good environmental citizenship require that the business take measures to replace what it uses. Christmas tree farms are a prime example, as sellers buy from growers who harvest and replant in order to keep from depleting entire forests of naturally occurring pine trees. Again, the affect on business is cost in terms of higher raw materials costs, which usually include the supplier's cost to "replant" or "restock" the natural raw materials.

Emissions: Manufacturing processes often generate air and/or water emissions, which include particle or chemical-filled smoke, ash and particles and chemicals that seep into ground water through run-off. Environmental protection laws require businesses to protect the environment from exposure to these emissions. Remedial process include placing screens of specified gauges over smoke stacks, filtration of waste water and lining of retention ponds with clay and polyliners. New regulations are implemented frequently that require retrofitting of manufacturing facilities with increased protections, such as screens of even finer gauges and pond liners of newer and safer materials. All of these measures are costly to business and affect businesses first by decreasing profit margins.

Pollution: Pollution is one of the world's biggest environmental problems, as it tends to be a typical by product of modern life. Air pollution, for instance, is the result of fossil fuel combustion, as well as various gases and toxins released by industries and factories.

Climate change: Climate change is a global problem with grave implications: environmental, social, economic, political and for the distribution of goods. It represents one of the principal challenges facing humanity in our day. If present trends continue, this century may well witness extraordinary climate change and an unprecedented destruction of ecosystems, with serious consequences for all of us.

Multiple Choice Questions

1. Ethics is a system of principles
 - a. **Moral**
 - b. Guiding
 - c. Value
 - d. None of the above
2. mean a code of conduct
 - a. Principles
 - b. Values
 - c. **Ethics**
 - d. None of the above
3. A document prepared to guide organization members when encountering ethical dilemmas is
 - a. Code of conduct
 - b. List of rules and responsibilities
 - c. **Code of ethics**
 - d. Outline of expected behaviors
4. The form of ethics that endeavors to help professionals decide what to do when they are confronted with a case or situation that raises an ethical question or moral problem is referred to as
 - a. Professional ethics
 - b. Organizational ethics
 - c. **Business ethics**
 - d. None of the above

5. is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several action that must be evaluated as right or wrong.
- a. Crisis
 - b. Ethical issue**
 - c. Condemnation
 - d. Fraud
6. ethics is study of human behavior as a consequence of beliefs about what is right or wrong.
- a. Normative
 - b. Meta
 - c. Applied
 - d. Moral**
7. The word “ethics” is derived from greek word
- a. Ethios
 - b. Ethikos**
 - c. Etheos
 - d. None of these.
8. Ethics is a
- a. Pure science
 - b. Normative science**
 - c. Inexact science
 - d. None of these.
9. Ethics means.....
- a. Character
 - b. Manner
 - c. Customs
 - d. All of these**
10. Deals with the right actions of individuals.
- a. Sincerity
 - b. Rules
 - c. Ethics**

- d. All of these
- 11. The word moral is derived from the latin word.....
- a. **Moralis**
- b. Moralitics
- c. Monatics

Short Answer Type Questions

- 1. Define ethics
- 2. Define business ethics
- 3. What is meta ethics
- 4. What is applied ethics
- 5. What is moral ethics
- 6. What is globalization

MODULE IV

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental. To engage in CSR means that, in the normal course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.

Core characteristics of CSR

The core characteristics of CSR are the essential features of the concept that tend to be visible in CSR practice. Few, if any, existing definitions will include all of them, but these are the main points of focus around which the practice of CSR manifest itself. Six core characteristics are summarised below:

(i) Voluntary

Scholars define CSR to be a representative of all set of corporate initiatives which are discretionary and extend beyond what the law has prescribed. The views of government and other stakeholders in all developing countries emphasis this characteristics (Crane et al, 2008). Many companies are by now familiar and more willing to consider responsibilities beyond the legal minimum, and in fact the development of self-regulatory CSR initiatives from corporate bodies is often seen as a way of reducing or avoiding additional regulation through compliance

with societal moral norms. Critics of CSR, therefore, tend to see the element of voluntarism as CSR

really be focused and maximisation of shareholders wealth should be the main organisational objective.

(ii) Internalizing or managing externalities

Externalities in CSR refers to all sort of factors that has impact on different stakeholders rights are not directly taken care of in the decision making process of a business organisation. Environmental degradation is typically regarded as an externality since the general public feel the impact of the production process. Regulation can force firms to internalise the cost of the externalities, such as pollution fines, but CSR remain as a viable discretionary approach of managing externalities like taking more safety measures and reduction of pollution by going green. Much CSR activity deals with externalities involving workers rights, minimisation of rationalisation impact, good stakeholder relationship management to reduce unsatisfied legitimate claims pile up and discarding production process and products that are not demanded, harmful or classified as dangerous products (Husted & Allen, 2006). For example, Unilever as an MNC joined with Oxfam to conduct a study on the impacts of business on living conditions of the Indonesian people. The main objective of the study is to address the major externalities facing MNCs operating in Asian countries (Clay, 2005). The unexpected occurrence of catastrophic events or natural disaster prompt managers towards introduction of CSR initiatives which are humane and for assistance like the corporate response to the Asian tsunami disaster (Fernado, 2007), the crises can also be a social and economic type (Okpara & Wynn, 2012; Newell, 2005) reduction of prevalent cases of HIV/AIDS in some African countries (Dunfee, 2006) or industrial accident causing a disaster like the Bhopal 1984 disaster in India (Shrivastava, 1995)

(iii) Multiple stakeholder orientation

The central theme of stakeholder management is to identify stakeholders orientations based on the three attributes which

defines their power, legitimacy of claim and urgency. Subsequently, defining stakeholder orientations helps in identification and prioritisation of stakeholders through the adoption of a step by step approach starting with internal preparations, appointing the internal leadership team of internal stakeholders for marketing, communication, operational unit, human resources, investor relations and environmental/government affairs etc, limiting expectations to a realistic level, training on communication skills, stakeholder research, collective bargaining and good industrial relations, adequate knowledge on crisis and risk management, public relations, adopting a suitable technique of managing multiple stakeholder orientations, accommodations for possible unavoidable mistakes and finally comparing stakeholder expectations with

organisational performance (Ahmad et al, 2014). CSR involves considering a range of interests and impacts among a variety of different stakeholders other than just shareholders. The assumption that firms have responsibilities to shareholders is usually not contested, but the point is that because corporations rely on various other stakeholders such as consumers, employers, suppliers, and local communities in order to survive and prosper, they do not only have responsibilities to shareholders. Whilst many disagree on how much emphasis should be given to shareholders in the CSR debate, and on the extent to which other stakeholders should be taken into account, it is the expanding of corporate responsibility to these other groups which characterises much of the essential character of CSR.

(iv) Alignment of social and economic responsibilities

This balancing of different stakeholder interests leads to another core feature. Whilst CSR may be about going beyond a narrow focus on shareholders and profitability, many also believe that it should not, however, conflict with profitability. Although this is much debated, many definitions of CSR from business and government stress that it is about enlightened self-interest

where social and economic responsibilities are aligned. This feature has prompted much attention to the

„business case for CSR – namely, how firms can benefit economically from being socially responsible. (Edmondson and Carroll, 1999) conducted a research on Managers of African American businesses and came to the conclusion that economic and ethical responsibilities comes first before legal responsibility and philanthropic comes last in terms of priority. But it was observed in this study that philanthropy obtained a high weight level of score than in previous studies. This study also brings into lime light the application of racial consideration in CSR studies. Consumers in China attach importance to CSR orientations and revealed that they are more concerned with economic responsibility than ethical and legal but philanthropy is highly valued (Ramasamy & Yeung, 2009).

(v) Practices and values

CSR is clearly about a particular set of business practices and strategies that deal with social issues, but for many people it is also about something more than that – namely a philosophy or set of values that underpins these practices. This perspective is evident in CSR initiatives of communitarian or collectivistic societies valuing traditions and cultural practices of their local communities (Lei, 2011). The values dimension of CSR is part of the reason why the subject raises so much disagreement– if it were just about what companies did in the social arena, it would not cause so much controversy as the debate about why they do it. Duarte (2010) explored the perception of managers with respect to the influence of personal values towards their work. The study examined the relationship between personal values and CSR initiatives of managers. The study concluded that to a greater extent CSR practices are influenced or affected by the personal values of managers, because they formulate the CSR policies of the business organisation and their personal attitude is part of their individualistic characteristics which affects the way they behave.

(vi) Beyond philanthropy

In some regions of the world, CSR is mainly about philanthropy – i.e. corporate discretionary responsibility or voluntarism towards the general public. CSR is currently a mandatory practice backed by regulations and accepted international standard which is shifting from altruistic to instrumentality or strategic CSR. It is no longer altruistic in nature only but more than just philanthropy and community development projects, because of the impacts it has on profitability, human resource management, marketing, and logistic support which are all part of the core functions of business organisations. CSR extends beyond philanthropy because of its viability to be instrumental or strategic in satisfying stakeholder expectations and its potential capability to achievement of organisational objectives. This debate rests on the assumption that CSR needs to be regulated and institutionalised into normal business practice rather than being left simply to discretionary activity. The attempt to consider how CSR might be integrated to the core business functions of firms is in contrast to the notion of it serving simply as an ordinary added value to the business organization

HISTORY

Corporate Social Responsibility is known by many other names. These include corporate responsibility, corporate ethics, corporate accountability and corporate citizenship just to name a few. A key point to note is that Corporate Social Responsibility or CSR has no universal definition; however, it generally refers to clear business practices with respect to ethical values, compliance with legal requirements and respect for economic values. CSR goes beyond making profits, companies and stakeholders are responsible for their impact on people and planet. Increasingly, stakeholders should expect that companies should be more responsible both socially and environmentally in their conduct of their business. The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development.

A Brief History of Corporate Social Responsibility

The history of CSR dates back many years and in one instance can even be traced back 5000 years in Ancient Mesopotamia around 1700 BC, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconvenience to local citizens. In Ancient Rome senators grumbled about the failure of businesses to contribute sufficient taxes to fund their military campaigns, while in 1622 disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and “self enrichment”. With industrialisation, the impacts of business on society and the environment assumed an entirely new dimension. The “corporate paternalists” of the late nineteenth and early twentieth centuries used some of their wealth to support philanthropic ventures. By the 1920s discussions about the social responsibilities of business had evolved into what we can recognise as the beginnings of the “modern” CSR movement. “The phrase Corporate Social Responsibility was coined in 1953 with the publication of Bowen’s Social Responsibility of Businessmen”(Corporate watch report, 2006). The evolution of CSR is as old as trade and business for any of corporation. Industrialization and impact of businesses on the society led to a complete new vision. By 80’s and 90’s CSR was taken into discussion, the first company to implement CSR was Shell in 1998. (Corporate watch report, 2006) With well informed and educated general people it has become a threat to the corporate and CSR is the solution to it. In 1990 CSR was standard in the industry with companies like Price Waterhouse Copper and KPMG. CSR evolved beyond code of conduct and reporting, eventually it started taking initiative in NGO’s, multi stake holder, ethical trading. (Corporate watch report, 2006).

Implementing Corporate Social Responsibility

There are no generic CSR methods, each method is based on the individual firm needs and circumstances. Each method

will vary in its attentiveness of CSR issues and how much work needs to be done with respect to the approach. CSR can be utilized integrated into a firm's core decision making, management processes, strategy and activities, be it over a period of time or systematically. Most companies already possess policies with respect to the handling customers, community, employees and the environment. These can be perfect starting points for firm-wide CSR approaches.

What follows below is a framework for the development and implementation of a CSR approach that builds on current existing policies as well as experience and knowledge of other fields, such as economic and environmental. The broad framework follows a familiar “plan, do, check and improve” model. This framework has been designed with the intention to be flexible so that firms would be able to mold and adapt it as appropriate for their organization.

Corporate citizenship

Corporate citizenship is the term used to describe the contribution a business or organization makes to the local community or society as a whole. These contributions include not only the company's core business activities, but also its investments in the local community. An organization's long-term success depends on having favorable corporate citizenship. For this to happen, the company must successfully engage with its employees, shareholders, business partners, customers, the government, and the rest of the community. These relationships are vital for a business that wants to have successful financing and social standings within the community. Corporate citizenship is often referred to as corporate social responsibility or corporate governance.

Businesses need to treat their stakeholders ethically and with respect by believing in **corporate citizenship**, in which they show commitment to ethical behavior by balancing stakeholders' needs and protecting the environment. Did you know that Microsoft has been awarded a top corporate citizenship award? According to Forbes magazine, a major factor of Microsoft's

success in this arena is their employees' passion for supporting their communities and causes through charitable giving and volunteering. In 2012, 93% of employees felt that Microsoft is a good corporate citizen around the world.

Many other companies, such as Fun Town Amusements, have also embraced the idea of corporate citizenship and focusing on their stakeholders. In this lesson, you will learn the definition and stages of corporate citizenship. Fun Town defines corporate citizenship as corporate community relations. The definition might have a slightly larger definition of citizens depending upon where a company conducts business. For example, a global company would refer to their community as the entire world. Fun Town shows their commitment to corporate citizenship by:

Hiring disabled and other individuals who need work by supporting a diverse workforce
Supporting non-profits in helping community members find jobs, keep towns clean and donate to charities across the nation

Providing accessibility to community stakeholders through installing handicap entrances, ride restraints, holding open door meetings and asking for customer feedback daily

Benefits of Corporate Citizenship

I'm sure that from the introduction you can clearly see the benefits of corporate citizenship to the stakeholders. What you might not realize is that there are many benefits for Fun Town Amusements to adopt the philosophy of corporate citizenship, as well. The benefits are:

Excellent employee relations by increasing company morale, participation, productivity and retainment: Fun Town accomplishes this by treating their employees and community ethically. In fact, Fun Town is smart enough to realize that their employees are the community and look for ways to have them act as ambassadors throughout the town. For instance, employees are participating in numerous charity events, such as Habitat for Humanity, donating to local food pantries and providing engineering workshops on ride design to area high schools.

Improved customer relations by treating their customers ethically and listening to their wants, needs and feedback: Fun Town conducts constant surveys in their park and in town to find out consumer opinions. They also offer customer appreciation days with ‘throwback’ park prices to \$10 to enter the park.

Corporate Social Responsibility and Corporate Citizenship

The main elements of corporate citizenship are not very different from the concept of CSR i.e., legal requirements, societal obligations, voluntary actions, values and ethics are integrated along with a stakeholder view of the firm although environmental responsibility which the key theme of CSR and sustainability are missing. The issues of implementing a consistent set of universal hyper norms seem to be glossed in the literature.

A multinational corporation must be seen to be insightful to local cultures. At the same time it is required to implement a universal code of conduct, the assumption being that the company can adapt its hyper norms to suit local custom without violating them. It is still not clear how this strategy will address the issue of environmental and social problems. A good corporate citizen is obliged to fulfil- the obligations but it is not legally enforced. The major shortcoming of CSR, corporate citizenship is that there is an absence of any enforcement mechanism to meet the obligations. At a global level, the complexities of legal systems also enable multinational corporations to develop innovative and creative accounting practices that, while being perfectly legal, have uncertain outcome.

The problematic nature of citizenship, when applied to corporations, need to be looked into. The use of the term citizen to denote corporate identity is related to the legal notion of the corporation as a natural citizen. The rights of the corporation are guaranteed and protected but the problem is that the responsibilities remain unrestricted. The term corporate citizen extends the legal fiction of corporate personhood even further because a corporation cannot satisfy key cannons of citizenship such as voting or holding public office, which are inalienable rights

held by individuals. Corporate citizenship also does not provide a critical analysis of power dynamics between individuals, groups and corporations. Citizenship rights of corporations are limited to certain activities like the right to vote furthermore the economic power of corporations to influence electoral results through campaign contributions cannot be ignored.

There have been notions of corporate citizenship that bring in the legal fiction argument of the corporation in order to create a soul for the body corporate run the danger of conflating citizenship with personhood. A corporation cannot be a citizen in the same way a person can. A corporation can be considered a person as far as its legal status is concerned. The conflation of a corporation with an individual citizen obscures the gaps between individual citizen rights and corporate rights. There are concerns that corporate citizenship discourses could have the effect of reducing governmental scrutiny of corporate practices because they promote self-governance. Corporate strategies of responding to social and environmental concerns have led to array of codes of conduct on various issues which are not enforceable.

So to conclude rather than uncritically applying concepts of citizenship to the business firm, it is important to contest current notions of corporate citizenship. The limitations of applying superficial concept of citizenship to corporations attempt to develop a broader conceptualization of corporate citizenship based on notions of liberal citizenship in political science. Corporate citizenship becomes relevant in an era dominated by neoliberal doctrine because, while corporations may not be the same as individual citizens, they are taking the roles and activities normally associated with the government. When the state is not the sole guarantor of citizenship rights and corporations provide services that were previously the purview of governments then it becomes necessary to interrogate corporate roles in administering citizenship. Thus corporate citizenship is about administering citizenship rights for individuals rather than about whether the corporation is or can be a citizen.

Need for corporate social responsibility

1. Better Public Image:

Each firm must enhance its public image to secure more customers, better employees and higher profit. Acceptance of social responsibility goals lead to improve public image.

2. Conversion of Resistances Into Resources:

If the innovative ability of business is turned to social problems, many resistances can be transformed into resources and the functional capacity of resources can be increased many times.

3. Long Term Business Interest:

A better society would produce a better environment in which the business may gain long term maximization of profit. A firm which is sensitive to community needs would in its own self interest like to have a better community to conduct its business. To achieve this it would implement social programmes for social welfare.

4. Avoiding Government Intervention:

Regulation and control are costly to business both in terms of money and energy and restrict its flexibility of decision making. Failure of businessmen to assume social responsibilities invites government to intervene and regulate or control their activities. The prudent course for business is to understand the limit of its power and how to use that power carefully and responsibly thereby avoiding government intervention.

Importance of Social Corporate Responsibility

It aims at consumer protection.

It aims at protection of local and global environment . It ensures respect for human rights.

It results in avoiding bribery and corruption.

It promotes adherence to labour standards by companies and their business partners.

Arguments in favor of CSR

1. Protect the interests of stakeholders:

Labor force is united into unions which demand protection of their rights from business enterprises. To get the support of workers, it has become necessary for organisations to discharge responsibility towards their employees. Caveat emptor ('let the buyer beware'), no more holds true. Consumer today is the kingpin around whom all marketing activities revolve. Consumer does not buy what is offered to him. He buys what he wants. Firms that fail to satisfy consumer needs will close down sooner or later. Besides, there are consumer redressal cells to protect consumers against anti-consumer activities. Consumer sovereignty has, thus, forced firms to assume social responsiveness towards them. Firms that assume social responsibilities may suffer losses in the short-run but fulfilling social obligations is beneficial for long-run survival of the firms. The short-term costs are, therefore, investments for long-run profitability.

2. Long-run survival:

Business organisations are powerful institutions of the society. Their acceptance by the society will be denied if they ignore social problems. To avoid self-destruction in the long-run, business enterprises assume social responsibility.

3. Self-enlightenment:

With increase in the level of education and understanding of businesses that they are the creations of society, they are motivated to work for the cause of social good. Managers create public expectations by voluntarily setting and following standards of moral and social responsibility. They ensure paying taxes to the Government, dividends to shareholders, fair wages to workers, quality goods to consumers and so on. Rather than legislative interference being the cause of social responsibility, firms assume social responsibility on their own.

4. Avoids government regulation:

Non-conformance to social norms may attract legislative restrictions. Government directly influences the organisations

through regulations that dictate what they should do and what not. Various agencies monitor business activities.

For example, Central Pollution Control Board takes care of issues related to environmental pollution, Securities and Exchange Board of India considers issues related to investor protection, Employees State Insurance Corporation promotes issues related to employees' health etc. Organisations that violate these regulations are levied fines and penalties. To avoid such interventions, organisations have risen to the cause of social concerns.

5. Resources

Business organisations have enormous resources which can be partly used for solving social problems. Businesses are the creation of society and must work in the best interest of society, both economically and socially.

6. Professionalization:

Management is moving towards professionalism which is contributing to social orientation of business. Increasing professionalism is causing managers to have formal management education and qualifications. Managers specialise in planning, organising, leading and controlling through their knowledge and subscribe to the code of ethics established by a recognised body.

The ethics of profession bind managers to social values and growing concern for society. Thus, there is increasing awareness of social responsibility. To grow in the environment of dynamism and challenge, business concern does not decide whether or not to discharge social responsibilities but decides how much social responsibility to discharge. A good business anticipates developments and acts in accordance with the currently conceived social responsibilities to achieve the future targets.

Arguments against CSR

1. Business is an economic activity:

It is argued by the opponents of social responsibility that basic function of a business enterprise is to look into economic

viability of its operations. It is for the Government to look after interests of the society. The prime responsibility of assuming social responsibility should, therefore, be of the Government and not of the business enterprises.

2. Quantification of social benefits:

What measures social responsibility and to what extent should a business enterprise be engaged in it, what amount of resources should be committed to the social values, whose interest should hold priority over others (shareholders should be preferred over suppliers or vice versa) and numerous other questions are open to subjective considerations, which make social responsibility a difficult task to be assumed.

3. Cost-benefit analysis:

Any social-benefit programme where initial costs exceed the benefits may not be taken up by enterprises even in the short-run.

4. Lack of skill and competence: Professionally qualified managers may not have the aptitude to solve the social problems.

5. Transfer of social costs

STEPS IN THE IMPLEMENTATION OF CSR ACTIVITIES

An organization implements corporate social responsibility to to benefit the program's recipients, its employees and the organization as a whole. Information about the corporate effort must be shared with stakeholders such as customers, business partners and the community. Organizations that promote their social efforts through news releases, social media sites, networking events and public relations opportunities can be positively viewed by the community. The following steps are useful to implement CSR.

1. Conduct a CSR assessment

A CSR assessment is an evaluation of how well a company has integrated the principles of CSR into their business. An assessment program is a first step into an ongoing monitoring

process. The objective of the assessment is to get a clear picture of your Corporate Social Responsibility practices (i.e. environment, social, ethics, supply chain). The assessment results will enable you to understand how your company is positioned, but you can also use the assessment results to communicate your CSR commitment to your stakeholders.

Most companies conduct these assessments at the request of their clients or stakeholders. When your top management do not have an accurate overview of your corporate social responsibility status and progress. It would be difficult and unlikely for them to make important decisions for the future. Intelligence gathered from the assessment can protect a firm from making an ineffective and uncalculated CSR approach or heading in an unsustainable direction with their business. An assessment will also help identify CSR loopholes and potential opportunities which

will improve the decision making process and also as a reminder of legal obligations in business practices.

A basic assessment process is outlined below:

1. Assemble a CSR leadership team
2. Develop a working definition of CSR
3. Identify legal requirements
4. Review corporate documents, processes and activities
5. Identify and engage key stakeholders.

2. Develop a CSR strategy

A CSR strategy is a road map for moving ahead on CSR issues. It sets the firm's direction and scope over the long term with regard to CSR. It allows the firm to be successful by using its resources within its exclusive environment to meet market needs and fulfill stakeholder expectations, CSR strategy helps to ensure that a firm builds, maintain and continually strengthens its identity, its market, and its relationships. Importantly, it provides the framework for a logical business strategy based on the issues that it and its stakeholders consider important.

- a. Build support with CEO, senior management and employees.
- b. Research what others are doing, and assess the value of recognized CSR instrument.
- c. Prepare a matrix of proposed CSR actions.
- d. Develop ideas for proceedings and the business case for them.
- e. Decide on direction, approach, boundaries and focus areas.
- a. Build support with senior management and employees**

Without the backing of a firm's leadership, CSR strategies have little chance of success. The personal engagement of the CEO is usually vital. The first step in developing a CSR strategy is for the leadership team to report back to senior management (and, where

relevant, the board of directors) about the key findings of the assessment and to gauge interest in moving ahead. Quite likely, the assessment will have indicated that several aspects of current operations are vulnerable to external criticism, or that there appear to be real opportunities for synergies or new products in certain areas. The assessment could also have found that current decision making on CSR issues is not well coordinated or that there is considerable interest in specific CSR issues or pressure from certain key stakeholders in these areas.

b. Research what others are doing, and existing CSR instruments

Although it is possible for the CSR leadership team, working with other members of the firm, to develop a CSR approach entirely on its own, there is considerable value in drawing on the experience and expertise of others. Three useful sources of information are other firms, industry associations and CSR-specialist organizations.

c. Prepare a matrix of proposed CSR actions

With this background it should be possible to create a matrix of proposed CSR actions, possibly set out by environmental, social and economic aspects, although there may be some

overlap. The leadership team can plot current and possible CSR activities, processes, products and impacts on the matrix, cross-referencing them against the firm's current activities and structure to see how well they fit.

d. Develop options for proceeding and the business case for them

Two broad options for proceeding at this point are to take an incremental approach to CSR or to decide on a more comprehensive change in direction. The evolution of the Responsible Care program of the Canadian Chemical Producers' Association is a good example of the former. This program started with a broad set of principles but now includes detailed codes, conformity assessment, public reporting and the involvement of community and non-governmental organization representatives.

e. Decide on direction, approach and focus areas

The CSR leadership team should now have the information it needs to ask senior management for an informed decision on how the firm should proceed. Of immediate importance is determining the firm's general direction, approach and focus areas with regard to CSR, as described below.

- **Direction.** This is the overall course the firm could pursue or the main area it is aiming to address. For example, an apparel company could decide to emphasize worker health and safety. A pharmaceutical company could decide to look at developing country health issues. A forestry company could decide that environmental issues associated with logging are the focus of its activities. A mining company could choose improving relations with surrounding communities as its chief concern. A company moving into new markets might decide that anti-bribery measures are a target area, and so forth.

- **Approach.** This refers to how a firm plans to move in the direction identified. For example, a firm might decide to first revise its mission, vision, and values and ethics statements, next put a new code of conduct in place, then communicate with and train employees and, finally, address issues with contractors in the supply chain.

- **Focus areas.** These should align most clearly with the business objectives of the firm and, hence, are immediate priorities. The focus areas may identify gaps in the firm's processes, attempt to capitalize on a new opportunity, or address needs of certain key stakeholders. For example, a financial institution could identify new protections for clients' personal information or the opportunities for micro-credit, while a food retailer might decide to focus on combating obesity as an immediate objective.

3. Develop CSR commitments

Business leaders need to speak out now about their role in driving progress in society. For too long we have allowed people to think that business is interested in nothing other than profit, when in fact we see the purpose of business much more widely. We believe that the fundamental purpose of business is to provide continually improving goods and services for increasing numbers of people at prices that they can afford.

CSR commitments are policies or instruments a firm develops or signs on to that indicate what the firm intends to do to address its social and environmental impacts.

Before developing CSR commitments, firms must understand the range of available commitments and the distinction between them.

1. Do a scan of CSR commitments

Before developing CSR commitments or agreeing to adhere to third-party CSR codes or standards, it is useful to examine the CSR commitment instruments others are using, particularly leading firms. Importantly, firms should also research CSR instruments developed by governments (see Appendix 5), and intergovernmental bodies such as the UN, the ILO and the OECD.

2. Hold discussions with major stakeholders

Developing CSR commitments or agreeing to comply with existing codes and standards presents the firm with an opportunity to generate organizational interest in CSR and build agreement

about how codes and standards apply to the firm. From that agreement, the firm can develop more practical steps towards implementation. Throughout this guide, the importance of listening to all stakeholder groups is stressed.

3. Create a working group to develop the commitments

The working group should be a cross-section of the organization, from board members to senior management and front-line employees, and could include people who are very enthusiastic about CSR as well as those who are skeptical to give voice to differing opinions on the issues at hand. Contractors and others to whom the commitments apply should also be involved.

4. Prepare a preliminary draft

CSR commitments should be plain-language statements and should contain clear and concise obligations. It is recommended that working group members identify who within the organization will be responsible for implementing the commitments and involve them in preparing the draft. Firms would also be well advised to use existing commitment documents as base documents when preparing their own.

5. Consult with affected stakeholders

It has been stressed above that thorough consultations with those affected by a firm's actions at the outset can prevent problems later. One good approach is to start with the people most likely to be directly affected by the CSR commitments and who are already aware of the associated issues. Next, the working group could have more formal discussions with groups and people who may not be aware of the CSR initiative. A consultation plan can be useful. It should include roles for high-profile officials within the firm who have good communication skills and can clearly explain the CSR commitments and receive feedback. This feedback should go to the working group, who will discuss how and to what extent the final draft will reflect the comments.

6. Revise and publish the commitments

Drawing on the input from the consultations, the working group can finalize commitments to be published and shared with

all employees as part of the implementation. Often this is done on the firm's Web site, or in a CSR or sustainability report, but there are many options.

4. Implement CSR commitment

Implementation refers to the day-to-day decisions, processes, practices and activities that ensure the firm meets the spirit and letter of its CSR commitments and thereby carries out its CSR strategy. If CSR commitments can be called “talking the talk,” then implementation is “walking the walk.”

1. Develop an integrated CSR decision making structure

Although every firm is different, each has a decision making structure in place to ensure that it can meet its commitments and customer needs. The key question to ask here is, “given the firm's existing mission, size, sector, culture, way of organizing its affairs, operations and risk areas—and given its CSR strategy and commitments—what is the most effective and efficient CSR decision making structure to put in place?”

2. Prepare and implement a CSR business plan

The decision making structure identifies who is responsible for CSR decision making and action within the firm. These people play key roles in developing and implementing the CSR business plan, which should flow from the CSR strategy and commitments. The CSR business plan may be separately described or included as part of the firm's existing overall business plan. With the strategy, commitments and decision making structures in place, the CSR business plan helps ensure that the words are transformed into effective action. An excellent way of doing this is to determine what human, financial and other resources and activities will be required to carry out the CSR strategy and commitments.

3. Set measurable targets and identify performance measures

Effective CSR implementation requires the setting of measurable target for the commitments.

4. Engage employees and others to whom CSR commitments apply

Following the approach set out in this guide, the input of employees and other key stakeholders has been solicited at every stage, from preliminary assessment, through to strategy development and the articulation of commitments. Employees play a central role in CSR implementation.

5. Design and conduct CSR training

Firms need to train employees directly involved in CSR activities. This is an ongoing commitment, since training needs will change as the CSR issues evolve. A comprehensive approach to training, such as the one taken by IKEA, will ensure employees have information on the firm's CSR commitments, programs and implementation. When the firm's employees speak various languages, training modules must be offered in those languages and must consider employees' cultural orientation. This is particularly true when training employees in various parts of the world. Literacy levels may also need to be assessed.

6. Establish mechanisms for addressing problematic behaviour

The very future of employees, communities, the environment and firms can depend upon early detection of activity that is contrary to CSR principles and commitments. Auditing and monitoring, while revealing, can only go so far in this regard. For this reason, it is important for firms to put in place mechanisms and processes that will allow for early detection, reporting and resolution of problematic activity.

7. Create internal and external communications plans

Information about CSR commitments, activities and performance reporting should be communicated visibly and frequently to all employees. Whether through newsletters, annual reports, Intranet communication, meetings, training or informal mechanisms, employees must know that CSR is a company priority. Updates on CSR should also be put on the agenda of meetings at all levels of the company. External communications plans should ensure that all relevant stakeholder groups are addressed.

8. Make commitments public For CSR commitments to be most credible, they should be made public. Firms may only wish to make public those commitments they are confident of achieving, but nonetheless work on others quietly with no publicity. A good external communications plan should identify the individuals and groups that need to be aware of a particular CSR initiative and those who should receive hard copies of CSR documents, as well as how those individuals and groups are to be reached.

5. Measure and assure performance

CSR team should ensure the performance of CSR activities and it should be properly measured.

6. Assure and report on progress

Reporting is communicating with stakeholders about a firm's economic, environmental and social management and performance. When it is done well, reporting should address how societal trends are affecting a firm and, in turn, how the firm's operations are affecting society.

7. Evaluate and improve

An evaluation tracks the overall progress of a firm's CSR approach and forms the basis for improvement and modification. With the information derived from verification and reporting, a firm is in a good position to rethink its current approach and make adjustments.

CSR and ethics in Business

It is better to find out the relationship between CSR and business ethics. CSR is not only about responsibilities, but also about ethics. That is ethics in dealing with customers, employees, and the environment. Ethics come from inside a person, from their beliefs. As every individual has different ethical belief, there is no definition of what is ethically right or wrong, but it is a point that managers have to keep in mind while doing business, ethics are codes of values and principles that govern the action of a person, or a group of people regarding what is right versus what is wrong. Therefore, ethics set standards as to what is good or

bad in organisational conduct and decision making. Deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment. Therefore, ethics are an important part of the concept of CSR. Another important point is that social responsibility reflects cultural values and traditions and takes different forms in different societies. Organizations that adopt CSR have moral, ethical, and discretionary responsibilities in addition to their economic and legal obligations.

Advantages of ethical behavior in business

1. Build Customer Loyalty

Consumers may let a company take advantage of them once, but if they believe they have been treated unfairly, such as by being overcharged, they will not be repeat customers. Having a loyal customer base is one of the keys to long-range business success, since serving an existing customer does not involve marketing costs, whereas acquiring a new one does.

2. Enhance a Company's Reputation

A company's reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals. Conversely, a reputation for unethical dealings hurts the company's chances to obtain new customers, particularly in this age of social networking when dissatisfied customers can quickly disseminate information about the negative experience they had.

3. Retain Good Employees

Talented individuals at all levels of an organization want to be compensated fairly for their work and dedication. They want career advancement within the organization to be based on the quality of the work they do and not on favoritism. They want to be part of a company whose management team tells them the truth about what is going on, such as when layoffs or reorganizations are being contemplated.

Companies that are fair and open in their dealings with employees have a better chance of retaining the most talented

people. For instance, employees who do not believe the compensation methodology is fair are often not as dedicated to their jobs as they could be.

4. Positive Work Environment

Employees have a responsibility to be ethical from the moment they have their first job interview. They must be honest about their capabilities and experience. Ethical employees are perceived as team players rather than as individuals just out for themselves. They develop positive relationships with coworkers. Their supervisors trust them with confidential information, and they are often given more autonomy as a result.

Employees who are caught in lies by their supervisors damage their chances of advancement within the organization and may risk being fired. An extreme case of poor ethics is employee theft. In some industries, this can cost the business a significant amount of money, such as restaurants whose employees steal food from the storage locker or freezer. One approach ethical

companies take to avoid this type of behavior is to take the time to train every member of the organization about the conduct that is expected of them.

5. Avoid Legal Problems

At times, a company's management may be tempted to cut corners in pursuit of profit, such as by not fully complying with environmental regulations or labor laws, ignoring worker safety hazards or using substandard materials in their products. The penalties for being caught can be severe, including legal fees and fines or sanctions by governmental agencies. The resulting negative publicity can cause long-range damage to the company's reputation that is even more costly than legal fees or fines

Advantages of Corporate Social Responsibility

As CSR adoption becomes increasingly popular all over the world, it is safe to assume that businesses have seen great potential in this area.

Improves the image of a company:

CSR activities reflect positively on the image of a company. When you implement CSR policies in your company, it increases your goodwill. Consumers will be more willing to avail your products/services because of the clean image of your company.

Helps attract and retain potential employees:

Companies which are involved in serious CSR activities are more recognizable. This makes it easier for your company to attract potential candidates who seek employment opportunities. Also, when your company starts earning goodwill through significant CSR activities, the employees are more likely to continue with the company for a longer tenure.

Attracts new investors:

A company's reputation in the market determines whether it will receive new investments or not. With CSR programs, you can certainly boost your company's image. And when your company starts to grab enough eyeballs, it also attracts a number of investors. Be prepared to receive investment proposals from venture capitalists, other firms, and even from the government.

A brand new way to advertise your brand:

It is often said that any publicity is good publicity. When your company starts a CSR program, it automatically gives your company a certain level of publicity. It won't be wrong to call such publicity as an advertisement. You just need to make sure your products or services are aligned with the CSR activities you are involved in.

Corporate social responsibility towards different sections of the society

Social responsibilities of business to different segments of the society can be stated as follows.

1. Corporate social Responsibility towards Owners

Owners are the persons who own the business and they are responsible for the profit or losses and they contribute the capital and bear the risks. The primary responsibility of the business towards its owners is to, Should run the business

efficiently Proper utilization of capital and resources Timely repayment of on capital invested

2. Corporate social responsibility towards Investors

Investors provide the capital by way of investment, it is in the form of debentures, deposits and bonds etc. without investors companies may not be run successfully. The investors included in this category are banks, public and financial institutions. The responsibilities of the business towards its investors are, Providing assurance to their investment Paying interests timely to the investors Giving important updates to the investors Repayment of principle amount timely

3. Corporate social responsibility towards Employees

Business needs workers or employees to work for the organisation they put their efforts for the growth of the firm. It is the basic responsibility of the organisation to take care of the interest of the employees and to fulfill their needs. Employee satisfaction leads to the achievement of the organisational goals. The responsibilities of the organisation towards its employees or workers include, wages and salaries should be paid timely and regularly

Providing proper welfare amenities and working conditions
Providing better opportunities for the career prospects
Providing Job security and social security

Providing facilities like pension, provident fund, retirement benefits, and group insurance, etc

Providing housing, canteen, transport, and creches etc
Identifying and fulfilling training and developmental needs

4. Corporate social responsibility towards Suppliers

Suppliers are the persons who supply semi finished goods, finished goods, raw materials and other items required by the firms. Market demand conditions can only be fulfilled on the basis of the supply of the raw materials. So the suppliers are the part of the success of the business. Managers should always notice the importance of the suppliers. Certain suppliers are called as distributors because they supply finished products to the

consumers. The responsibilities of business towards these suppliers are,

Giving regular orders to purchase goods
Dealing with fair terms and conditions
Maintaining reasonable credit period
Dues should be paid timely

5. Corporate social responsibilities towards Customers

Business can only be survived with the support of customers. The success of the business completely depends on the customer satisfaction and customer loyalty. Brand image comes from these two factors, so being responsible towards the customers not only benefits the customers but it maximizes the revenues and makes possible to get the market empire. The responsibility of business towards customers is, Products and services must fulfill the needs of the customers
Qualitative Products and services must be delivered
Regularity in supply of goods and services must be maintained
Prices of the goods and services should be fixed reasonable and affordable
Procedure, advantages and disadvantages of the product and the use of the products must be informed to the customers
Organisations must provide after sales service
Grievances of the customers must be settled quickly

Fewer quality services, under weighing the product and adulteration must be avoided

6. Corporate social responsibility towards Competitors

Competitors always help the business in becoming more innovative and dynamic. But it is not that much easy to face a severe competition. Firms always try to overcome the competition by giving discounts, by using various advertisement strategies, and so on. To become better than their competitor's firms sometimes may follow unfair practices like giving sales commissions to the agents, heavy discounts to the customers, false advertisements, bribing the competitor's employees to know the business secrets etc. The responsibilities of business towards its competitors are, Not to offer high sales commission to distributors and agents
Not to offer heavy discounts to the customers
False advertisements should not be given to defame

the competitors Should not bribe the competitor's employees to copy their products and services

7. Corporate social responsibility towards Government

Firms should follow the rules framed by the government. These guidelines are for the safety measures and for the benefit of the society. Responsibilities of the firms towards government are, Following the guidelines are given by the government

Fees, duties and taxes should be paid regularly and honestly
Should not follow the restrictive trade practices

Firms should follow the pollution control norms

Should not follow the corruption and other unlawful activities

8. Corporate social responsibility towards Society

In almost all activities individuals, groups, organisations and families, etc interact with each other and dependent on each other. A relationship exists between them which may be direct or indirect. The increase in per capital income increases the value of the money and national income. With the increase in national income revenues of the business also increases. Thus it has certain responsibilities towards the society which may be as follows,

Firms should help the weaker sections of the society
Organisations should protect the social and cultural values

Firms should generate the employment by extending their business
Should protect the environment by taking proper measures

Natural resources and wildlife should not be harmed

Should provide assistance in the areas of research, education, medical sciences, and technology, etc

Multiple Choice Questions

1. What is the classical view of management's social responsibility?
 - a. To create specific environment in work place
 - b. **To maximise profits**
 - c. To protect and improve society's welfare

- d. All of the above
- 2. What does the socio - economic view of social responsibility talk about?
 - a. **Social responsibility goes beyond making profits to include protecting and improving society's welfare**
 - b. Encourage business
 - c. Financial return
 - d. None of the above
- 3. What is the only concern of stock holders?
 - a. **Financial return**
 - b. Make profits
 - c. Encourage business to take up social responsibility
 - d. None of the above
- 4. Which of the following is a disadvantage of social responsibility?
 - a. Possession of resources
 - b. Ethical obligation
 - c. Public image
 - d. **Violation of profit maximization**
- 5. _____ is when a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities.
 - a. **Social obligation**
 - b. Social responsibility
 - c. Social responsiveness
 - d. None of the above
- 6. When social criteria is applied on investment decisions it is called _____.
 - a. Social responsiveness
 - b. Ethical obligation
 - c. **Social screening**
 - d. Financial return

7. The recognition of the close link between an organization's decisions and activities and its impact on the natural environment is called _____.
 - a. Global environment
 - b. **Greening of management**
 - c. Social actions
 - d. None of the above
8. Generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment.
 - a. **Corporate social responsibility**
 - b. Code of ethics
 - c. Ethical standards
 - d. None of the above
9. WBCSD stands for
 - a. **World Business Council for Sustainable Development**
 - b. World Business Company For Sustainable Development
 - c. World Bank Council for Sustainable Development
 - d. World Business Council For Strategic Development

Short Answer type Questions

1. Define CSR
2. What is philanthropy
3. What is corporate citizenship
4. What is corporate governance

5. MODULE V

EMERGING CONCEPTS IN MANAGEMENT

Management has gone through many changes and with explosion of technology, many more are to come. Kaizen, TQM, TPM, logistics management, etc are some of the new management concepts introduced for the success of organisation

TOTAL QUALITY MANAGEMENT (TQM)

Total Quality Management is a management philosophy of continuously improving product quality. TQM is a holistic approach to long term success that view continuous improvement in all aspects of an organization as a process. TQM is a way of managing to improve the effectiveness, flexibility and Competitiveness of a business as a whole.

Total Quality Management (TQM) describes a management approach to long-term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

Total Quality Management Principles: The 8 Primary Elements of TQM

Total quality management consists of organization-wide efforts to install and make permanent a climate in which an organization continuously improves its ability to deliver high-quality products and services to customers. Total quality management can be summarized as a management system for a customer-focused organization that involves all employees in continual improvement. It uses strategy, data, and effective communications to integrate the quality discipline into the culture and activities of the organization. Many of these concepts are present in modern Quality Management Systems, the successor to TQM. Here are the 8 principles of total quality management:

1. Customer-focused

The customer ultimately determines the level of quality. No matter what an organization does to foster quality improvement—training employees, integrating quality into the design process, upgrading computers or software, or buying new measuring tools—the customer determines whether the efforts were worthwhile.

2. Total employee involvement

All employees participate in working toward common goals. Total employee commitment can only be obtained after fear has been driven from the workplace, when empowerment has occurred, and management has provided the proper environment. High-performance work systems integrate continuous improvement efforts with normal business operations. Self-managed work teams are one form of empowerment.

3. Process-centered

A fundamental part of TQM is a focus on process thinking. A process is a series of steps that take inputs from suppliers (internal or external) and transforms them into outputs that are delivered to customers (again, either internal or external). The steps required to carry out the

process are defined, and performance measures are continuously monitored in order to detect unexpected variation.

4. Integrated system

Although an organization may consist of many different functional specialties often organized into vertically structured departments, it is the horizontal processes interconnecting these functions that are the focus of TQM.

5. Strategic and systematic approach

A critical part of the management of quality is the strategic and systematic approach to achieving an organization's vision, mission, and goals. This process, called strategic planning or strategic management, includes the formulation of a strategic plan that integrates quality as a core component.

6. Continual improvement

A major thrust of TQM is continual process improvement. Continual improvement drives an organization to be both analytical and creative in finding ways to become more competitive and more effective at meeting stakeholder expectations.

7. Fact-based decision making

In order to know how well an organization is performing, data on performance measures are necessary. TQM requires that an organization continually collect and analyze data in order to improve decision making accuracy, achieve consensus, and allow prediction based on past history.

8. Communications

During times of organizational change, as well as part of day-to-day operation, effective communications plays a large part in maintaining morale and in motivating employees at all levels. Communications involve strategies, method, and timeliness.

KAIZEN

Quality level improvement: After the training stage is completed, practitioners should continue to focus on long-term implication, widespread application, alignment with organizational objectives and planning objectives. Management should form a core department to carry out Kaizen evaluation and implementation. Kaizen is a Japanese philosophy that focuses on continual improvement throughout all aspects of life. When applied to the workplace, Kaizen activities can improve every function of a business, from manufacturing to marketing and from the CEO to the assembly-line workers. Kaizen aims to eliminate waste in all systems of an organization through improving standardized activities and processes. By understanding the basics of Kaizen, practitioners can integrate this method into their overall Six Sigma efforts.

The purpose of Kaizen goes beyond simple productivity improvement. When done correctly, the process humanizes the

workplace, eliminates overly hard work, and teaches people how to spot and eliminate waste in business processes.

The continuous cycle of Kaizen activity has seven phases:

1. Identify an opportunity
2. Analyze the process
3. Develop an optimal solution
4. Implement the solution
5. Study the results
6. Standardize the solution
7. Plan for the future

Kaizen generates small improvements as a result of coordinated continuous efforts by all employees. Kaizen events bring together a group of process owners and managers to map out an existing process and identify improvements that are within the scope of the participants.

The following are some basic tips for doing Kaizen:

- Replace conventional fixed ideas with fresh ones.
- Start by questioning current practices and standards.
- Seek the advice of many associates before starting a Kaizen activity.
- Think of how to do something, not why it cannot be done.
- Don't make excuses. Make execution happen.
- Do not seek perfection. Implement a solution right away, even if it covers only 50 percent of the target.
- Correct something right away if a mistake is made.

Kaizen activities cover improvements in a number of areas, including:

- Quality – Bettering products, service, work environment, practice and processes.
- Cost – Reducing expenses and manpower, and use of material, energy and resources.
- Delivery – Cutting delivery time, movement and non-value-added activities

- Management – Improving procedures, training, morale, administration, planning, flow, information systems, documentation and reporting.
- Safety – Decreasing hazardous situations, unsafe working conditions, chances of resource depletion and damage to the environment.

Implementing Kaizen

Typically, implementation of Kaizen occurs in three stages in any organization:

1. Encourage participation: Awareness training sessions for all employees are a must. To further encourage employee involvement, promote specific Kaizen activities, and consider distributing monetary or tangible benefits after solutions from Kaizen activities are implemented.
2. Training and education: Focused training of associates is required for understanding what is – and is not – the essence of Kaizen. Team leaders should be trained to understand Kaizen in an organizational vision context, which needs to be followed thoroughly in order to achieve desired business objectives. They also must be taught about the necessity of impartial evaluation and strategy for improving participation.
3. Quality level improvement: After the training stage is completed, practitioners should continue to focus on long-term implication, widespread application, alignment with organizational objectives and planning objectives. Management should form a core department to carry out Kaizen evaluation and implementation.

TOTAL PRODUCTIVE MAINTENANCE (TPM)

Total Productive Maintenance (TPM) is a maintenance program which involves a newly defined concept for maintaining plants and equipment. The goal of the TPM program is to markedly increase production while, at the same time, increasing employee morale and job satisfaction.

TPM brings maintenance into focus as a necessary and vitally important part of the business. It is no longer regarded as a non-

profit activity. Down time for maintenance is scheduled as a part of the manufacturing day and, in some cases, as an integral part of the manufacturing process. The goal is to hold emergency and unscheduled maintenance to a minimum.

TPM was introduced to achieve the following objectives. The important ones are listed below.

- Avoid wastage in a quickly changing economic environment.
- Producing goods without reducing product quality.
- Reduce cost.
- Produce a low batch quantity at the earliest possible time.
- Goods sent to the customers must be non defective.

The Eight Pillars

The eight pillars of TPM are mostly focused on proactive and preventative techniques for improving equipment reliability

1. Autonomous Maintenance
2. Focused Improvement
3. Planned Maintenance
4. Quality management
5. early/equipment management
6. Education and Training
7. Safety Health Environment
8. Administrative & office TPM

MANAGEMENT INFORMATION SYSTEM

MIS is the use of information technology, people, and business processes to record, store and process data to produce information that decision makers can use to make day to day decisions. MIS is the acronym for Management Information Systems. In a nutshell, MIS is a collection of systems, hardware, procedures and people that all work together to process, store, and produce information that is useful to the organization.

The need for MIS

The following are some of the justifications for having an MIS system

Decision makers need information to make effective decisions. Management Information Systems (MIS) make this possible.

MIS systems facilitate communication within and outside the organization – employees within the organization are able to easily access the required information for the day to day operations. Facilities such as Short Message Service (SMS) & Email make it possible to communicate with customers and suppliers from within the MIS system that an organization is using.

Record keeping – management information systems record all business transactions of an organization and provide a reference point for the transactions.

Components of MIS

The major components of a typical management information system are;

- People – people who use the information system
- Data – the data that the information system records
- Business Procedures – procedures put in place on how to record, store and analyze data
- Hardware – these include servers, workstations, networking equipment, printers, etc.
- Software – these are programs used to handle the data. These include programs such as spread sheet programs, database software, etc.

Types of Information Systems

The type of information system that a user uses depends on their level in an organization.

Transaction Processing Systems (TPS)

This type of information system is used to record the day to day transactions of a business. An example of a Transaction Processing System is a Point of Sale (POS) system. A POS system is used to record the daily sales.

Management Information Systems (MIS)

Management Information Systems are used to guide tactic managers to make semi-structured decisions. The output from

the transaction processing system is used as input to the MIS system.

Decision Support Systems (DSS)

Decision support systems are used by top level managers to make semi-structured decisions. The output from the Management Information System is used as input to the decision support system. DSS systems also get data input from external sources such as current market forces, competition, etc.

ISO (INTERNATIONAL ORGANISATION FOR STANDARDISATION)

ISO originated from the union of two organisations – the ISO (International Federation of the National Standardizing Associations) and the UNSCC (United Nations Standard Coordinating Committee).

In 1946 over 25 countries met at the Institute of Civil Engineers in London to create a new international organisation, where the objective was to ‘facilitate the international coordination and unification of industrial standards’ From this the new organisation ISO began operations in February 1947. The word ISO is derived from the Greek ISOS meaning ‘equal’. As the International Organization for Standardization would translate differently across different languages it was decided that the short form name for the organisation would be ISO.

ISO has published 21634 International Standards and related documents, covering every industry, from technology to food safety, to agriculture and healthcare. They meet on a regular basis to further develop new and existing management standards.

Need for ISO Certification

There are three main reasons why companies adopt an ISO management system:

- To increase success on public and private tenders
- To improve internal efficiency and reduce costs
- Subliminal marketing – by showing our logo on your marketing you prove to your prospective clients you are credible.

ISO 9001: 2008 Quality Management System

An ISO 9001 quality management system is a systematic and process driven approach to managing your business. It is designed to support the company in ensuring you meet the needs of your customers, whilst delivering a consistent level of quality and satisfaction.

ISO 9001:2008 specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

ISO 9001:2008 will be obsolete effective September 2018 and replaced by ISO 9001:2015. 9001:2008 is the standard that outlines the requirements an organization must maintain in their quality system for ISO 9001:2008 certification. There are several different documents in the ISO 9000 family of standards, but ISO 9001 is the only ISO standard that requires certification.

ISO 14001

The ISO 14000 family of standards provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities. ISO 14001:2015 and its supporting standards such as ISO 14006:2011 focus on environmental systems to achieve this. The other standards in the family focus on specific approaches such as audits, communications, labelling and life cycle analysis, as well as environmental challenges such as climate change. ISO 14001:2015 sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector.

ISO 9001:2015

ISO 9001:2015 specifies requirements for a quality management system when an organization:

a) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and

b) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

All the requirements of ISO 9001:2015 are generic and are intended to be applicable to any organization, regardless of its type or size, or the products and services it provides.

CHANGE MANAGEMENT

Change management (sometimes abbreviated as CM) is a collective term for all approaches to preparing and supporting individuals, teams, and organizations in making organizational change. It includes methods that redirect or redefine the use of resources, business process, budget allocations, or other modes of operation that significantly change a company or organization. Organizational change management (OCM) considers the full organization and what needs to change, while change management may be used solely to refer to how people and teams are affected by such organizational transition. It deals with many different disciplines, from behavioral and social sciences to information technology and business solutions.

Reasons for change

Globalization and constant innovation of technology result in a constantly evolving business environment. Phenomena such as social media and mobile adaptability have revolutionized business and the effect of this is an ever-increasing need for change, and therefore change management.

With the business environment experiencing so much change, organizations must then learn to become comfortable with change

as well. Therefore, the ability to manage and adapt to organizational change is an essential ability required in the workplace today. Yet, major and rapid organizational change is profoundly difficult because the structure, culture, and routines of organizations often reflect a persistent and difficult-to-remove “imprint” of past periods, which are resistant to radical change even as the current environment of the organization changes rapidly.

Due to the growth of technology, modern organizational change is largely motivated by exterior innovations rather than internal factors. When these developments occur, the organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to change get left behind. This can result in drastic profit and/or market share losses.

Organizational change directly affects all departments and employees. The entire company must learn how to handle changes to the organization. The effectiveness of change management can have a strong positive or negative impact on employee morale.

Change Management Process

The Change Management Foundation is shaped like a pyramid with project management managing technical aspects and people implementing change at the base and leadership setting the direction at the top. The Change Management Model consists of four stages:

Determine Need for Change Prepare & Plan for Change
Implement the Change Sustain the Change

Change management involves collaboration between all employees, from entry-level to top- management

Although there are many types of organizational changes, the critical aspect is a company’s ability to win the buy-in of their organization’s employees on the change. Effectively managing organizational change is a four-step process:

- Recognizing the changes in the broader business environment
- Developing the necessary adjustments for their company’s needs

- Training their employees on the appropriate changes
- Winning the support of the employees with the persuasiveness of the appropriate adjustments

STRESS MANAGEMENT

Our increasingly busy lives cause our minds a lot of stress. Stress is mental tension caused by demanding, taxing or burdensome circumstances. Stress doesn't just affect our mental state and mood; it affects our physical health as well. When we are very stressed, a hormone called cortisol is released into our bloodstream, suppressing the functioning of our immune, digestive and reproductive systems. That is why it is so important to practice stress management in order to keep our minds and bodies healthy.

Stress management consists of making changes to your life if you are in a constant stressful situation, preventing stress by practicing self-care and relaxation and managing your response to stressful situations when they do occur.

Types of stress

1. Acute stress

Acute stress is the most common type of stress. It's your body's immediate reaction to a new challenge, event, or demand, and it triggers your fight-or-flight response. As the pressures of a near-miss automobile accident, an argument with a family member, or a costly mistake at work sink in, your body turns on this biological response.

2. Episodic acute stress

When acute stress happens frequently, it's called episodic acute stress. People who always seem to be having a crisis tend to have episodic acute stress. They are often short-tempered, irritable, and anxious. People who are "worry warts" or pessimistic or who tend to see the negative side of everything also tend to have episodic acute stress.

3. Chronic stress

If acute stress isn't resolved and begins to increase or lasts for long periods of time, it becomes chronic stress. This stress is

constant and doesn't go away. It can stem from such things as: poverty, a dysfunctional family, an unhappy marriage, a bad job

Chronic stress can be detrimental to your health, as it can contribute to several serious diseases or health risks, such as: heart disease, cancer, lung disease, accidents, cirrhosis of the liver, suicide

Managing stress

Stress affects each person differently. Some people may get headaches or stomach aches, while others may lose sleep or get depressed or angry. People under constant stress may also get sick a lot. Managing stress is important to staying healthy.

It's impossible to completely get rid of stress. The goal of stress management is to identify your stressors, which are the things that cause you the most problems or demand the most of your energy. In doing so, you can overcome the negative stress those things induce.

The Centers for Disease Control and Prevention recommend the following to help cope with stress:

- take care of yourself, by eating healthy, exercising, and getting plenty of sleep
- find support by talking to other people to get your problems off your chest
- connect socially, as it's easy to isolate yourself after a stressful event
- take a break from whatever is causing you stress
- avoid drugs and alcohol, which may seem to help with stress in the short term, but can actually cause more problems in the long term

FISHBONE DIAGRAM

A fishbone diagram, also called a cause and effect diagram or Ishikawa diagram, is a visualization tool for categorizing the potential causes of a problem in order to identify its root causes.

Dr. Kaoru Ishikawa, a Japanese quality control expert, is credited with inventing the fishbone diagram to help employees

avoid solutions that merely address the symptoms of a much larger problem.

A fishbone diagram is useful in brainstorming sessions to focus conversation. After the group has brainstormed all the possible causes for a problem, the facilitator helps the group to rate the potential causes according to their level of importance and diagram a hierarchy. The design of the diagram looks much like a skeleton of a fish. Fishbone diagrams are typically worked right to left, with each large “bone” of the fish branching out to include smaller bones containing more detail. Fishbone diagrams are used in the “analyze” phase of SixSigma’s DMAIC (define, measure, analyze, improve, control) approach to problem solving.

How to create a fish diagram:

1. Create a head, which lists the problem or issue to be studied.
2. Create a backbone for the fish (straight line which leads to the head).
3. Identify at least four “causes” that contribute to the problem. Connect these four causes with arrows to the spine. These will create the first bones of the fish.
4. Brainstorm around each “cause” to document those things that contributed to the cause. Use the 5 Whys or another questioning process such as the 4P’s (Policies, Procedures, People and Plant) to keep the conversation focused.
5. Continue breaking down each cause until the root causes have been identified.

Types of Fishbone diagram Simple Fishbone

In its basic form, the cause-and-effect diagram has no predetermined affinities, or categories of causes, so you can determine affinities that may be unique to your organization. For example, a public relations firm may have affinities that wouldn’t be found in a manufacturing operation, and vice versa.

4S Fishbone

This type of C&E diagram is commonly used in the service industry. It organizes information about potential causes into four common categories: Suppliers, Systems, Surroundings, and Skills.

8P Fishbone

This type uses 8 categories: Procedures, Policies, Place, Product, People, Processes, Price, and Promotion. This variation is also commonly used in the service industry, but can certainly be applied in nearly any type of business.

Man Machines Materials Fishbone

This variation, commonly used in manufacturing, allows you to organize potential causes of a problem into these categories: Man, Materials, Machine, Methods, Measurements, and Environment. In some cases, two additional categories are included: Management/Money and Maintenance.

BUSINESS ECO SYSTEM

A strategic planning model, popular since the development of information technology, whereby a network of suppliers, distributors, competitors and customers all work through competition and cooperation to advance sales of products.

The network of organizations – including suppliers, distributors, customers, competitors, government agencies and so on – involved in the delivery of a specific product or service through both competition and cooperation. The idea is that each business in the “ecosystem” affects and is affected by the others, creating a constantly evolving relationship in which each business must be flexible and adaptable in order to survive, as in a biological ecosystem.

The ecosystem model can also be applied to organizations such as hospitals and universities. This term is part of a recent trend toward using biological concepts to better understand ways to succeed in business. Advances in technology and increasing globalization have changed ideas about the best ways to do business, and the idea of a business ecosystem is thought to help companies understand how to thrive in this rapidly changing environment.

MEANING AND DEFINITION OF LOGISTIC MANAGEMENT

The benefits of co-ordinated logistics management appeared around 1961, in part explaining why a generally accepted definition of business logistics is still emerging. Therefore, it is worthwhile to explore several definitions for the scope and content of the subject.

A dictionary definition of the term logistics is: “The branch of military science having to do with procuring, maintaining, and transporting material, personnel, and facilities.”

This definition puts logistics into a military context. To the extent that business objectives and activities differ from those of the military, this definition does not capture the essence of business logistics management. A better representation of the field may be reflected in the definition promulgated by the Council of Logistics Management (CLM), a professional organization of logistics managers, educators, and practitioners formed in 1962 for the purposes of continuing education and fostering the interchange of ideas. Its definition:

“Logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers’ requirements.”

This is an excellent definition, conveying the idea that product flows are to be managed from the point where they exist as raw materials to the point where they are

finally discarded. Logistics is also concerned with the flow of services as well as physical goods, an area of growing opportunity for improvement. It also suggests that logistics is a Process, meaning that it includes all the activities that have an impact on making goods and services available to customers when and where they wish to acquire them. However, the definition implies that logistics is part of the supply chain process, not the entire process.

ELEMENTS OF LOGISTICS MANAGEMENT

Logistics management consists of eight elements called wings of logistics. These are discussed in a nutshell below.

1. Customer Order Processing
2. Location Analysis
3. Inventory Control
4. Material Handling
5. Packaging 6. Transportation 7. Warehousing
8. Customer Service