

TM

NITESH KR. JAISWAL CS CLASSES



CORPORATE LAW ACADEMY

The Best CS-Coaching is Here !

(Only for Company Secretaryship Students)

D-125A, 2nd FLOOR, NEAR SUBWAY/METRO STN. LAXMI NAGAR. NEW DELHI-92

PHONE:- **9013878840, 8010796433**

WEBSITE:- **www.niteshjaiswalclasses.com**

CS FOUNDATION

BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP



Our Initiatives

(For Overall Development of Students)



N.K.J. - ONLINE
(Online Services at doorsteps
for Students)

TM



N.K.J. - PCET
(PRE-CS-EXAM TEST)
after completion of every 3 chapters

TM



N.K.J. - QUIZ
(Quiz & Personality
Development Initiatives)

TM



N.K.J. - FAREWELL
(After Timely Batch Completion
Farewell Tours)

TM



N.K.J. - VIDEO
(Recorded Telecast for
Missed Classes)

TM



N.K.J. - M.P.B.
(Main Preparation Book
Covering Scanner & ICSI Module)

TM

NITESH KR. JAISWAL CS CLASSES
CLA **CORPORATE LAW ACADEMY**
The Best CS-Coaching is Here !

TM

BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP

*{Strictly as per new syllabus prescribed by
The Institute of Company Secretaries of India (ICSI)}*

CONTENTS

S.NO.	CHAPTERS	PAGE No.
PART A: Business Management (40 Marks)		
1	Nature of Management & Its Process	1-14
2	Planning	15-24
3	Organization	25-35
NKJ-PCET CLASSROOM EXAM/TEST		
4	Human Resource Management	37-48
5	Direction & Co-ordination	49-58
6	Controlling	59-68
7	Recent Trends in Management	69-78
NKJ-PCET CLASSROOM EXAM/TEST		
PART B: Ethics (10 Marks)		
8	Business Ethics	81-94
PART C: Business Communication (25 Marks)		
9	Business Communication	95-107
NKJ-PCET CLASSROOM EXAM/TEST		
10	Essential of Good English	109-110
11	Business Correspondence	111-128
12	Interdepartmental Communication	129-131
NKJ-PCET CLASSROOM EXAM/TEST		
13	E-Correspondence	133-138
PART D: Entrepreneurship (25 Marks)		
14	Entrepreneurship	139-152
15	Entrepreneurship Creative & Innovative	153-168
NKJ-PCET CLASSROOM EXAM/TEST		
16	Growth and Challenges of Entrepreneurial Venture	170-178
17	Social Entrepreneurship	179-182
18	Government Initiatives for Business Development	183-186
NKJ-PCET CLASSROOM EXAM/TEST		

CHAPTER 1

Nature of Management & Its Process

Concept

- ☐ The economic environment around us consists of three basic entities:
 - Households (the consumer)
 - Firms (the producers) &
 - Government (the co-coordinator)
- ☐ Every household engages into some or the other economic activity in affirm to earn livelihood in order to attain the ultimate objective-‘satisfaction of human wants’.
- ☐ Household & firms are interrelated as:
 - Household provide their services to firms and get paid for the same in form of wages/salaries whereas
 - Firms provide goods and services to the household and get paid in form of prices.
- ☐ These both entities are properly organized, directed and coordinated (managed) by the government.
- ☐ Origin of management is from of Greek word ‘NOMOS’ which means ‘management’.
- ☐ It denotes not only functions but also the people who discharge these functions.
- ☐ Management is that vital function which is concerned with all the aspects of working of an enterprise.
- ☐ It is the art of getting things done.
- ☐ Management means:
 - **Koontz and O’ Donnell:** “Getting things done through and with people.
 - **Henry Fayol:** “to manage is to forecast, and to plan, to organize, to command.
 - **Hicks:** “the process of getting things done by and through the people”.

Objectives of Management

Achieving maximum output with minimum efforts	The main objective of management is to secure the maximum result with minimum efforts and resources. Management is concerned with the thinking and utilizing human, material and financial resources. In such a way, that would give best result. It should produce the output with minimum cost.
Optimum utilization of resources	By proper utilization of factors of production, the efficiency of the factors can be improved by reducing spoilage, wastage of resources which leads to saving of time, efforts and money which is important for the growth of an organization.
Human betterment and social justice	Management works for the upliftment as well as for the betterment of the society by increasing productivity and employment. Management makes sure to contribute towards the better standard of living for the society. It also provides justice by framing uniform policies.
Maximum prosperity	Management ensures smooth and coordinated functioning of the enterprise which helps in providing maximum benefits to the employees in terms of good working conditions, suitable wage system etc and also the employer by earning higher profits.

Importance of Management

Achieving group goals	Management arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs the group efforts towards the achievement of common objectives by defining the objectives clearly there would be no wastage of time, efforts and resources. Management tries to coordinate, direct and coordinate resources in the most productive manner.
Optimum utilization of resources	Management utilizes all the physical and human resources productively which leads to efficiency in management. Management provides maximum utilization of scarce resources by selecting the best possible alternative. If the resources are used in the possible manner then there is no wastage of resources.
Prosperity of society	Efficient management leads to better economical production which helps in increasing the welfare of the people. Efficient management avoids the wastage of scarce resources and helps in improving standard of living and higher profits which are beneficial for the society and the business.
Establishes sound organization	Management establishes effective authority and responsibility and relationship i.e., who is accountable to whom, who can give instructions to whom, who are superiors and who are subordinates in order to establish sound organization. Management fills a various positions with right person with right skills and qualification.
Establishes equilibrium	Management enables the organization to survive in changing environment, it keep[s] in touch with the changing environment and communicating the same to the employees so that they adopt these changes by knowing that these are not only beneficial for the organization but also for them.
Reduces cost	Management gets maximum results by using minimum resources by proper planning and also by using minimum input and getting maximum output. Management uses physical, human and financial resources in such a way so as to minimize the cost.

Management – Science or Art

Management as a Science

- ☐ Science is
 - A body of knowledge systematized through application of scientific method in any department of enquiry.
 - Systematic in the sense that certain relationships, principles and their limitations have been discovered, tested and established into theories, laws and principles
 - But discovery of new knowledge and phenomena can always change any principle irrespective of its nature, standing and application.
- ☐ Science includes
 - **Physical sciences** - such as physics, chemistry, mathematics (also known as exact sciences) and
 - **Social sciences** - such as economics, sociology, psychology (variable sciences) as it is based on human behavior which is unpredictable.

- ☐ Management can then be described as
 - A variable growing science; it is compared with the nature of exact physical science.
 - Inexact science, deals with complex human behavior.
 - Developing science.
 - Inter-disciplinary Science learns freely from other disciplines.

Management as an Art

- ☐ The function of art is to effect change or accomplish goals by deliberate efforts.
- ☐ Practical application of theoretical knowledge is reflected in art.
- ☐ Management principles involve skills to work out situations. This element is so important for executive that some authorities regard management to be essentially an Art.
- ☐ Management is an Art because of:
 - The Process of management involves use of know-how and skills.
 - The process of management is directed towards accomplishment of concrete results.
 - It is creative in the sense that is the function of creating productive situations needed for further improvement.
 - It is personalized because every manager has his own approach to problems.

Conclusion

- ☐ Science and art not mutually exclusive but complimentary to each other.

Management as Profession

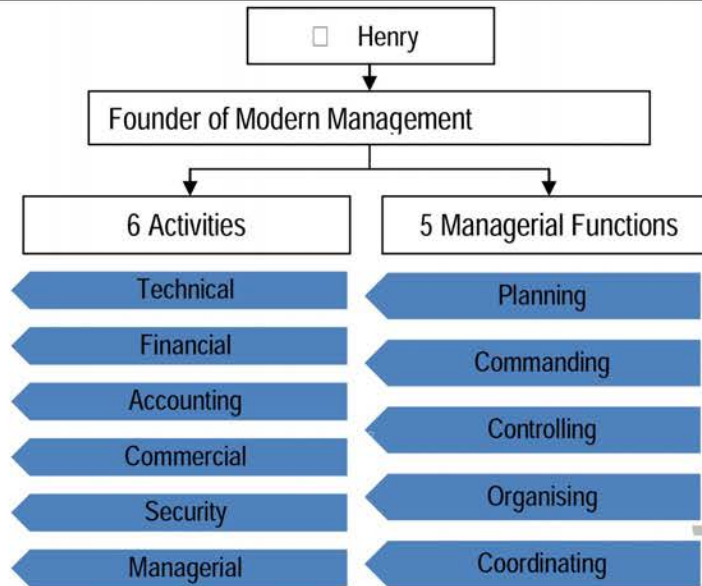
Features of Profession

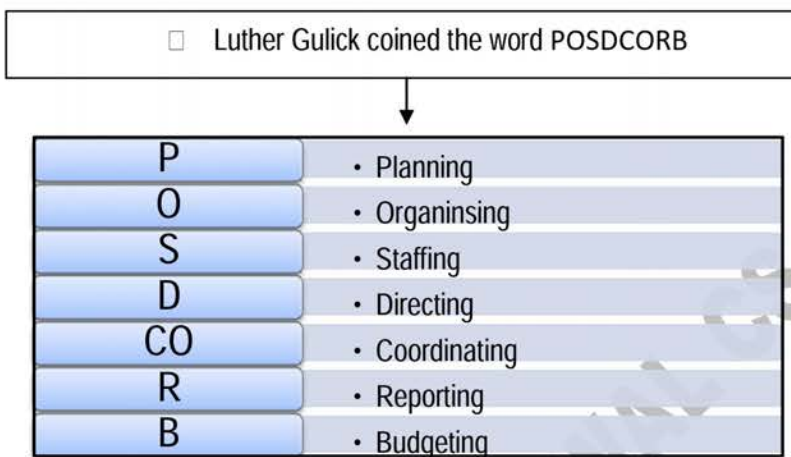
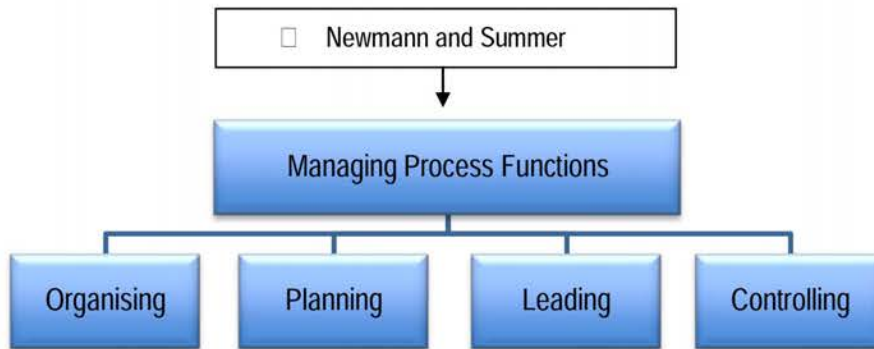
- ☐ Systematic body knowledge
- ☐ Need for learning and proper organization
- ☐ Entry restricted on the basis of examination or education
- ☐ Dominance of service motive

Conclusion

- ☐ Management fails to qualify the test of professionalism due to restricted entry.
- ☐ Other than this management qualifies all other tests of a profession,

Management Functions





- The below functions of management are common to all business enterprises and organisations in other fields but the manner in which these are carried out will not be the same in different organization



Planning

- Deciding in advance what is to be done, how and when it will be done.
- Projecting the future course of action. Helps to bridge the gap between present & future.
- Planning process comprises of
 - Objectives
 - Policies
 - Procedures
 - Rules
 - Programmes
 - Budget
 - Strategies

- ☐ Management might plan for short period and also for long-run.
- ☐ For improved efficiency and better result short-range plans should be properly coordinated with long-range plans.

Organizing

- ☐ Organizing is concerned with both the “orderly” assemblage of human and material resources as well as the process of development of a structure.
- ☐ Consists of the following steps:
 - Determine activities of organization helping in viewing its objectives.
 - Classify activities into groups for purpose of division.
 - Assignment of these groups to individuals.
 - Delegate & fix authority & responsibility.
 - Co-ordinate activities & authority relations throughout the organization.
- ☐ Thus, division of work among people and coordination of their efforts to achieve specific objectives are the fundamental aspects of organization.

Human Resource Management/ Staffing

- ☐ Provides the organization with adequate number of complement and qualified personnel at all levels in an enterprise.
- ☐ Managers should properly estimate man power requirements consistent with qualification, experience, and training.
- ☐ It is a continuous function. Helps executives to establish positions & lay down their functional relations to each other.

Direction

- ☐ It is through this function that managers enable the employees accomplish their tasks by integrating their efforts with objectives of the organization.
- ☐ Involves the following activities:
 - Issuing orders & instructions.
 - Guiding counseling & instructing the subordinates.
 - Supervising their work to ensure performance in accordance with the plan.
 - Motivating the juniors.
 - Maintaining discipline & rewarding effective performance.

Control

- ☐ Good control system should suggest corrective measures so that negative deviations so not occur.
- ☐ Important steps are:
 - Measurement of actual performance against standards & recording deviations.
 - Analyzing the reasons for deviation.
 - Fixing responsibility
 - Correction of employee performance so that group goals can be achieved.

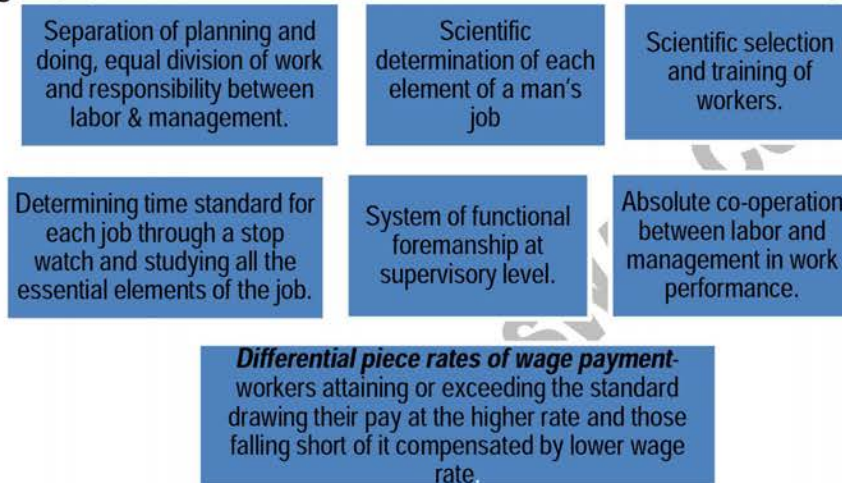
Innovation & Manager

- Business conditions (internal and external) keep on changing & so the manager should change so as to survive with the competition. i.e. management is a creative and adaptive process.
- Manager innovates and adapts to the changes on the basis of his experience, skill and knowledge.

Principles of Management

Frederick Taylor

- Known as 'father of scientific management'.
- His career as an apprentice in a small machine shop and rose to the level of an engineer.
- Taylor's main concern was management at shop level and he was mainly concerned with efficiency of workers and managers at production level. The major **principles of his scientific management** can be summarized as below:



- Henry Lawrence Gantt for instance corrected to some extent the difficulties of Taylor's 'differential piece rate system' by devising a new method known as the "task and bonus plan" (A wage incentive plan in which high task efficiency is maintained by providing a percentage bonus as a reward for production in excess of standard)

Henry Fayol

- Known as father of modern management theory.
- In the year 1916, he published his well known work in French titled "Administration Industrielle et Generale"

Technical-Concerning production
Financial-Optimum use of capital
Accounting-Final Accounts, cost and statistics
Commercial- Buying and Selling
Security-Protection of Property
Managerial

- He divided all activities of industrial enterprise into the following **6 groups** (as seen below)
- He observed that importance of managerial ability increases with the increase in hierarchy.
- Also emphasized on training in management.
- He suggested **14 principles** of management which are as follows:

Division of work	For more production & better performance with same effort.
Authority & Responsibility	These two are co-extensive
Discipline	Ensuring respect for seniors.
Unity of Command	Employee should receive orders from one senior only.
Unity of Direction	Activities with common objectives to have one head & one plan.
Subordination	of individual interest to general interest
Remuneration	Should be fair and ensure satisfaction to employees.
Centralization	Top management should decide the extent to which authority is to be dispersed the organization or retained at higher level.
Scalar Chain	Refers to the superior- subordinate relations throughout the organization.
Order	There must be an appointed place for every employee & that employee must be at such place only.
Equity	Means equality of treatment which involves kindness & justice in a manager.
Stability	of tenure of personnel.
Initiative	Thinking & execution of a plan.
Espirit de corps	Need for teamwork and importance of effective communication in obtaining it

System Approach

- ☐ A system is a set of things interdependent so as to form a complex unity.
- ☐ This approach defines organization as a complex whole consisting of mutually interdependent parts which interacts with the environment of which it is a part.
- ☐ Views management as a system of inter-relationships involving processes of decision making, communication & balancing.
- ☐ The system theorists' contribution to management thought is based on the recognition of organizations as open, adaptive system subject to all the pressure and conflicts of the environment.
- ☐ Management is an open system. It affects and is in turn affected by the environment in which it operates. Systems approach to management enables to see the critical variables and constants & their interaction with one another.

Importance of Management Theory

- ☐ Increase efficiency
- ☐ Crystallize the nature of management
- ☐ Improve research in management
- ☐ Attain social goals by co-ordinating the efforts of employees.

Contingency Management

- ☐ Management theories do not advocate 'one best way to do things'. Thus actual practice and solution differs depending upon the circumstance.
- ☐ Contingency management means internal functioning of the organization must be consistent with the demands of organization task, technology & needs of members.
- ☐ The task of manager is to apply his knowledge in realities in order to attain the desired results.

Responsibilities of Management

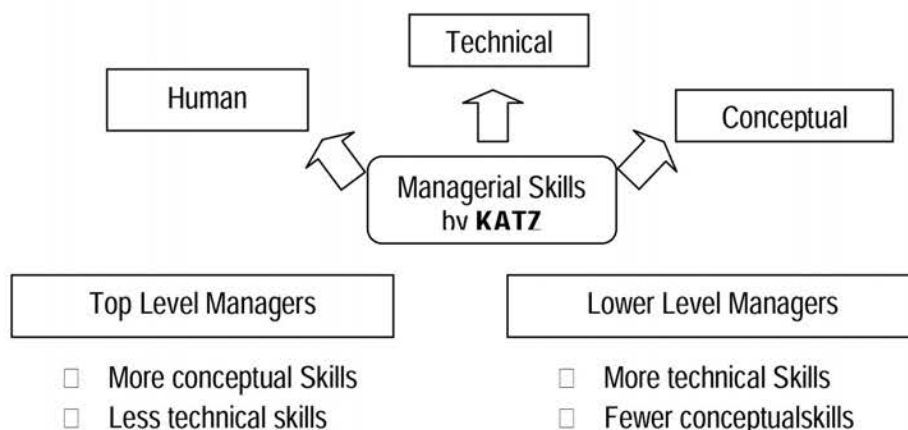
- ☐ All the three levels of management viz. top management, middle management and lower management have obligations towards three social groups:
 - Those who have appointed them
 - Those whom they manage
 - The general community
- ☐ **Peter Drucker** assigns three jobs to management
 - Managing a business
 - Managing managers
 - Managing workers & work.
- ☐ According to **Henry Mintzberg**, manager's work role has 3 phases:
- ☐ **Interpersonal Role**
- ☐ **Informational Role**: Manager must receive & transmit information so that he can develop a thorough understanding of his organization.
- ☐ **Decisional Role**: These are of **4 decisional roles**:
 - **Entrepreneur's Role** by initiating change and taking risk.
 - **Role of disturbance handler** by taking charge whenever the organization is threatened.
 - **Role of allocator** of resources
 - **Negotiator's Role** in which he deals with those situations where he has to enter into negotiations on behalf of the organization.

Administration & Management

Administration	Management
Concerned with policy making	Policy implementation
Process of laying down board policies and objectives of organisation	Directs and guides the operations of an organisation towards realizing the objectives set-forth by admin.
Functions are legislative and determinative.	Functions are executive and governing.
Concerned with planning and organizing.	Concerned with motivating and controlling.
Normally involves Board of directors (top level function)	Involves personnel below the level of board of directors (lower level function)

- ☐ As of today, management is thought of as comprising both the process of planning and policy-making and also their execution. Thus, management includes administrative management (administration) and operative management.

Managerial Skills



Conceptual Skills	Conceptual skill is the ability to visualize the organisation as a whole. It includes analytical, creative and initiative skills. These are required by top level management.
Human- Relation Skills	Human relation skills are also called Interpersonal skills. Required by all managers at all levels of management.
Technical Skills	Technical skill is the ability to perform the given job. The low level managers require more technical skills. This is because they are incharge of the actual operations.
Communication Sills	A manager must be able to communicate the plans and policies to workers. Required equally at all three levels of management.
Administrative Skills	Required at top level of management.
Leadership Skills	Leadership skill is the ability to influence human behaviour. Amanager requires this skill to motivate the workers.
Problem-Solving Skills	Problem solving skills are also called as design skills. Involves identifying a problem, and find out the best solution using knowledge and expertise.
Decision-Making Skills	The success & failure of a manager depends upon the correctness of his decisions. Required more at top level of management.

MANAGEMENT



MCQ Questions

1. The economic environment consists of 3 basic entities-
(a) Households (consumers), firms (producers), and manufacturers.
(b) Producers (firms), Retailer and Consumer.
(c) Households(consumers), firms (producers), and Government (co-coordinator)
(d) None of the above
Ans: (c)
2. Households and firms both entities are properly organized, directed and coordinated (managed) by the _____.
(a) Manager
(b) Government
(c) Industrialist
(d) None of above
Ans: (b)
3. Management is originated from the greek word:
(a) Kiyo
(b) Nomos
(c) Oikeu
(d) None of the above
Ans: (b)
4. _____ defined management as the process of getting's things done by and through the people
(a) Hick
(b) Koontz and O'Donnell
(c) Henry Fayol
(d) Haimann
Ans: (a)
5. Following definition of management is given by whom. " to manage is to forecast, and to plan, to organize, to command and to".
(a) Koontz and O'Donell
(b) Henry fayol
(c) Hicks
(d) Newmann& Summer
Ans: (b)
6. The combination of human, material and financial resources should result in:
(a) Reduction of cost
(b) Increase in revenue
(c) Greater production
(d) None of the above
Ans: (a)
7. The efficiency of factors of production can be increased:
(a) Optimum utilization of resources
(b) Reducing costs
(c) Good working conditions
(d) None of the above
Ans: (a)
8. Henry Fayol grouped the elements of management into :
(a) 5 Managerial function and 6 activities
(b) 6 Managerial function and 5 activities
(c) 10 Managerial function and 6 activities
(d) 7 Managerial function and 4 activities
Ans: (a)
9. Physical science includes
(a) Mathematics
(b) Economics
(c) Sociology
(d) Psychology
Ans: (a)
10. Social Science includes
(a) Physics
(b) Sociology
(c) Chemistry
(d) None of the above
Ans: (b)

11. -----classified managing process as function of organizing, planning, leading & controlling.
 (a) Albert
 (b) Luther Gullick
 (c) Newmann& Summer
 (d) Henry Fayol
 Ans: (c)
12. Management is a _____ and _____ science.
 (a) Exact & disciplinary
 (b) Inexact and inter disciplinary
 (c) Exact and social
 (d) None of the above
 Ans: (b)
13. Management is an art because it involves _____ and _____.
 (a) Experience and intelligence
 (b) Creativity and personalization
 (c) Skills and knowledge
 (d) None of the above
 Ans: (b)
14. Management as a profession satisfies all the tests. True or false?
 (a) True
 (b) Partly True/Partly false
 (c) False
 (d) None of the above
 Ans: (c)
15. Which approach involves making generalizations from case study to establish theories as a useful guide?
 (a) Group Behaviour Approach
 (b) Decision Theory Approach
 (c) Emperical Approach
 (d) Operational Approach
 Ans: (c)
16. Science and art mutually exclusive for management. This is
 (a) True
 (b) False
 (c) Partly True
 (d) None of the above
 Ans: (b)
17. Inter personal behaviour approach also known as:
 (a) Behavioural science, leadership or human relation approach
 (b) Behavioural science and decision making approach
 (c) Leadership group behaviour approach
 (d) None of these
 Ans: (a)
18. _____ is the core of management according to decision theory approach.
 (a) Leadership
 (b) Decision making
 (c) Motivation
 (d) Planning
 Ans: (b)
19. Mathematical approach is closely related to
 (a) Emperical approach
 (b) Inter personal behaviour Approach
 (c) Operational approach
 (d) Decision theory approach
 Ans: (d)
20. _____ approach does not recognize that the problems faced by mangers vary with nature and size of enterprise.
 (a) Operational
 (b) Group Behaviour
 (c) Decision theory
 (d) Mathematical approach
 Ans: (d)
21. _____, a french industrialist is known as 'founder of modern management theory'.
 (a) Luther Gulich
 (b) Henry fayol
 (c) Newmann& summer
 (d) None of the above
 Ans: (b)
22. Which word did Luther Guiick coin using initial letters of management?
 (a) POSBRD
 (b) POSDBRD
 (c) POSDCORB
 (d) None of the above
 Ans: (c)

23. True or false: Success on part of executives essentially calls for capability to promote self appraisal.
 (a) True
 (b) False
 (c) Partly True
 (d) None of the above
 Ans: (b)
24. _____ is a preparatory step and bridges the gap between present and future.
 (a) Organising
 (b) Staffing
 (c) Directing
 (d) Planning
 Ans: (d)
25. _____ and _____ are fundamental aspects of organisation
 (a) Division of work and co-ordination of their efforts
 (b) Delegation of authority & determination of activities
 (c) Determination & classification of activities
 (d) Delegation of authority & co-ordination of activities
 Ans: (a)
26. _____ function calls for property motivating, communicating, leading & supervising the subordinates.
 (a) Staffing
 (b) Organising
 (c) Direction
 (d) Controlling
 Ans: (c)
27. True or false: If co-operation exists, co-ordination will automatically follow.
 (a) True
 (b) False
 (c) Partly True
 (d) Partly False
 Ans: (b)
28. Co-ordination is achieved through understanding of _____ relationships.
 (a) Interpersonal, (horizontal)
 (b) Vertical
 (c) Hierarchal
 (d) None of the above
 Ans: (a)
29. _____ is the father of 'Scientific management'.
 (a) Henry Fayol
 (b) Frederick Taylor
 (c) Luther Gulich
 (d) Newmann&summerans
 Ans: (b)
30. 'Task and Bonus plan' was devised by:
 (a) Taylor
 (b) Fayol
 (c) Newmann& summer
 (d) None of the above
 Ans: (d)
31. Authority and responsibility are _____.
 (a) Co-extensive
 (b) Mutually exclusive
 (c) Complimentary to each other
 (d) None of the above
 Ans: (a)
32. Management is affected by and in turn affects the system in which it operates. Thus, it is a _____ system
 (a) Closed
 (b) Open
 (c) Neither closed nor open
 (d) None of the above
 Ans: (b)
33. Entrepreneur's, role of a disturbance handle, allocator of resources & negotiator's role the _____ roles that the manager has to perform.
 (a) Inter personal
 (b) Decisional
 (c) International
 (d) None of the above
 Ans: (b)

34. Functions of administration are _____ & _____.

- (a) Executive & governing
- (b) Policy making & implementation
- (c) Legislative & determinative
- (d) Sustaining & controlling

Ans: (c)

35. Managerial skills are classified as _____ & _____ by Katz.

- (a) Technical, human & conceptual
- (b) Communication, administrative & leadership
- (c) Conceptual, technical & leadership
- (d) Administrative, decision making & communication

Ans: (a)

36. Henry fayol suggest how many principle of management/

- (a) 10
- (b) 14
- (c) 6
- (d) 8

Ans: (a)

37. A _____ is a set of things interdependent so as to form a complex unity.

- (a) System
- (b) Organization
- (c) Strategies
- (d) Policy

Ans: (a)

38. Which is not a phase of manager's work according to henry mintzberg?

- (a) Interpersonal role
- (b) Informational role

(c) Decisional role

(d) Initiator role

Ans (d)

39. Which of the following is not responsibility of management according to "Peter Drucker".

- (a) Managing Information
- (b) Managing a business
- (c) Managing manager
- (d) Managing worker & works

Ans: (a)

40. According to _____ manager's work has 3 phases-Interpersonal, Informational, Decisional role

- (a) Henry Mintzberg
- (b) Henry fayol
- (c) Koontz
- (d) Hicks

Ans: (a)

41. Name the principle of Henry fayol which means- "Need for teamwork and importance of effective communication in obtaining it".

- (a) Espirit de corps
- (b) Initiative
- (c) Unity of direction
- (d) Scalar chain

Ans: (a)

42. Scalar chain by Henry fayol in principle of management is meant by

- (a) Superior-Subordinate relation
- (b) Effective communication
- (c) Kind lines & Justice
- (d) Centralization

Ans: (a)

CHAPTER 2

Planning

Concept

- Planning involves deciding in advance what is to be done, where, how and by whom it is to be done.
- Planning is all pervasive and fundamental function of management.
- It is mental function.
- Planning is rational approach to the future.
- Planning is forecasting.
- Definitions:
 - **Philip Kotler:** “Planning means deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities.”
 - **George R. Terry:** “Planning is the selecting & relating of facts & the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.”



Features of Planning

Planning - An Intellectual Process	Since it involves choosing the proper course of action from among the alternatives i.e. decision-making available, it is essentially an intellectual process & does not involve guess work.
Planning - A Primary Function	All other function of management largely depend upon planning. For example control is a necessary corollary of planning. And cannot exist without planning.
Planning - A Continuous Function	Because plans have to be revised in the light of changing.
Planning - A Pervasive Function	Planning prevails at all levels of management. It is thus the function of every manager.

Importance of Planning

- ☐ Planning creates employees conscious of enterprise's objectives
- ☐ Planning leads to economy in operations.
- ☐ Planning precedes control
- ☐ Planning provides a precious management tool for the future
- ☐ Planning influences the efficiency of other managerial functions

Types of Plans

Business Plans	They include largely enforced business goals and the plan for reaching those goals. A brief history of such organisation may also be included in these plans.
Marketing Plans	They are concerned with changes in perception of people.
Operational Plans	They define the working goals of an internal organisation or department.
Project Plans	Define the goals of a particular project.
Strategic Plans	They identify & target internal goals but provide a general guidance on how they can be attained.

Strategic plans

- Involves analyzing competitive opportunities & threats, as well as the strengths & weaknesses of the organization, & determining how to position the organization to compete effectively in their environment.

Tactical plans

- Creates the blueprint for the larger strategic plan. These plans are often short term and are carried out by middle-level managers.

Operational plans

- Covers the entire organization's goals & objectives and puts into practice the ways & action steps to achieve the strategic plans. Very short term plans, usually less than a year.

Limitations of Planning

Procedural and policy rigidities come in the way for

Capital invested in the firm is a very powerful Internal Constraints on Planning

Planning Premises may not be Fully Reliable
Planning premises provide the basis and framework for prediction. Since future is uncertain, planning is also subject to

Rapidity to Change sets another limit to

External constraints also set limit to planning

Availability of time and cost involved

During an emergency situation, decisions have to be taken without planning in advance. Such decisions may result in failure due to shortage of time period. Cost of planning will go up if plans are drawn for longer period. While finalizing details of analysis the manager should remember that the benefits expected to be derived from planning should be more than the cost involved.

Management and personnel philosophy

Purposes/Mission

- ☐ The mission of a business is the fundamental, unique purpose that sets it apart from other enterprises.
- ☐ The mission is a general enduring statement of the intent of business.

Objectives

- ☐ Objectives should be clearly laid down and effectively communicated to all the employees.
- ☐ They are the end results of any process undertaken in an organisation and should be properly balanced.
- ☐ All the objectives must be reviewed continuously in the light of organisational changes.
- ☐ Objectives can be individualistic or collective, short term or long term, tangible or intangible, general or specific.

Policies

- ☐ These help the managers during the decision making process.
- ☐ Policies define the course of action that should be undertaken to determine present and future decisions.
- ☐ Every manager has the power to make policies for his own area of work but that should be within the limits of his authority.
- ☐ They should be flexible because a rigid policy does not enable the employees to take further initiatives.
- ☐ Policies can be written, verbal or implied.

Procedures, Methods & Rules

- ☐ A procedure includes the exact steps in which any task must be undertaken and specifies the chronological sequence for handling future activities.
- ☐ Method involves a single operation or one particular step and specifies how this step is to be followed.
- ☐ Rules signify some kind of regulation, positive or negative and permit no discretion in its application.

Budgets

- ☐ They are statement of expected revenue or losses of the organization numerically.
- ☐ They are prepared with a view to control the monetary activities of the enterprise so that they fall in line with the anticipated limits.

Programme

- ☐ Programme refers to the outline of plans of work to be carried out in proper sequence for the purpose of achieving specific objectives.
- ☐ To implement this programme, management must lay down certain policies, procedures, methods, rules and other assignments properly related and co-ordinate for its successful implementation.
- ☐ Programme is a complex structure of policies, procedures, methods, rules, budgets and other assignments.

Strategy

- ☐ Strategy is a term very popular in military science.
- ☐ In the business context a specific meaning attached to a particular policy under prevailing circumstances and in the light of competitor's policies becomes strategy.
- ☐ Strategy is interpretative planning.

- Chandler defines strategy as “the determination of the basic long term goals of an enterprise and the adoption of course of action and the allocation of resources necessary to carry out these goals.”

Planning Period

- Plan can be made either for long range or intermediate range or short range.
- The right planning period seems to lie in the “commitment principle”.
- Commitment principle implies is that long range planning is not really for future decisions but rather planning for the future impact of today’s decisions.
- The commitment principle must be considered in the light of flexibility principle of planning.
- Short range plans should always be made keeping in mind the long range plans.
- A manager periodically checks on events and expectations and redraws plans as necessary to maintain a course towards a desired goal. This is also called the ‘Principle of navigational change’.

Peter’s Five competitive forces model

Competitive forces	Reasons of lower profit potential
Rivalry	Various competitive tactics among rivals lower prices that can be changed or raise costs of doing business
Bargaining power of customers	Customers force price reductions or negotiate increases in product quality and service at the same price
Bargaining power of suppliers	Suppliers threaten price increases and/or reductions in quantity of goods or services
Threats of new entrants	New entrants bid prices down or cause incumbents to increase costs to maintain market position
Threat of substitute products or services	Availability of substitutes limit the prices that can be charged

Concept of Forecasting

- It may be defined as analysis and interpretation of the future conditions in relation to operations of the enterprise.
- It involves looking ahead and projecting the future course of events.



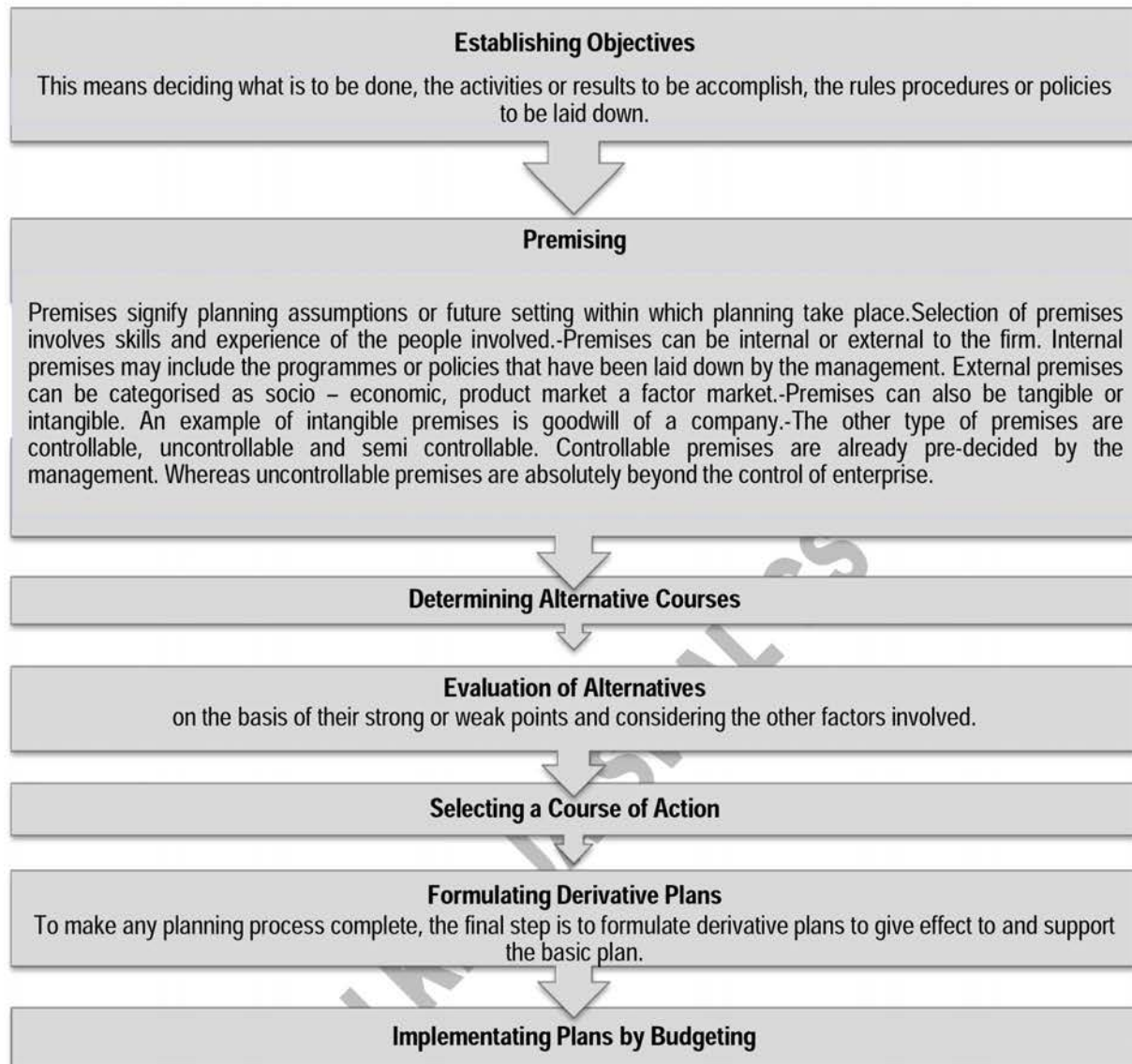
Advantages of Forecasting

- Fayol referred to planning as synthesis of various forecasts annual, long term, short term, special etc.
- It enables the management to arrive at correct and accurate decisions relating to various business matters.
- It helps the management to use better control techniques by focusing on areas where there is less control.
- As forecasting is done by a team, it facilitates team spirit in the organization which helps planning and coordination.
- It prepares the management to handle a critical situation that wasn't expected.

Steps in forecasting

Identifying and developing the structure	Analyze internal and external factors and relation between them. Analyse the trend of each of such factors.
Forecasting future Course of Business	Statistical and other mathematical techniques are used for projecting future business.
Analysis of Deviations	The actual results should be analysed along with the differences with the forecasted one. The reason for the deviation is then analysed and corrective action is taken.
Improving the forecast on the basis of study of deviations	Guess work should be gradually reduced and substituted by rational judgment and decision making.

Planning Process



Concept of Decision Making

- ☐ It involves selection of the best course of action from those available.
- ☐ It is one of the most important functions of management, since entire success or failure of the enterprise depend upon its decision.
- ☐ It is because of this reason decision should be based on a careful study of all the facts available.
- ☐ Decision-making as a rational process should be based on systematic analysis of all pertinent facts.

Decision-Making Conditions

Certainty	This arises when the decision maker knows exactly what will happen. Under this situation the manager exactly knows the outcome because of the certainty involved in taking the decision.
------------------	---

Risk	This condition is most common and widely prevails in most of the organisations. Under this situation only a part of the information is available and hence the decision maker has to make an estimate of the outcome. This estimate is based on his past experience of the same situation. To enable managerial success in taking decision, there should always be some amount of risk taking ability.
Uncertainty	Under this situation, the decision maker cannot estimate the outcome of various alternatives. Here the outcome is uncertain, hence decision making is difficult.

Steps in Decision Making

- Identifying and diagnosing the real problem.
- Discovery of Alternatives.
- Analyses and evaluating of available alternatives.
- Selection of the best alternatives.
- Selection on the basis of experiments.
- Research as the basis for decision.
- Communication of Decisions and its Acceptance by the Organisation.

Principles of Decision Making

Principle of Definition	It involves the basic fact that a problem well defined is half solved. A good description of problem reduces manager's time and effort to find a correct decision.
Principle of Evidence	Since decision making is one of the most important aspects of a n organisation, it must be backed by concrete working papers and documents which serve as an evidence.
Principle of Identity	A situation is viewed differently by different people. Therefore before taking a decision, views of all the people along with the time period when such situation occurred should also be considered. This will help in better understanding of the problem and making quality decisions.

Decision Making by Groups

- Advantages:
 - Improves the quality of decisions.
 - Co-ordination of departmental activities.
 - It provides opportunity for participation and improves their morale.
- Disadvantages:
 - It is a costly and a time consuming affair.
 - Very often there are differences of opinion amongst the group members.
 - Many members evade their individual responsibility.

Evaluating Decision's Importance

- Size/ length of Commitment
- Flexibility of Plans: Decisions involving inflexible coerces of action must carry a priority over those easily changed.
- Certainty of Goals and Premises
- Quantification of variables

MCQ QUESTION

1. _____ is deciding in advance the course of action to be followed.
(a) Organising
(b) Direction
(c) Controlling
(d) Planning
Ans: (d)
2. _____ represents the end point of planning.
(a) Goals
(b) Strategies
(c) Objectives
(d) None of the above
Ans: (c)
3. _____ have changes in perception & branding as their primary goal.
(a) Marketing Plans
(b) Operational Plans
(c) Strategic Plans
(d) Business Plans
Ans: (a)
4. Strategic plans target _____ but provides a brief guidance on how to achieve them.
(a) External goals
(b) Internal goals
(c) Organisational objectives
(d) None of the above
Ans: (b)
5. _____ reflects belief and philosophy of management.
(a) Objectives
(b) Purposes/Mission
(c) Goals
(d) Rules
Ans: (b)
6. Which qualities should a person possess while planning?
(a) Reflective thinking
(b) Imagination
(c) Far sightedness
(d) All of the above
Ans: (d)
7. Only economists & technicians employed by the management as staff experts are involved in making forecasts.
(a) True
(b) False
(c) Partly True
(d) Partly False
Ans: (b)
8. Policies must be rigid and should not allow discretion on the part of subordinates.
(a) True
(b) False
(c) Partly True
(d) Partly false
Ans: (b)
9. _____ specifies the manner of doing work, i.e. sequence for handling future activities.
(a) Rules
(b) Method
(c) Procedures
(d) Programme
Ans: (c)
10. Which amongst the following is rigid and specific & cannot be changed?
(a) Methods
(b) Procedures
(c) Policies
(d) Rules
Ans: (d)

11. _____ is supported by capital revenue & expense budgets
(a) Programme
(b) Strategy
(c) Goals
(d) Policies
Ans: (a)
12. Method of evaluation of various alternatives are:
(a) Best of cost effectiveness
(b) Marginal analysis
(c) Risk involved and resources available
(d) All of the above
Ans: (d)
13. Second step of planning process is the establishment of:
(a) Planning premise
(b) Objectives
(c) Goals to be achieved
(d) All of the above
Ans: (a)
14. Planning premises can be _____.
(a) Internal
(b) External
(c) Tangible
(d) All of the above
Ans: (d)
15. Principle of navigational change applies to _____ in planning process..
(a) Flexibility
(b) Certainty
(c) Logic failure
(d) All of the above
Ans: (a)
16. Quality of forecast depends upon:
(a) Experience
(b) Clair voyance
(c) Participation of management
(d) All of the above
Ans: (d)
17. The possible condition for decision making would be:
(a) Certainty
(b) Risk
(c) Uncertainty
(d) All of the above
Ans: (d)
18. While planning for expansion _____ might be the limiting factor.
(a) Availability of finance
(b) Availability of trained staff
(c) Both (a) & (b)
(d) None of the above
Ans.: (c)
19. Certainty, risk and uncertainty are the three possible conditions of:
(a) Decision making
(b) Planning
(c) Risk management
(d) None of these
Ans: (a)
20. "Planning means deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objective and opportunities". This definition is given by
(a) Phillip Kotler
(b) Henry Fayol
(c) George R. Terry
(d) Luther Gullick
Ans: (a)
21. Which of the following is not feature of planning?
(a) Intellectual process
(b) Primary function
(c) Pervasive function
(d) Secondary function
Ans: (d)

22. -----provides framework within which organizing ,staffing, directing ,and controlling are undertaken

- (a) Planning
- (b) Management
- (c) Associating
- (d) Decision Making

Ans: (a)

23. Which of the following is not a possible condition of decision-making conditions

- (a) Certainty
- (b) Solution

- (c) Risk
 - (d) Uncertainty
- Ans: (b)

24. What is a disadvantage among the following when the whole group is involved in decision-making?

- (a) Improve the quality of decision
- (b) Cost and time consumption
- (c) Co-ordination of departmental activities
- (d) Provides opportunity for participation and improves their morale.

Ans: (b)

CHAPTER 3

Organisation

Concept

- Organisation can be defined as collection of people and co-ordination of their activities to achieve the objectives of the enterprise.

Features of Organisation

- It is a sub- process of management.
- It is goal oriented.
- It deals with group efforts.
- It is based on the principle of division of work.
- It establishes authority responsibility relationships.

Importance of Organisation

Facilitates administration	An efficient and sound organization makes easy for the management to relate the flow of resource continuously to the overall objectives. Management can perform effectively the functions of planning, direction, coordination, motivation and control.
Facilitates Growth and Diversification	A sound organization helps in the growth and diversification of activities. The growth is facilitated by clear division of work, proper delegation of authority etc.
Permits Optimum Use of Resources	The optimum use of technical and human resources gets facilitated in sound and efficient organization. The organization can have the facilities of latest technology developments and improvements. It also facilitates optimum use of human resources through specialization.
Stimulate Creativity	The specialization in the organization helps individuals in getting well define duties, clear lines of authority and responsibility. It encourages the creativity of the people. The sound organizational structure enables managers to concentrate on important issue where there talent can be exploited to the maximum.
Encourages Synergy Effect	<p>When one 'efficient' team member is able to persuade and motivate all other normal team members to work more efficiently, resulting in greater performance of the group than what it was before the motivation of all other employees, the effect is known as 'synergy - effect'.</p> <p>A sound organization helps in adopting efficient methods of selection, training, remuneration and promotion for employees. It</p>

	makes people work in a team with synergy. Organization helps in providing factors like job rotation, job enlargement and enrichment to its employee.
Transfer and adaptation of technology	Any organization is involved in ongoing process of research to enhance its level of services. It adapts the latest technologies available in the market and indirectly it also provides these technologies to the society through its members.

Process of Organisation

Determination of objectives	Organization is usually associated to definite objectives. Therefore, it is necessary for the management to identify the objectives before opening any activity. It will assist management in the selection of men and materials with the help of which it can attain its objectives. Objectives provide unity of direction in the organization.
Identification and grouping of activities	Each job should be properly classified and grouped. This will facilitate the group to know what is expected from them as members of the group and will help to avoid any duplication of efforts.
Allotment of duties	After categorizing and grouping the activities into various jobs, they should be permitted to the persons so that they could carry out them effectively. Each individual should be given a particular job to do according to his ability and made responsible for that. He should be given authority to do the job assigned to him.
Developing relationships	While there are various individuals working in the same organization it is duty of the management to lay down structure of relationships in the organization. Everybody should clearly know to whom he is accountable. This will result in smooth functioning of the organization by facilitating delegation of responsibility and authority.
Integration of activities	Integration can be accomplished in the entire activities in following ways: A) Through authority relationships-horizontally, vertically and literally. B) Through organized information or communication systems i.e., with the help of effective coordination and communication. It will enable to achieve unity of objectives, team work and team spirit by the integration of different activities.

Types of Organisation Structures

I. Formal organization structure

- ☐ It refers to the structure of jobs and positions with defined functions and relationship.
- ☐ This type of organization is built by the management to realize the objectives of an enterprise.
- ☐ On the basis of the nature of authority, and its flow, the fundamental organization structures may be classified as follows:

<p style="text-align: center;">Line Organization</p>	<p>Meaning Historically, line type of structure is the oldest and the simplest pattern of the organization. Line functions are those which have direct responsibility for accomplishing the objective of the enterprise. In this form of organization, a supervisor exercise direct supervision over a subordinate, under the organization, authority flows from top to the person at the lowest level of the organization. Here, the chief executive leads the organization. This type of organization is also called military organization or scalar type of organization.</p> <p>Advantages</p> <ol style="list-style-type: none"> 1. It is simple to work. 2. It is economical and effective. It permits rapid decisions and effective coordination. 3. It promotes unity of command and conforms to the scalar principle of organization. 4. It fixes responsibility for the performance of tasks in a definite manner upon definite individuals. 5. With a unified control and undivided loyalty, the organization ensures excellent discipline. 6. It is less expensive due to non- involvement of staff personnel. 7. It is stable. <p>Disadvantages</p> <ol style="list-style-type: none"> 1. It suffers from lack of specialization. 2. There is possibility of key men to be loaded with lot of work. 3. There is lack of expert staff advice. 4. It is rigid and inflexible. 5. It is based upon an autocratic system of management. 6. The work may be divided according to the wish of the manager and by using any scientific plan. 7. It hampers progress and prevents effective working of the unit. 8. It is likely to encourage nepotism.
<p style="text-align: center;">Functional Organization</p>	<p>Meaning Under this system, the whole task of management and direction of subordinates is divided according to the type of work involved. At the higher levels, the functional organization refers to the structure that is formed by grouping all the work into major functional departments. Related and similar work is done in one department under one executive. The scope of the work is limited but the area of authority is unlimited.</p> <p>Its advantage is that it ensures division of labour and specialization based on individual proficiency and specialized knowledge. This makes for better utilization of employees and development of their skills. The disadvantage of one-man control under line organization is largely removed here.</p> <p>Disadvantages</p>

	<ol style="list-style-type: none"> 1. Due to high degree of specialization, functional organization is difficult to establish. 2. Changes in personnel often lead to instability since performance also shifts with these changes. 3. Control and coordination becomes difficult to be achieved. 4. Authority and responsibility often overlap which leads to difficulty in fixing responsibility.
Line And Staff Organization	<p>Meaning Both the line and functional plans prove inadequate in operation. The line system concentrates on authority too much. But purely functional plan also divides it too much. The line and staff maintain the balance between the two. Under this organization "line" is supplemented by "staff". The staff refers to officers who are not line managers but are more or less permanently detailed to special services or to the study of some phases of operations. Staff personnel thus, acts as an advisory group adjacent to the line. The "staff" are considered as "thinkers" and the "line" being the "doers".</p> <p>Advantages</p> <ol style="list-style-type: none"> 1. It adds functional specialists to the pure line organization and thus aims at combining the merits of the two. 2. The stability and discipline of the line organization are preserved; only the specialist is added. 3. It brings expert knowledge to bear upon management. Functional specialists provide advice to the management on wide ranging matters. 4. It provides for better placement and utilization of personnel and leads to more concerted skilled development. <p>Disadvantages</p> <ol style="list-style-type: none"> 1. Line and staff relationships often lead to numerous friction and jealousies 2. Line manager may depend too much on staff experts and thus lose much of their judgement and initiative. 3. On the contrary the staff experts remain ineffective because they do not get the authority to implement their recommendations
	<p>Note</p> <ol style="list-style-type: none"> 1) The line structure is part of every organization, no matter how small or simple it is. The line structure is characterized by total absence of staff specialists. 2) At the other extreme is functional organization with too much specialization. 3) In between these two lies the line and staff organization. 4) A balance should be maintained between the line and functional authority.
Project Management Organization	<p>Meaning It is set up within an organization for the purpose of completing a project or accomplishing assigned objectives in time and within cost and profit goals as</p>

	<p>laid down by the management.</p> <p>This management organization may involve development and introduction of a new product, complete redesigning of an existing product line, installing a new plant, and a like.</p> <p>The essence of project management organization is its independent status which cuts horizontally the normal organization structure.</p>
Matrix Organization	<p>Meaning</p> <p>This type of organization structure has gained importance in the west. It combines functional departmentation with product or project organization.</p> <p>Advantages</p> <p>The matrix organization structure is designed to derive the benefits of both functional and the divisional structure.</p> <p>Disadvantages</p> <p>Its limitation is that it hampers the efficiency of the organization due to the presence of vertical and horizontal relationships.</p>

Informal organisation

- ☐ It refers to the relationship between people based not on procedures but on personal attitudes, prejudices, likes and dislikes. There always exists informal organization in a formal organization.
- ☐ Barnard viewed informal organization as joint personal activity without conscious joint purpose, even though possibly contributing to joint results.
- ☐ Keith Davis regards informal organization as the network of personal and social relationships which is not established or required by formal organization. It consists of set of customs, social norms and ideas by which people are influenced.

Features

- ☐ It develops on its own and not deliberately by the managers.
- ☐ It is based on informal authority attached to a person and not to the position. The authority largely flows upward or horizontally.
- ☐ It is all pervasive and exists in every enterprise.
- ☐ It is not always destructive.
- ☐ It cannot altogether be abolished.

Benefits

- ☐ It helps to get the work done.
- ☐ Tends to encourage co-operation.
- ☐ Gives satisfaction and stability to work groups.
- ☐ Lightens work load of a manager.
- ☐ Provides useful channel for communication

Problems

Resistance to change	The group members are strongly bound by their preconceived ideas in nations and culture.
Rumour	Such a type of organisational structure results into rumours and gossips.

Conformity	Social control of informal groups exerts pressure for conformity.
Role Conflict	Workers may want to achieve the requirement of their group which might be in conflict with that of their senior.

STRUCTURE OF ORGANISATION

- ☐ There should be a proper authority responsibility relationship.
- ☐ It should not be a static structure but should be dynamic.
- ☐ It should be able to adapt and grow with the changing business conditions.

Developing an organization structure

Clear Definition of objectives	The first step in developing an organisation structure is to lay down its objectives in very clear terms. This will help determine the type, stability and basic characteristics of the organisation. In fact, the organisation activities are detailed in terms of objectives to be achieved.
Identifying the activities and grouping them into convenient classes.	The next Important step in developing an organisation structure is an enumeration of activities necessary to achieve the objectives, their grouping in a systematic manner, assignment of such group of activities to personnel and providing for their coordination. Wherever possible, similar functions should be combined into one position.
Determine the structure	The first two steps outlined above set the stage for actual determination of the organisation structure. More specifically, the organiser has to decide about the span of supervision, types of organisation, basic of departmentation and the pattern of authority structure.
Revise the structure on the basis of assessment of personnel and other resources	The last step in developing a suitable organisation structure is to assess the capacities and abilities of the people available to man the different positions in the organisation along with other resources at the disposal of the enterprise. The ideal organisation should then be adapted to fit the reality of the situation.

Authority, Responsibility & Accountability

AUTHORITY	<p>It is the right of the managers to command the subordinates, issue orders and instructions.</p> <p>Mooney described authority as "the supreme co-coordinating power".</p> <p>Fayol defined authority as "the right to give orders and exact obedience."</p> <p>An individual without authority cannot occupy the position of a manager.</p> <p>A manager can have the ability to influence behaviour of the people and this is known as personal authority.</p>
------------------	--

RESPONSIBILITY	It is the obligation to perform a task. Thus its basic essence is obligation. A manager has the authority to get things done from his subordinates , so authority flows downwards whereas responsibility flows upwards.
ACCOUNTABILITY	It means answerability for the accomplishment of the task assigned by the superior. The process of delegation is completed only after the employees are able to answer all the questions out up before him.

Authority, Responsibility and Accountability should be equal to each other, if anyone of them is out of balance, problems can arise.

AUTHORITY – POWER CONTINUUM

- ☐ Authority and power are not the same.
- ☐ Authority mean right to command, whereas, power is the capacity to influence the behaviour of others.

Delegation of Authority

- ☐ Delegation is an administrative process of getting work done by others by giving them responsibility.
- ☐ Delegation of authority entails division of work load and sharing responsibility.
- ☐ A manager is not judged by the work he performs but by the amount of work he gets done through them.
- ☐ While delegating authority, the manager does not delegate responsibility.

Process of delegation

Allocation of duties	Before the authority is delegated the duties corresponding to that must also be allocated.
Delegation of Authority	This means passing of formal to act on behalf of another.
Assignment of responsibility	When authority is delegated, i.e. when one is given the “rights” the employee must also be assigned a corresponding “obligation” to perform.
Creation of Accountability	To complete the delegation process, employees must also be assigned accountability.

- ☐ Duties, authority and obligation are three most important ingredients of delegation.

Principles of delegation

Clarity of delegation	The employees must be given a very clear idea of the task assigned, the functions to perform and authority given to perform the task. Ambiguity in delegation often results in poor outcomes. Every subordinate must know what positions exist in the organisation structure and how his own position fits in the overall managerial hierarchy. Delegation of authority should not be rigid, it should modify with the change in work.
------------------------------	---

Delegation should be consistent with result expected	
Responsibility cannot be delegated	A manager when delegates the work to his subordinates , does not mean that he shall not be held responsible for that task. Thus, when authority is delegated, obligations are not passed down the organisation, rather new responsibilities are created at each level.
Parity of Authority and Responsibility	An employee can be held accountable for the tasks assigned to him and for his purpose the authority is delegated to him. Since both authority and responsibility relate to the same task, it would be correct to say that they are co-extensive.
Exception Principle	The manager delegates the authority to the subordinate in order to be able to focus on other important task and to push down the process of decision making as close to the source of information as possible. The exception being that when the junior is not able to take a decision then he should refer them upwards for consideration by the senior.
Principle of Functional Definition	All the activities and tasks that are assigned to an individual must have clear definition and authority, duties, power and responsibility. Only then will be employee be able to effectively achieve the target.
Scalar principle	There should be a clear line of authority from top to the lower level of management.
Principle of Unity of Command	Delegation can be effective only when a subordinate receives orders from one senior only. This avoids problems of confusion, and preferences.

Barriers of Delegation

- Fear of loss of power.
- Certain personal attitudes.
- Lack of ability to direct.

Centralization & Decentralization

- ☐ Centralisation means a large part of decision making and authority is withheld at higher positions in the management hierarchy.
- ☐ Whereas, decentralisation refers to a situation where a larger part of authority is delegated down to the junior level so that a decision can be quickly taken.
- ☐ But decentralisation does not mean delegation of authority. The difference being that decentralisation is a situation produced by larger delegation of authority.
- ☐ The organisation can sustain without decentralisation but not without delegation.

Advantages of Centralisation

- ☐ Uniformity of policy and procedures can be strictly enforced.
- ☐ Eliminates duplicate or overlapping activities.
- ☐ Enables fuller utilisation of employees' skills and talent.

- Ensures consistency of operation and thus helps in relating substantial control over the activities of the enterprise.

Advantages of decentralization

- It improves the quality decisions by pushing decision making closer to those who are affected by the decision.
- It facilitates efficiency of managers, as the managers know what they have to do. Thus good managers are encouraged to perform better and weak managers are counselled.
- Managers and employees at all the levels can actually see the result of their own work and actions and thus their morale is boosted.

Factors determining degree of decentralisation

Importance and significance of the Decision	All the decisions that are of importance are normally not delegated and the authority is retained at higher levels of management only. Thus, it can be observed that determining factor is the responsibility allocation along the managerial hierarchy.
Size of the Enterprise	The more are number of departments the more difficult it is to take decisions. Thus, it is suggested that the size of the enterprise should be such that units can be managed with ease.
Management attitude and philosophy	Executives with rigid outlook do not delegate much authority on the other hand executives with a lenient approach involve the employees in the decision making.
Control techniques	Management desirous of obtaining a strict policy with regards to price, product, service etc. Will try retaining control in their own hands.
Availability of capable executives	It is very obvious that executives delegating authority would want that they do so only to an educated and experienced staff. This feature of decentralisation requires training of the employees.
Environmental Influences	The more the decision are under environmental influence the lesser should be their delegation. Some examples of this are government policies, trade unions, etc.

DIFFERENCES BETWEEN DELEGATION AND DECENTRALISATION:

Basis	Delegation	Decentralisation
1. Nature	It involves superior and subordinates.	It involves delegation from top level to the lowest level of management.
2. Control	It remains with the superior.	It is passed on to the lower levels.
3. Need	It is essential to get things done.	It is optional. Management may or may not delegate authority.
4. Responsibility	It remains with the delegator. He'll remain answerable for the job.	Head of department is responsible for all the activities under him. Thus it is fixed at each department.

MCQ QUESTIONS

1. _____ is based on principle of division of work.
(a) Delegation
(b) Organasation
(c) Staffing
(d) Authority
Ans: (b)
2. When one team member influences the other team members for greater performance than what it was before such motivation, this effect is called _____.
(a) Growth
(b) Enrichment
(c) Synergy effect
(d) Adaptation
Ans: (c)
3. _____ structure use the oldest pattern of organization.
(a) Line structure
(b) Functional organisation
(c) Matrix structure
(d) Line and staff organization
Ans: (a)
4. _____ structure is also called military/scalar type of organization.
(a) Functional organisation
(b) Matrix organisation
(c) Project management organisation
(d) Line organisation
Ans: (d)
5. Line organization is flexible and changeable.
(a) True
(b) False
(c) Partly True/Partly False
(d) None of the above
Ans: (b)
6. Allotment of Duties is _____ step of process of organization.
(a) 2
(b) 3
(c) 4
(d) 5
Ans: (b)
7. Under which system the whole task of management and direction of subordinates is divided according to type of work involved.
(a) Line organisation
(b) Functional organisation
(c) Line and staff
(d) Matrix organisation
Ans: (b)
8. Functional organization is characterized by total absence of staff specialist.
(a) True
(b) Partly True/Partly False
(c) False
(d) None of the above
9. Under _____ organization there is a clear demarcation between thinking and doing.
(a) Line and staff organization
(b) Functional organization
(c) Matrix organisation
(d) project management organization
Ans: (a)
10. _____ develops spontaneously and is not established by formal managers
(a) Formal organisation
(b) Authority
(c) Informal organisation
(d) Power
Ans: (c)
11. A manager in an organization is judged by the work he performs on his own. Hence delegation is not essential for him.
(a) False
(b) True
(c) Partly True/Partly False
(d) None of the above
Ans: (a)
12. _____ combines functional departments with project organization.
(a) Functional organization
(b) Matrix organization
(c) Line organization
(d) Line and staff organization
Ans: (b)

13. _____ is described as the right of a manager to command subordinates, issue them order and instructions.
 (a) Responsibility
 (b) Accountability
 (c) Delegation
 (d) Authority
 Ans: (d)
14. Authority _____ flows downwards and _____ flows upwards.
 (a) Control
 (b) Responsibility
 (c) Accountability
 (d) None of the above
 Ans: (b)
15. Authority can be delegated whereas responsibility cannot be delegated.
 (a) True
 (b) False
 (c) Partly True/Partly False
 (d) None of the above
 Ans: (a)
16. _____ will be more effective when subordinates receive orders and instructions directly from one senior only.
 (a) Delegation
 (b) Decentralisation
 (c) Accountability
 (d) Planning
 Ans: (a)
17. _____ is not compulsory to the process of organization.
 (a) Planning
 (b) Controlling
 (c) Decentralisation
 (d) Delegation
 Ans: (c)
18. In Decentralisation, management exercise maximum control.
 (a) False
 (b) True
 (c) Partly True/Partly False
 (d) None of the above
 Ans: (a)
19. Decentralisation is step towards creation of _____ units
 (a) Complete
 (b) Autonomous
 (c) Semi- autonomous
 (d) None of the above
 Ans: (c)
20. In delegation control rests with the _____.
 (a) Concerned department
 (b) Delegator/supervisor
 (c) Subordinates
 (d) None of the above
 Ans: (b)
21. Space of matrix organization, the manufacturing department constitutes the horizontal chain of command.
 (a) True
 (b) False
 (c) Partly True/Partly False
 (d) None of the above
 Ans: (b)
22. _____ helps to estimates overlapping or duplicate activities and thus effects cost savings.
 (a) Delegation
 (b) Decentralisation
 (c) Informal organisation
 (d) Centralisation
 Ans: (d)
23. Functional organization is difficult to establishment because of high degree of control.
 (a) True
 (b) False
 (c) Partly True/Partly False
 (d) None of the above
 Ans: (a)
24. Authority mean right to command, whereas, power is the capacity to influence the behaviour of others.
 (a) True
 (b) True
 (c) Partly false
 Ans: (a)



TIME FOR NKJ-CLASS TEST !



N.K.J. - PCET
(PRE-CS-EXAM TEST)

TM

Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

CHAPTER 4

Human Resource Management

Concept

- ☐ HRM is broad term which contains
 - Recruitment
 - Selection
 - Training & Development
 - Performance Appraisal
- ☐ Management's basic job is the effective utilization of human resources for the achievement of organization objectives.
- ☐ All the activities of any enterprise are determined by the people who make up that organization.
- ☐ Thus, motivation of human resource is of utmost importance.
- ☐ Thus, HRM is the process of management that is directly concerned with the human resource in the organization.
- ☐ The term human resource can be defined as the skills, knowledge, creative abilities, talents, aptitudes of an organisation's workforce, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organization
- ☐ Several terms represent human recourse like 'personnel', 'people at work', 'manpower', 'staff' and 'employees'.
- ☐ JuciusMicheal definition book
- ☐ HR is multi-dimensional in nature.



Personnel Management & HRM

SIMILARITIES

- ☐ Both models emphasize the importance of integrating personnel/HRM.
- ☐ Both models emphasize the importance of individuals fully developing their own personal satisfaction to make their best contribution to organizational success.
- ☐ Both models identify placing the right people into the right jobs as an importance means of integrating personnel/ HRM practice with organizational goal.

DIFFERENCE

Personnel Management	HRM
More administrative and specific in nature, deals with payroll, complying with employment laws. It seeks to motivate employees with compensation, bonuses, rewards and the simplification of work responsibilities.	General in nature as it focuses on the development activities. It is responsible for managing the workforce by formulating policies and procedures that promote mutuality-mutual goals, mutual respect, mutual rewards and mutual responsibilities.
Focuses on operational activities	Focuses on human resource as it contributes to the success of any enterprise.

Features of HRM

Inherent Part of Management	<ul style="list-style-type: none"> - This function is performed by all the managers. - Responsibility of every manager to train and motivate the employees working under him.
Pervasive Function	<ul style="list-style-type: none"> - This function is performed on a continuous basis by every manager.
People Centered	<ul style="list-style-type: none"> - It is concerned with all categories of personnel from top to bottom. - Types of personnel: Blue Collar Workers (i.e. those working on machine and engaged in loading, unloading etc.) and White Collar Workers (i.e. clerical employees). Managerial and Non Managerial Workers Professionals (such as CS, Lawyer etc) and Non Professional Workers
Continuous Process	<ul style="list-style-type: none"> - PM is performed continuously in order to achieve organizational objectives. - According to G.R.Terry, "The personnel function cannot be turned on and off like a water from a faucet, it cannot be practiced only one hour each day or one day a week. PM requires a constant alertness and awareness of human relations and their importance in everyday operations".
Based on Human Relations	<ul style="list-style-type: none"> - Since HRM deals with people working in the organization. The manager should give due regards to the expectations, likes, dislikes and needs of his employees. - If the personnel function is performed properly, the human relations in the organization will be cordial.
Personnel activities or Functions	<ul style="list-style-type: none"> - PM involves several functions concerned with the management of people at work. It includes manpower planning, employment, placement, training and appraisal and compensation of employees. For the efficient performance of the activities, separate department 'Personnel Department' is created in most of the organizations.

Limitations of HRM

Uncertain Future	Since the business environment changes rapidly it also affects the employment situation. Thus, the company may have to appoint or remove people.
Conservative approach of top management	The top management adopts conservative attitude and does not want to make changes. So, the HRM fails to work freely as it has to work according to the top management.
Problem of Excess Staff	Most companies feel that the solution of this problem is to remove or terminate the services of such excess itself. This affects the thinking of other employees and they start feeling insecure.
Time Consuming	For appointment and removal of employees, HR department collects information from various sources. This takes a lot of time since each job is considered separately.
Expensive	The process of HRM is expensive. The company has to spend a lot of money for each activity.

Role of Personnel Manager in an Organisation

Policy Initiation	The personnel manager helps the top management in deciding the policies for transfer, appraisal, and welfare of employees.
Advisory Role	Managers face day to day problems and hence can offer useful advice as he is familiar with labour laws and agreements and problems encountered.
Linking Pin Role	The personnel manager acts as a linking pin between the management and the workers for good industrial relations.
Representative Role	The personnel manager generally acts as a representative of the employees on setting forth the grievances and suggestions to the top management.
Decision-Making Role	He plays an effective role in decision making that relates to formulating policies, procedures, programmes of Human Resource Management.
Mediator Role	The PM often acts as mediator in the event of conflict between employees, their groups, superior and subordinate, management and employees etc.
Leadership Role	Leadership and guidance to the workers.
Welfare Role	He acts as a welfare officer in the organisation. For this purpose he is concerned with welfare services of employees and his family members.
Research Role	He maintains the records of the employees and on the basis of such records he researches various personnel areas such as labour turnover, absenteeism etc.

Qualities of a human resource manager

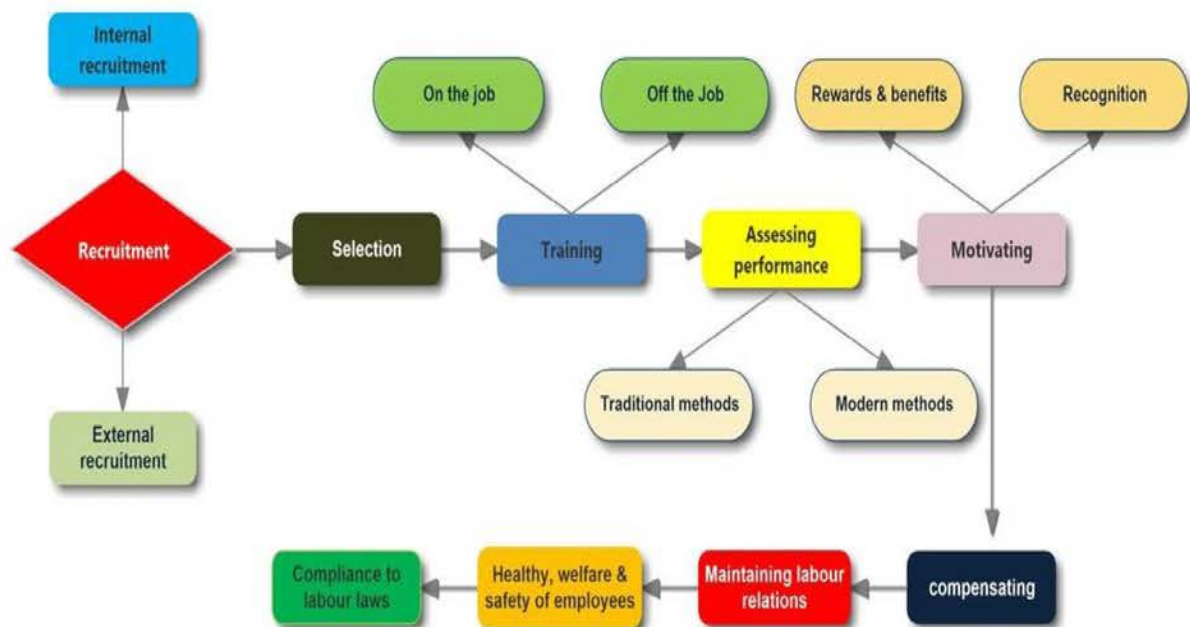
1. Physical-health, vigour, address;
2. Mental-ability to understand and learn; judgment, mental vigour and adaptability;
3. Technical-peculiar to the function;
4. Experience-arising from the work;
5. He should be alert mentally and at no time he should be caught unaware .

Functions' of HRM

Managerial Functions	Planning, Organising, Direction, Controlling
Operative Functions	Employment, Development , Compensation, Maintenance, Motivation, Personnel Records, Industrial Relations, Separation
Advisory Functions	Top Management, Departmental Heads

www.whatishumanresource.com

HRM Process



Recruitment

- ☐ The process of identification of different sources of personnel is known as recruitment.
- ☐ It is a positive function as it results in collection of applicants in response to the vacancy advertised.

Sources of Recruitment	
Internal Sources Transfer Promotion	External Sources Recruitment of Factory Act Casual Callers Advertisement Employment Agencies' Management Consultants Employment Institutions Recommendations Labour Contractors Telecasting

Internal sources

- ☐ Selection of employees in this manner has the following benefits
- ☐ It is simple and Economical.
- ☐ Improves employee morale as promotions provide an opportunity for advancement.
- ☐ Employer can appraise the skill and capability of present employee more accurately.
- ☐ Promotes loyalty among the employees.

Differences

Internal Resources	External Resources
It is a quick process.	It is a lengthy process
It is cheaper	This process is costly
The existing staff is motivated to improve their performance	The existing workers feel dissatisfied if external sources are used.
Choice of candidates is limited	The business can hope for talented candidates from outside



Selection

Selection Procedure

Preliminary Interview	In this a brief description of the employee's knowledge and personality is given. Candidates who pass this stage are asked to fill up the employment form.
Receiving Applications	The applications are received in response to the advertisement that an organization makes. These give a very good idea about the candidates likeliness, educational qualification etc.

Screening Applications	After all the applications they are screened to shortlist the suitable candidates. The candidates may then be called again for interviews and amongst them best are selected.
Employment Tests	<p>Before deciding upon the suitable candidate it is necessary to match his abilities with the available vacancy by performing the following tests:</p> <ul style="list-style-type: none"> - Aptitude - Interests - Proficiency - Personality - Intelligence <p>These tests bring out the qualities and weaknesses of the short listed candidates.</p>
Employment Interview	<p>The main purpose of this interview is</p> <p>To find out suitability of the candidate.</p> <p>To seek more information.</p> <p>To give him accurate picture of job.</p> <p>This interview is necessary for selection of a right person.</p>
Checking References	The references that a candidate provides are cross checked and the employee's past employment details, education, etc, are verified.
Medical Examination	<p>It is important so as to</p> <ul style="list-style-type: none"> - To ascertain the applicant's physical capability to meet the job requirements. - To protect the organization against unwanted claims under workers compensation laws. - It helps to prevent any communicable disease entering the organization
Final Selection and Appointment letter	<p>After all the due formalities are completed the candidate is appointed and given the letter of appointment.</p> <p>Generally the candidates are appointed on probation basis and after seeing his work pattern and commitment towards the organization, they are made permanent.</p> <p>If during probation period the candidate is found unsuitable he may either be transferred to other job matching his profile or his services may be terminated.</p>

Benefits of selection

- ☐ It builds a stable workforce if the employees are carefully chosen.
- ☐ Job satisfaction will be higher when employees get jobs of their choice.
- ☐ It will keep absenteeism and labour turnover low.
- ☐ Organization can achieve its objectives effectively with competent employees.

Recruitment vs. Selection

- ☐ Recruitment and selection help in employing the right person for the right job.

Recruitment	Selection
Process of searching candidates for vacant jobs and making them apply for the same	Process of selection of right type of candidates and offering them jobs.
positive process	Negative process
To attract more and more candidates for the job.	To aim is to reject the unsuitable candidates and choose the best.
No contractual relation is created. Since there is communication of vacancies only.	Contractual relation is created. Since after these stage employees are recruited which creates a contract of service between employer and employee?

Performance Appraisal

- ☐ Its basic purpose is to determine the worth of an employee. It can be done by various methods such as merit rating or evaluating, progress rating etc.
- ☐ Rating may be done by supervisor or an independent appraiser.

Advantages

- ☐ It helps the supervisor to evaluate the performance of his employees systematically.
- ☐ Allocation of work done on the basis of capabilities.
- ☐ It helps in guiding and correcting the employees.
- ☐ It can be used as a basis of sound personnel policy for transfers and promotions.
- ☐ It provides an opportunity to the employees to improve their rating over the others since they get reward for good performance.
- ☐ Impartial evaluation will prevent grievances and motivate the employees for higher and better results.

Limitations

- ☐ If the factors of assessment are irrelevant the results might not be accurate.
- ☐ It involves rating of different factors like initiative and personality of the employees; so the actual rating may not be done on scientific lines.
- ☐ Sometimes the supervisors are guided by their emotions and likes while judging an employee.



Methods of Appraisal

Traditional Methods

Unstructured Appraisal	The appraiser has to write down his impression about the person being appraised in an unstructured way.
Forced distribution Method	The basic assumption used under this method is that the employees can be distinguished as outstanding, average, below average and poor. The rater is required to distribute the employees in five categories on the basis of their overall performance.
Check list	Under this method the rater gets a series of questions about the employee's behaviour and performance. He has to indicate whether it applies or not to the employee. After this values are assigned depending upon their relative importance. The final rating is taken as the average of the scale value of all statements that have been checked.
Critical Incident Method	It involves appraisal of employees on the basis of events or incidents and employee's reaction to the same reflecting positive or negative aspects of his behavior. It is similar to the Rating scale method but the degrees and qualities of employees are indicated on graph.
Field Review method	In this method the appraisal is conducted by a person outside the concerned department, usually from the HR department.. Field reviews are usually conducted in matters of promoting an executive to the managerial level.
Graphic Rating Scales	Here Each employee is rated according to a scale of pre-defined characteristics that are job performance related.

Modern Methods

Management by Objectives

- ☐ It was Peter Drucker who proposed goal setting approach to performance appraisal which he called ' Management by Objectives"
- ☐ This approach is widely appreciated by employees and also has led to greater satisfaction, comfort and less tension.
- ☐ It emphasizes on training and development of individuals.
- Steps:
- ☐ The subordinates and superior discuss the job requirement and agree on the contents of job and key result areas.
- ☐ The employees prepares a list of objectives for a period, e.g. 6 months.
- ☐ He discusses with his senior and sets out a final plan.
- ☐ Progress is measured and further criteria are established for evaluation of progress.
- ☐ The superior and subordinate again meet to discuss the results and ensure that the targets will be achieved.

Limitations:

- ☐ It can be applied only when goal setting is possible by subordinates.
- ☐ It involves considerable time and effort.
- ☐ It is not suitable for operative workers since they do not take initiative in setting their own goals.

Behaviourally Anchored Rating Scales(BARS)

- ☐ They are designed to identify critical area of a performance for a job for getting results.
- ☐ Performances is evaluated on pre-decided criteria and then compared with BARS.
- ☐ As a result of this, the supervisor is in a position to compare the two performances i.e. employees' actual behaviour with the behaviour previously determined.

Training & Development

Training implies a systematic procedure in which special training and technical knowledge is imparted to employees for certain specific jobs.

Training and development programmes are of two categories-

- ☐ **On the job programme.**
 - On the job training occurs at the work place and the employee gets an hands on experience while learning the job. Eg. Orientation, apprentice
- ☐ **Off the job programme.**
 - Off the job programme include supervisory and managerial training programmes. e.g role play, case discussion



Benefits of Training and Developments

- ☐ It helps to improve the quality of workforce.
- ☐ Managers are updated with latest skills, techniques and knowledge.
- ☐ Promising employees can be trained for higher posts hence recruitment becomes easier.
- ☐ It ensures long term survival and growth of the organization.
- ☐ It ensures that resources are properly and fully utilized since trained employees make better use of material / equipment.

- It facilitates delegation and decentralization of authority since trained employees are willing to accept new and challenging jobs.

It improves employee morale and job satisfaction

Talent Management

Talent management is action taken by organization for the purpose of attracting, selecting, developing, and retaining the best employees in the most strategic roles (scullion and collings, 2011) it recognizes people who excel at particular activities and performance upon whom support is offered to enable them to “push the envelope” while capturing and sharing what they do different so that colleagues can emulate them. Talent management aims at deploying the right people in the right jobs at the right time, ensuring the right environment for individuals to deliver their best and remain committed to the organization.

Organization development

Organization development is the process through which an organization develops the internal capacity to be the most effective it can be in its mission work and to sustain itself over the long term. This definition highlights the explicit connection between organization development work and the achievement of organizational mission this connection is the rationale for doing OD work.

Brain Storming

1. Human Resources Management is administrative in nature and focused on the operational activities.
(a) True
(b) False
(c) Partly True/Partly False
(d) None of the above
Ans: (b)
2. Human Resources Management provides fool-proof results and every activity can be planned according to it?
(a) True
(b) False
(c) Partly True/Partly False
(d) None of the above
Ans: (b)
3. The HR Manager plays an effective role in decision making on issues relating to_____
(a) Management
(b) Human Resources
(c) Government
(d) None of the above
Ans: (b)
4. _____and_____ help in employing the right person for the right job
(a) Training and development
(b) Motivating and training
(c) Compensation and recruitment
(d) Recruitment and selection
Ans: (d)
5. Transfer and Promotion are the two internal sources of recruitment.
(a) True
(b) False
(c) Partly True/Partly False
(d) None of the above
Ans: (a)
6. In which of the above methods choice of candidates is limited?
(a) External source of recruitment
(b) Internal sources
(c) Selection
(d) Open advertisements
Ans: (b)
7. Which of these is a negative process?
(a) Recruitment
(b) Selection
(c) Training
(d) Development
Ans: (b)
8. The selection programme begins with_____
(a) Receiving applications
(b) Preliminary Interview
(c) Employment tests
(d) Employment Interview
Ans: (b)
9. Training prevents _____
(a) Group cohesiveness
(b) Job satisfaction
(c) Managerial obsolescence
(d) Long term survival
Ans: (c)
10. Performance appraisal means systematic evaluation of _____ of each employee by a person trained for merit rating.
(a) Personality/Performance
(b) Intelligence
(c) Mental health/ vigour
(d) Participation
Ans: (a)
11. Performance appraisal is a totally reliable method and always provides good results.
(a) True
(b) False
(c) Partly True/Partly False
(d) None of the above
Ans: (b)

12. Ranking method can only be applied when the number of employee is _____

- (a) Large
- (b) Moderate
- (c) Small
- (d) Very large

Ans: (c)

13. _____ and _____ are the traditional methods for appraisal.

- (a) Field review method and management by objective
- (b) BARS and graphic rating scales.
- (c) Critical incident method and BARS
- (d) Ranking method and checklist

Ans: (d)

14. _____ suggested the method of goal setting approach for performance appraisal which is called "Management By Objective".

- (a) Peter Drucker

- (b) Douglas Mc. Greger
- (c) Newmann and summer
- (d) Henry Fayol

Ans: (a)

15. Essential features of "Management By Objective" is _____

- (a) Self appraisal
- (b) Mutual establishment of job goals.
- (c) Behaviour of the subordinates
- (d) None of the above

Ans: (b)

16. Under BARS the supervision is in a position to compare the employee's actual behaviour with behaviour that has been previously determined to be more or less effective

- (a) True
- (b) False
- (c) Partly True/Partly False
- (d) None of the above.

Ans: (a)

CHAPTER 5

DIRECTION & CO-ORDINATION

Concept

- It refers to an initiating function which actuates plans and the organisation.
- It involves communicating to the subordinates, leading and motivating them to contribute the best of their capability for achieving the organisational objectives.
- It initiates with issuing orders and instructions to the subordinates and getting things done by them along with their satisfaction.
- It is a continuous function.
- Taylor pointed out that effective direction depends upon the “harmony of objectives”
 - These are given by Henry Fayol.
 - Having a thorough knowledge of the personnel.
 - Eliminating the incompetent.
 - Being well versed with the agreement binding the business and its employees.
 - Setting a good example.
 - Conducting periodical audit of the organisation.
 - Bringing together of chief assistants through conferences.
 - Infusing unity, energy, initiating and loyalty among the subordinates.

Principles of Direction

Harmony of objectives	Objectives of various individual subordinates should be synchronizes so as to achieve maximum prosperity. Conflicting interest should be reconciled.
Unity of Command	A subordinate should receive orders and commands from one superior only.
Unity of Direction	Every group of activity must have a single objective to be achieved by everyone. Unity of command & unity of direction is not the same thing. “Unity of command cannot exist without of direction, but does not flow from it” -Henry Fayol
Direct supervision	Maintain direct contact with the subordinates and motivates them to do effective functioning.
Democratic leadership	Superior should encourage his subordinates to participates, thus respecting their views and opinions.
Follow – up	In addition to direction, superior should take a follow up of the work done in order to complete it within the stipulated time.

Importance of Direction

- ☐ Important management function
- ☐ Required at every management level
- ☐ Continuous process
- ☐ Initiated top level and flows to bottom level
- ☐ Two main objectives:-
 - Helps in getting things done by the subordinates.
 - Enables the superior to focus on more important work.

Features of Direction

Direction initiates Action	It initiates the individual's action by motivating them to get the desired results.
Direction integrates employee's efforts	Subordinate's efforts are interdependent. Thus, they should be integrated to achieve the desired objectives.
Direction attempts to get maximum out of individuals	Proper motivation is required to bring out the maximum from individual subordinates.
Direction Facilitates changes in organization	Individuals have to be directed and motivated in order to make them responsive to changes.
Direction provides stability and balance in the organisation	It keeps the various part of organization balanced, thus enabling it to go on for a long period.

Elements of Direction

- ☐ Supervision
- ☐ Motivation
- ☐ Leadership
- ☐ Communication

Supervision

- ☐ It refers to direct guidance and control over the subordinates' performance, in order to achieve the desired objectives.
- ☐ "Supervision is guiding and directing efforts of employees and other resources to accomplish stated works outputs".
 - George R. Terry and Stephen G. Franklin.
- ☐ Supervising managers are called supervisors, foreman, superintendents, overseers or section officers.

Features of supervision

- Supervision is done at managerial levels
- Supervision is most pronounced at the lowest level of management.
- Supervision aims at guiding the subordinates in their work performance by assigning work, issuing orders, creating team spirits etc.

Factors of Effective Supervision

Supervisor's skills and abilities	Which includes technical, human relations and conceptual.
Requisite leadership position	Leadership is a influencing process
Nature of supervision	Whether general or close
Group cohesiveness	Should be high (Group cohesiveness refers to the degree of attraction that each member has for the group.)
Improved relations with superiors.	

Motivation

- ☐ It is derived from Latin word "movere" meaning "to move:.
- ☐ It refers to inner state that energizes, activates or moves and directs an individual's behaviour towards goals.
- ☐ It is a complex process because
 - It's exact reason cannot be inferred
 - Difficult to say which need or expectations is forcing a person to act at that moment.
 - People's needs are satisfied in different ways.
 - Satisfaction of a particular need is not a sure indicator of motivation. For e.g. A highly paid employee may still want more money to work more.
 - Goal- directed behaviour does not satisfy the need always.

Usefulness Of Motivation In Management

- ☐ Helps in motivating the employees, which results in creation and maintenance of a healthy environment
- ☐ Enables the employees to work effectively and efficiently.
- ☐ Chester Bernard recognized the willingness to work or co-operate as an important element in success of an organisation

Psychological Motivation

- ☐ It is a type of motivation.
- ☐ Dr. Wilder Penfield, a neurosurgeon discovered in 1951 that along with the past events, the feelings associated with them are also recorded in the brain.
- ☐ Brain function as high fidelity tape recorder.
- ☐ Developing this concept further, Dr. Eric Berne devised a scientific method to study human behaviour known as Transactional Analysis (TA).

Transactional Analysis (TA)

- ☐ As per Eric Berne, "transaction is the unit of social intercourse."
- ☐ Transactional stimulus refers to the situation when two or more people encounter each other, they will speak or will give some indication of acknowledging each other's presence, sooner or later.

- ☐ Transactional response refers to the act or anything which the other person says in relation to the stimulus.
- ☐ T.A. helps in finding out 'why people do as they do'.
- ☐ PAC ego states i.e. parent, adult and child ego states refers to the parts of the multiple nature of an individual which are recorded in the brain and are relayed in course of a transaction.

Parent	<p>At the early 5 years, whatever the child sees his parent doing and whatever he hears from them is recorded straight in his mind.</p> <p>These recording are available for replay throughout his life.</p> <p>These are reflected in such words as 'work hard', 'everything will be ok.', 'done well', 'never do so again' and such action as outstretched arms, hugging, foot tapping, blessing, rebuking, etc.</p> <p>It is a taught concept of life</p>
Child	<p>It refers to the response of the child to what he hears and sees.</p> <p>It is reflected in such words as 'do not leave me.', 'I would not do so again', 'I wish', 'I want' and in such action as tearful eyes, surprise on face, anger, pleasure etc.</p> <p>Most of the reactions are 'feeling'</p> <p>It is a felt concept of life.</p>
Adult	<p>When the child is able to move at about 10 years, the recording of adult starts. It begins with self actualization</p> <p>He has to examine the data in parent and also has to examine the child's feelings. Adult is reflected in such words as 'why', 'who' and such actions as listening, thinking, pondering and reflecting etc.</p> <p>It is a thought concept of life.</p>

Benefits of Transactional Analysis

- ☐ Employees can give an insight into their own personalities
- ☐ It helps them to understand the reason of other's response.
- ☐ Helps in improving inter-personal communication.
- ☐ Useful areas like sales, etc. where success of firm depends upon customer relations.

Leadership

- ☐
- ☐ It refers to the process of influencing the behaviour of the others towards the accomplishment of goals in a given situation.
- ☐ According to George R. Terry, "Leadership is the activity of influencing people to strive willingly for group objectives.
- ☐ It is an interpersonal process.
- ☐ It is a function of leader, the follower, and other situational variables
- ☐ A leader directs and motivates the group members.

Important Elements

- ☐ Leader is a part of the group, still must maintain a separate identity.
- ☐ It contemplates interpersonal influence and a close man to man relationship.
- ☐ It is a dynamic and never – ending process
- ☐ It involves influencing individual behaviour to guide them in right direction.
- ☐ Managers are leader having formal authority to directs, motivate and lead people. This is called formal or managerial leadership.
- ☐ Informal leadership is a part of informal organization.
- ☐ Informal organization provides good support if, properly handled.

Cultivated Leadership Attitudes

Awareness	To bring effectiveness, manager should be aware of the factors resulting in success or failure like his job, his subordinates etc.
Empathy	Leader must put himself in the position of his subordinates, understand their situation and then take any decision.
Objectivity	Subordinate's problems and its causes must be taken care of by leaders objectively and unemotionally.
Self Knowledge	Leader must know the effect of his attitude and behaviour on his subordinates in order to improve them, thus creating a favourable response.

Communication

This part will be discussed in chapter 9 business communication

Coordination

- ☐ Tead- "Co-ordination is the effort to assure a smooth interplay of the functions and forces of the different component parts of an organisation to the end that its purpose will be realised with a minimum of friction and a maximum of collaborative effectiveness."
- ☐ It refers to the orderly synchronisation of group efforts so as to provide unity of action in the pursuit of common purpose.
- ☐ It is the essence of management.

Features

- ☐ Relevant to group efforts and not to individual effort
- ☐ A continuous and dynamic process.
- ☐ Emphasizes on unity of efforts which is heart of coordination.
- ☐ The responsibility of every manager

IMPORTANCE OF CO-ORDINATION

Unity in diversity	In a large organisation, different employees have different backgrounds. These diversified activities will be efficient only in the presence of co-ordination.
---------------------------	--

Teamwork or Unity of Direction	Diversified skills and efforts of various employees are integrated by co-ordination which eliminates duplication of work.
Functional differentiation	Activities of various departments have to be integrated to attain common objectives.
Specialization	One specialist's needs to know the importance of other specialist's work to avoid disputes.
Reconciliation of Goals	It helps in reconciling the employees individual goals with both departmental and organization goals.
Congruity of flows	It means smooth and continuous flow of information from one direction to another.
Differentiation and integration	It helps in facilitating the process of authority delegation to various levels.

Limitations of Co-Ordination

Lack of Administrative Talent	Inefficient candidates do not understand the administrative procedure properly which results in ineffective co-ordination.
Misunderstanding	Lack of co-ordination occurs due to misunderstanding among the employees.

Types of Co-Ordination

Internal Co-ordination

- ☐ It is established to co-ordinate the activities of managers, executives, divisions, branches and other workers.
- ☐ **Vertical co-ordination:** it refers to the co-ordination in which a superior co-ordinates his work with that of his subordinates and vice-versa.
- ☐ **Horizontal co-ordination:** It refers to the establishment of co-ordination between people at same level.
- ☐ **Fayol** has suggested 3 things for effective internal co-ordination
 - Work in proper harmony.
 - Group task activity.
 - Working schedule should be constantly changed according to changing circumstances.

External Co-ordination

- ☐ It is established to co-ordinate the activities of employees of the organization and the people outside the organization.
- ☐ Outsiders includes
 - Market agencies
 - Government
 - Customers
 - Competitors, etc., Media and Technological Agencies
 - Public Relations Officer (PRO) is a person to whom this job of co-ordination is entrusted.

Co-ordination – The Essence of Management

- ☐ Various management functions leads to better co-ordination.
- ☐ It is involved in every management function like planning, directing, staffing etc.

Co-Ordination Vs Co-Operation

- ☐ Both are different
- ☐ Co-ordination refers to an art of synchronization of efforts so as to achieve some common goals.
- ☐ Co-operation refers to a voluntary collective action to serve a common purpose

MCQ QUESTION

1. ----- is a function of management which involves communicating & providing leadership to the subordinates
(a) Direction
(b) Coordination
(c) Controlling
(d) Commanding
Ans: (a)
2. ----- said that effective direction depends upon the "harmony of objectives"
(a) Fayol
(b) Money
(c) Taylor
(d) Larry & Greiner
Ans: (c)
3. Three types of skills required by the supervisor are technical, human & -----
(a) Experience
(b) Conceptual
(c) Scientific
(d) Productive
Ans: (b)
4. General supervision has a trouble impact on the ----- of the subordinates.
(a) Initiative
(b) Moral/Productivity
(c) Skills
(d) None of the above
Ans: (b)
5. ----- is defined as the degree of attraction that each member has for the group.
(a) Motivation
(b) Performance Appraisal
(c) Coordination
(d) Group Cohesiveness
Ans: (d)
6. ----- is the method for examining social inter-course of different employees.
(a) Transactional Analysis
(b) Crossed Transaction
(c) Psychological motivation
(d) None of the above
Ans: (a)
7. Transactional analysis is useful in sales and other areas where success depends on customer relation
(a) True
(b) False
(c) Partly true
(d) None of the above
Ans: (a)

8. Which theory assumes that people feel highly motivated when they are rewarded with more money
 (a) Equity theory
 (b) Herzberg theory
 (c) Monistic/Economic theory
 (d) Hierarchy of needs theory
 Ans: (c)
9. ----- suggested the "hierarchy of needs" theory.
 (a) Fayol
 (b) Maslow
 (c) Taylor
 (d) George R. Terry
 Ans: (b)
10. The approach towards directing the subordinates will depend upon the situation only.
 (a) True
 (b) False
 (c) Partly true
 (d) None of these
 Ans: (b)
11. Which theory is also called the two factor theory
 (a) Herzberg Theory
 (b) Equity theory
 (c) Monistic theory
 (d) Theory of Douglas Mc. Gregor
 Ans: (a)
12. The fundamental assumption of ----- theory is that full advantage of employee potential can be taken by motivating them to accept organisational objectives.
 (a) Theory x
 (b) Equity theory
 (c) Monistic theory
 (d) Theory y
 Ans: (d)
13. Which theory says that a man has inherently resistant to change and passive to organizational needs.
 (a) Mc. George Theory y
 (b) Mc. George Theory x
 (c) Equity theory
 (d) Herzberg theory
 Ans: (b)
14. ----- gave the two factor theory
 (a) Frederick Herzberg
 (b) Douglas Mc. Gregor
 (c) Taylor
 (d) Fayol
 Ans: (a)
15. Context factors are also known as ----- factor
 (a) Intinsic
 (b) Indifferent factors
 (c) Hygienic/extrinsic factors
 (d) None of the above
 Ans: (c)
16. Transaction Analysis can give the employees fresh insight into their own personalities.
 (a) True
 (b) False
 (c) Partly true.
 (d) None of the above
 Ans: (a)
17. ----- said leadership is the activity of influencing people to strive willingly for group objectives.
 (a) Koontz & O'Donnell
 (b) Henry Fayol
 (c) Taylor
 (d) George R. Terry
 Ans: (d)
18. Which theory fails to pinpoint the intensity and extent to which each of the agreed traits should be present in an individual.
 (a) Style theory
 (b) Blake and Mouton
 (c) Traits Theory
 (d) None of the above
 Ans: (c)
19. ----- approach has selective application. Under this leader depends upon the members to establish their own goals.
 (a) Autocratic style
 (b) Laissez fair style
 (c) Democratic style
 (d) None of the above
 Ans: (b)

20. Which theory divides the leadership style in a managerial grid in which different style of leadership are located in four quadrants.
 (a) Lewin, Lippit and white
 (b) Ohio State University
 (c) University of Michigan
 (d) Blake and Mouton
 Ans: (d)
21. While decoding the message the sender determines the method of transmission.
 (a) True.
 (b) False
 (c) Partly true
 (d) None of the above
 Ans: (b)
22. The path and behavior of grapevine is unpredictable.
 (a) True
 (b) False
 (c) Partly true partly false
 (d) None of the above
 Ans: (a)
23. ----- communication is also called diagonal communication.
 (a) Formal
 (b) Informal
 (c) Cross-wise
 (d) Horizontal
 Ans: (c)
24. ----- network of communication is also useful for disseminating information in the general interest of the organization.
 (a) Formal
 (b) Informal
 (c) Vertical
 (d) Horizontal
 Ans: (b)
25. Goals are similar to needs but implies that the object is social not merely physiological.
 (a) False
 (b) True
 (c) Partly true
 (d) None of the above
 Ans: (a)
26. Formal channels of communication are referred as "communication through the chain of command".
 (a) True
 (b) False
 (c) Partly true
 (d) None of the above
 Ans: (a)
27. A confession of mistake may lead to material gains in terms of promotion and pay increase.
 (a) True
 (b) False
 (c) Partly true
 (d) None of the above
 Ans: (b)
28. -----is the synchronization of the efforts of group members in order to provide unity of action for achieving common goals
 (a) Direction
 (b) Co-ordinating
 (c) Controlling
 (d) Commanding
 Ans: (c)
29. Unity of command and unity of direction is not the same thing.
 (a) True
 (b) False
 (c) Partly true/partly false
 (d) None
 Ans: (a)
30. Unity of command cannot exist without unity of direction ,but does not flow from it
 (a) Mooney
 (b) Fayol
 (c) Taylor
 (d) Harry and greinee
 Ans: (b)
31. -----is guiding and directing efforts of employee and other resources to accomplish started work with.
 (a) Supervision
 (b) Motivation
 (c) Leadership
 (d) Communication

Ans: (a)

32. -----refers to the situation when two or more people encounters each other.

(a) Crossed transaction
(b) Transactional analysis
(c) Psychological motivation
(d) None of the above

Ans: (b)

33. -----refers to the exchange of facts, ideas, opinions or emotions by two or more persons so as to bring about mutual understanding or confidence

(a) Communication
(b) Leadership
(c) Supervision
(d) Motivating

Ans: (a)

34. Horizontal communication also known as "gang plank".

(a) True
(b) False
(c) Partly true/partly false
(d) None

Ans: (b)

35. In informal communication no one is responsible

(a) True
(b) False
(c) Partly true/partly false
(d) None

Ans: (a)

36. -----communication is unplanned.

(a) Informal
(b) Formal
(c) Diagonal
(d) Horizontal

Ans: (a)

37. Communication is easily verified.

(a) Oral
(b) Written
(c) Formal
(d) Diagonal

Ans: (b)

38. -----said the leadership is the activity of influencing people to strive willingly for group objectives.

(a) Henry fayol
(b) Taylor
(c) George R. Terry
(d) Koontz & O Donnell

Ans: (c)

39. -----is the essence of management.

(a) Direction
(b) Co-coordinating
(c) Controlling
(d) Communicating

Ans: (b)

CHAPTER 6

CONTROLLING

Concept

- ☐ In common parlance the word control means to check or verify, to regulate or to curb or to restrain.
- ☐ Controlling is to ensure that the, actions move in accordance with the plans.
- ☐ Its main purpose is to check the deviations and take corrective action that is necessary.
- ☐ **Koontz and O'Donnell** gave the following definition, "The managerial control implies the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plans."
- ☐ Like the planning function, controlling is also an all-pervasive function and performed at all the levels in the organization.
- ☐ Control is directly related to planning.



Characteristics of Control

It is forward looking	A manager can take corrective action only on matters relating to future events. Whatever has been done in the past cannot be controlled.
Exist at every level of management	Top Management (strategic control) Middle Management (tactical control) Supervisory Management (operational control)
It is a continuous activity	There should always be a cross check or control between actual and planned performance. So that the deviations can be corrected in time.
Purpose of controlling is positive	It plays a positive role for both the organization and the individual. Control on the individual implies checking their activities so that the common goals are accomplished. Control on the organization means to ensure that only planned activities take place.

Importance of Control

- ☐ Helps in decentralizing authority
- ☐ Increases managerial ability
- ☐ Strives to rationally structure human behavior
- ☐ Ensures optimum use of scarce and valuable resources
- ☐ Facilitates co-ordination
- ☐ Fosters organization efficiency and effectiveness.



Control Process

Establishing standards	Specific Standard, or (e.g.- production of 200 units per day) Abstract Standards (e.g. – to be the most preferred employer)
Measurement of Actual Performance against the Standards	
Corrective Action	It can be due to controllable or uncontrollable factors. The following are important phases of corrective action.
Operation	Thorough investigation of the cause of deviation. Taking actions for correcting the situation. Close supervision of the corrective action to ensure it is moving in accordance with the plan and is effective.
The Administrative Phase	Carrying out further investigation for determine the factors that are responsible for the deviation. Ascertaining whether disciplinary actions are required as per the situation. And lastly making a plan to prevent the recurrence of the situation.
Follow through	The corrective action must always be checked to ensure its compliance. Specific procedures must be established and the responsibility should be clearly assigned to carry out the corrective action

Essentials of Good Control System

☐ Feedback

- This is the essence of controlling. Any manager responsible for controlling needs information how much effective his control is.
- This information is known as feedback which can be formal or informal.
- Formal feedback can be in the form of financial statements, statistical analysis etc., whereas informal feedback can be through personal contact, informal discussions, etc.

☐ Control Should be objective

☐ Prompt Reporting of Deviations

☐ Forward Looking

☐ Flexible Control

☐ Organizational Suitability.

☐ It should be economical

☐ Strategic Point Control

☐ Control should be simple to understand

☐ Control should suggest corrective actions

☐ Control should be worker-focused

Relationship between Planning and Controlling

Planning	Controlling
Planning is looking ahead	Controlling is looking back
planning involves deciding in advance about the course of action to be taken in future	Controlling is checking whether plans are properly implemented, hence backward looking
Planning is done on the basis of past experience and then future course of action is decided.	Controlling attempts to improve work performance in future.
Planning facilitates controlling	Controlling facilitates planning

Traditional Control Techniques

BUDGETARY CONTROL	Determination of objectives to be achieved like higher profits, better financial position, etc. Translating the course of action into monetary terms. Constant comparison of the actual performance with the budgeted performance.
STANDARD COSTING	Constant comparison of the actual performance with the budgeted performance. Suitable action is taken where any deviations are found.
RATIO ANALYSIS	Ratio analysis is the relationship between various elements of financial statements expressed in mathematical terms.

	It helps to understand the profitability, liquidity and solvency of a firm.
STATISTICAL CONTROL	In order to find out the cause of deviations comparison of various ratios, averages and percentages of statistical data are undertaken.
BREAK-EVEN ANALYSIS	It is a point of no-profit no loss It acts as a basis for future performance It determines the minimum level where the firm should operate
INTERNAL AUDIT	It refers to the regular and independent appraisal of the accounting, financial and other operations of a business It is done by the staff generally called as internal auditors But this method is limited to the integrity of accounts and assets only.

Budgetary Control

Types of Budgets

- ☐ Sales budget
- ☐ Production budget
- ☐ Purchase budget
- ☐ Capital expenditure budget
- ☐ Administrative expenses budget
- ☐ R & D Budget
- ☐ Cash budget
- ☐ Master Budget

- Master budget is a budget which combines all other budgets in a summary form.
- The various functional budgets are the components of Master Budget.

Purpose of Budgeting

- ☐ Means of co-ordination: Budgeting is also used for co-ordinating the activities of various divisions of a business.
- ☐ To control cost: Budgets help the management to know separately the cost of each element and exercise effective control over it.
- ☐ To increase efficiency: When a production budget is separately prepared, progress and efficiency of production can be determined.
- ☐ To encourage research and development: Thorough analysis of deviations particularly of key factors provides a sound basis, for research and development.



Benefits of Budgeting

- ☐ It helps the management to make comparisons between diverse things by converting them into common numerical terms.
- ☐ Wastage and losses are avoided.
- ☐ The excess expenditure can be scrutinized before it is incurred.
- ☐ Management by exception is possible.
- ☐ Targets for profits are set up and then corrective action is taken for any deviation. Thus, it ensures profit planning.

Modern Control Techniques

Zero Based Budgeting	<p>This technique was introduced by Peter Pyhrr of US in 1970.</p> <p>The name suggests, it is commencing from scratch, which never incorporates the methodology of the other type of budgeting in determining the estimates.</p> <p>The following are the steps under this approach:</p> <p>The managers at all the levels have to define the objectives of each programme of activity.</p> <p>They then prepare the alternative spending plan known as decision packages.</p> <p>This is an effective technique for continuous evaluation of all the activities.</p>
Critical Path Method (CPM)	<p>Under this technique a project is broken into different activities and their relationship is determined.</p> <p>These relationships are shown with the help of a network diagram. This network can be used for the optimum use of resources and time.</p> <p>This approach is based on the assumption that the time taken by an activity is proportional to the magnitude of resources allocated to them.</p> <p>This approach has the following advantage:</p> <p>It identifies critical areas and pays more attention to these areas.</p> <p>Wastage of time, money and energy is avoided.</p> <p>Achievement of clearly defined project objectives is made easy.</p>
Programme Evaluation and Review Technique (PERT)	<p>It helps in planning, monitoring and controlling of projects.</p> <p>It uses probability and linear programming for planning the activities.</p> <p>Probability helps to estimate the timing of various activities, whereas linear programming is used to maximize the profit of various activities.</p> <p>PERT technique is used in construction of ships, building etc.</p>

Management Audit vs. Financial Audit

Management Audit

- ☐ It signifies critical assessment of management of the enterprise from the broadest possible point of view.
- ☐ It is defined as the systematic and dispassionate examination, analysis and appraisal of management's overall performance.
- ☐ It is used to provide guidance on critical assessment of capital budgeting or profit performance.

Management Audit	Financial Audit
It looks into the past, present and future.	It is concerned with verification and confirmation of current financial data.
Covers areas of managing on asset potential, capacity utilization, executive evaluation, etc.	It is mainly concerned with financial records and results of company's operation for the year.
Rights and duties are not clearly defined.	Clearly defined rights and duties of the company auditors.
May be undertaken by the management itself.	It is conducted by an independent qualified auditor.

Appraisal Areas Under Management Audit

- ☐ It consists of ten categories of appraisal areas:

Economic Function	This includes appraising the public value of the company in relation to different groups like consumers, employees, etc.
Corporate Structure	the effectiveness of the corporate structure is appraised. Health of Earnings: It determines the extent to which the company is earning profits.
Service to Shareholders	The Company's service to the shareholder in terms of minimum risk, maximum return etc is determined.
Research and Development	This is evaluated in terms of the participation by the company in developing research policies and developing new and economical ways of doing things.
Directorate Analysis	This involves the evaluation of- The quality of each director and his contribution to the company. The extent to which directors work as a team, and Whether they act as a trustee for the organization.
Fiscal Policies	It includes the appraisal of material and machines.
Production Efficiency	It includes the appraisal of material and machines.

Sales Vigour	it evaluates the extent to which sales have been realized, development of sales personnel and the extent to which present sales policies will help the management to realize future sales potential.
Executive Evaluation	The quality of executives and their management philosophy should be evaluated separately. Three personal qualities essential for business leaders are ability, industry and integrity.



CS NITESH KR. JAISWAL

MCQ QUESTION

1. A manager can control the past as well as take action for future.
(a) True
(b) False
(c) Partly true, partly false
(d) None of the above
Ans: (b)
2. A manager can take corrective action only on matters relating to future events
(a) True
(b) False
(c) Partly true partly false
(d) None
Ans: (a)
3. Which function involves constant revision and analysis of standards resulting from deviation?
(a) Controlling
(b) Directing
(c) Organizing
(d) Planning
Ans: (a)
4. Control presupposes the existence of ---- and ----
(a) Policies and procedures
(b) Objectives and polices
(c) Goals and plans
(d) Strategy and goals
Ans: (c)
5. Control is directly related to -----
(a) Controlling
(b) Directing
(c) Planning
(d) Organizing
Ans: (c)
6. Control is a ----- function to ensure and maintain co-ordination throughout the organization.
(a) Wider
(b) Vital
(c) One-step
(d) Continuous
Ans: (d)
7. ----- and -----are the two important phases under corrective action.
(a) Operation and administrative
(b) Establishing goals and standards
(c) Measurement of performance and their comparison
(d) Measurement of performance and follow through
Ans: (a)
8. Ideal control is self-correcting and forward looking.
(a) True
(b) False
(c) Partly true partly false
(d) None of the above
Ans: (a)
9. The traditional control techniques are:
(a) Budgetary Control and CPM
(b) PERT and CPM
(c) Zero base budgeting and Management Audit
(d) Budgetary control and Standard Costing
Ans: (d)
10. -----provides the yardstick for measurement of performance essential for effective control.
(a) Standard costing
(b) Internal Audit

- (c) Budgetary control
(d) None of the above
Ans: (c)
11. Efficient control system discriminates between important and unimportant activities.
(a) True
(b) False
(c) Partly true partly false
(d) None of the above
Ans: (a)
12. Traditional control focuses on scientific methods whereas non-traditional controls are based more on non scientific methods.
(a) True
(b) False
(c) Partly true partly false
(d) None of the above
Ans: (b)
13. Thorough analysis of ----- provide a sound basis for research and development.
(a) Budgeted goals
(b) Key factors
(c) Production costs
(d) Plans
Ans: (b)
14. -----provides basis for collective actions to be taken to improve future performance.
(a) Internal Audit
(b) Standard Costing
(c) Break Even Analysis
(d) Statistical Control
Ans: (c)
15. Zero base budgeting can be used more meaningfully in those areas where a direct relationship exists between the expenditure on an activity and its benefits to the enterprise.
(a) True
(b) False
(c) Partly true partly false
(d) None of the above
Ans: (a)
16. Under----- method project is broken down into different activities.
(a) Critical Path Method
(b) project evaluation and review technique
(c) Zero Base Budgeting
(d) Management Audit
Ans: (a)
17. -----provides framework for treating a wide range of project management problems.
(a) Critical Path Method
(b) Zero Base Budgeting
(c) Project evaluation and review technique
(d) None of the above
Ans: (c)
18. ----- and-----are called the Siamese twins of management.
(a) Planning and Organizing
(b) Co-ordination and Co-operation
(c) Directing and Controlling
(d) Planning and Controlling
Ans: (d)
19. -----attempts to improve work performance in future
(a) Controlling
(b) Directing
(c) Planning
(d) Organizing
Ans: (a)

20. -----budget is a budget which contains all other budget in summary form

- (a) Sales budget
- (b) Cash budget
- (c) Purchase budget
- (d) Master budget

Ans: (d)

21. In management audit rights and duties are not clearly defined

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None

Ans: (a)

22. -----is done on the basis of past experience and then future course of action is decided

- (a) Planning
- (b) Organizing
- (c) Directing
- (d) Controlling

Ans: (a)

23. Flow of control information should be consistent with -----structured employed

- (a) Planning
- (b) Controlling
- (c) Directing
- (d) Organization

Ans: (a)

24. ----- helps in planning, monitoring, and controlling of projects.

- (a) CPM
- (b) PERT
- (c) Budgetary control
- (d) Standard Costing

Ans: (c)

25. -----determines the extent to which the company is earning profits.

- (a) Economic function
- (b) Health of earnings
- (c) Corporate structure
- (d) Sales vigour

Ans: (a)

CHAPTER 7

RECENT TRENDS IN MANAGEMENT

Concept

- ☐ Change refers to the variation in the established way of life to which people are accustomed to in the organization.
- ☐ Change is
 - continuous
 - complex
 - usually untried
 - often very difficult to manage.
- ☐ Change can be
 - natural (ex. growth of an organism)
 - re-active (ex. Forced adjustment to change in technology or practice, introduction of a new employee benefit scheme)
- ☐ It is necessary for the management of every enterprise to anticipate change and deal with it effectively.
- ☐ Change may take place in the internal or external environment of an organization.

Forces for Change



Internal Forces

- ☐ Composition and policy of top management
- ☐ Changes of personnel due to retirement, resignation, promotion, transfer and so on
- ☐ Changes of physical facilities like shortage of supplies of raw material, wearing out of machinery, demand for more space
- ☐ Changes in employee attitudes, feelings and aspirations
- ☐ Changes in work allocation, duty hours, composition of work groups and so on

External Forces

- ☐ Economic
- ☐ Education & Cultural
- ☐ Political
- ☐ Social
- ☐ Technological

Both the above forces are inter-linked and inter-dependent.

Resistance to Change

- Most of the organizations and their members resist changes.

Resistance can take the following forms	Overt : Threat to go on strike Implicit: increased errors or mistakes Immediate: It results in immediate response to change. Deferred: Response to the change is deferred or stock piled for some time.
Reasons for people's resistance to change	People find easy, to continue doing their routine jobs rather than learning anything new. Opposed by people who are negatively effected by redistribution of power occurring due to it. Resisted if people face failure once. Resisted by less educated and less intelligent people because of the fear that change will expose their inefficiency.
Types of Resistance to Change	Logical : Resistance arises due to time and effort required to adjust the change. It represents the true cost borne by the employees. It involves rational objections. Psychological : It is logical in relation to attitudes and feelings of individual employees. Sociological : Powerful forces of social values It is logical in terms of group interest and values. Group resistance may be due to individual resistance to change.
Overcoming Resistance to Change	Management must help the employees to adjust to changes with a supportive conduct. Employees must feel that their work interest is being considered adequately. Employees must feel that they will be benefited from such change. Nature of change should be properly understood. Changes must be introduced in stages. Security problems must not be caused to employees. Participation of all employees is required. Change must be properly planned. No individual overtones should be there. Effective leadership and motivation policies. Systematic and sensitive training of employees. Advice of specialized staff. Introducing change through outside management consultant.

Flexibility and Rigidity

- Too much flexibility gives excessive freedom to staff and they start overlooking their limitations whereas too much rigidity makes the application of change difficult in the organization.
- Hence a proper balance should be made between them.

Simulating Participation

- ☐ It refers to encouraging the staff and employees to participate in management activities.
- ☐ It is necessary for employee's proper understanding.
- ☐ Group Meetings and conferences must be arranged.
- ☐ Proposed change must be discussed with subordinates by the manager.
- ☐ Employees must be encouraged to ask questions.
- ☐ Leaders of informal groups should also be taken into confidence.

Change through Management Hierarchy

- ☐ Minor changes may be introduced by executives.
- ☐ However, major changes should be decided and implemented by top management.
- ☐ Subordinates view it as a legitimate right and thus, comply with it.
- ☐ It does not pay much attention to facts like group dynamics, peoples attitude etc.
- ☐ Specialised planning units are formed for this purpose.
- ☐ Sometimes, outside management consultants are also preferred.

Lewin's Three Step Model

- ☐ According to Kurt Lewin any change should follow three steps.
- ☐ Unfreezing the status quo,
- ☐ Movement or changeover to a new state,
- ☐ Refreezing the new change to make it permanent.
- ☐ This requires rebalancing of the driving and restraining forces.

Action Research

- ☐ It refers to a method of scientific inquiry into the circumstances necessitating change and action to be taken thereon.
- ☐ It is based on scientific collection and data analysis.
- ☐ Its process consists of five steps:
 - Diagnosis
 - Prognosis
 - Feedback
 - Action
 - Evaluation
- ☐ It is a problem focused approach.

Crisis Management

- ☐ It refers to the management and co-ordination of an organization's response to an incident that threatens to harm or has harmed that organization's people, structure or reputation.
- ☐ Thus, it is the process of responding to an event that might threaten the operations, staff, customers, reputation or the legal and financial status of an organization.

Crisis Management Vs Risk Management

- ☐ Crisis management means dealing with threats after they have occurred.
- ☐ Risk management means assessing the potential threats and finding ways to avoid those threats.

Natural Disaster	These are “Acts of God” Eg- earthquake, volcanic eruption etc.
Technological Crisis	These are caused due to human application of science and technology. Eg – Chernobyl disaster.
Confrontation Crisis	These are caused due to the discontented individuals and/or groups for the non-acceptance of their demands and expectations by fighting with government or other interest group.
Workplace Violence	It is caused by one employee committing violence against other employee on organizational grounds.
Crises of Organizational Misdeeds	It is caused because of the management taking actions causing harm to stakeholder’s risk without any precautions.
Rumours	Any rumour i.e. false information about the organization or its products causes harm to its reputation.

Total Quality Management

- ☐ Today, every organization has to offer quality products to its customers at competitive prices to be successful.
- ☐ Quality is the most important factor in determining the success or failure of an organization.
- ☐ Good quality generates satisfied customers.
- ☐ European Economic Community established a common set of quality standards known as **ISO 9000**.
- ☐ Series **ISO 9000 – ISO 9003** is a reference for external quality assurance.
- ☐ **ISO 9004** is a reference for internal quality management.
- ☐ These standards aim at achieving **TQM**
- ☐ Quality is the responsibility of everyone in the organization from operators in a production department to the CEO of any organization.
- ☐ Statistical and sampling techniques are employed for the identification of quality problems and for controlling the quality of production processes.
- ☐ Economic considerations and EQM plays an important role in tying together the management and technical system.

Principles of TQM

Quality can and must be managed	Problem must be realized and effectively controlled.
Processes, not people, are the problem	First processes should be corrected and then people should be trained.
Don’t treat symptoms, look for the cure	Solution for the problem has to be searched from the very source of the problem.
Every employee is responsible for quality	Every employee, from worker to the CEO has an important part to play in quality management.
Quality must be measurable	This system is effective if the results can be quantified.

Quality improvements must be continuous	It has to take place continuously for increasing the customer's satisfaction.
Quality is a long – term investment	It provides an organization a long term success.

Risk Management

- ☐ It has its origin from the field of corporate insurance.
- ☐ It refers to the identification of opportunities and avoiding or mitigating losses.
- ☐ It helps the organization to minimize losses and maximize opportunities.
- ☐ It is considered as a structured approach in managing uncertainty related to a threat.
- ☐ It is a scientific approach to deal with pure risks by anticipating possible accidental losses and designing and implementing procedures which minimizes the occurrence of loss.
- ☐ Rigorous risk management occurs in the departments whose core objective is to protect the environment and public health and safety.
- ☐ Each department and the executives are directly and indirectly involved in the risk management.

Characteristics of Risk Management

- ☐ Systematic discipline for dealing with problem of uncertainty.
- ☐ Provides a system of making choices.
- ☐ Potential liability can be understood better.
- ☐ Guide for responding to undesirable events.

Scope and Applicability of Risk Management

- ☐ It should be rigorously applied where critical decisions have to be made.
- ☐ It depends upon whether risk relates to long, medium or short term goals.
- ☐ **Strategic decisions :**
 - It is concerned with long term goals.
 - Have to be reviewed on regular basis
- ☐ **Program and Project Level :**
 - It is concerned with medium term goals
 - Narrower in scope
- ☐ **Operational Level :**
 - It emphasis on short term goals
 - It ensures continuity of business services
 - It must support long and medium term goals.
- ☐ Risks with the greatest loss and greatest probability of its occurring are handled first, followed by risks with lower loss and lower probability of its occurrence

Risk Management Process

Risk Identification	All the possible risks that may affect the business, either positively or negatively, have to be identified. Threats, vulnerabilities and the associated risks are also identified No risk should be excluded These risks may prevent degrade, delay or enhance the achievement of objectives.
Risk Assessment	All the identified risks have to be assessed It is required to generate awareness among the employees.
Risk measurement and analysis	It involves determination of : Probability of occurrence of losses Impact of such losses on the financial affairs of the company. Ability to predict losses. It helps in making decisions about committing resources to control the risks. Under risk analysis, the level of risk and its nature is assessed. It helps in finding out the most cost effective risk treatment.
Risk Evaluation	It helps preparing a prioritized list of risks by comparing various risk levels. Loss exposure requires comparing two components : Potential severity of loss Potential probability of loss.
Risk Treatment	Identified risks are treated and controlled to eliminate the negative consequences or to reduce the probability of adverse occurrence. It aims at enhancing positive outcomes. It is not cost effective to implement all the strategies. Management has to choose most appropriate combination of risk treatments.
Risk monitoring and review	Treatment plan selected have to be reviewed periodically to determine its effectiveness. It has to be done to ensure that risk priorities have not changed with the changing environment. Few risks remain static.

Responsibilities of Risk Management

- ☐ Board of Directors (BOD)
- ☐ Chief Executive Officer
- ☐ Risk Officer
- ☐ Internal Auditors
- ☐ Other Personnel
- ☐ Various external parties also help in risk management Eg – external auditors.
- ☐ External parties however cannot be held responsible for it.

Global Practices/ International Business

- ☐ It refers to the practice of managing business operations in more than one country.
- ☐ International management professionals have the knowledge of other country's language, culture, etc.
- ☐ They have the skills and ability to formulate effective policies.
- ☐ It involves all commercial transactions.
- ☐ Private companies usually do it for profit purposes
- ☐ Government does it for profit and political purposes.
- ☐ It includes all business activities involving cross border transactions.

Features of International Business

Large Scale Operations	All operations are conducted on a large scale. First, goods are sold in local market, the surplus is then exported.
Integration of Economies	It helps in integrating the economies of various countries It uses resources of various countries, produces in various other countries and sells in other countries.
Dominated by developed countries and MNCs	Developed countries dominate the market by producing good quality products at low cost This is possible because they have huge financial resources.
Benefits to participating countries	Developed countries get maximum benefits. It results in economic development of developing countries.
Rigorous competition	Developing countries have to face competition with developed countries They both are unequal partner Developed countries and MNC's are always in a better position.
Sensitive Nature	Any change in economic policies, technology, etc has great impact on it.

Importance of International Business

Foreign Exchange Earnings	It helps in earning valuable foreign exchange by export of goods and services This strengthens the country's economy.
Optimum Utilization of Resources	This is possible because goods are produced on large scale. Finance and technology of rich countries are used while raw materials and labour of poor countries are used.
Achieving Objectives	Its main objective is to earn high profits. It achieves this objective by producing high quality goods at lowest possible price.
Spreading Business Risks	Risk of one country can be easily transferred to that of other country. This helps in minimizing risks.

Improving Organisation's Efficiency	They uses all modern techniques to gain efficiency. This enables them to face competition in international market.
Get benefits from Government	It helps in bringing foreign exchange Thus, get many financial and tax benefits from the government.
Expand and Diversify	Its activities can be expanded because it earns high profits and also get financial help.
Increase competitive Capacity	It produces high quality goods at low prices. It also spends a lot on advertising. This makes it more competitive.

Brain Storming

1. Change is natural phenomenon
(a) True
(b) False
(c) Partly true/partly false
(d) None
Ans: (a)
2. -----represents the true cost borne by the employees.
(a) Psychological
(b) Sociological
(c) Logical
(d) None of the above
Ans: (c)
3. -----is logical in term of group interest and values.
(a) Logical
(b) Sociological
(c) Psychological
(d) None of the above
Ans: (b)
4. Risk management prevents or reduces legal liability and increase the stability of operations
(a) True
(b) False
(c) Partly true/partly false
(d) None
Ans: (a)
5. Risk management means assessing the potentials threats and finding ways to avoid these threats
(a) True
(b) False
(c) Partly true/partly false
(d) None of the above
Ans: (a)
6. Change is resisted when people in the course of doing or learning a new system experience failure.
(a) True
(b) False
(c) Partly true partly false
(d) None of the above
Ans: (a)
7. The three types of resistance to change are-logical, psychological and _____.
(a) Geographical
(b) Sociological
(c) Temporary
(d) None of the above
Ans: (b)
8. Change should be introduced in _____.
(a) Totality
(b) Minimised way
(c) Impactful way
(d) Stages
Ans: (d)
9. _____ training can also be used to overcome resistance to change
(a) Sociological
(b) Logical
(c) Sensitivity
(d) None of the above
Ans: (c)
10. _____ argued that successful change should follow three steps.
(a) Kurt Lewin
(b) Taylor
(c) Fayol
(d) George. R terry
Ans: (a)
11. _____ management is the process by which an organization deals with a major event that threatens to harm the organization, its stakeholders or the general public.
(a) Risk management

- (b) Crisis management
 - (c) Total quality management
 - (d) None of the above
- Ans: (b)

12. _____ is one which involves assessing potential threats and finding ways to avoid those threats.

- (a) Crisis management
- (b) Total quality management
- (c) Administrative management
- (d) Risk management

Ans: (d)

13. _____ crisis are caused by human application of science and technology.

- (a) Confrontation
- (b) Organisation misdeed
- (c) Technological
- (d) Natural crisis

Ans: (c)

14. One of the objectives of risk management is to minimize the use of resources.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None of the above

Ans: (b)

15. Risk management is about managing risk against the _____.

- (a) Reward
- (b) Decision
- (c) Activity
- (d) Opportunities

Ans: (a)

16. _____ management identifies a new type of risk- a risk which has 100% probability of occurring but is ignored by the organization due to each of identification ability.

- (a) Relationship risk
- (b) Process engagement
- (c) Intangible risk
- (d) None of the above

Ans: (c)

17. _____ is an essential and integral step in the risk management process.

- (a) Risk Treatment
- (b) Risk assessment
- (c) Risk identification
- (d) Risk monitoring and review

Ans: (d)

18. _____ management is the practice of managing business operations in more than one country.

- (a) Business
- (b) International
- (c) Risk
- (d) Crisis

Ans: (b)

19. Middle management provides motivation climate for employee, directs them in proper procedures and assists them in eliminating sources of error.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

Ans: (b)

20. TQM is used to increase the overall customer satisfaction.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above.

Ans: (a)



**TIME FOR
NKJ-CLASS TEST !**



Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

CS NITESH KR. JAISWAL CS CLASSES

CHAPTER 8

BUSINESS ETHICS

Genesis of Ethics

- ☐ The term “ethics” is derived from the Greek word “ethos”.
- ☐ Ethos refers to the character or custom or accepted behaviors.
- ☐ The Oxford Dictionary states ethics as “the moral principle that governs a person’s behavior or how an activity is conducted.”
- ☐ Ethics is the branch of knowledge with moral principles.
- ☐ Ethics refers to the code of conduct which guides an individual while dealing with others and also defines that what of a proper course of action for man.
- ☐ Ethics are the rules of principle defining right and wrong conduct.
- ☐ The term ‘business ethics’ came into common use in the early 1970s.
- ☐ The Society for Business Ethics was started in 1980.
- ☐ European Business schools adopted business ethics after 1987 commencing with Europe Business Ethics Network (EBEN) in 1982.
- ☐ At the end of the cold war the idea of business ethics caught the attention of Academics, media and business firms.
- ☐ However, legitimate criticism of business practices was attacked for infringing the “freedom” of entrepreneurs.

Concept of Ethics

- ☐ Ethics is a set of principles or standards of human conduct that govern the behaviour of individuals or organizations.
- ☐ Ethics is not a natural science but a creation of the human mind.
- ☐ Business ethics refers to the ‘Code of Conduct’ / ‘Code of ethics’ / ‘Code of Practice’
- ☐ Code of conduct - set of principle and expectation that are considered binding on any person.
- ☐ Businesses must balance their desire to maximize profits or gains against the need of the shareholder or stakeholder.

PRINCIPLES OF ETHICS



AUTONOMY



BENEFICENCE



NONMALEFICENCE



JUSTICE

Features of Business Ethics

- ☐ Business ethics is a code of conduct which businessmen should follow while conducting their normal activities or function.
- ☐ It has a universal application.
- ☐ It is a not absolute i.e. relative norm.
- ☐ It is a far reaching concept which goes beyond the idea of money legally.
- ☐ It helps in making long term long-lasting relationships.
- ☐ Business Ethics is based on well accepted moral and social values.
- ☐ It gives protection to all stakeholders.
- ☐ It provides the legal, social, moral, economic and cultural limits within which business has to be conducted.
- ☐ It cannot be enforced by law. It has to be accepted as self-discipline by businessman.
- ☐ It requires a formal education program, training guidance for motivating the businessmen to follow ethical practices.

Elements of Business Ethics

1. A Strong Code of Ethics

- ☐ It is important for business to have an ethics code according to Surbanes-Oxely Act of 2002.
- ☐ A written code of conduct for every business is to be formed to inform employees what one ought to do and what to strive for.
- ☐ These written codes of conduct help the new employees to learn the important aspects for carrying out action at work.

2. Ethics Training

- ☐ By an in-house training department or a trainer.
- ☐ Trainer should have sufficient experience and training in the field of ethics.

3. Ethics Coach

- ☐ A person who is available either in house or is out-sourced
- ☐ He should have sufficient expertise in employing ethical concepts, analytical skills and decision making tools so to facilitate an ethical resolution to the problem.

4. System for Confidential Reporting

- ☐ As an element it helps employee in reporting about any misconduct or violation that they observed without the fear of any aggression.
- ☐ Security for whistleblower.

Advantages of Business Ethics

Attracting and Retaining Talent	People aspire to join ethical organisation Lower turnover in staff Employees provide their time, skills and energy in return for salary, bonus, career progression, learning etc.
--	---

Investor Loyalty	Investors are concern about ethics, social responsibility and reputation of the company in which they invest. Investors expect a certain level of return in the form of dividends and/or capital growth.
Customer Satisfaction	Business is run ethically keeping in mind the customer's satisfaction. Customers pay for goods, give their loyalty and enhance a company's reputation in return for goods or services that meet their needs.

Scope of Ethics in Business

1. Ethics in Compliance

- ☐ Compliance refers to obeying and adhering to rules and authority.
- ☐ An organizations ethical climate ensures compliance with law.

2. Ethics in Finance

Ethical Issues-

- ☐ Fraudulent Asset Valuation
- ☐ Insider trading, securities frauds leading to the manipulation of financial market
- ☐ Executive compensation: i.e. paying large amount of salaries to the executives in higher post.
- ☐ Over billing of expenses, facilitation payment

3. Ethics in Human Resources

Ethical Issues-

- ☐ Discrimination issues on the basis of age, gender, race, religion, weights, disabilities etc.
- ☐ Sexual harassment
- ☐ Affirmative Action
- ☐ Issues surrounding the representation of employees and the democratization of the workplace, trade unionization
- ☐ Issues relating to the privacy of the employee such as workplace surveillance, drug testing, etc
- ☐ Issues relating to the privacy of the employee such as whistle-blowing
- ☐ Issues relating to the fairness of the employment contract formed by employer which forms the balance of power between employer and employee.
- ☐ Occupational safety and health.

4. Ethics in Marketing

Ethical Issues-

- ☐ Pricing: Price fixing, price discrimination, price skimming.
- ☐ Various Anti-competitive practices: Like manipulation of supply, exclusive dealing arrangements, tying arrangement etc.
- ☐ Various Misleading Advertisements: Content of Advertisement, Children and Marketing etc.
- ☐ Black markets, Grey markets

5. Ethics of production

Ethical Issues-

- ☐ Defective, Addictive, Hazardous and inherent dangerous product.
- ☐ Ethical relation between the company and the environment include pollution, environmental ethics, carbon emission trading.
- ☐ Ethical problems arising out of new technologies e. g. genetically modified food
- ☐ Product testing ethics.

Why Business should Behave Ethics?

- ☐ To exists in a complete environment.
- ☐ To protect its own interest as well as of the business community as a whole.
- ☐ To keep its commitments made to society.
- ☐ To meet the stakeholders expectation.
- ☐ To build trust with key stakeholder groups.
- ☐ To protect their employees and their reputation.

Reasons for Unethical Business Practices

Greed for Quick Money	Businessmen adopt various unethical business practices for exploiting its consumer its consumer rather than reducing cost or achieving production efficiency.
No Government Support	Ignorance of various problems by the Government. They do not ensure effective applicability of various rules regarding consumer and environment safety.
Absence of well Organized Consumer Movement	As consumers are not united they are mostly uneducated due to lack of knowledge of rights and duties. They also lack proper education and training facility.
Cultural and Social Reason	Indian people aspire to build a strong nation coupled with colonial legacy which has led to two divergent strands of values: Traditional idealized values (which is based on ancient psycho-spiritual thoughts). Operative Values (evolved from the mixture between idealized values and Indian's changing socio economic realities)
Administrative Corruption	"Gifts" to administrative officers.
Others	Fear of Retrenchment Lack of Government Structure and regulations. Sanctions and Discriminations Uncertainties and fear about future.

Measures to Improve Ethical Behavior of Business

At Institutional Level	<p>Every organization should lay down its code of conduct.</p> <p>The records and operations of the organization should be more clear and transparent. The stakeholders should be aware of each and every financial decision taken by the firm and pressures behind them.</p> <p>People adhering to the code of conduct should be rewarded by business units.</p> <p>Proper guidance and training regarding the importance of ethics should be provided to the employees.</p> <p>The organization should set up machinery for continues appraisal of ethical behavior of employees.</p> <p>An ethical committee comprising top executives, BOD, including CEO of the company should be formed.</p>
At Government Level	<p>The government has enacted various legislation such as</p> <p>Payment of minimum wages act,1948</p> <p>Prevention of Food and Adulteration act,1954</p> <p>Essential Commodities Act,1955</p> <p>Government has given certain awards like</p> <p>Indira Gandhi ParyawaranPuraskar</p> <p>Indira Gandhi Priyadarshani Award for organizations carrying out ethical business in India.</p> <p>Mass media like television, radio hoardings can be effectively use to make people aware of various laws.</p>
At Societal Level	<p>Consumer Awareness program should be propagated.</p> <p>Various Organizations like Mumbai GrahakPanchayat, Consumer Society of India etc have been started to protect the interest of consumer.</p> <p>Various journals or magazines related to various social issues should be published to bring them to the public notice.</p> <p>Consumer association acts as a link between community on one hand and government on the other hand</p> <p>Social pressure can be bought on defaulting manufacturers or organizations to improve his policies by boycotting those goods.</p>

Principles of Business Ethics

The Principles of business ethics developed by well known authorities like Cantt, J. S.Mill, Herbert Spencer, Plato, Thomas Garret, Woodrad, Wilson etc are as follows

1. Sacredness of means and ends : The first and most important principles of business ethics emphasize that the means and techniques adopted to serve the business ends must be sacred and pure.It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.
2. Not to do any evil: It is unethical to do a major evil to another or to oneself , whether this evil is a means or an end.

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. Publicity: According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets opportunity to do an unethical act.
7. Equivalent price: According to W. Wilson, the people are entitled to get goods equivalent to the value of money that he will pay.
8. Universal value: According to this principle the conduct of business should be done on the basis of universal values.
9. Human dignity: As per this principle, man should not be treated as a factor of production and human dignity should be maintained.
10. 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.

Ethical Dilemma

An ethical dilemma is a situation where one is in conflict between moral imperatives. Often rejecting either solution has major consequences. It is also known as ethical paradox or moral dilemma. Ethical dilemma is any situation in which guiding moral principles cannot determine which course of action is right or wrong. To obey one action, would result in transgressing another.



Characteristics of Ethical Dilemmas

1. Choice between equally undesirable alternatives
2. Different courses of action possible
3. Involves value judgments about actions or consequences
4. Data will not help resolve issue
5. Different sources (psychology, theology) offer resolutions
6. Unfavorable outcomes will result
7. Choices have far-reaching effects on persons, relationships and society

8. Resources which must be allocated are finite or limited
9. Can be resolved, not solved
10. There is no "right" and "wrong"

Business ethos principles practiced by Indian Companies:-

Indian companies are guided by certain rules of conduct in the form of ethical and moral standards. Some of the business ethos principles, practiced by Indian companies are listed below:

1. Principle of 'sacrifice'

An individual is trained by the principle of 'sacrifice' through the process of 'give and take' policy. A person, who is willing to sacrifice part of his bread or effort, commands a superior place in the organization.

2. Principle of 'harmony'

An individual is trained in such a way that to avoid conflicts and friction one should be guided by certain set of moral conducts and principles.

3. Principle of 'non-violence'

This principle protects an organization from strikes and lockouts and unnecessary avoidable conflicts.

4. Principle of 'reward'

The one who performs well are encouraged to do so. This implies that the activities of individuals need to be monitored and encouragement in the form of 'rewards' may cultivate the spirit of higher productivity among groups.

5. Principle of 'justice'

The one who works hard is 'rewarded' and the one who fails to do so is 'punished'. This is essence the principle of Justice.

6. Principle of 'taxation'

The one who is taxed more is encouraged to stay fit for a longer period by proper appreciation and encouragement. This principle applies to individuals who are hardworking and productive.

7. Principle of 'Integrity'

An integrated mind is more productive. Groups are encouraged to stay united in order to reap the benefits of division of labour.

8. Principle of 'Polygamy'

This is nothing but the wedding of two different cultures by absorption or takeover.



MCQ QUESTION

1. The term "ethics" is derived from the _____ word "ethos".
(a) Latin
(b) German
(c) Greek
(d) English
Ans: (c)
2. _____ states ethics as "the moral principle that governs a person's behavior or how an activity is conducted."
(a) The Oxford Dictionary
(b) The Collins Dictionary
(c) The Word Power Dictionary
(d) The University of London
Ans: (a)
3. Ethics refers to
(a) Code of institute
(b) Code of moral
(c) Code of conduct
(d) Code of law
Ans: (c)
4. The term 'Business Ethics' came into common use in the year:-
(a) 1950
(b) 1960
(c) 1970
(d) 1980
Ans: (c)
5. The society of Business Ethics was started in
(a) 1950
(b) 1960
(c) 1970
(d) 1980
Ans: (d)
6. When was EBEN commenced
(a) 1952
(b) 1962
(c) 1982
(d) 1992
Ans: (c)
7. The idea of business ethics caught the attention of academics, media and business firms by the end of the
(a) First World War
(b) Second World War
(c) Cold War
(d) None of the above
Ans: (c)
8. The legitimate criticism of business practices was attacked for infringing the "_____" of entrepreneurs.
(a) Honesty
(b) Integrity
(c) Freedom
(d) Reputation
Ans: (c)
9. Code of conduct means
(a) set of principle and expectation that are considered binding on any person
(b) Interpretation of law
(c) Business ethics
(d) Rules and regulations for disobeying
Ans: (a)
10. _____ is not a natural science but a creation of human mind.
(a) Ethical Standard
(b) Business Ethics
(c) Ethics
(d) None of the above
Ans: (b)

11. _____ is a set of principle and expectations that are considered binding on any person who is the member of a particular group.

- (a) Code of 'ethics'
- (b) Code of 'conduct'
- (c) Code of 'practice'
- (d) All of the above

Ans: (d)

12. The Alternative names for code of conduct are.

- (a) Code of ethics
- (b) Code of practice
- (c) Both (a) & (b)
- (d) None of the above

Ans: (c)

13. Which of the following is not a 'code of conduct'

- (a) Code of ethics
- (b) Code of practices
- (c) Code of Behavior
- (d) Code of Management

Ans: (d)

14. Key Elements of Business Ethics are:

- (a) A strong code of Ethics
- (b) Ethics coach
- (c) System for confidential Reporting
- (d) All of the above

Ans: (d)

15. Which of the following Act made code of ethics mandatory for all organizations -

- (a) The Companies Act, 1956
- (b) The Sarbanes-Oxley Act, 2002
- (c) The Partnership Act, 1932
- (d) None of the above

Ans: (b)

16. Sarbanes Oxley Act of 2002 is named after which of the following experts.

- (a) Aristotle
- (b) Senator Paul Sarbanes

(c) Michael Oxley

(d) Both (a) & (b)

Ans: (d)

17. The Sarbanes Oxley Act of 2002 made it important for business to have an –

- (a) Ethics Code
- (b) Code of Conduct
- (c) Code of Practice
- (d) Business ethics

Ans: (d)

18. An expert who is confidentially available to solve the ethical dilemmas is known as

- (a) Ethic Coach
- (b) Ethics trainer
- (c) Ethics guide
- (d) None of the above

Ans: (a)

19. Business Ethics has a _____ application

- (a) Universal
- (b) Natural
- (c) Practical
- (d) None of the above

Ans: (a)

20. Business ethics is based on well accepted –

- (a) Moral and social values
- (b) Social values only
- (c) Moral values only
- (d) None of the above

Ans: (a)

21. Business Ethics is a _____ norm.

- (a) Pervasive
- (b) Continuous
- (c) Relative
- (d) None of the above

Ans: (c)

22. _____ provides the legal, social, moral, economical and cultural limits within which business has to be conducted.
 (a) Ethics
 (b) Ethical Standards
 (c) Ethics code
 (d) Business Ethics
 Ans: (d)
23. Corporate entities are legally considered as person in
 (a) USA
 (b) Japan
 (c) China
 (d) None of the above
 Ans: (a)
24. What are not the features of Business Ethics:
 (a) Relativity
 (b) Far reaching concept
 (c) Practical application
 (d) Protection to consumer
 Ans: (c)
25. Which are not the key elements of Business Ethics:
 (a) Investor loyalty
 (b) Ethics Training
 (c) Ethics coach
 (d) both (b) & (c)
 Ans: (a)
26. The Key features which a person should prevail while teaching Ethics to the employees are
 (a) Employing Ethical Concept
 (b) Analytical Skills
 (c) Decision making
 (d) All of the above
 Ans: (d)
27. Which one of the following is not the advantage of Business Ethics?
 (a) High turnover of staff
 (b) Customer Satisfaction
 (c) Investor's loyalty
 (d) Attracting and Retaining Talent
 Ans: (a)
28. What are the ethical issues faced by 'Ethics in Finance'
 (a) Affirmative Action
 (b) Executive compensation
 (c) Insider Trading
 (d) Both (b) & (c)
 Ans: (d)
29. What are not the ethical issues faced by 'Ethics in finance'
 (a) Affirmative Action
 (b) Occupational Safety and health
 (c) Over billing of expense
 (d) both (a) & (b)
 Ans: (d)
30. Which one of the features relates to 'Ethics in Human Resource'
 (a) Insider Trading
 (b) Price discrimination
 (c) Discrimination Issues
 (d) Black market, grey market
 Ans: (c)
31. Which one of the feature does not relate to 'Ethics in Human Resource'
 (a) Sexual harassment
 (b) Discrimination issue
 (c) Affirmative Action
 (d) Product testing Ethics
 Ans: (d)
32. Which one of the feature relates to 'Ethics in Marketing'
 (a) Defective dangerous product
 (b) Sexual harassment
 (c) Insider Trading
 (d) Black market, grey market
 Ans: (d)

33. Which one of the features does not relate to 'Ethics in Marketing'

- (a) Black Market, Grey market
- (b) Misleading Advertisement
- (c) Price Skimming
- (d) Carbon emission trading

Ans: (d)

34. Which one of the features relate to 'Ethics in Production'

- (a) Affirmative Action
- (b) Executive compensation
- (c) inherently dangerous product
- (d) Price fixing

Ans: (c)

35. Which one of the feature does not relate to 'Ethics in Production'

- (a) Addictive dangerous product
- (b) Product testing ethics
- (c) Environmental ethics
- (d) Whistle blowing

Ans: (d)

36. What are the Reasons for unethical business practices

- (a) Greed for Quick money
- (b) Administrative Corruption
- (c) Cultural and Social Reason
- (d) All of the above

Ans: (d)

37. Administrative corruption include 'gifts' to the-

- (a) Factory inspector
- (b) Boiler inspector
- (c) Pollution Control Board inspector
- (d) All of the above

Ans: (d)

38. Measures to improve ethical behavior of business are framed at which level

- (a) Societal level
- (b) Government level
- (c) Institutional level
- (d) All of the above

Ans: (d)

39. Compliance is about obeying and adhering to

- (a) Rules and Authority
- (b) Law
- (c) Discipline
- (d) All of the above

Ans: (a)

40. Ethics has become the buzzword in the corporate world because of

- (a) Globalization
- (b) Communication explosion
- (c) Exploitation
- (d) Both (a) & (b)

Ans: (d)

41. "An ethical committee comprising top executives, BOD, including CEO of the company should be formed." – Measure to improve Ethical Behaviour of business at

- (a) Institutional level
- (b) Government level
- (c) Societal level
- (d) Personal level

Ans: (a)

42. "The process where a person informs on another or makes public disclosure of corruption or wrong doing" is called

- (a) Complaining
- (b) White blowing
- (c) Whistle blowing
- (d) Aberration

Ans: (c)

43. Which of the following is known as statement of value and principles that define the purpose of the organization?

- (a) Code of Ethics
- (b) Code of Practices
- (c) Code of Behaviour
- (d) Code of Management

Ans: (a)

44. Which of the following is a 'business practice towards Government?

- (a) Ensure safety of their money and timely payment of interest.
- (b) Rules and regulations regarding taxes, duties, restrictive and monopolistic trade practices should be adhered to.
- (c) Unscrupulous tactics and method should be avoided while handling them.
- (d) None of the above

Ans: (b)

45. Which of the following is an unethical business practice?

- (a) Collusion
- (b) False communication
- (c) Insider Trading
- (d) All the above

Ans: (d)

46. Various organizations like Mumbai GrahakPanchayat, Consumer society of India etc have been started by consumer groups to protect the interest of consumer. At which level can this be executed as a measure to control unethical behaviour

- (a) At Institutional Level
- (b) At Government Level
- (c) At Society Level
- (d) None of the above

Ans: (c)

47. Which functional area in business ethics is about obeying and adhering to rules and authority-

- (a) Ethics in compliance
- (b) Memo
- (c) Office Note
- (d) Press Report

Ans: (a)

48. A business should have which kind of an approach-

- (a) Profit earning
- (b) Social responsibility
- (c) Both a and b
- (d) Enter a and b

Ans: (c)

49. Which of the following is not a reason for business to act ethically-

- (a) To protect its own interest and of the business community as a whole
- (b) To meet stakeholder expectations
- (c) To build trust with key stakeholder group
- (d) To not protect their employees and their reputation

Ans: (d)

50. Companies which are responsive to employees' needs have-

- (a) Profits
- (b) Lower turnover in staff
- (c) Staff satisfaction
- (d) Strike

Ans: (b)

51. Ethics in Compliance means-

- (a) It is about obeying and adhering to rules and authority.
- (b) It deals with the moral principles behind the operation and regulation of marketing.
- (c) It deals with the duties of a company to ensure that products and production processes do not cause harm.
- (d) None of the above

Ans: (a)

52. State as to why a business should behave ethically-
- (a) To unprotect its own interest and of the business community as a whole
 - (b) To keep its commitment to society to act ethically
 - (c) To not meet stakeholder expectations
 - (d) To build distrust with key stakeholder groups

Ans: (b)

53. Fraudulent asset valuations, insider trading, securities fraud leading to manipulation of the financial markets and executive compensation etc are a part of scope in –

- (a) Production
- (b) Compliance
- (c) Finance
- (d) HR

Ans: (c)

54. Which of the following is a feature of Business Ethics

- (a) Business Ethics has a universal application.
- (b) It is a relative norm. It differs from business to business.
- (c) Business Ethics is based on well accepted moral and social values.
- (d) All the above

Ans: (d)

55. Which of the following is not a dimension of corporate Social Responsibility-

- (a) Economic
- (b) Legal
- (c) Voluntary
- (d) Emotional

Ans: (d)

56. Scope of Ethics in Business is in which areas –

- (a) Compliance
- (b) Finance & HR
- (c) Marketing and Production
- (d) All of the above

57. Measure to improve ethical behavior of business are framed at which level-

- (a) Institutional level
- (b) Government level
- (c) Societal level
- (d) All of the above

58. Business Ethics cannot be enforced by-

- (a) Governance
- (b) Businesses
- (c) Law
- (d) None of the above

Ans: (c)

59. Business Ethics is a code of conduct which businessmen should follow while conducting their-

- (a) Normal activities
- (b) Special activities
- (c) Specific activities
- (d) None of the above

Ans: (a)

60. Which of the following is a reason for business not behaving ethically-

- (a) To protect its own interest and of the business community as a whole.
- (b) To keep its commitment to society to act ethically.
- (c) To meet stakeholder expectations.
- (d) To not protect their employees and their reputation.

61. Ethics in production means-

- (a) It deals with the duties of a company to ensure that products and production processes do not cause harm.
- (b) It deals with the moral principles behind the operation and regulation of marketing.
- (c) It covers those ethical issues arising around the employer-employee relationship such as the rights and duties owed between employer and employee.
- (d) All of the above.

Ans: (a)

62. They are concerned about ethics, social responsibility and reputation of the company in which they invest-

- (a) Employees
- (b) Employers
- (c) Investors
- (d) Students

Ans: (c)

CHAPTER 9

Business Communication

Communication

- The word 'communicate' has been derived from the Latin word 'communicare', which means to 'share' and 'participate'.
- Communication is a process by which information is exchanged between individuals through a common system of symbols, signs or behaviour.
- It is the expression of facts, opinions, ideas or feelings.
- Communication is a two way process-sender and receiver.
- Webster's dictionary states that "communication is the act of exchanging information and understanding from one person to another".
- Its goal is to have the receiver understand the message as it was intended.

Business Communication

- When one communicates to transact some commercial activity by providing goods or services, with the intention of generating profits, it is termed as business communication.
- According to Scott, "administrative communication is a process which involves the transmission and accurate replication of ideas ensured by feedback for the purpose of eliciting action which will accomplish organization goals".
- It links not only the various components of the organization but also its internal world with the external world.
- Nayantara Sehgal, a noted novelist once said in the course of a T.V. interview, "English has become the global language of business and finance". English also works as a connecting language among the different states of India.

What kind of English should we try to learn

- Plain Language Commission* insisted that the USP (Unique Selling Proposition) of Business English should be: – Simplicity, and – Clarity.
- Business English should reveal complete meaning, without ambiguity, in the first attempt itself by using short sentences and familiar words.
- The use of ornamental language hinders understanding and delays response.
- Clear and functional vocabulary ensures speedy reading and stimulates action.

Characteristics of Communication

- Two-way process:
 - Information is not only sent but it has to be received and understood as well. This process is incomplete until the response or reaction to the information sent by the sender is available.
 - The response could be based on clear interpretation of the symbols sent or it could be based on misunderstanding or misinterpretations of the symbols sent. This is called feedback.
 - feedback is nonverbal, oral or written. In many cases, no message can also be a feedback. Hence, feedback is essential to communication.
- ongoing and continuous process
 - In this absence of communication human activities cease to exist.
 - Communication is essential in all kinds of organizations and at all levels of management.
 - Professional and result oriented organizations are always looking for managers who can communicate persuasively and competently.
- create mutual understanding
 - It does so by giving/seeking information, persuading/influencing others and eliciting actions.
- Gestures are important
 - Communication consists not only of facts but ideas and emotions too.
 - The tone and facial expressions often carry a greater meaning than words. We can communicate a lot through signs, symbols and gestures.
- flow of messages through several networks
 - There are networks for problem solving, workflow, information sharing and socializing.
- Dynamic and goal oriented process
 - Communication incorporates the changing shape of the participants and the environment.
 - Communication can be effective if both the sender and the receiver are aware of the goal of communication and there is congruence of their goal.
- Inter-disciplinary science.

Knowledge derived from several sciences is used in communication:

 - Anthropology (study of body language)
 - Psychology (study of persuasion, perception and attitudes)
 - Sociology and Political science (study of voting behaviour)

Importance of Communication

Increase in size	An efficient system of communication is required to carryout large business activities across successfully.
Growing specialization	Sound communication is essential for ensuring mutual cooperation and understanding among different departments without which no organization can function smoothly.

Cut throat competition	Severe competition between organisations has resulted in Persuasive communication in the form of advertisements, personal contacts and publicity becomes essential to survive in the race of competition.
Trade union movement	Regular exchange of information and ideas between managers and union officials helps them to maintain healthy relations with one another and management must consult union leaders on several matters.
Human relations	Mutual trust, cooperation, participation in the decision making and confidence helps to develop a bond among them and create a sense of belonging and loyalty to the organization.
Public relations	Public relations help business to improve its image in society and big enterprises employ a professional experts for this purpose for keeping stakeholders well informed about its contribution to society.
Personal asset	The ability to communicate effectively is equally essential for promotion in career and to be successful in every job.

PRINCIPLES OF COMMUNICATION

Principle of Clarity	Every part of communication should be clear so that the respective person can understand it in proper way. It includes- Clarity of thought Clarity of expression
Principle of Integrity	Messages must not be sending by passing through managers unless urgent, since it is considered unreasonable and judicious. Co-operation must be maintained between superiors and subordinates.
Principle of Strategic Use of Informal Organisation	Managers and executives should utilise the informal channel strategically to make the communication effective.

Means of Communication

VERBAL COMMUNICATION	<ul style="list-style-type: none"> It involves a written or spoken message in which words are used to exchange information. The means of verbal communication are: Written communication Oral communication
NON VERBAL COMMUNICATION	<ul style="list-style-type: none"> Message communicated through body language, facial expressions and gestures is called Non-verbal communication. It is an unspoken or unwritten message that uses body language. It strengthens the verbal message. It emphasises the contents of the message. It includes Facial expressions Gestures

	Movements Eye contact Nodding of the head Physical appearances.
--	--

Verbal Communication

1. Written communication	
➤ A famous English writer Francis Bacon has said, "Reading makethe a full man, writing an exact man, conference a ready man".	
Advantages	Disadvantages
➤ Sender gets sufficient time for planning	➤ Time consuming
➤ It can be easily revised and modified.	➤ Wrong assumption by sender or receiver leads to certain limitation.
➤ Use techniques and tool for good display.	➤ The inadequacies of the first message may only be revealed when the reply arrives.
➤ Use of bullets leads to better understanding.	➤ Lack of secrecy
➤ Precise and accurate	➤ Suffers from lack of congruence with non-verbal communication
➤ Easily verified	➤ Expensive
➤ Permanent record	➤ Late feedback
➤ Suitable for lengthy and complicated message	➤ Lack of direct relations
➤ Responsibility can easily be fixed.	➤ Useless for the illiterate
➤ Has legal validity	➤ Delayed correction
➤ Can reach a large number of people simultaneously	➤ Complexity and sluggishness
➤ Filed or retrieved at our convenience	

Requirements for effective written communication:

- **Appropriate words**- use simple and familiar words. Avoid technical jargon as it is understood by a limited group. Moreover, avoid all ambiguities and words having double meaning.
- **Clarity of ideas**-The principles of clarity implies both clarity of thought and clarity of expression.Itmust be expressed in clear and simple language.Itrequires proper encoding of the message and choice of appropriate words.
- **In offensive language**-to build goodwill inoffensive language is required while communicating with the organisation.
- **Lucid style**-it implies uniformity in the style of writing.Thereare certain executives who cultivate a style of writing from which they rarely depart.
- **Coherent presentation**-a proper link between various sentences and paragraphs must be there which makes it easily understandable.

2. Oral communication

- Research studies have shown that 80% of communication by executives of a company is done in the oral form.
- The modes of Oral Communication include-
Telephone/Mobile phone Messages, Intercom, Face-to-face discussion, Meetings/Conferences, Presentations, Dictaphone/Dictation, Conversation, Radio, Tape-recorder, Teleconferencing/Videoconferencing, Speeches, Brainstorming sessions, Grapevine, interviews.
- Speech is one of the earliest as well as the most widely used medium of communication.

Advantages	Disadvantages
➤ Saves time and money	➤ Depends on sender /receiver attitude
➤ Conveys shade of meaning	➤ Not a one sided activity.
➤ Immediate clarification	➤ Incomplete unless sender gets the feedback
➤ Can be informal	➤ Bad/partial listening affects the message communicated.
➤ Instant feedback and clarifies the doubt there and then	➤ No record for future reference
➤ Message conveyed by using appropriate tone, voice and use of words	➤ Control specific economy
➤ Effective when communicating in group	➤ Cannot rely only on oral communication
➤ Economical as it saves man hour and stationery	➤ Less authentic
➤ Its withdrawal is comparatively an easy task	➤ Cannot be used as legal records
➤ Gives personal touch	➤ Not easy to maintain

Dictation:

- Sort all your incoming mail yourself or leave it to be done by your secretary.
- Be clear in pronunciation.
- Use simple words and short sentences.
- Do not repeat the sentence.
- Spell out complicated or technical words
- Personal action only on important papers which need your personal attention
- Organize your thoughts, note down all points you want to cover.
- Set aside regular time slot(s) for dictation.
- Use your natural voice and normal volume
- Do not dictate with something in your mouth.
- Listen carefully when the dictation is being read back to you.

Talking on the telephone

- Do not let your telephone ring for too long.
- Be clear and audible
- Do not shout
- Always be polite irrespective of your mood
- Do not answer in rush
- Do not eat or chew while talking
- Be formal and not over friendly.
- Remember facial expressions and body language affects your sound.

VISUAL COMMUNICATION

- ☐ It includes – facial expression and gestures, printed pictures, posters, slides, graphs, maps, models etc.
- ☐ It is communication with words, pictures, logos or any combination of the three.
- ☐ It is effective because it is sure and instant.
- ☐ Suitable only to communicate elementary and simple ideas.
- ☐ Pictures create lasting impression.

Advantages Visual Communication

- ☐ It makes conveying of information easier for the receiver to follow.
- ☐ It is remembered easily by the receiver and for a long period.
- ☐ This mode is expensive

AUDIO VISUAL COMMUNICATION

- ☐ It refer to a combination of sound and sight i.e. use of both words and pictures.
- ☐ It includes communication through cinema, internet, television, and video conferencing etc.
- ☐ Most suitable for mass publicity and mass education. It is a third type of communication medium.

Advantages of audio visual communication

- ☐ Uses both sight and hearing simultaneously for communicating
- ☐ Enhances the effectiveness of the message
- ☐ Wider reach
- ☐ Message remembered for a longer time

Disadvantages of Audio visual communication

- ☐ High cost

Choice of Means & Mode of Communication

Organizations size and policy	😊 Smaller the organization, communication will be Oral. Larger the organization communication will be in writing.
Cost factor	😊 The cost incurred by the organization to communicate the message should show the expected results.
Nature of message	Whether the message is confidential, important or urgent and whether it needs to be sent by post or hand delivery.
Distance involved	Long distance messages are not viable to send personally.
Resources	The resources available at both the ends may influence our choice.

Process of communication

Sender	The person initiating the idea of communicating a message. Also said to be the transmitter of a message.
Message	The idea or message, which the sender wants to be conveyed. It should be encoded in words/symbols suitable for the receiver.
Medium	Medium can be oral as well as in written form for transmit the message . Written medium may be reports, fax, telegram, telephone or email.
Receiver	Person receiving the message. He decodes the message in order to determine the meaning of the message sent to him.
Feedback	When receiver sends a message to the sender in form of a response to complete the communication
Noise	Noise is distracting and interferes with the communication process.

Seven c's of Effective Communication

- ☐ Clarity of expression
- ☐ Completeness of information
- ☐ Conciseness of message
- ☐ Concreteness in presentation
- ☐ Courtesy towards recipient
- ☐ Correctness of facts
- ☐ Consideration for receiver

Guidelines for Effective Communication

- ☐ Choose the Right means and mode
- ☐ Own your message: Sender and receiver own the responsibility for whatever they say.
- ☐ Offer complete and relevant information
- ☐ Obtain feedback: Obtaining feedback through receiver ensures that message has been correctly understood.

- ☐ Think of the recipient's status before communicating
- ☐ Verbal and Non-Verbal congruence: Verbal & nonverbal expressions must be coordinated simultaneously
- ☐ Repeat if necessary: To save time and space, repetition should be avoided. Repetition ensures that crucial part of message is not ignored or over looked.
- ☐ Do not judge: Unfavorable judgment sometimes affects the organization goodwill.
- ☐ Rely on facts: Communication must not be relied on certain things which cannot be proved. It depends on credibility of facts.

Types of Communication

INTERNAL COMMUNICATION

- ☐ It refers to communication within the organization.
- ☐ It is important because as business grows in size, its activities become more complex. It promotes understandings and cooperation among members.
- ☐ It can be official or unofficial.
- ☐ Most of it is in oral form.
- ☐ Communication at personal level within the organization is an informal communication (grapevine).
- ☐ All mode of non- verbal communication can be used.
- ☐ Some modes of written communication are also used.

EXTERNAL COMMUNICATION

- ☐ When the people in the organization communicate with anyone outside the organization.
- ☐ These people may be clients, customers, dealers, or distributors.
- ☐ Methods: letters, circulars, price, lists, etc.
- ☐ Mainly: formatted and documented.
- ☐ Communication flow
- ☐ All modes of visual, audio- visual and non-verbal communication may be used.

Communication Flow

1. FORMAL ORGANISATION STRUCTURE
2. INFORMAL ORGANISATION STRUCTURE
 - ☐ It depends upon organization's-
 - Size
 - Structure
 - Philosophy

Downward Communication

- ☐ It flows from superior to a sub-ordinate.
- ☐ It is suited to an organization in which the line of authority runs distinctly downwards.

- ☐ It can be oral as well as written.
- ☐ Objectives of Downward Communication
 - To give specific directions about the job
 - To explain procedures
 - To appraise subordinates for their performance
 - To explain the job significance given to a subordinate.
- ☐ Disadvantages of Downward Flow
 - Under and over communication
 - Delay
 - Loss of information
 - Creation of authoritarian atmosphere
 - Distortion

Upward Communication

- ☐ This channel pushes the information upwards.
- ☐ It starts from the people at the lowest level of an organization and reaches to the top.
- ☐ Objectives of Upward Communication
 - Feedback
 - Outlet for held-up emotions.
 - Positive suggestions
 - Harmony

Horizontal / Lateral Communication / Gangplank

- ☐ It takes place between departments or people on the same level in an organizational structure.
- ☐ It is one of the most frequently used channels.
- ☐ Also known as 'gang plank'
- ☐ Objectives of Horizontal Communication
 - To create a friendly atmosphere in the organization.
 - Coordinating efforts
 - To cut across departmental barriers
 - To ensure quick feedback
 - It speeds up actions and relieves superiors of a number of unnecessary problems.

Diagonal Communication

- ☐ Also known as crosswise communication.
- ☐ It signifies the communication between different departments of equal, higher or lower position.
- ☐ Objectives of diagonal communication
 - Helps in proper co-ordination
 - Communicate effectively whether laterally horizontally or diagonally.

- Improves mutual understanding and co-ordination.
- Boost the morale of lower level staff through interaction across all organizational levels.

INFORMAL COMMUNICATION/GRAPEVINE

- ☐ It is based upon informal relationship.
- ☐ It is the result of operation of social forces at work place.
- ☐ It is known as grapevine because it runs in all directions irrespective of the formal structure.
- ☐ It contains any communication about the company and personal matters outside the official network.
- ☐ It passes facts, half-truths and rumors pass.

Advantages

- ☐ Speedy
- ☐ Spontaneous feedback
- ☐ Supplement/support other channels
- ☐ Provides emotional relief
- ☐ Harmony in the organization
- ☐ Subordinates get to know the latest information or event.
- ☐ Managers get an insight into what the subordinates think and feel.
- ☐ Helps in transmitting certain information which cannot be transmitted through official channels.

Disadvantages

- ☐ Less credible
- ☐ Creates trouble
- ☐ Leakage
- ☐ Carries selective information
- ☐ Unpredictable behavior and path
- ☐ Unplanned
- ☐ Not always taken seriously
- ☐ No one can be held responsible

Barriers to Communication

Lack of planning	Message should be communicated with proper planning. If the message is not clear, it is supposed that the purpose in mind is also not clear.
False assumption	Some times while communicating sender starts with several assumption which may or may not be true and receiver is forced to accept them.
Ambiguity	Sometimes receiver may not understand the meaning intended by the sender.
Distortion	Communication gets distorted due to change in provisions or medium while the sender thinks that message is sent and delivered properly, the truth is that

	receiver has not understood at all. Caused by Superior-Subordinates Relationship.
Problem of Semantic Distortion	Semantic refers to the study of how words convey meanings. The words generate different meanings in different minds. -It occurs if- The transmitter and receiver assign different meanings to the same word or use different words for the same meanings. Words carry different shades or flavours.
Passing judgment	Use of offensive or annoying expressions may sometime make the communication ineffective
Implied meaning	It is possible for the receiver not to get the implied meaning due to difference in his and sender's background.
Lack of trust	Lack of trust may result in communication failure as the relationship between the sender and receiver are not so strong. The information shared by them is less due lack of confidence.

- ☐ Barriers Arising on Account of Premature Evaluation
- ☐ Barriers due to Perfunctory Attention
- ☐ Barriers due to Failure to Communicate
- ☐ Barriers Arising on Account of Resistance to Change

OVERCOMING BARRIERS TO COMMUNICATION

- ☐ Orientation of Employees
- ☐ Developing Proper Interpersonal Relations
- ☐ Superior must respect the subordinate's dignity and authority.
- ☐ Protective Listening
- ☐ Using Proper Language
- ☐ Communication through Actions and Deeds
- ☐ Strategic Use of the Grapevine
- ☐ Feedback

MCQ QUESTION

1. What does intra personal communication mean?
(a) Communication with ourselves
(b) communication with other
(c) Both (a) & (b)
(d) none of above
Ans: (a)
2. What does interpersonal communication mean?
(a) Communication with our selves
(b) Communication with other
(c) Both (a) & (b)
(d) none of above
Ans: (b)
3. "The language of a politician obscures the truth. The language of an Artist reveals it." who spoke these words?
(a) Salman Rushdie
(b) John Keats
(c) Charles Darwin
(d) JM Keynes
Ans: (a)
4. "English has become the global language of business and finance." Spoke this line?
(a) John Keats
(b) Salman Rushdie
(c) Nayantara Sehgal
(d) JM Keynes
Ans: (c)
5. "College teach one thing that is perhaps most valuable for the future Employees to know. This one basic skill is to organize and express ideas in writing and speaking. "Who spoke these words?
(a) Nayantara Sehgal
(b) Peter Drucker
(c) John Keats
(d) Salman Rushdie
Ans: (b)
6. Which of the following feature is not of communication?
(a) Continuous
(b) Goal Oriented
(c) No flow of message
(d) Inter-disciplinary science
Ans: (c)
7. Study of Body language is known as _____
(a) Anthropology
(b) Psychology
(c) Sociology
(d) Political science
Ans: (a)
8. Study of persuasion, perception and attitude.
(a) Anthrpology
(b) Psychology
(c) Sociology
(d) Political science
Ans: (b)
9. Study of voting behaviour is known as.
(a) Sociology
(b) Political science
(c) Anthropology
(d) Both (a) & (b)
Ans: (b)
10. Which of the following is not an importance of communication?
(a) Human Relation
(b) Inter-disciplinary science
(c) Personal Asset
(d) Public Relation
Ans: (b)

11. Which is not a type of verbal communication?

- (a) Oral
- (b) Written
- (c) Visual
- (d) Gestures

Ans: (d)

12. Which is not a type of non verbal communication?

- (a) Gestures
- (b) Movements
- (c) Eye contacts
- (d) Visual

Ans: (d)

13. Which of the feature belongs to choice of means and mode of Communication?

- (a) Nature of organization
- (b) variable mean
- (c) Distance involved
- (d) none of these

Ans: (c)

14. _____ is necessary for the completion of communication process.

- (a) Encoding
- (b) Decoding
- (c) Feedback
- (d) none of the above

Ans: (c)

15. Which of the following is not a part of seven 'C's of effective Communication ?

- (a) Clarity of expression
- (b) Conciseness in presentation
- (c) Correctness of facts
- (d) Completeness of information

Ans: (b)

16. Which mode of communication is internal communication?

- (a) Verbal communication
- (b) non verbal communication
- (c) Both (a) & (b)
- (d) none of the above

Ans: (c)

17. Which is not a communication flow?

- (a) Upward
- (b) Horizontal
- (c) Vertical
- (d) Diagonal

Ans: (c)

18. Which is a barrier to communication?

- (a) True assumption
- (b) Trust and confidence
- (c) Planned way
- (d) Ambiguity

Ans: (d)

19. Communication is essentially a _____ process.

- (a) One way
- (b) three way
- (c) Four way
- (d) two ways

Ans: (d)

20. Facial expression, gestures; Eye contact; Nodding the head and Physical appearance is the form of.

- (a) Verbal communication
- (b) Oral communication
- (c) Non verbal communication
- (d) Visual communication

Ans: (c)



TIME FOR NKJ-CLASS TEST !



Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

CHAPTER 10

Essentials for Good English

Refer to ICSI Module

MCQ QUESTION

1. Which of the following is not a German Abbreviation?
(a) S.d. (b) WWE
(c) P.S. (d) N.N.
2. Which of the following is not a Latin Abbreviation?
(a) vs. (b) a.v.
(c) Bez (d) i.a.
3. Which of the following is not a French Abbreviation?
(a) Lit (b) Orig
(c) U.S. (d) N.B.
4. Which is not a proverb?
(a) Sweet are the uses of adversity
(b) to scatter to the winds
(c) A rose would smell as sweet by any other name
(d) A closed mouth catches no flies
5. What does the idiom mean "To scatter to the winds"
(a) To waste (b) Prove of something
(c) TO prejudice another person (d) To deteriorate badly
6. Which word explains the following sentence "To search thoroughly?"
(a) Vandal (b) Genocide
(c) Ransack (d) Amnesty
7. Which word explains the following group of words "Coming at the right time"
(a) Opportune (b) Benefactor
(c) Quisling (d) Panacea
8. Find out the antonym of the word "Meager"
(a) Empty (b) Plentiful
(c) Both (a) or (b) (d) None of the above
9. A.....sentence contains only one finite verb and can make only one complete statement.
(a) Simple (b) Compound
(c) Complex (d) None of the above
10. To transform into a purer or idealised form means,
(a) Sublimate (b) Ransack
(c) Vandal (d) Revive
11. The Latin word "bonafide" means:
(a) Strange s (b) Good faith
(c) Colleague (d) None of the above
12. BCC stands for:
(a) Blind copy carbon (b) Before carbon copy
(c) Blind carbon copy (d) Before copy carbon

13. VAT stands for
 (a) Value Added Tax (b) Value Addition Tax
 (c) Value Abstract Tax (d) Value Added Text
14. Alma mater means:
 (a) A school or college which one has to attend
 (b) A public apology
 (c) Preliminary matter
 (d) None of the above
15. The proverb "To rob peter to, pay paul" means:
 (a) Things take time to complete and to mature
 (b) To harm one person in order to benefit the other
 (c) You judge a man's worth by his clothes
 (d) A man is judged by sort of friends he has.
16. WWW stands for:
 (a) World wide web (c) Web world wide
 (b) Wide word web (d) none of the above.
17. Agnostic means:
 (a) One who perform gymnastic frets
 (b) The action of attacking with provocation
 (c) Science of production, transmission
 (d) None of the above.
18. There are several pairs or group of words that are similar but are different in spelling and meaning,
 (a) Antonyms (b) Homonyms
 (c) Synonyms (d) None of the above
19. It is used to construct word to clarify meaning. It links words to form compound word.
 (a) The Hyphen (-) (b) Comma (,)
 (c) Full stop (.) (d) None of the above.
20. An ostentatious and inappropriate display of learning is:
 (a) Jargon (b) Pedantry
 (c) Verbosity (d) Vocabulary

CHAPTER 11

BUSINESS CORRESPONDENCE

Introduction

- Correspondence methods are an integral part of any business organization. Infact they contribute to their success and failure.
- In earlier times, administration section used to discharge staffing function but nowadays these functions are performed by personnel department.

Importance of correspondence

- Help in maintaining proper relationship by using proper means of communication like business letters where customers seek information about products on national and international basis.
- Inexpensive and convenient mode can be provided and obtained economically.
- It helps in maintaining and creating goodwill by enquiring about complaints and suggestions of their customers.
- It serves as evidence to keep record of all facts in case of disputes.
- It helps in expansion of business by making enquiry of products and market.



Essential qualities of a good business letter

INNER QUALITIES	OUTER QUALITIES
Simplicity	Quality of paper
Clarity	Colour of the page
Accuracy	Size of a paper
Completeness	Folding of letter
Relevance	Envelope
Courtesy	
Neatness	

Parts of a business letter

HEADING	It contains the name and postal address of the business.
DATE	It is written on the right hand side as the day, month and years.
REFERENCE	It indicates letter number and the department from where it is being sent. It is given on the left hand corner after the heading.
INSIDE ADDRESS	It includes the name and full address of the person or the firm to whom the letter is to be sent.
SUBJECT	It is a statement in brief which indicates the matter to which the letter relates.
SALUTATION	It is below the inside address.
BODY OF THE LETTER	It comes after salutation it is the main part of the letter which contains actual message which has three parts – <ol style="list-style-type: none"> 1. Opening part 2. Main part 3. Concluding part
COMPLEMENTARY CLOSE	It is a polite way of ending a letter.
SIGNATURE	It is written in ink immediately below the complementary close. It should be legible and name and designation should be written below it.
ENCLOSURES	It is required when some documents like cheque draft are attached with the letter.
COPY CIRCULATION	It is required when copies of the letter are also sent to persons and denoted CC
POST SCRIPT	It is required when the writer wants to add something which is not in the body of the letter. It is denoted as P.S

Human resource correspondence

Personnel department deals with all matters relating to staffing from recruitment to retrenchment. It deals with and develop human resources

How to write effective HR letters

- ☐ Coherent
- ☐ Informative
- ☐ Legally sound

It covers

- ☐ Acknowledgment a receipt of a resume.
- ☐ Making a job offer
- ☐ Rejecting a candidate
- ☐ Welcoming a new employee

Job Application

- ☐ Job Application is always drafted in response to advertisement.
- ☐ The application or the covering letter reveals the profile of the applicant.
- ☐ Job Application is like sales circular because in job application we are offering our skills for a price.
- ☐ A person may write a comprehensive application which would contain all details about one's education and experience.
- ☐ Organisations may advertise the positions lying vacant with them while some depend on the placement agencies others maintain a database to get suitable candidates.

Tips for writing a strong application letter

- ☐ Get off to a direct start
- ☐ Offer something different from what is in your resume
- ☐ Make a good case
- ☐ Close with all important details

Resume

- ☐ Resume is pronounced as **rez-oom-ay**
- ☐ It is a record of one's professional as well as personal detail. It contains most of the factual information about the applicant.
- ☐ It is also called bio-data, curriculum vitae and data sheet.
- ☐ It may be enclosed with job application.
- ☐ A good resume should not be very long.
- ☐ One should not let it go beyond three pages.
- ☐ One should be neither modest nor boastful.
- ☐ Display is also very important.
- ☐ Choice of good paper is essential.
- ☐ Resume should contain following characteristics:

Career goal and specific job objective should be mentioned.

Revealing adequate knowledge about the company being approached.

Explaining how your qualification and experience suits the position offered by the company.

Giving evidence of writing skills to company

- ☐ **Points common to all CV's/Resumes:**

- ☐ Personal particulars
- ☐ Academic Qualification
- ☐ Additional Qualification
- ☐ Experience :

Functional: emphasizing the skill and talent of the applicant

Chronological: emphasizing on work experience or listing job description

- ☐ Additional information may include languages known and anything such as hobbies, any achievements etc.
- ☐ Reference

Essential elements of a resume

- ☐ Personal data
- ☐ Objective
- ☐ Education
- ☐ Work experience
- ☐ Honors/activities/achievements
- ☐ Summary of qualifications
- ☐ Interests
- ☐ Computer languages
- ☐ Languages
- ☐ Professional memberships
- ☐ Volunteering
- ☐ reference

Interview

- ☐ Same companies conduct initial interview telephonically and short list candidates for final interview.
- ☐ Interview letter should contain information about the position applied for, date, time and venue of the interview.
- ☐ Interview letter should give sufficient notice to the candidate to enable them to confirm their attendance in the interview with their original certificates .
- ☐ Tell candidates whether expenses incurred by them will be met by the company or not?



Short – listing Candidate

- ☐ Companies may short-list candidate for absorption in near future, if the company is unable to find suitable position for candidates at the time of interview.
- ☐ A letter by company is written for informing candidates about his short listing for an offer of an appointment.

Letter of Appointment

- ☐ Initial intimation to the candidate is given through a brief provisional letter, But the final document must be drafted carefully as the terms of employment are stated in the letter.
- ☐ Terms and conditions should be explicitly mentioned else the worker may seek reinstatement in the labour court.

Confirmation of an Employee

- ☐ After the completion of probation period the employee is to be explicitly informed about his confirmation in the organization.
- ☐ A letter is posted by company to the candidate

Goodwill Letter

- ☐ These letters are not compulsory to be written
- ☐ Good will letter should be brief
- ☐ Good will must be sent promptly in order to be relevant and effective.
- ☐ They are likely to be hand written

Types of Goodwill Letter:

- ☐ Thank you letter-do not take favour for granted, remember to thank them and earn some goodwill.
- ☐ Congratulatory letter –send a message of felicitation and earn some respect.
- ☐ Letter of sympathy –when someone known to you suffers some agony or loss, your words of kindness and sympathy give him solace.
- ☐ Condolence letter –mind your tone and content when showing strong sense of grief to someone.
- ☐ Obituary Notice-they are brief, factual and informative letter which provide news about people who have just passed away.

Purchase Correspondence

- ☐ Most people believe that selling is the most challenging, important as well as toughest job.
- ☐ Purchasing is same as selling it is also a tough job to do.
- ☐ Selling and Purchasing are inter-dependent.

ENQUIRIES

- ☐ First as well as foremost step of commercial transaction is enquiries.
- ☐ Enquiries are the most common business communication as it brings valuable information.
- ☐ Enquiry letter should be drafted clearly and the message to be conveyed should be complete.
- ☐ An enquiry should be compact, straight forward and courteous.
- ☐ An enquiry should be in positive and correct tone.

- ☐ Avoid lengthy and unnecessary statements.



Essentials of Drafting an Enquiry

- ☐ Clear Reporting: The kind and quantity of goods required should be mentioned clearly. Requirements as to packing, etc must be given in full.
- ☐ Samples, specification should be sent along with letter
- ☐ Handling: Proper checking and handling of items should be there. list of items, if any, may be given in a tabulated form with proper identification/specification with product name/brand, etc
- ☐ Mode of Payment: Mode of payment should be clearly specified whether in cash, cheque etc. One should indicate whether one would like to purchase for cash or credit and any other terms of payment. In such a letter, credit references may also be given, especially in case the intention is to have credit and when it is the first transaction.

REPLIES

- ☐ Reply of each and every enquiry should be sent.
- ☐ Enquiries from big business deserve more attention hence a good reply should be sent to big business houses.

INDUSTRIAL ENQUIRIES

- ☐ These enquiries may use technical jargon
- ☐ Receiver of the letter should be able to understand the enquiry referred. e.g. JIS refers to Japanese Industrial Standards in the same way as we have our Bureau of Indian Standards (BIS).

Replies to Industrial Enquiry

- ☐ Reply must be polite and expeditious.
- ☐ Reply of an enquiry should begin with an expression of gratitude and state at the outset that requested documents are being sent.
- ☐ Reply must not begin with refusal.
- ☐ Reasons for turning down business offer should be explained.
- ☐ Do not reject credit request outrightly instead make a counter offer in higher cash discount etc.

ESTIMATES

- ☐ Estimates are sought and provide where services rather than off-the-shelf goods are involved.
- ☐ If a customer asks for an estimate for the complete job an estimate should be provided to the customer with necessary details.

TENDER NOTICE

- ☐ It is an invitation to submit "bids" to provide such goods/services on a large scale at a quoted price with respect to certain conditions.

Entertainment Society of Goa
Magunez Palace, Old GMC Precinct, Campal, Panaji-Goa 403 001.

Ref no: ESG/17-18/Tech-II/1201 Date: 12th Oct 2017

TENDER NOTICE

(E-tender Mode Only)

The Entertainment Society of Goa, Panaji- Goa invites E-Tender for

1. Appointment of Vendors for the Work of Providing Security Services, Close Protection Team and CCTV at Various Venues.(E-tender)
2. Appointment of Agency for the Work of Supply, Installation, Testing & Commissioning of 2k Projectors on Hire Basis at Festival Venues and Hire of Projectionists. (E-tender)
3. Appointment of Vendor for the Work of Providing Mobile Chemical Toilets & Housekeeping at Various Venues.(E-tender)

[+]

Essentials for Preparation of Tender Notices

- ☐ It should be prepared in serial, tabular or paragraph form.
- ☐ These tenders are open for all, often for purpose of pre-qualification or limited ones. The registered and eligible parties gets short listed on the basis of prequalification tenders.
- ☐ Some job which involves huge amount of foreign loans/assistance may be offered through global tenders
- ☐ Tender notice also includes estimate value of work to be done and goods delivery details.

Tender Process

- ☐ It should be submitted on the stated date as well as at time mentioned in sealed covers.
- ☐ Specified enclosure must also accompany them eg. EDM Earnest Money deposit, normally 2% of estimated value.
- ☐ Party getting the contract has to replace it with performance guarantee of upto 10% of the estimate value.
- ☐ Usually the principle of "lowest bid gets the contract".

- ☐ To prevent fraudulent collusion between bidders, popularly known as a Cartel, organisations reserve the right to reject all bids without disclosing the reason. The court having jurisdiction in the event of a dispute may also be mentioned.

PLACING ORDER

- ☐ These order forms are usually pre-numbered which helps buyer in placing an order.
- ☐ Terms and conditions are printed over leaf. Attention must be paid to this fact.

LETTER ORDER

- ☐ **Essentials to place order through letters:**
 - An authorization to the seller
 - An accurate description of goods
 - Catalogue number if ordering out of it
 - Quantity or number required
 - Price per unit and total amount involved in the transaction
 - Delivery details such as time and place
 - Payment terms agreed
 - Polite closing, inviting a confirmation of acceptance


MAKING COMPLAINTS

- ☐ Essential points to be kept in mind while making complaints.
- ☐ Delay should not be there while making complaints because as the time passes the matter gets complicated.
- ☐ Both sides should be heard so as to find the person who is guilty.
- ☐ The complaint is made by consumer should be based on factual information.
- ☐ Complaints can be rejected or accepted.

Status enquires

- ☐ Before extending credit facilities, enquiries are made to find out credit worthiness and standing of prospective client from its bankers
- ☐ Bank's opinion has more weightage and authenticity.

SALES CORRESPONDENCE

- ☐ **AIDAS** plan is an effective sales correspondence which lists down the following essential:
 - A - Attention**
 - I - Interest**
 - D - Desire**
 - A - Action**
 - S - Satisfaction**
-  These are usually combined or blended so smoothly in a well-written persuasive message that it is difficult and unnecessary to separate them.

STRATEGIC MARKETING

It is a very good strategy to first define our buying motive and the segment we are trying to motivate and then, write according to the conclusions arrived. It is essential to identify segments to sell the products. It is necessary to understand why someone may buy our product. It is also clear that all products are not meant for all segments of society.

SALES LETTER

- ☐ A sales letter is always written to an individual with his specific needs in mind.
- ☐ When it is drafted for circulation among a large number of people, it becomes a sales circular.

SALES CIRCULAR

- ☐ A sales circular is drafted keeping a large number of people in mind.
- ☐ Large number of audience in this circular is addressed with single salutation for e.g:- Subscriber, Investor, client etc.
- ☐ By the help of Mail Merge facility every circular can be addressed by the names as well as addresses.
- ☐ A specimen of a sales circular is same as sales letter but a sales circular contains subtitle.
- ☐ Sales circular can be formed for various purposes such as:
 - Circular informing seasonal discount
 - A circular letter to dealer announcing off season discount scheme.
 - A circular to stockiest announcing special incentive scheme.
 - Circular informing increase in price.
 - Circular informing appointment of sole-selling agent.
 - Circular informing price scheme.
 - Circular informing special concession.
 - Circular informing change of address.
 - Circular announcing opening of New Regional Office.

ADVERTISEMENT

- ☐ Advertisement is the biggest example of paid communication.
- ☐ The purpose of advertisement is to impart information, develop attitudes, create needs and induce action beneficial to the advertiser.



Advertisement is used for following purposes:

- ☐ Building of strong public image.
- ☐ Opening a new factory or sales office.
- ☐ Explanation by management on a strike by workmen.
- ☐ Informing the consumers and the public about malpractices prevailing in the market pertaining to companies, infringement of trade markets etc.
- ☐ Publication of various notices.
- ☐ Recruitment of personnel.
- ☐ Launch of an IPO (Initial public offering).
- ☐ Invitation of tenders.
- ☐ Appointment of distributors.
- ☐ Increase in prices.

Advertisement vs. Publicity:

- ☐ Publicity is a broader term than Advertisement.
- ☐ Advertisement is a form or a type of publicity.

Essentials of Advertisement

Communication	The audience should be exposed to communication.
Perception	The audience must be able to perceive correctly what action is desired by the communicator.
Retention	Audience must retain the message sought to be communicated.
Action	Audience must act on the advertisement.
Modern methods	Newspapers Television Internet

- ☐ 3/4th of the Newspaper is devoted to Advertisements.
- ☐ It is essential that advertisement should serve its purpose.
- ☐ Advertisement should be prepared, printed or aired through the right media at the right time.

Classifieds:

- ☐ Classifieds are printed in newspaper under heading such as matrimonial.

- ☐ Classifieds are charged according to the no of words present in the advertisement.
- ☐ Drafting of classified is similar to telegraphic message.

Public Notices:

- ☐ Sometimes it becomes essential to issue public notice because it is statutorily required or public has to be informed about the companies activities.

Appointment:

- ☐ Senior level positions are generally advertised in appointment pages or inbox
- ☐ The space is measured in columns/cms
The charges vary according to circulation and goodwill of newspaper.

ACCOUNTS CORRESPONDANCE

- ☐ A commercial transaction is a complex process which starts from the stage of ordering of goods and continuing to the delivery of finished goods to the customer. Quicker settlement of accounts is the final stage of ac commercial transaction.
- ☐ Most of the companies follow SCM (Supply chain Management) which helps the company in making the transaction, cost effective and efficient.
- ☐ Documents dealing with accounts mention the abbreviation "E&OE" (Errors and Omissions Excepted)

Invoice

- ☐ It is the document which gives full information of the goods being shipped.
- ☐ Invoice is prepared by the exporter and sent to the importer.
- ☐ Invoice provides an accurate description of goods being sent and of prices to enable the buyer to verify them.
- ☐ Invoice states the total amount payable by the buyer.
- ☐ Regular customer is entered into the books of account that pays at the end of the credit period.
- ☐ It transfers ownership of goods and helps in calculation of duties and taxes payable on them.
- ☐ Invoice is a valid legal document. It can be used when dispute arises regarding payment.
- ☐ Invoices when sent with the goods do not require a covering letter. An exception may be made when sending them to anew customer.

Perform Invoice

- ☐ Performa invoice is different from invoice
- ☐ Performa is neither entered into books nor charged to the accounts of recipients.
- ☐ It is used as a quotation.
- ☐ It is used as demand for payment from a new customer or to the person with whom the company does not have any credit facility.
- ☐ It gives details of goods and amount of goods sent for approval.
- ☐ It helps or enables the company for calculation of duties and taxes payable.

Delivery Challan

- ☐ It gives details of the goods as similar as invoices.
- ☐ It is issued by stores department while invoice is originated from the accounts department.
- ☐ It does not include sale value of goods; mention only quantity and type of goods while invoice includes the sale value.

- ☐ It does not require covering letter exception is new customer.

Statements of Accounts

- ☐ Regular buyer most of the times prefer acceptance of material on credit.
- ☐ Regular buyers sometimes prefer to accept goods "On Approval".
- ☐ Statement of account shows the opening balance, details of transaction and closing balance.
- ☐ Statement of Account is sent to the other party periodically.

Credit / Debit Note

- ☐ Credit and Debit Notes are exchanged between the parties to adjust the amount of difference.

Credit Note	Debit Note
A Document sent by a seller to rectify an error of over charge in an invoice (letter regarding details of error) or	A note sent by a seller to buyer to rectify an undercharge in the original invoice (letter regarding details of error). It is in the nature of a supplementary invoice.
A document sent by a seller to allow credit for goods returned (letter regarding returning of goods). It is entered in the books of accounts.	The buyer may have been overcharged then he may send a debit note and ask for a credit note in return.

- ☐ Credit / debit note is enclosed with the letter along with it.
- ☐ The different types of letter enclosed are
 - Letter regarding details of error.
 - Letter regarding returning of goods.
 - Letter for refusing to issue credit note.

Letters & Various Correspondence

Collection Letter

- ☐ Collection of amount is the most important job for the organization.
- ☐ Good organization understands the importance of making payment on time without any delay. It leads to creation of goodwill.
- ☐ Collection letters must be written cautiously.
- ☐ It will be foolishness to write the first collection letter in angry tone. If the party does not pay on time then, firmer tone should be adopted in subsequent letters.
- ☐ It is advisable to send a copy of the statement of account showing arrears of payment to the companies before sending the collection letter.
- ☐ First collection letter in firmer tone is reminder letter.
- ☐ In the case of defaulter to challenge him one must follow some steps:
 - suspension of supplies
 - cancellation of credit
 - a stricter tone and style

Explaining delay-The defaulting party should be sensitive to the difficulties of the seller. A payment must not be delayed without a convincing reason. It may be good idea to seek extension of time from seller. In order to seek an extension of time from the supplier, customer writes a letter to explain the reasons for delay.

- ☐ A letter in stricter tone and style is written for final reminder.

Banking Correspondence

- ☐ Business without banking is impossible.
- ☐ Company starts its operations by opening a current A/c.
- ☐ Current A/c comes for a fee. They do not yield any interest like saving A/c but offer valuable services to the company.
- ☐ These include unlimited number of payments and receipts, overdraft limit, term loans, credit references, depository services etc.
- ☐ The company operates the account through one or more authorized signatories who may even be changed by the BOD
- ☐ Facilities provided by bank to the companies include:
 - Overdraft limit (OD): Companies are allowed OD limits on payment of charges. These limits are negotiable on the basis of fixed and liquid assets.
 - Term loan: Fixed term loans are usually secured against fixed assets.
 - Credit References/ Status Enquiries: Parties often ask for credit and give the name of their banker as a referee.
 - Depository services etc.
 - Change of Signatories
 - Stop Payment: If the payee reports that he has not received the instrument, it is advisable to convey the details to the bank promptly and to request it to stop payment.

Insurance Correspondence

- ☐ The concept of insurance evolved around the time when sea trade had just begun. That time the institution of insurance was founded.
- ☐ Insurance is a contract between the company, called the insurer and the client known as insured.
- ☐ The insurer promises to compensate the loss the insured may suffer against the payment of premium.
- ☐ Calculation of insurance is made on annual basis. Flexible payments plans are offered for the sake of convenience.
- ☐ Premium is calculated in percentage terms say 2 paisa per hundred rupees for fire insurance.
- ☐ Risk perception plays a major role in determining the premium.
- ☐ An AAR (Against All Risk Cover), for instance, will be more expensive than one against fire only.
- ☐ Once the surveyor submits his report of the loss suffered, the insurance company settles the claim by awarding compensation.
- ☐ Various letters are drafted by policy holder and by insurance company such as:
 - A letter for policy Renewal
 - A letter for null and void policies: Non-payment of premium results in a policy being declared null and void.
 - A letter for reporting loss

Provident Fund Correspondence

- ☐ All business entities employing more than twenty persons are covered under the Employee Provident Funds and Miscellaneous Provisions Act, 1952.
- ☐ The employee contributes a total of 12% of Basic Salary plus Dearness Allowances to the funds established under the schemes prescribed by the Central Government.
- ☐ The employer with the addition of a matching share has to deposit it by the middle of the following month with the Regional Provident Fund Commissioner.
- ☐ A company failing to deposit the money may receive a show cause notice from the provident fund commissioner's office.
- ☐ A grace period of 5 days is allowed.
- ☐ Similar Returns of payment are also filed periodically by companies extending ESI (Employees State Insurance) benefits under the relevant Act.

Sales Tax/ C Forms and Excise

- ☐ Companies engaged in selling goods (unless exempted) are liable to pay sales tax.
- ☐ The rates of tax vary. Tax payable on sale within a state may be 10%
- ☐ The Central Sales tax Act, 1956 covers inter- state sale and provides for a uniform charge of 4%
- ☐ From C is obtained from the sales tax authorities.
- ☐ Excise is chargeable from companies engaged in production of goods at applicable tariffs.
- ☐ A uniform rate of 16% is generally charged but exemptions and surcharges still affect the actual rate.
- ☐ Periodic returns are filed with the excise office under whose jurisdiction the factory/ place of manufacture falls.

Correspondence with Postal Activities, IT and Corporate

- ☐ Now days, correspondence with postal department has reduced with increasing reliance on email and private courier services.
- ☐ Facilities like Post Box number (PBN) are continued to be used by large corporate houses. Companies receiving bulk mail find the Box Number facility useful.
- ☐ Now a day's companies use various communication system to communicate such as fax, PBX, Answering Machines etc.
- ☐ Modern corporate houses appreciate the importance of uninterrupted communication.
- ☐ The old telephone one still remains indispensable and still used by large corporate houses.
- ☐ Under Electronic Clearance Schemes (ECS) under which the bills are automatically detailed from the company's account.
- ☐ ISDN (Integrated System Digital Network) is used for transmitting voice, data and video enables uninterrupted transmission in digital form.
- ☐ The VSAT (Very Small Aperture Terminals) connect the different branches of an organization in a private, dedicated communication network.

Secretarial Correspondence

- ☐ Company secretary occupies an important place in a corporate society.
- ☐ His duty is to interact both within and outside the organization.
- ☐ Public investment in a company is generally in the form of shares, debentures and deposits.
- ☐ The Rights shares are allotted only to the existing shareholders of the company but have to be paid for.
- ☐ The company may also part with profits in the form of Bonus shares to the existing shareholders.
- ☐ Correspondence with Shares or Debenture Holders revolves for various reasons such as :
 - Right issue of shares
 - Payment of Dividend or interest

- A "call letter" is sent to debenture holder and shareholder when the amount of call becomes payable.
- Issue of bonus shares
- ☐ A company may not charge the full price of a share along with an application but recover it in one or more installments, this is known as "Call"

Dematerialization / Demat

- ☐ Depository services enable the investors to convert their securities to electronic format.
- ☐ This retains all ownership benefits.
- ☐ An account statement is sent to the demat holders periodically.
- ☐ It refers to the process of conversion of investor's physical securities into electronic format.
- ☐ Investor's account with a Depository through a Depository participant (DP).
- ☐ Change from electronic to physical form is called rematerialisation.
- ☐ All DP's are controlled by NSDL and CDSL (the two depositories in India).
- ☐ Dematerialization request is to be made to depository participant with whom the shareholder has demat A/c in the prescribed standard.
- ☐ Correspondence with Stock Exchange

Minutes

- ☐ Minutes are referred the written record of the proceedings of a meeting.
- ☐ Every company must keep fair and correct records of all general meeting.
- ☐ Importance of Keeping Minutes:
 - Minutes contain a record of the business transacted and decision taken at a meeting. They serve as legal as well as permanent record for future reference.
 - Minutes also serve as a reminder of the actions to be taken by the management that are decided at the meeting.
 - Minutes can be produced as evidence of the proceedings in a Court of Law.
 - Main purpose of recording minutes is to conduct business efficiently.
- ☐ Preparation of Minutes: Minutes generally contain the following
 - The kind of meeting
 - Date, time and place of the meeting
 - The name of the person in the chair
 - Name of directors, secretary and persons in attendance
 - Brief subject and heading of each minute with the resolution adopted.
 - In the case of special resolution, no of votes for and against
 - Instructions given by the meeting to the secretary or the office
 - Chairman's signature and the date of verification of minutes as correct.
- ☐ General Guidelines for Writing Minutes
 - Use separate paragraph for each item
 - Record full text of motions
 - Language of minute should be simple and precise
 - Ensuring that each item discussed in the meeting has been recorded
 - In the case of special resolution passed in the meeting the number of those in the favor and against should be recorded
 - The secretary should go on taking notes during the meeting
 - Defamatory language, irrelevant point should not be recorded
 - Each item in the minutes should be numbered
 - Each item should be given a brief heading

Agenda

- ☐ Agenda is a document that outlines the content of forthcoming meeting.
- ☐ It is usually send along with the notice of the meeting.
- ☐ It is not compulsory.
- ☐ Example of Agendas in a meeting
 - Minutes of last meeting
 - Matter arising from the minutes
 - Any other Business
 - Date of next meeting

Warrant

- ☐ A tradable instrument giving the holder the right to buy from the issuer a fixed income security or equity stock under specified conditions after some period of time.

Stock Exchange

- ☐ An organized market for the sale and purchase of securities. In India stock exchanges ARE regulated by SEBI.
- ☐ The movement in prices of select active scripts is reflected in sensex or sensitive index in terms of points.
- ☐ Matching of trades is done on computers installed in stock exchanges.

MCQ QUESTION

1. A job application is similar to
 - (a) **Sales letter**
 - (b) Purchase letter
 - (c) Letter of order
 - (d) none of the above
2. A sales letter drafted for a large number of people is known as
 - (a) Sales Order
 - (b) **Sales circular**
 - (c) Sales manual
 - (d) Sales Enquiry
3. Which of the following is applicable in case of Telegram?
 - (a) The message must be detailed
 - (b) Normal grammar and punctuation must always be followed.
 - (c) **Time should be written according to twenty four hour clock**
 - (d) Block letter must not be used
4. Which of the following is not a form of intra-organizational communication?
 - (a) Representation to management
 - (b) Memorandum
 - (c) **Press release**
 - (d) Office Notes
5. Which of the following features specifically does not relate to advertisement
 - (a) Inviting
 - (b) Hike in prices
 - (c) **Placing an order**
 - (d) Recruitment of personnel
6. What does OEM stands for
 - (a) Out stated Equipment Manufactures
 - (b) **Original Equipment Manufactures**
 - (c) Ordinary Equipments Manufactures
 - (d) None of the above
7. Which type of letter is not goodwill letter.
 - (a) Thank you letter
 - (b) Condolence letter
 - (c) **Letter of complaint**
 - (d) Letter of sympathy
8. What of these terms and conditions are not present in the letter of appointment?
 - (a) Place of operation
 - (b) Remuneration
 - (c) Probation
 - (d) **None of the these**
9. Obituary notice is written to provide a news of:
 - (a) **Some body's death**
 - (b) Some body's promotion
 - (c) Some body's termination
 - (d) None of these
10. The first step of a commercial transaction is _____.
 - (a) Marking an order
 - (b) **Making an enquiry**
 - (c) Giving quotations
 - (d) None of these
11. In case of tender notices, EMD stands for:
 - (a) Electronic monetary deposit
 - (b) Earnest money department
 - (c) Earnest money division
 - (d) **Earnest money deposit**
12. Normally, in tender notices EMD is _____ % of estimated value.
 - (a) **2%**
 - (b) 3%
 - (c) 5%
 - (d) 5%
13. In case of tenders, contract is given based on the principle of:
 - (a) **Lowest bid get the contract**
 - (b) Highest bid get the contract
 - (c) Best bid will get the contract
 - (d) None of these
14. What does "D" stands for in AIDAS plan?
 - (a) Dispatch
 - (b) Discount
 - (c) Delivery
 - (d) **Desire**
15. _____ is the biggest example of paid communication.
 - (a) **Advertisement**
 - (b) Publicity
 - (c) Letters
 - (d) All of these

16. Which of these is an essential feature required for advertisement?
 (a) Exposure
 (b) Perseverance
 (c) Retention
(d) All of these
17. _____ only mentions the quantity and type of good
 (a) Invoice
 (b) Performa Invoice
(c) Delivery Challan
 (d) None of the above
18. A note sent by a seller to buyer to rectify an undercharge in the original invoice
 (a) Credit note
(b) Debit Note
 (c) Warrant
 (d) None of the above
19. Which of the following is not a banking service
(a) Policy
 (b) Overdraft limit
 (c) Term loan
 (d) Status Enquiries
20. _____ request is to be made to depository participants with whom the shareholder has a Demat Account in the prescribed standard to covert share certificate into electronic entry
(a) De-materialization
 (b) Re-materialization
 (c) De-regulation
 (d) Regulating
21. A commercial transaction is a _____ process
 (a) Simple
 (b) Chain
(c) Complex
 (d) None of the above
22. A program listing items of business to be transacted in a meeting
 (a) Warrant
 (b) Minutes
(c) Agenda
 (d) None of the above
23. Which of the following is a type of insurance correspondence letter?
(a) Reporting loss
 (b) Overdraft limit
 (c) Both (a) & (b)
 (d) C Form
24. The first collection letter should be written in _____ manner
 (a) Filmy
(b) Polite
 (c) Strict
 (d) None of the above
25. The _____ is calculated in percentage term say 2 paise per hundred rupees for fire insurance
 (a) Restricted loss
 (b) Sum Assured
 (c) Maturity value
(d) Premium
26. A company may not charge the full price of shares but recover in installments that are known as "_____".
 (a) First call
 (b) Second call
 (c) Final call
(d) Calls
27. It is advisable to send a copy of _____ showing arrears of payment to the companies before sending the collection letter.
1. Statement of Account
 2. Statement of Affair
 3. Statement showing Balance Sheet
 4. All of the above
28. Which feature if banking services should be used when the payee reports that he has not received the instrument?
 (a) Change of Signatories
 (b) Overdraft limit
 (c) Status Enquiries
(d) Stop payment

CHAPTER 12

INTER-DEPARTMENTAL COMMUNICATION

Inter-Departmental Communication

Communication differs from organization to organization. Though communication in small organization is easy, large organizations ought to have efficient systems so that they can disseminate information with various departments situated at different locations.

- ☐ Mostly the Intra and Inter – Departmental Communication is formal
- ☐ Inter Departmental Communication are expected to be direct, brief and functional.
- ☐ Staff stake in the organization has gone up with schemes like ESOP (Employee Stock Option plans) as one of the means of compensation.

Memorandum

- ☐ The word memorandum means a note or record for future use.
- ☐ The term Memorandum (Memos) is far from as a part of disciplinary proceedings.
- ☐ Memorandum is a useful mode of informal communication
- ☐ Plural form of Memorandum is “Memoranda” or “Memorandums”.
- ☐ Memorandum plays convenient and flexible role.
- ☐ Most of the Informal communication is done over the phone but when one has to convey in writing memorandum is preferred.
- ☐ In Memo, nor a salutation and complimentary close used.
- ☐ Informal tone and use of personal pronouns is allowed.
- ☐ Numbering is optional.
- ☐ When addressed to all employees, a memorandum is as good as an office circular.

Memo Forms

- ☐ Most companies prefer using printed memo forms.
- ☐ Memo form are not signed but initiated for authenticity.
- ☐ Information technology helps in the formation of templates or macros.

Memo Reports

- ☐ Some time short reports is prepared in the form of memorandum.
- ☐ A report in memorandum form should carry a heading (subject line).

Office Circulars

- ☐ Office circulars are used for circulating information to large number of employees within the organization.
- ☐ It is an internal communication, thus brief.
- ☐ Used in business-like formal.
- ☐ It devoid of salutation.

Office Orders

- ☐ Have similar format to that of memorandum
- ☐ They deal with rights and privileges of employees
- ☐ Language used is formal and legally common.
- ☐ Passive verbs are preferred.
- ☐ Office orders carry a bold, underlined heading to help us to identify them.
- ☐ They carry a number for future reference.

Office Notes

- ☐ These are exchanged between two different departments
- ☐ Notes may differ from company to company
- ☐ Each company have different formal of notes
- ☐ It depends on style and individual preferences.

Representation to Management

- ☐ It is a type of intra- organization communication
- ☐ It arises in situation when member of staff of the company may want to represent their cause like transfer, representations against transfer, for special holiday, for promotion etc. to the management.

Correspondence with Regional/Branch Office

- ☐ It is not necessary these letters should be on the letter head.
- ☐ No instruction or rules laid for these types of letter.

Administration

With the changing technologies the mode of communications are also moving fast .The decrease in time between the sending and the receiving of the messages has lessened the barriers of time and distance and enabled the business to move quickly and efficiently. Fax, E-mail telegrams are such mode of communications. Though the telegrams have to be length specific Emails are not only free from length restrictions but also contribute to paperless work.

MCQ QUESTION

1. Plural form of memorandum
(a) Memorandums
(b) Memoranda
(c) **both (a) & (b)**
(d) none of the above
2. Full form of ESOP
(a) Employee Sale Option Plan
(b) Employee Stock option Proceder
(c) **Employee Stock Option Plan**
(d) None of the above
3. is a note or record for future use
(a) Office circulars
(b) Office Orders
(c) **Memo**
(d) Office notes
What does a circular do not include
(a) Circular No
(b) **CC**
(c) Date
(d) Under Signed
4. is used for disseminating information to a large to a large to a large of employees.
(a) **Office circulars**
(b) Office Order
(c) Office Notice
(d) None of the above
5. are preferred when one needs to convey information in writing.
(a) Office Order
(b) Office Circular
(c) Office Note
(d) **Memorandum**
6. is devoid of salutation
(a) Office Report
(b) Memo Report
(c) Office note
(d) **Office Circular**
7. Passive verb is preferred in which type of Inter – department communication
(a) **Office order**
(b) Memo Report
(c) Office note
(d) Office Circular
8. Format of differ from company to company
(a) Office order
(b) Memo report
(c) **Office note**
(d) Office Circular
9. does not have salutation and complimentary close
(a) **Memo**
(b) Office order
(c) Office note
(d) None of the above
10. is not a type of intra – organizational communication
(a) **Advertisement**
(b) Office Order
(c) Office Note
(d) Office Circular



TIME FOR NKJ-CLASS TEST !



Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

CHAPTER 13

E-CORRESPONDENCE

Introduction

Business **correspondence** means the exchange of information in a written format for the process of business activities. Business **correspondence** can take place between organizations, within organizations or between the customers and the organization.

WEB

The World Wide Web (WWW) is combination of all resources and users on the Internet that are using the Hypertext Transfer Protocol (HTTP). "The World Wide Web is the universe of network-accessible information, an embodiment of human knowledge." The Web, as it's commonly known, is often confused with the internet. Although the two are intricately connected, they are different things. The internet is, as its name implies, a network -- a vast, global network that incorporates a multitude of lesser networks. As such, the internet consists of supporting infrastructure and other technologies. In contrast, the Web is a communications model that, through HTTP, enables the exchange of information over the internet.

Tim Berners-Lee is the inventor of the Web and the director of the W3C, the organization that oversees its development. Berners-Lee developed hypertext, the method of instant cross-referencing that supports communications on the Web, making it easy to link content on one web page to content located elsewhere. The introduction of hypertext revolutionized the way people used the internet.

- WWW (world wide web) or web
 - System of interlinked hypertext documents (web pages & web documents) accessed via the internet.
 - way of accessing information over the medium of internet.
 - vast ocean of knowledge.
- One can view web pages with the help of a web browser.
- Web also utilizes web browser such as Internet Explorer, Mozilla, Google Chrome to access web pages that are link to each other via links to form web document.
- Web pages may contain text, images, videos, sounds and other multimedia.
- Hyperlinks are used to navigate web pages.
- World Wide Web and internet are two separate but related things and not synonymous.
- Web page on www can be viewed and begins either
 - by typing the URL of the page into a web browser, or
 - by following a hyperlink to that page or resource.
- Web can be called as an application "running" in the internet (It is one of the service that runs on the internet).
- HTTP (Hyper Text Transfer Protocol)
 - One of the languages spoken over the internet.
 - used by Web to transmit data.

INTERNET

☐ Internet

- is a network of networks- a networking infrastructure.
- is a global system of computer linked together by telephone lines.
- is a collection of textual document and other resources, linked by hyperlinks & URL's, transmitted by web browsers and web servers.

☐ Information travels in internet through a variety of languages known as protocols.

☐ Uses of internet

- Sending e-mail
- Publicity and Advertisement
- Tele conferencing
- E –conferencing

E – Mail (Electronic Mail)

Features of an Email

- ☐ Font and size can be changed.
- ☐ Highlight and color can be used.
- ☐ Delete copy or save.
- ☐ Alignment of text- left align, right- align, center or justify.
- ☐ Formatting of text- italicize, bold or underline.
- ☐ Printing of an email received or written.



Drafting Email Messages

Email combines the element of speech and writing. It is cost effective. It tends to become informal.

Important Tips for Writing an Email

- ☐ See whether the email address is typed correctly or not.
- ☐ See that message does not contain any spelling mistake.

- ☐ No abbreviation such as “Ur” for “Your” is used in official communications.
- ☐ Check the content of the message.
- ☐ Before replying to email its evolution, should be done.
- ☐ All communication must be clear, brief, precise and unambiguous.

Internet communications cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, arrive late or contain viruses. The sender therefore does not accept liability for any errors or omissions in the context of this message, which arises as a result of Internet transmission.”

– Extract from a Foreign Bank’s Email

Features of E-mail

Electronic	E –mail is an electronic mode of message transmission. Messages are sent using HTML (Hyper Text Mark-up Language)
Cost-Effective	E –mail has become one of the cost effective modes of fast communication.
Packages	Like ‘Messenger’ and ‘outlook’ helps to compose new mails and forwarding mails to the people whose e-mail addresses are stored in the “Address Book” Packages also allow us to format the content by changing its size, font and color.
Interface	An interface between e-mail program and word processing program us to perform various functions.
Attachment	Attachment option allows us to attach several documents along with the mail.
Spam	Junk mails or unwanted mails are filtered through spam option which does not allow unwanted mails to enter into inbox.
Signature	After closure of each and every mail, signature should be present. Once the signature is added, it automatically gets added at the end of each mail.
Search	Search option is used to located old mails in the inbox.

E-mail Etiquettes

Mind Your Manner	Basic rules should be kept in mind while addressing people through e-mail as we follow rules while writing business letter.
Watch Your Tone	It is very difficult to express the tone in writing. Tone here refers to accent used while writing an e-mail.
Be Concise	while writing an e-mail.
Be Professional	A person should <i>avoid using abbreviations</i> .
Use Correct Spelling and Proper Grammar	Proper grammar and spelling should be used.
Wait to Fill in the “TO” Email Address	Before entering the e-mail address, the e-mail should be checked twice.

Advantages of E-mail

- ☐ Managing e-mail is easy
- ☐ E –mail is fast
- ☐ E-mail is Inexpensive
- ☐ E-mail is Easy to Filter
- ☐ Transmission is Secure and Reliable.

Disadvantages of E-mail

Time consuming	Since it is the fastest mode of correspondence the quantity of E-mails is higher than postal mail. Reading,organizing and replying to them is a time consuming effort.
Security	E-mail can't be considered a confidential mode of communication.
Impersonal Communication	While email is faster, the meaning of the message is often lost in the text. Since, Email recipient cannot see each other; the mails do not have any voice inflexion or emotion that can help with proper interpretation.
Misunderstanding	Use of abbreviations & short descriptions may create the problem to understand the proper meaning of subject & further may be interpreted the wrong way.
Vulnerability	By a simple hard drive crash all the information & data of mails can be lost. E –mail depends upon internet. Sometimes due to network problem the system connectivity gets disturbed.
Non-confidential	It is mode of communication
Unreliable	The receiver will read the mail at his or her own convenience so in case of emergency this mode of communication cannot be reliable.
Dependent on Internet Connection	In absence of effective internet connection one cannot send emails.

INTRANET

- ☐ The word 'intra' means within or internal.
- ☐ The intranet is a type of information system that facilitates communication within the organization among widely dispersed departments, division and regional locations.
- ☐ External people cannot access the intranet, thus secured.
- ☐ Allows a central communication area for the entire company.

Benefits of Intranet

Workforce productivity	Information can be located and viewed easily and faster. It also helps to use application relevant to their roles and responsibilities.
Timely information	Organisation can distribute information timely so that employees may get link to relevant information at their convenience.
Communication	Internets act as a powerful tool for communication within an organization by both the ways, horizontally as well as vertically.
Web publishing	Helps to understand and access corporate information which is complex and not easily available. Examples: employees' manuals, business standard, news feeds.
Business operations & management	Intranet acts as a platform for development of application to manage business operations and management.
Cost-effective	It saves time, money as well as natural resources.
Enhance collaboration	Easy accessibility of information by all authorized users.
Promote corporate culture	Each person has an ability to view same information within the intranet, thus promoting common corporate culture.
Immediate Updates	
Supports a Distributed Computing Architecture	The internet can also be linked to a company's management information system, for example a time keeping system.

Difference Between **Internet** & **Intranet**



INTERNET



INTRANET

MCQ QUESTIONS

1. WWW is System of interlinked _____ document accessed via the internet.
(a) **Hypertext**
(b) Text
(c) Hyperlink
(d) None of these
2. _____ are used to navigate web pages.
(a) Internet
(b) Intranet
(c) **Hyperlink**
(d) E-mail
3. Web pages may contain
(a) Text & Multimedia
(b) Images
(c) **(a) & (b) Both**
(d) None of the above
4. "@" Symbol is provided by
(a) John A.
(b) **Tomlinson**
(c) Peter Druker
(d) Jane Mansoon
5. _____ is one of the languages spoken over the internet & used by Web to transmit data.
(a) **HTTP**
(b) STMP
(c) POP
(d) E-mail
6. _____ can be called as an application "running" in the internet (It is one of the service that runs on the internet).
(a) web page
(b) web
(c) text
(d) intranet
Ans: (b)
7. "The letter written by one party to another, and the answers there to, make what is called the correspondence of parties such correspondence if done through electronic signals via internet is called ____."
(a) Intranet
(b) E-mail
(c) **E-correspondence**
(d) None of the above.
8. Full form of HTTP –
(a) **Hyper text transfer protocol**
(b) Hyper transfer text protocol
(c) Hypertext transfer plan
(d) None of the above.
9. _____ is a networking infrastructure.
(a) Internet
(b) **Intranet**
(c) Extranet
(d) E-mail
10. What is the other name for e-correspondence?
(a) E-mail – correspondence
(b) Electronic –correspondence
(c) Both (a) & (b)
(d) None of the above
11. First e-mail system was known as
(a) MALE BOX
(b) **MAIL BOX**
(c) EMAIL BOX
(d) None of the above.
12. When was FTP (File Transfer Protocol) put in use.
(a) 1952
(b) 1962
(c) **1972**
(d) 1982
13. Which protocol is used to receive mail?
(a) SMTP
(b) **POP**
(c) HTTP
(d) FTP
14. Which of the following is not the feature of E-mail?
(a) Spam
(b) Search
(c) Signature
(d) **Settlement**
15. Which is not an E-mail etiquette?
(a) Be concise
(b) **Be Realistic**
(c) Be Professional
(d) Watch your tone

CHAPTER 14

ENTREPRENEURSHIP

BASIC CONCEPTS

Entrepreneurship

It is defined as the process of making money, earning profits and increasing the wealth while consist of characteristics such as risk taking, management, leadership and innovation. Entrepreneurship simply means starting one's own business. The concept of entrepreneurship was first established in the 1700s. Entrepreneurship is neither science nor art, it is a practice.

What is Entrepreneurship?

- An **entrepreneur** is a person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business.
- Differ from many small-business owners in their strong desire to **make their business grow**.
- Differ from managers through their **overriding responsibility** to use the resources of the organization to accomplish their goals.
- **Willing to take risks.**

Entrepreneur –

- Entrepreneurs create and exploit change, are innovative and have the ability to mobilize resources to create value by invention or improvement of existing product or service.
- *It is derived from the French word, **entreprendre**, which means 'to undertake'. It originated during the middle ages.*
- An entrepreneur is an individual who organizes, manages, and assumes the risk of a business or enterprise. Entrepreneurs develop new goods or processes that the market demands and are not currently being supplied. The motivation for the entrepreneur is the success rather profit for their enterprise.

- Entrepreneur differ in education and experience but research indicates that most successful entrepreneurs share personal attributes, including-
 - Creativity
 - Determination
 - Flexibility
 - Leadership
 - Dedication
 - Passion
 - Self confidence
 - Smart

The term Entrepreneurship is a complicated term and gives various meanings depending on the situations.

In crux there are various interchangeable meanings of what is entrepreneurship.

- A theory of evolution of economic activities.
- A continuous process and an ingredient of economic development.
- Essentially a creative activity or an innovative function.
- A risk taking factor which is responsible for an end result.
- The name given to the factor of production, which performs the functions of enterprise.
- Creates awareness among people about economic activity.
- Generates Self-employment and additional employment.

ELEMENTS OF ENTREPRENEURSHIP.

Four Key Elements of Entrepreneurship.

- Innovation
- Risk taking
- Vision
- Organising skills

Traits of an entrepreneur

- He is a person who develops and owns his own enterprise.
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative
- He peruses the deviant pursuits.
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Dissatisfied with routine activities.
- Prepared to withstand the hard life.
- Determined but patient.
- Exhibits sense of leadership.
- Also exhibits sense of competitiveness.

- (xii) Takes personal responsibility
- (xiii) Oriented towards the future
- (xiv) Tends to persist in the face of adversity
- (xv) Convert a situation into opportunity.

Characteristics of Successful Entrepreneurs

Personal Characteristics

- Courage
- Creativity
- Curiosity
- Determination
- Discipline
- Empathy
- Enthusiasm
- Flexibility
- Honesty
- Patience
- Responsibility

Skills

A **skill** is an ability that's learned through training and practice.

- Business Skill
- Communication Skill
- Computer Skill
- Decision-Making and Problem-Solving Skills
- Mathematical Skill
- Organizational Skill
- People Skills

Section 1.2: Characteristics of an Entrepreneur

10

CHARACTERISTICS OF AN ENTREPRENEUR?

- (i) Mental Ability: entrepreneur must have creative thinking and must be able to analyse problems and situations. He should be able to anticipate changes.
- (ii) Business Secrecy: he should guard his business secrets from his competitors.
- (iii) Clear Objectives: he must have clear objectives as to the exact nature of business or the nature of goods to be produced.
- (iv) Human Relation: he must maintain good relations with his customers, employee etc. to maintain good relationship he should have emotional stability, personal relations, tactfulness and consideration.
- (v) Communication Ability: he should have good communication skills means both the sender and the receiver should understand each other's message.

FEATURES AND PECULIARITIES OF EACH TYPE OF ENTREPRENEUR.

Starting and growing one's own business requires many skills to be successful.

One could be a visionary like Bill Gates or a superstar like Peter Sematimba.

The entrepreneur personality types are the traits and characteristics that blend with the needs of the business. Understanding the types of entrepreneur personality type helps in enjoying business as well as providing with what it needs to grow in best.

Each entrepreneur personality type can succeed in the business environment if it is true to character. Identifying strong traits is essential and can act as a compass for the business.

1. Idealist

- (i) The idealist entrepreneur is the most common type of entrepreneur.
- (ii) He likes innovation and enjoys working on something new or creative.

2. Optimizers

- (i) The optimizer entrepreneur comes in a close second and is content with the personal satisfaction of simply being a business owner.
- (ii) It is derived from being optimistic.

3. Hard Workers

- (i) The hard workers entrepreneur category includes persons who enjoy putting in long hours to build a larger and more profitable business.
- (ii) They like to challenge themselves and strive harder to attain the same.
- (iii) They reap the most rewards if the business turns out to be a multi-million dollar enterprise.

Hard work comes with all businesses but not everyone works hard for the business to grow as this type of entrepreneurs does.

4. Sustainers

- (i) As the meaning of the word itself implies, sustain is to maintain; the sustainer type of entrepreneurs comprise of people who like to maintain a balance between work and a personal life.
- (ii) Most often, they do not wish the business to grow too large where it will cut into their personal life.
- (iii) These people just need enough to survive.

5. Improver

- (i) The improver types of entrepreneur are the ones who predominantly are focused to start a business to improve the world.
- (ii) Their motto is to work in a manner which is morally and ethically correct so as to contribute to a noble cause.
- (iii) Improvers have an unwavering ability to run their businesses with high integrity.
- (iv) At the same time, these people need to be aware of their tendency of being over critical of employees and clients in order to be a perfectionist.

6. Advisor

- (i) These types of people believe in consumer sovereignty where they indulge excessively in providing customer services.
- (ii) This business personality type will provide an extremely high level of assistance and advice to customers. They want to please their customers.
- (iii) Their businesses soon become customer oriented business which involves providing advisory services to them at a cost to themselves.

7. Superstar

- (i) This type of entrepreneur is lead by charisma, charm and high energy.
- (ii) An entrepreneur like this has an overwhelming personality which works in his favour so does in the favour of business.
- (iii) This personality often will cause to build business around own personal brand.
- (iv) However, such people tend to become too competitive and workaholics; which can sour the workplace and the market.
- (v) Entrepreneur example is Peter Sematimba, CEO of Super FM.

8. Artiste

- (i) These are creativity oriented entrepreneurs.
- (ii) Thus, the type of business also are those which demand huge levels of creativity such as; advertising agencies and people in the music industry.
- (iii) The artist involves in business activity which is centered around their talents and creative fields.
- (iv) The limitation faced by such entrepreneur is that of over sensitively reacting to the customers feedbacks if such is a negative one.

9. Visionary

- (i) Normally, all the businesses are founded keeping a vision in mind.
- (ii) The founding members who visualize a dream and materialize the same are known as visionary.
- (iii) These are thinkers who pursue to make their vision come true.
- (iv) Such people are curious in nature and have a long sighted vision which helps them in understanding the world around better thereby to set up plans to avoid pitfall and hurdles.
- (v) At the same time, these people lack to relate their dreams with reality which might result in opposite results when it comes to starting up all new.
- (vi) Thus it is advisable to act before visualizing.

10. Analyst

- (i) These types of entrepreneurs excel at problem solving in a systematic way.
- (ii) Thus businesses involving complications suit them a lot.
- (iii) They are able to crop up the solution at no cost and less time.
- (iv) The challenge is to realize that too much analysis can result in no action being taken.
- (v) Secondly, they might get caught in analysis paralysis.

11. Fireball

- (i) Fireball is a casual word used for an energetic person so does it imply for entrepreneurs.
- (ii) A business owned and operated by a fireball is full of life, energy and optimism.
- (iii) Such businesses are life energizing and makes customers feel the firm has a get it done attitude.
- (iv) Since every coin has two sides, such people have a downside too.
- (v) In being too outright and energetic, they may over commit and act too impulsively.
- (vi) Maintaining a balance for impulsiveness with sensitive planning is of utter most important.

12. Jugglers

- (i) A juggler conventionally means entertainer who keeps several plates, knives, balls, or other objects in the air at once by tossing and catching them.
- (ii) The art of juggling has been practiced since antiquity.
- (iii) The juggler entrepreneur likes the concept that the business gives them a chance to handle everything themselves.
- (iv) They are usually people with lots of energy and exist on the pressure of meeting deadlines, paying bills and of course making payroll.

13. Hero

- (i) Hero like entrepreneurs are the people with great willingness and efficient leadership.
- (ii) He inspires others.
- (iii) He has an incredible will and ability to lead the world and the business through any challenge.
- (iv) He is the essence of entrepreneurship and can assemble great companies.
- (v) Over promising and using force full tactics to get the way out are the bane sides of being a hero entrepreneur, which definitely is not fruitful in long term.

14. Healer

- (i) Healer as the name suggest, nurtures the business by bringing harmony with a surprising ability to survive with an inner calm.
- (ii) Healer is closely related to calmness which lets him avoid the outside harsh realities of business.
- (iii) One must keep a scenario planning to pre prepare for many kind of turmoil.

INTRAPRENEURSHIP

- A person within a large corporation who takes direct responsibility for turning idea into a profitable finished product through assertive risk taking and innovation is an intrapreneur.
- It is derived as INTRA (corporate) + (entre) PRENEUR
- The word intrapreneur is the recently coined. This coinage is generally attributed to management consultant Gifford Pinchot, author of the 1985 book entitled intrapreneur. Intrapreneurship is a combination of entrepreneurship and management skills. Intrapreneurship is the practice of entrepreneurship by employee within organization. The

trend today is such that everyone who is capable of managing other business is himself indulging in entrepreneurship. This is resulting in inadequacy of management staff.

- The intrapreneur is made the head of a given business unit and asked to manage it for the organization while employing innovation skills. As in example, when a company seeks for diversification options, they can appoint one of their managers as an intrapreneur to launch the business venture while allowing him to share the part of the profits made by the new business venture. Manager would do well to take employee who do not appear entrepreneurial but can turn out to be good intrapreneurial choices.

CHARACTERISTICS OF INTRAPRENEURSHIP.

- It promotes the managers to be more innovative and take more responsibility while demonstrating charismatic leadership qualities.
- Intrapreneurship projects are funded by large business organization and agreed percentage of profits are remitted to the fund provider/headquarters of the business.
- Intrapreneurship will cultivate entrepreneurial skills/culture within the corporate culture where managers will be motivated to accept more risk.
- Due to the backing from the headquarters, the chances of failure are low when compared to start ups.
- It adds value to the life of the intrapreneur as he is being given the task of being an entrepreneur while receiving necessary training from headquarters.
- Business portfolio of funding organization will be expanded creating diversification.
- Finally, it creates wealth for the headquarters as well as for the intrapreneur through its profit sharing agreement.

COMPARATIVE ANALYSIS OF CHARACTERISTICS FEATURES OF MANAGER, ENTREPRENEUR AND INTRAPRENEUR.

<i>Distinguishing Factors</i>	<i>Manager</i>	<i>Entrepreneur</i>	<i>Intrapreneur</i>
Primary Focus	Salary Promotion Traditional corporate rewards	Independent Chance to be creative Opportunity to make more money	Independent Chance to be creative To move towards organizational and personal successes
Skills Required	Managing qualities like leadership, organizing, planning, communication skills etc.	Creativity, Innovative, Risk taking, Visionary, passion, Dedication, Determination	Blend of managerial and entrepreneurial skills
Time Focus	Short term to meet deadlines set by top management	Survival and achieving long term growth	To meet self-imposed deadlines
Activity Delegation	Delegated by top management	Delegated to oneself	Delegated to oneself
Amount of Risk Bearing	Conservative	Extreme	Moderate

Status Check	Concerned about status	Not concerned about status	Not concerned about status
Failure and Mistakes	Minimizes mistakes	Deals with mistakes	Reduces risky activities
Decision	Agrees with top management	Follows a dream	Gets help from others to achieve dreams
Availability of Resources	Readily available	Needs to arrange	Provided by Entrepreneur
Constituencies Served	Upper Management and Customers	Oneself and Customers	Oneself, Customers and Organization
Competitors	No one	Other entrepreneurs outside the organisation	Within the organisation



MCQ QUESTIONS

1. The word entrepreneur has a _____ origin.
(a) English (b) Greek
(c) **French** (d) Latin
2. The concept of Entrepreneurship has wide range of _____.
(a) Definitions (b) **Meanings**
(c) Concepts (d) Origins
3. Anyone who wants to work for himself is considered to be _____.
(a) **Entrepreneur**
(b) Intrapreneur
(c) Businessman
(d) Extrapreneur
4. The entrepreneur is one who is willing to _____ of a new venture if there is a significant chance for profit. .
(a) Bear the loss
(b) **Bear the risk**
(c) Bear the contingencies
(d) Bear the uncertainties
5. The concept of entrepreneurship was first established in the _____.
(a) 1600 (b) 1900
(c) 1800 (d) **1700s**
6. The Four Key Elements of Entrepreneurship are
(a) Innovation
(b) Risk taking
(c) Vision
(d) Organising skills
(e) **All of the above**
7. _____ is the spark that drives the development of new products or services or ways to do business.
(a) **Creativity**
(b) Innovation
(c) Development
(d) Entrepreneurship
8. _____ is what motivates the entrepreneur to work hard, 12 hours a day or more, even seven days a week, especially in the beginning, to get the endeavour off the ground.
(a) Innovation (b) Hesitation
(c) Meditation (d) **Dedication**
9. _____ is the extremely strong desire to achieve success.
(a) Creativity (b) Innovation
(c) **Determination** (d) Dedication
10. _____ is the ability to move quickly in response to changing market needs.
(a) **Flexibility** (b) Adaptability
(c) Creativity (d) Dedication
11. _____ is the ability to create rules and to set gls.
(a) Flexibility (b) Dedication
(c) Innovation (d) **Leadership**
12. _____ is what gets entrepreneurs started and keeps them there.
(a) Dedication (b) **Passion**
(c) Desire (d) Interest
13. _____ comes from thorough planning, which reduces uncertainty and the level of risk.
(a) Self-creativity

- (b) Self-motivation
(c) **Self-confidence**
(d) Self-respect
14. Entrepreneur must have _____ thinking and must be able to analyse problem and situations.
(a) Leadership (b) **Creative**
(c) Creation (d) Motivation
15. Entrepreneur should guard his business secrets from his _____.
(a) **Competitors** (b) Rivalry firms
(c) Superior firms (d) Inferior firms
16. One of the advantages of being an entrepreneur is doing what one _____.
(a) Wants (b) **Loves**
(c) Desires (d) Expects
17. The _____ entrepreneur is the most common type of entrepreneur.
(a) Creative (b) Communist
(c) **Idealist** (d) Socialist
18. The _____ entrepreneur comes in a close second and is content with the personal satisfaction of simply being a business owner.
(a) **Optimizer** (b) Pessimiser
(c) Innovative (d) Idealist
19. The _____ entrepreneur category includes persons who enjoy putting in long hours to build a larger and more profitable business.
(a) Optimiser (b) Soft workers
(c) Ideal workers (d) **Hard workers**
20. As the meaning of the word itself implies, _____ is to maintain.
(a) **Sustain** (b) Design
- (c) Creativity (d) Motivation
21. The _____ types of entrepreneur are the ones who predominantly are focused to start a business to improve the world.
(a) Ideal (b) Disprover
(c) **Improver** (d) Approver
22. _____ types of people believe in consumer sovereignty where they indulge excessively in providing customer services.
(a) Supervisor (b) **Advisor**
(c) Ideal (d) Innovative
23. _____ type of entrepreneur is lead by charisma, charm and high energy.
(a) Idealistic (b) Average
(c) Star (d) **Superstar**
24. _____ are creativity oriented entrepreneurs.
(a) Innovatives (b) Diplomat
(c) Socialist (d) **Artiste**
25. The founding members who visualize a dream and materialize the same are known as _____.
(a) Superstars (b) **Visionary**
(c) Idealist (d) Socialist
26. _____ types of entrepreneurs excel at problem solving in a systematic way.
(a) **Analyst** (b) Catalyst
(c) Idealist (d) Optimist
27. Fireball is a casual word used for an _____ so does it imply for entrepreneurs.
(a) Artiste person

- (b) Ideal person
(c) **Energetic person**
(d) Leader person
28. A juggler conventionally means entertainer who keeps several plates, knives, balls, or other objects in the air at once by _____ them.
(a) Fetching
(b) Tossing
(c) Catching
(d) **Tossing and catching**
29. _____ like entrepreneurs are the people with great willingness and efficient leadership.
(a) **Hero** (b) Ideal
(c) Innovative (d) Creative
30. _____ as the name suggest, nurtures the business by bringing harmony with a surprising ability to survive with an inner calm.
(a) **Healer** (b) Dealer
(c) Stealer (d) Miller
31. For many entrepreneurs, one of the most difficult tasks is to make the successful transition from a creative, task-juggling entrepreneur to a business-skill-applying _____.
(a) Circumstantial skills
(b) Tactics
(c) **Manager**
(d) Supervisor
32. The terms Entrepreneur and Manager are considered _____.
(a) Antonyms (b) Synonym
(c) Different (d) **Same**
33. An entrepreneur starts a business enterprise constituting of ideas he comprehends; employing personal stakes in it where as a manager provides his services in an enterprise established by _____.
(a) **Entrepreneur** (b) Intrapreneur
(c) Businessman (d) Supervision
34. An entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organisation where as a manager is an employee and does not undertake responsibilities for any _____.
(a) Circumstances (b) Certainty
(c) Reward (d) **Risk**
35. Entrepreneur's objective is to _____ and he acts as a change agent where as a manager's objective is to supervise and create routines.
(a) Create
(b) Innovate
(c) Innovate or create
(d) **Innovate and create**
36. _____ is faced with more income uncertainties as his income is contingent on the performance of the firm where as a manager's compensation is less dependent on the performance of the organisation.
(a) An intrapreneur
(b) **An entrepreneur**
(c) Healer
(d) Superstar
37. Entrepreneur is required to have certain _____ like high accomplishment motive, innovative thinking, forethought, risk-bearing ability etc.
(a) Qualifications

- (b) Qualities
(c) Leadership
(d) Qualifications and qualities
38. It's mandatory for a _____ to be educated in the fields of management theories and practices.
(a) Entrepreneur **(b) Manager**
(c) Intrapreneur (d) Supervisor
39. "An entrepreneur could be a manager but a manager cannot be an _____".
(a) Entrepreneur (b) Intrapreneur
(c) Businessman (d) Supervision
40. A manager cannot replace an entrepreneur in spite of performing the allotted duties because a manager has to work as per the guidelines laid down by the _____.
(a) Entrepreneur (b) Intrapreneur
(c) Businessman (d) Supervisor
41. An _____ entrepreneur is the most common type of entrepreneur.
(a) Adviser (b) Superstar
(c) Idealist (d) Socialist
42. An _____ is an individual who creates something for the first time, is a highly driven individual motivated by his or her own work and personal ideas.
(a) Intrapreneur (b) Businessman
(c) Entrepreneur (d) Supervision
43. The word entrepreneurship is derived from the French word -
(a) Entrepredre (b) Entreprenur
(c) Entreprenurde (d) Entropre
44. "Entrepreneur is someone who actually searches for change responds to it and exploits those changes as an opportunity" this statement is given by -
(a) Peter Drucker
(b) H.N. Hansen
(c) Koontz o'donnel
(d) Joseph Schumpeter
45. Which one of the following does not include in personal attribute of an entrepreneur -
(a) Dedication
(b) Passion
(c) Flexibility
(d) Biasness
46. Intrapreneurship is a combination of _____ and management skills.
(a) Intrapreneurship
(b) Entrepreneurship
(c) Leadership
(d) Advisory
47. An intrapreneur thinks like an _____ looking out for opportunities, which profits the organization.
(a) Intrapreneurship
(b) Entrepreneurship
(c) Entrepreneur
(d) Advisory
48. It is in the interest of an organization to encourage _____.
(a) Intrapreneurs
(b) Intrapreneurship
(c) Entrepreneurship
(d) Advisory

49. Intrapreneurship projects are funded by _____ and agreed percentage of profits are remitted to the fund provider/head quarters of the business.
- (a) Average business organization
(b) Small business organization
 (c) Medium business organization
 (d) Large business organization
50. Intrapreneurship will cultivate _____ skills/culture within the corporate culture where managers will be motivated to accept more risk.
- (a) Superior
 (b) Managerial
(c) Entrepreneurial
 (d) Intrapreneurial
51. It adds value to the life of the _____ as he is being given the task of being an entrepreneur while receiving necessary training from headquarter.
- (a) Superior (b) Managerial
 (c) Intrapreneurial **(d) Intrapreneur**
52. It creates wealth for the headquarters as well as for the _____ through its profit sharing agreement.
- (a) Intrapreneur** (b) Superior
 (c) Managerial (d) Intrapreneurial
53. _____ takes substantial risk in being the owner and operator of a business with expectations of financial profit and other rewards that the business may generate.
- (a) An entrepreneur**
 (b) Superior
 (c) Managerial
 (d) Intrapreneurial
54. _____ is an individual employed by an organization for remuneration, which is based on the financial success of the unit he is responsible for.
- (a) An intrapreneur**
 (b) Superior
 (c) Managerial
 (d) Intrapreneurial
55. The words entrepreneur and intrapreneur have acquired special significance in the content of _____ in a rapidly changing industrial climate both in developed and developing countries.
- (a) General growth
 (b) Company growth
(c) Economic growth
 (d) National growth
56. _____ are entrepreneurs who catch hold of a new idea for product service or process and work to bring this idea to fruition within the framework of the organisation.
- (a) Intrapreneurs**
 (b) Superior
 (c) Managerial
 (d) Intrapreneurial
57. The _____ is typically a visionary who spots an opportunity in the marketplace and has the passion, guile and contact base to set the wheels in motion.
- (a) Entrepreneur**
 (b) Superior
 (c) Managerial
 (d) Intrapreneurial

58. Not every business needs an _____, but every business needs an Intrapreneur.
- (a) Superior (b) **Entrepreneur**
(c) Managerial (d) Intrapreneurial
59. Without the _____, ideas entrepreneurs and small business are doomed to fail.
- (a) **Intrapreneur** (b) Superior
(c) Managerial (d) Intrapreneurial
60. Entrepreneurs can be found anywhere; whereas _____ are found, rather encouraged within the confines of an organisation.
- (a) Superior (b) Managerial
(c) Intrapreneurial (d) **Intrapreneurs**
61. While entrepreneurs face hurdles in the form of ridicule and setbacks from the society in general; intrapreneurs have to face _____ within the organization they work.
- (a) **Rivalry** (b) Zealous
(c) Competition (d) Criticism
62. Entrepreneurs find it difficult to arrange resources while these are readily available to _____.
- (a) Superior (b) Managerial
(c) **Intrapreneurs** (d) Intrapreneurial
63. The term Entrepreneurship is a _____ term and gives various meaning depending on the situation.
- (a) Simple (b) **Complicated**
(c) General (d) Special
64. One who undertakes an endeavor is an _____.
- (a) **Entrepreneur**
(b) Superior
(c) Managerial
(d) Intrapreneurial
65. Most successful _____ share certain personal attributes, including. creativity, dedication, determination, flexibility, leadership, passion, self-confidence, and smarts.
- (a) Superior
(b) Managerial
(c) **Entrepreneurs**
(d) Intrapreneurial
66. Each _____ personality type can succeed in the business environment if it is true to character.
- (a) **Entrepreneur**
(b) Superior
(c) Managerial
(d) Intrapreneurial
67. Intrapreneurship is a combination of _____ and management skills. Intrapreneurship is the practice of entrepreneurship by employees within an organisation.
- (a) Superior
(b) Managerial
(c) **Entrepreneurship**
(d) Intrapreneurial

CHAPTER 15

ENTREPRENEURSHIP CREATIVITY & INNOVATION



INTRODUCTION

INNOVATION

Introduction of new ideas, goods, services and practices which can be exploited commercially. It is conversion of knowledge and ideas into a benefit. Innovation is the tool employed by entrepreneurs. Innovation is implementation of creative ideas into action which produce something new

CREATIVITY

Creativity simply means that you have the ability to think and create something new and different. You are able to bring to life something that you alone have thought.

Creativity and innovation are considered inseparable from entrepreneurship. Innovation and entrepreneurship demand creativity. All innovation begins with creative ideas. Creativity is the starting point for innovation.

*People always overestimate how complex business is. This isn't rocket science, we've chosen one of the world's more simple professions. These lines are said by **Jack Welch***

PRINCIPLES OF CREATIVITY

Within every individual, creativity is a function of three components:

- Expertise
- Creative Thinking Skills
- Motivation.

INNOVATION

- Innovation is the creation of new value.
- Innovation is the process that transforms new ideas into new value.
- No innovation is possible without creativity.
- Innovation is the process that combines ideas and knowledge into new value.
- Innovation creates new demand and entrepreneurs bring the innovation to the market.
- This destroys the existing markets and creates new ones, which will in turn be destroyed by even newer products or services. Schumpeter calls, this process, 'creative destruction'.

PRINCIPLES OF INNOVATION-

Innovation requires a fresh way of looking at things, an understanding of people, and an entrepreneurial willingness to take risks and to work hard. People involved in innovation are guided by certain principles of innovation.

STEVE JOBS HAS GIVEN 7 PRINCIPLES –

1. Principle 1- *Do what you love*
2. Principle 2- *Put a dent in the universe*
3. Principle 3- *Kick start your brain*
4. Principle 4- *Sell dreams, not products*
5. Principle 5- *Say no to 1,000 things*
6. Principle 6- *Create insanely great experiences*
7. Principle 7- *Master the message*

CREATIVITY AND INNOVATION CAN HELP ACHIEVE THE GOALS OF AN ENTREPRENEURIAL ORGANISATION

- (1) Growth and development cannot be sustained without additional innovations.
- (2) Additional innovations make firms look glamorous in terms of new products, new marketing techniques, and newer ways to reach out to customer in satisfying their needs.
- (3) These are usually seen as part of the process of innovation, which is itself seen as the engine driving continued growth and development.
- (4) The 'winning performance' of the entrepreneur and the organization focuses on
 - (i) Competing on quality, not prices
 - (ii) Domination of a market niche
 - (iii) Competing in an area of strength
 - (iv) Having tight financial and operating controls
 - (v) Frequent product or service innovation.
- (5) Entrepreneurship is, therefore, the innovatory process involved neither in the creation of an economic enterprise based on a new product or service which, differs significantly from products or services offered by other suppliers in content or in the way its production is organized nor in its marketing.

- (6) In today's environment where competition requires business enterprises to be distinct and meet customer needs with better or newer products and organization becomes in critical necessity.
- (7) Thus, entrepreneurs and enterprises are continuously creative and innovative to remain relevant to the customers, which is the purpose of every business.

ENVIRONMENTAL SCANNING

- (1) Environment Scanning is careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plan.
- (2) Environmental scanning is a concept from business management by which businesses gather information from the environment, to better achieve a sustainable competitive advantage.

TECHNIQUES THAT MAY BE USED IN ENVIRONMENTAL SCANNING.

There are various techniques which may be used in environment scanning namely:

- (i) SWOT Analysis
- (ii) PEST/PESTEL Analysis
- (iii) Industry Analysis

SWOT ANALYSIS

1. SWOT stands for the Strengths-Weakness-Opportunities-Threats.
2. SWOT Matrix is an important matching tool that helps managers develop four types of strategies:
 - (i) SO (strengths-opportunities) Strategies.
 - (ii) WO (weakness-opportunities) Strategies.
 - (iii) ST (strengths-threats) Strategies, and
 - (iv) WT (weakness-threats) Strategies.

Matching key external and internal factors is the most difficult part of developing a SWOT Matrix and requires good judgment – and there is no one best set of matches. Note in Table below that the first, second, third, and fourth strategies are SO, WO, ST, and WT strategies, respectively.

Matching Key External and Internal Factors to Formulate Alternative Strategies

KEY INTERNAL FACTOR		KEY EXTERNAL FACTOR		RESULTANT STRATEGY
Excess working capacity (an internal strength)	+	20% annual growth in the cell phone industry (an external opportunity)	=	Acquire Cellfone, Inc.
Insufficient capacity (an internal weakness)	+	Exit of two major foreign competitors from the industry (an external opportunity)	=	Pursue horizontal integration by buying competitors' facilities
Strong R&D expertise (as	+	Decreasing numbers of younger	=	Develop new products

internal strength)		adults (an external threat)		for older adults
Poor employee morale (an internal weakness)	+	Strong union activity (an external threat)	=	Develop a new employee benefits package

3. SO Strategies use a firm's internal strengths to take advantage of external opportunities. All managers would like their organizations to be in a position in which internal strengths can be used to take advantage of external trends and events. Organizations generally will pursue WO, ST, or WT strategies in order to get into a situation in which they can apply SO Strategies. When a firm has major weaknesses, it will strive to overcome them and make them strengths. When an organization faces major threats, it will seek to avoid them in order to concentrate on opportunities.
4. WO Strategies aim at improving internal weaknesses by taking advantage of external opportunities. Sometimes key external opportunities exist, but a firm has internal weakness that prevents it from exploiting those opportunities. For example, there may be a high demand for electronic devices to control the amount and timing of fuel injection in automobile engines (opportunity), but a certain auto parts manufacturer may lack the technology required for producing these devices (weakness). One possible WO Strategy would be to acquire this technology by forming a joint venture with a firm having competency in this area. An alternative WO Strategy would be to hire and train people with the required technical capabilities.
5. ST Strategies use a firm's strengths to avoid or reduce the impact of external threats. This does not mean that a strong organization should always meet threats in the external environment head-on. Rival firms that copy ideas, innovations, and patented products are a major threat in many industries. This is still a major problem for U.S. firms selling products in China.
6. WT Strategies are defensive tactics directed at reducing internal weakness and avoiding external threats. An organization faced with numerous external threats and internal weaknesses may indeed be a precarious position. In fact, such a firm may have to have to fight for its survival, merge, retrench, declare bankruptcy, or choose liquidation.
7. A SWOT Matrix is composed of nine cells. There are four key factor cells, four strategy cells, and one cell that is always left blank (the upper-left cell). The four strategy cells, labelled SO, WO, ST, and WT, are developed after completing four key factor cells, labelled S, W, O and T. There are eight steps involved in constructing a SWOT Matrix:
 - (i) List the firm's key external opportunities.
 - (ii) List the firm's key external threats.
 - (iii) List the firm's key internal strengths.
 - (iv) List the firm's key internal weaknesses.
 - (v) Match internal strengths with external opportunities, and record the resultant SO Strategies in the appropriate cell.
 - (vi) Match internal weaknesses with external opportunities, and record the resultant WO Strategies.
 - (vii) Match internal strengths with external threats, and record the resultant ST Strategies.

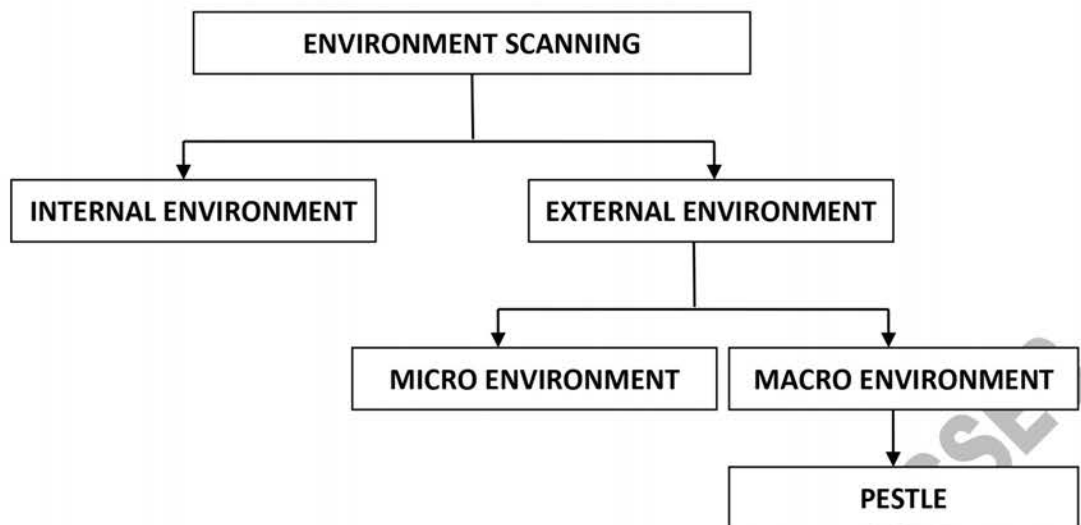
- (viii) Match internal weaknesses with external threats, and record the resultant WT Strategies.

STRENGTHS <ul style="list-style-type: none"> • What is your unique selling proposition? • What are your competitive advantages? • What resources do you have? • What do customers like about your product? • What do you do better than your competitors? • What advantages do your staff members have? • What assets does your company have? 	WEAKNESSES <ul style="list-style-type: none"> • Which areas of your business/projects could use improvement? • What advantages does your company lack? • What do your competitors do better than you? • Which disadvantages do our workers/products have? • Which internal factors interfere with your business success?
OPPORTUNITIES <ul style="list-style-type: none"> • Does economic/political climate help you develop your business? • Which external factors can give you an edge? • How can market fluctuations aid you? • Do these opportunities have temporary nature? 	THREATS <ul style="list-style-type: none"> • Who are your competitors? • Which market areas are potentially dangerous for your business? • Which trends can negatively affect your business? • Is there a product/innovation on the market that will make your product/innovation outdated?

PESTLE ANALYSIS

1. PESTLE stands for – Political, Economic, Sociological, Technological, Legal and Environmental. The term PESTLE has been in regular use for last 10 years.
2. PESTLE analysis is in fact, an audit of environmental influences on the business idea with the purpose of using this information to preascertain the factors affecting the likely project and thereby guide strategic decision making in accordance.
3. PESTLE analysis is a useful tool for understanding the 'big picture' of the environment in which an entrepreneur is planning to operate.
4. A scan of the external macro-environment which is likely to influence the business idea can be expressed in terms of the following factors:
 - (i) Political Factors.
 - (ii) Economic Factors.
 - (iii) Social Factors.
 - (iv) Technological Factors.
 - (v) Legal Factors.
 - (vi) Environmental Factors.

1. PESTLE analysis



PESTLE stands for-

P – Political – Tax policy, employment laws, trade restriction, rule of law etc.

E – Economic – Exchange rates ,labor supply , unemployment , demand, supply etc

S – Sociological – lifestyle, age distribution, health awareness etc.

T – Technological – Impact of new technology, research & development etc.

L – Legal – Employment laws, competition laws, foreign law etc.

E – Environment – Energy available, resources, environmental impact.

The term PESTLE has been in regular use for last 10 years.

PESTLE analysis is a useful tool for understanding the 'big picture' of the environment in which an entrepreneur is planning to operate.

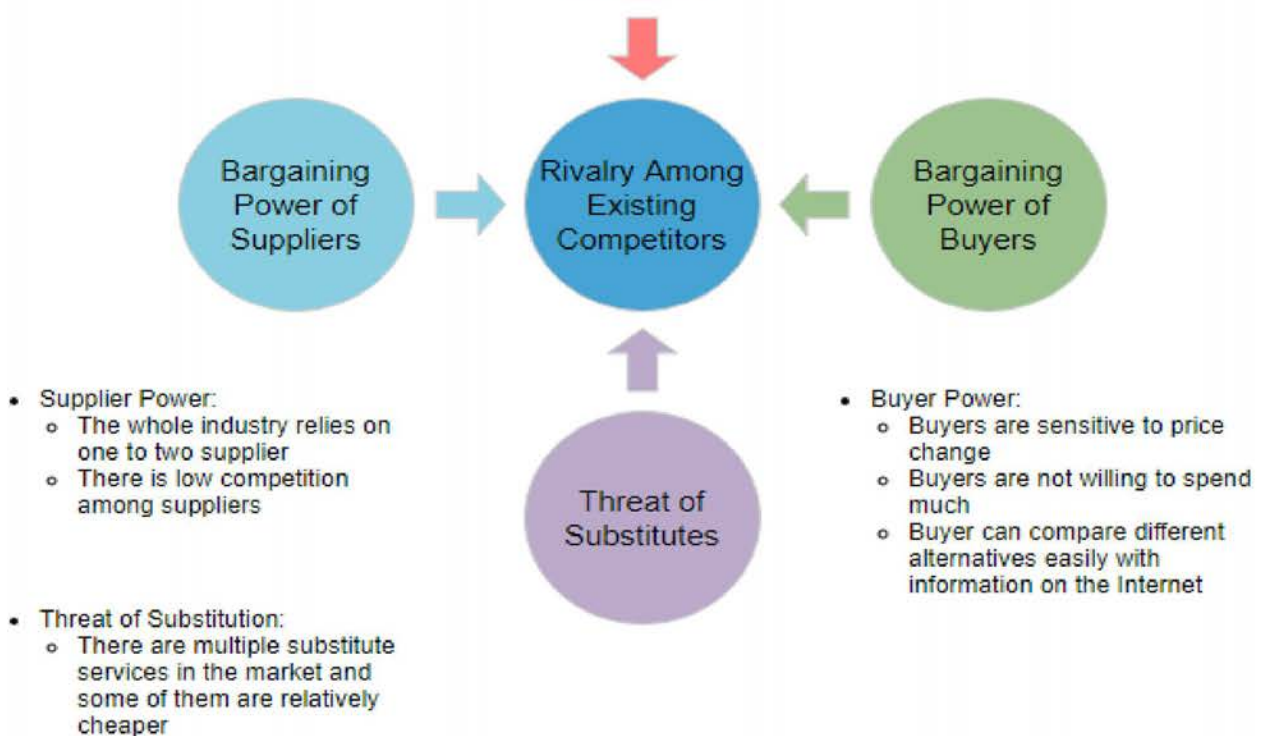
P	E	S	T	E	L
<ul style="list-style-type: none"> - Government policy - Political stability - Corruption - Foreign trade policy - Tax policy - Labour law - Trade restrictions 	<ul style="list-style-type: none"> - Economic growth - Exchange rates - Interest rates - Inflation rates - Disposable income - Unemployment rates 	<ul style="list-style-type: none"> - Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health consciousness - Lifestyle attitudes - Cultural barriers 	<ul style="list-style-type: none"> - Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness 	<ul style="list-style-type: none"> - Weather - Climate - Environmental policies - Climate change - Pressures from NGO's 	<ul style="list-style-type: none"> - Discrimination laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

PORTER'S FIVE FORCES MODEL TO INDUSTRY ANALYSIS AS A TOOL FOR ENVIRONMENTAL SCANNING.

1. Another important tool for environment scanning is to conduct industry analysis which is to take a survey of the existing industry if any, before setting up an entrepreneurial endeavour.
2. The Porter's Five Forces tool is a simple but powerful tool to evaluate the power of business.
3. This is useful, because it helps to understand both the strength of current competitive position, and the strength of the position, and the strength of the position moving into.
4. Porter's Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:
 - (i) Supplier Power.
 - (ii) Buyer Power.
 - (iii) Competitive Rivalry.
 - (iv) Threat of Substitution.
 - (iv) Threat of New Entry.

- **Threat of New Entrants:**
 - Buyer's switching cost is low
 - Not much experience needed
 - Low entry barriers
 - Low R&D expense
 - Low customer loyalty for non-established brands, making it easy for buyer to switch to alternatives
 - Increased bargaining power of suppliers

- **Competitive Rivalry:**
 - High competition. 5% of market players own 83% of market share
 - High competition between online and offline companies
 - Large advertising expense
 - High customer loyalty to established brands
 - Most competitors have a strong finance support
 - Some competitors have government background



TYPES OF ENVIRONMENT SCANNING

PASSIVE	ACTIVE	DIRECTED
Everyone scans continually. Ongoing scanning at an almost unconscious level is passive scanning. No effort is made to select a particular information resource to scan. The criteria of passive scanning are obscure, unspecified, and often continuously changing. Only ad hoc decisions are made on the results of this type of scanning.	Active scanning involves the conscious selection of continuous resources and, from time to time, supplementing them with existing resources as needed.	The active scanning of an existing resource for a specific item is directed scanning. Usually this scanning continues until the items are located, not necessarily until the resources are exhausted. As the specific desired item is known and the resource can be specified, the scanning committee can delegate whatever directed scanning is necessary.

BENEFITS OF CONDUCTING A MARKET ASSESSMENT.

Conducting a market assessment helps to:

- (i) Prepare to enter a new market.
- (ii) Launch a new product/service.
- (iii) Start a new business.

STEPS IN THE MARKETING ASSESSMENT PROCESS?

The marketing assessment process can be laid down into six steps:

1. Defining the problem.
2. Analysis of the situation
3. Obtaining data that is specific to the problem.
4. Analysis and interpreting the data.
5. Fostering ideas and problem solving.
6. Designing a plan.

THE BASIC MISCONCEPTIONS FOR BUSINESS PLANS

There are two basic misconceptions for business plans.

- (i) Too much work for little or no benefit.
 - (ii) Business plans are for larger, fancier companies
- (ii) Business plans are for larger, fancier companies.

DEVELOPING EFFECTIVE BUSINESS PLANS

THE NEED TO DEVELOP AN EFFECTIVE BUSINESS PLAN.

The process of starting a new venture is embodied in the entrepreneurial process, which involves more than just problem solving in a typical management position. An entrepreneur must find, evaluate, and develop an opportunity by overcoming the forces that resist the creation of something new.

MENTION THE PROCESS OF DEVELOPING EFFECTIVE BUSINESS PLAN.

The process has four distinct phases:

- Identification and evaluation of the opportunity.
- Development of the business plan.
- Determination of the required resources.
- Management of the resulting enterprise.

OPPORTUNITY ASSESSMENT PLAN

Opportunity analysis, or what is frequently called an opportunity assessment plan, is one method for evaluating an opportunity. It is not a business plan. Compared to a business plan, it should be shorter; focus on the opportunity, not the entire venture; and provide the basis for making the decision of whether or not to act on the opportunity.

THE CONTENTS OF AN OPPORTUNITY ASSESSMENT PLAN

An opportunity assessment plan includes the following:

- A description of the product or service.
- An assessment of the opportunity.
- An assessment of the entrepreneur and the team.
- Specifications of all the activities and resources needed to translate the opportunity into a viable business venture.
- The source of capital to finance the initial venture as well as its growth.

THE MEANING AND THE CONCEPT OF ENTREPRENEURIAL MOTIVATION.

‘Motivation’ has its origin in the Latin word ‘movere’ meaning ‘to move’.

People certainly don’t work for money alone. Motivation for entrepreneurs is not only profit but success in terms of recognition of its hard work by him.

Motivation alone does not work for entrepreneur’s success, but there are various other things. They are-

- ❖ Self-Efficacy – Self efficacy is ‘ the belief in one’s capabilities to organize and execute the courses of action required to manage prospective situation’
- ❖ Creativity – Creativity is an important element behind the success of entrepreneur.
- ❖ Risk taking – Doing business is itself a risk. But entrepreneur faces more risk in their business because they are the one who start something unique.
- ❖ Leadership – Entrepreneur is the one who is hold of everything, hence he/she has to possess leadership qualities in order to manage people at work.
- ❖ Entrepreneur communication – Communication is also important behind the success of an organization.

In developing business plan and business model, entrepreneurs are generally found apprehensive of myths and misconceptions about the process. These myths need to be aware of and the realities to be known well before making a wrong plan-

1. Myth- Business plans are only for start-up companies

Reality- companies at all stages need to make plans

2. Myth- Business plans should be as detailed as possible, the longer the plan, the better chance that the company will be financed.

Reality- The plan should be concise and well written

3. Myth- Business plans should emphasize ideas and concepts, not people

Reality- business should make plans for people also rather only resources.

4. Myth- Only the foundation entrepreneur should prepare business plans.

Reality- The plans should not only be made by entrepreneurs, but it shall be made by managers, lower management.

5. Myth- optimism should prevail over realism

Reality- The realistic problem of business should be stated rather only optimism.

MCQ QUESTIONS

1. Innovation is the tool of _____
(a) Entrepreneurship
(b) Intrapreneurship
(c) Creativity
(d) Innovation
2. _____ is marked by the ability to create, bring into existence, to invent into a new form, to produce through imaginative skill, to make to bring into existence something new.
(a) Creativity
(b) Entrepreneurship
(c) Intrapreneurship
(d) Innovation
3. Creativity is an _____.
(a) Mental state
(b) Desire
(c) Passion
(d) Attitude
4. Creativity is a _____.
(a) Desire
(b) Passion
(c) Process
(d) Attitude
5. Creativity requires _____.
(a) Fulfilment
(b) Passion
(c) Commitment
(d) Passion and commitment
6. Within every individual, creativity is a function of three components:
(a) Expertise
(b) Creative Thinking Skills
(c) Motivation
(d) All of the above
7. _____ refers to how you approach problems and solutions – the capacity to put existing ideas together in new combinations.
(a) Creativity
(b) Creative thinking
(c) Active thinking
(d) Passive thinking
8. _____ is the drive and desire to do something, an inner passion and interest.
(a) Motivation
(b) Morale
(c) Leadership
(d) Managership
9. Entrepreneurial activity depends on the process of _____ following creativity, not on creativity alone.
(a) Innovation
(b) Motivation
(c) Passion
(d) Commitment
10. _____ is the process of bringing the best ideas into reality, which triggers a creative idea, which generates a series of innovative events.
(a) Innovation
(b) Motivation
(c) Passion
(d) Commitment
11. _____ requires a fresh way of looking at things, an understanding of people, and an entrepreneurial willingness to take risks and to work hard.
(a) Motivation
(b) Passion
(c) Innovation
(d) Commitment

12. It's very difficult to come up with new, creative, and novel ideas unless you are _____ about moving society forward.
- Creative
 - Fashionate
 - Actionate
 - Passionate**
13. Two people can see the exactly the same thing, but perceive it differently based on their _____.
- Mission
 - Vision**
 - Mission or vision
 - Mission and vision
14. Growth and development cannot be sustained without additional _____.
- Commitment
 - Passion
 - Innovations**
 - Motivation
15. Entrepreneurship is, the _____ involved in the creation of an economic enterprise based on a new product or service which, differs significantly from products or services offered by other suppliers in content or in the way its production is organized nor in its marketing.
- Quality & result oriented
 - Business process
 - Revolutionary process
 - Innovatory process**
16. Environment Scanning is _____ of an organisation's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.
- Special monitoring
 - General monitoring
 - Careful monitoring**
 - Careless monitoring
17. To sustain competitive advantage, the company must also respond to the information gathered from _____ by altering its strategies and plans when the need arises.
- Environmental scanning**
 - Active scanning
 - Passive scanning
 - Indirect scanning
18. When _____ is taken into consideration; environment scanning is another important factor to be taken care of with regards to developing a new plan which comprises of innovative ideas and creative ends so that the same may be developed and offered in the market after a careful analysis for its possibility of acceptance, opportunity in the market after a careful analysis for its possibility of acceptance, opportunity in the same, and prospective threats.
- Motivation
 - Morale
 - Intrapreneurship
 - Entrepreneurship**
19. Entrepreneurs need to carry out environmental scanning to _____ the results that their business innovation would result in.
- Anticipate and interpret**
 - Anticipate
 - Interpret
 - Calculate
20. Companies which scan their business environment are proven to achieve _____ and revenue growth compared to companies which do not.
- Average profits
 - Medium profits
 - Higher profits**
 - Desired profits

21. The importance of environmental scanning was first recognized by _____ in the late 1970s.
- Fire insurance firms
 - Life insurance firms**
 - Marine insurance firms
 - General insurance firms
22. Techniques which may be used in environment scanning are
- SWOT Analysis
 - PEST / PESTEL Analysis
 - Industry Analysis
 - All of the above**
23. Originated by Albert S Humphrey in the _____.
- 1960s**
 - 1970s
 - 1860s
 - 1960s
24. SWOT Analysis merges the _____ (environment analysis, opportunities and threats identification) with the internal factors (company's resources analysis, company's strengths and weaknesses identification).
- Inside factors
 - External factors**
 - Outside factors
 - Industry factors
25. Strengths and weaknesses are often _____ to your organisation.
- Internal**
 - External
 - Internal or external
 - Internal and external
26. Opportunities and threats generally relate to _____.
- Economic factors
 - Industry factors
 - Internal factors
 - External factor**
27. When looking at _____, PESTLE Analysis can also help to ensure that you don't overlook external factors, such as new government regulations, or technological changes in your industry.
- Weaknesses
 - Opportunities
 - Threats
 - Opportunities and threats**
28. PESTLE analysis is infact, an _____ of environmental influences on the business idea with the purpose of using this information to preascertain the factors affecting the likely project and thereby guide strategic decision-making in accordance.
- Visualising
 - Accounting
 - Audit**
 - Accounting & auditing
29. PESTLE analysis is a useful tool for understanding the _____ of the environment in which an entrepreneur is planning to operate.
- Average picture
 - Big picture**
 - Medium picture
 - Small picture
30. An important tool for environment scanning is to conduct _____ which is to take a survey of the existing industry if any, before setting up an entrepreneurial endeavour. An entrepreneur is most concerned with the intensity of competition to which his idea is exposed..
- Industry analysis**
 - Economic analysis
 - Situational analysis
 - Company analysis

31. The Porter's _____ tool is a simple but powerful tool to evaluate the power of business.
- Four Forces
 - Five Forces**
 - Ten Forces
 - Three Forces
32. Porter's _____ Analysis assumes that there are five important forces that determine competitive power in a business situation.
- Five Forces**
 - Four Forces
 - Ten Forces
 - Three Forces
33. _____ assesses how easily suppliers may drive up prices..
- Supplier Power**
 - Customer Power
 - Company Power
 - Industry Power
34. _____ evaluates how easy it is for buyers to drive prices down.
- Buyer Power**
 - Supplier Power
 - Customer Power
 - Industry Power
35. _____ is affected by the ability of your customers to find a different way of doing what you do.
- Threat of Substitution**
 - Threat in General
 - Weaknesses
 - Strong Desire
36. If you have _____ for your key technologies, then new competitors can quickly enter your market and weaken your position.
- General protection
 - Little protection**
 - Big protection
 - Industry protection
37. Environmental scanning beings with gathering information about the _____ environments.
- Internal
 - External
 - Internal and external**
 - Internal or external
38. _____ has traditionally been a major source of information about the external world for most entrepreneurs for decision making on the new product.
- Passive scanning**
 - Environmental scanning
 - Active scanning
 - Indirect scanning
39. The components of _____ are quite different from those of passive, scanning.
- Environmental scanning
 - Active scanning**
 - Passive scanning
 - Indirect scanning
40. The active scanning of an existing resource for a specific item is _____.
- Environmental scanning
 - Active scanning
 - Passive scanning
 - Directed scanning**
41. Conducting a market assessment helps to:
- Prepare to enter a new market
 - Launch a new product/service
 - Start a new business
 - All of the above.**
42. _____ is research that is pro-actively created for a specific purpose.
- Company research
 - Industry research
 - Primary research**
 - Primary research

43. _____ is research that has already been conducted for other purposes.
- Company research
 - Secondary research
 - Industry research
 - Primary research**
44. Data analysis and interpretation is _____ in analyzing the market.
- Circumstantial
 - Situational**
 - Critical
 - Conditional
45. Analysis be done in the support of experts and right results are _____.
- Drafted
 - Crafted
 - Rafted**
 - Drafted and crafted
46. _____ shows the specifics of how the entrepreneur will market or attempt to sell his product or service.
- A marketing plan
 - A financing plan**
 - A sales plan
 - A production plan
47. PESTLE is part of which type of environment -
- Micro**
 - Macro
 - External
 - Business
48. T in SWOT stands for -
- Threats**
 - Tasks
 - Tactics
 - Technology
49. Industry analysis is given by which of the following -
- Porter**
 - H.N. Hansen
 - Koontso'donnel
 - Joseph Schumpeter
50. Which of the following is an economic factor -
- Exchange rates
 - Licensing regulations**
 - Labour courts
 - Employment needs
51. Sell _____ and not _____ is the statement given by stevejs. .
- Company, customers
 - Desire, wants
 - Product, dreams
 - Dreams, product**
52. Which of the following, entrepreneurship does not offer -
- Independence and freedom
 - Recognition
 - Opportunity of being own boss
 - Less income**
53. Bill gates is considered which of the type of entrepreneur -
- Visionary**
 - Superstar
 - Sustainer
 - Idealist
54. Charm and high energy relates to which of the following -
- Visionary
 - Superstar**
 - Sustainer
 - Idealist
55. Intrapreneur faces competition from -
- Entrepreneurs
 - Managers
 - Employees within the organization**
 - All the above

56. Which of the following is not the characteristics of entrepreneurship
- (a) Innovation
 - (b) Organising skills
 - (c) Indifference approach
 - (d) Risk-taking
57. Entrepreneurship work for
- (a) Profits
 - (b) Salary
 - (c) Remuneration
 - (d) Commission
58. Which of the following is not technique is not used in business environment scanning?
- (a) PESTEL analysis
 - (b) Industry analysis
 - (c) Swot Analysis
 - (d) Government analysis
59. In relation to the PESTEL framework which of the following statements is correct:
- (a) It assists in the assessment of organizational strengths and weaknesses.
 - (b) It allows a detailed analysis of the structure of an industry
 - (c) It can be used as a checklist to understand the different environmental influences in the macro environment.
 - (d) Takes an historical perspective on the main political, economic, sociocultural, technological, environmental and legal factors.
60. The five forces that affect the level of competition in an industry are:
- (a) Threat of entrants; power of buyers; power of suppliers; threat of substitutes; competitive rivalry.
 - (b) Threat of buyers; power of entry; power of substitutes; threat of suppliers; threat of recession.
 - (c) Threat of recession; power of buyers; power of suppliers; threat of management failure; competitive rivalry
 - (d) Threat of entry; power of buyers; power of suppliers; threat of substitutes; government action



**TIME FOR
NKJ-CLASS TEST !**



Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

CHAPTER 16

GROWTH & CHALLENGES OF ENTREPRENEURIAL VENTURE

NATURE OF PLANNING IN EMERGING FIRMS

- The main objective of business planning is to provide and implement the formal and systematic business plan.
- Stage of development in entrepreneurial firm

Seed stage \rightleftarrows up \rightleftarrows growth \rightleftarrows blished \rightleftarrows rate

According to **Peter F Drucker**, **innovation** is a means by which entrepreneurs exploit change as an opportunity for a different business or a different service.

Paul H Wilkenins his work 'Entrepreneurship- a comparative and historical study' lists the following innovations by changes brought out by entrepreneurs:

Initial expansion

Subsequent expansion

Factor innovation

Production innovation

Market innovation

Systematic business planning must include these elements

- Strategic planning
- Operational planning

FUTURE OF ENREPRENEURSHIP

- Government is taking increased interest in promoting the growth of entrepreneurship.
- Government is trying to promote startups and giving them various benefits such as tax incentives and many infrastructure facilities.
- New enterprises will thus create job opportunities and add to economic value.
- States should have venture funds where fixed % has to be invested in the ventures of the state.

CREATING INDIAN ENTREPRENEUR

CREATE THE RIGHT ENVIRONMENT FOR SUCCESS	A major challenge for India is to create a handful of areas of excellence the breeding ground where ideas grow into businesses.
ENSURE THE ENTREPRENEURS HAVE	India should move towards ensuring that the curriculum of the universities is modified to address today's challenge of changing

ACCESS TO THE RIGHT SKILL	business landscape, particularly in emerging markets and to build centers of excellence in institutes that will actively assist entrepreneur.
ENSURE THAT ENTREPRENEUR HAVE ACCESS TO SMART CAPITAL	India has only few angel investors who support the idea in the early stages before VCs become involved.
ENABLE NETWORKING AND EXCHANGE	Through planning and focus India has aspire to create a pool of entrepreneur who will be the regions and the world leaders of tomorrow.

CHALLENGES BEFORE ENTREPRENEUR

- ❖ No rules protecting employers
- ❖ Global competition
- ❖ Changes around the globe
- ❖ Lack of balance between projects and personal
- ❖ Delayed payments
- ❖ Uncertain return to the investor



Strategic planning

Strategic planning is the core of the work of an organization. Without a strategic framework you don't know where you are going or why you are going there. So, then, it doesn't really matter how you get there!

A strategy is an overall approach and plan. So, strategic planning is the overall planning that facilitates the good management of a process. Strategic planning takes you outside the day-to-day activities of your organization or project. It provides you with the big picture of what you are doing and where you are going. Strategic planning gives you clarity about what you actually want to achieve and how to go about achieving it, rather than a plan of action for day-to-day operations.

Strategic planning includes strategic management which implemented the following strategic processes-

- (1) Environmental scanning
- (2) Strategy formulation
- (3) Strategy implementation
- (4) Evaluation and control

Operational planning

Operational planning defines how to operate in practice to implement action and execute plans. Simply, operational planning is the conversion of strategic goals into executions.

Operational planning means to make plans on the basis of strategies and it is planning of operations to give a real existence to imaginative strategies.

Entrepreneur must possess the following characteristics-

Innovation - There are various types of innovation which is to be implemented in various areas of business-

- a) Initial expansion
- b) Subsequent expansion
- c) Factor innovation
- d) Production innovation
- e) Market innovations

Risk oriented - An entrepreneurship has to undertake and bear all possible risks that may arise out of implementation of his plans or project.

Achievement orientation - Achievement orientation means the quest for success in relation to preset standards of excellence. He measures interest of entrepreneurs in terms of profit or achievement motive which remains constant regardless of change in events.

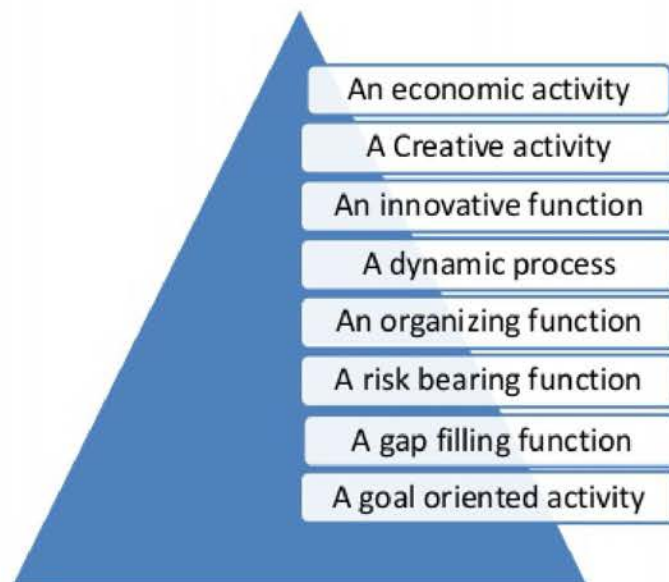
Involves managerial skills and leadership - Leadership and managerial skills are interwoven in entrepreneurship right from infant stage of an enterprise. Initial business decisions determine the success and failure of an enterprise.

Impact of cultural and religious factors - Cultural and religious factors determine the mental attitude towards work and desire to acquire money or wealth.

Entrepreneurship is a practice - *Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, what constitute knowledge in practice is largely defined by the ends, that is, by the practice.*

An economic activity - Enterprises are established to produce and distribute goods and services.

Main features of entrepreneurship



FINANCING ENTREPRENEURIAL BUSINESS

- ♣ Resource assessment-it can be self-financial or from some other ways like loan. The factors affecting business is both financial and non-financial.
- ♣ Fixed and working capital-fixed and working capital depends upon many factors like industry, place, credit limits etc.
- ♣ Funds flow-it tells the firms income expenditure status of the firm.
- ♣ Sources of finance –it depend on business to which type of source whether internal or external to be used in business.
- ♣ Means of finance-means by which a budget deficit is financed or a surplus is used.

IMPORTANCE OF ENTREPRENEURSHIP

- ♣ Effecting change
- ♣ Modernization
- ♣ Expansion
- ♣ Diversification

DIFFERENCE BETWEEN AN EMPLOYEE AND AN ENTREPRENEUR

EMPLOYEE	ENTREPRENEUR
An employee is used to thinking of value in terms of time and effort	An employee is used to thinking of value in terms of Utility.
time is money	leverage is money
Employees 'work hard,' and their efforts and rewards are linear.	Entrepreneurs 'work smart' and their efforts and rewards are exponential
Employees tend to think win-lose.	
Employees tend to think of getting employees get by while entrepreneurs get rich	entrepreneurs tend to think of giving
employees tend to think short-term	Entrepreneurs hire employees
	entrepreneurs think long-term



Job 2 Joy
www.job-2-joy.com

MCQ QUESTIONS

1. The most significant benefit of a business plan is in the periodic review of _____.
(a) Actual results
(b) Factual results
(c) Standard results
(d) Industry results
2. A manager/owner should take out the business plan on a _____ and review their actual results to the forecast.
(a) Quarterly basis
(b) Monthly basis
(c) Bimonthly basis
(d) Yearly basis
3. _____ do not have to be fancy documents full of charts and graphs.
(a) Production and marketing
(b) Company plans
(c) Economic plans
(d) Business plans
4. _____ in each functional area of the company will show how to accomplish the goals.
(a) A functional strategy
(b) A company strategy
(c) A advanced strategy
(d) A basic strategy
5. _____ will show how to pay for it all.
(a) A marketing plan
(b) A financial plan
(c) A selling plan
(d) A production plan
6. _____ of the goals, objectives, and interim targets bring everyone back in focus with what they are trying to accomplish.
(a) Yearly Reviews
(b) Half-yearly Reviews
(c) Regular Reviews
(d) Periodic Reviews
7. _____ are for small companies as well as large.
(a) A production plan
(b) A selling plan
(c) Business plans
(d) A financial plan
8. an _____, the best approach to make the creative innovative business idea a success is to find someone who'll pay for the development of something they need and also let the entrepreneur keep the right to sell it to others.
(a) Inventor-entrepreneur
(b) Inventor-entrepreneur
(c) Inventor
(d) Entrepreneur
9. Skills necessary to successful business is
(a) Engineering Skills – the skill to invent, create, innovate and develop new products (or services).
(b) Manufacturing Skills – the skill to deliver them, consistently and reliably, with quality, service and price.
(c) Selling Skills – the skill to sell them.
(d) Business Skills – the skill to make a profit doing the above three.
(e) All of the above.
10. The skills necessary to start a business are _____.
(a) Innovation
(b) Engineering
(c) Selling
(d) Engineering and Selling

11. Buyers cannot exercise high bargaining power over their suppliers if.
- The volume they buy accounts for a large percentage of their suppliers' sales.
 - There are few buyers in the market.
 - They have many suppliers to choose from.
 - There is a high concentration of suppliers.**
12. All of the following are recognized as potential sources of entrepreneurial ideas, EXCEPT:
- Work experiences, skills, and abilities
 - Familiar and unfamiliar products and services
 - Personal interest or hobbies
 - All of the above are recognized as potential sources of entrepreneurial ideas**
13. An _____ is an individual who creates something for the first time, is a highly driven individual motivated by his or her own work and personal ideas.
- Entrepreneur
 - Inventor**
 - Juggler
 - None of the above
14. _____ must find, evaluate, and develop an opportunity by overcoming the forces that resist the creation of something new.
- An entrepreneur**
 - An intrapreneur
 - A businessman
 - An innovation leader
15. Whether the opportunity is identified by using input from consumers, business associates, channel members, or technical people, each opportunity must be carefully _____.
- Drafted
 - Screened
 - Evaluated
 - Screened and evaluated**
16. A good business plan is essential to developing the opportunity and determining the _____.
- Resources required
 - Obtaining those resources
 - Successfully managing the resulting venture
 - Resources required, obtaining those resources, and successfully managing the resulting venture**
17. Effective business planning is critical to an entrepreneurial company's _____ and its ability to raise capital and grow successfully.
- Medium-term success
 - Short-term success
 - Long-term success**
 - Average-term success
18. In developing a Business Plan and a Business Model, _____ are generally found apprehensive of myths and misconceptions about the process.
- Intrapreneur or entrepreneur
 - Intrapreneurs
 - Entrepreneurs**
 - Intrapreneur and entrepreneur
19. Business plans are only for _____ companies.
- Running companies
 - Start-up**
 - Large companies
 - Small companies
20. Business plans should be as detailed as possible; the longer the plan, the better chance that the company will be _____.
- Successful
 - Sound
 - Sound and successful
 - Financed**

21. Business plans should emphasize ideas and concepts, _____.
- Not finances
 - Not employees
 - Not resources
 - Not people**
22. Only the founding _____ should prepare business plans.
- Intrapreneur
 - Entrepreneur**
 - Intrapreneur or entrepreneur
 - Intrapreneur and entrepreneur
23. _____ should prevail over realism.
- Optimism**
 - Pessimism
 - Optimism or pessimism
 - Optimism and pessimism
24. In a very simple and straightforward manner, _____ is the ability of creation, that is the causing of a new thing to exist.
- Intrapreneurship
 - Entrepreneurship
 - Creativity**
 - Style
25. _____ is a most welcomed attribute of a business plan analysis, especially when explaining the product or service to be marketed in terms of its competitive advantages..
- Intrapreneurship
 - Entrepreneurship
 - Creativity**
 - Style
26. Entrepreneurship is a special skill set. Some great entrepreneurs are not-so-great leaders or managers, but successful leaders need to master some of the _____ skill set.
- Intrapreneurship
 - Creativity
 - Style
 - Entrepreneurship**
27. Successful entrepreneurs require an edge derived from some combination of a _____ and a superior capacity for execution.
- Planned data
 - Calculated data
 - Creative idea**
 - Imaginative data
28. _____ also means anticipating the needs of the market, offering additional quality or services, organisation efficiently, mastering details, and keeping cost under control.
- Innovation**
 - Motivation
 - Morale
 - Careful business plan
29. Ongoing scanning at an almost unconscious level is _____.
- Directed scanning
 - Active scanning
 - Passive scanning
 - Indirect Scanning**
30. Which of the following does not include in marketing assessment process -
- Defining the problem
 - Festering ideas
 - Feedback**
 - Designing a plan
31. Business plans are only for start up companies, it is a -
- Myth**
 - Reality
 - Both A and B
 - None of the above
32. Who claimed that entrepreneurship requires no ordinary sill -
- Mill**
 - Smith
 - Ricardo
 - None of the above

33. Alfred Marshall gave the necessity of entrepreneurship in -
- 1880
 - 1867
 - 1890**
 - 2002
34. An entrepreneur's primary motivation for starting a business is
- To make money
 - To be independent**
 - To be famous
 - To be powerful
35. The _____ plan should contain control points to ascertain progress.
- Business
 - Marketing
 - Financial
 - Operational**
36. What out of the following is entrepreneurship which is totally internal in an organisation:
- Internal Entrepreneurship
 - Internal Intrapreneurship
 - Both a) & b)
 - None of the above**
37. _____ is the one to go through minimum income risk: .
- Manager**
 - Entrepreneur
 - Both a and b
 - None of them
38. Industry analysis should include information on:
- Market size of competitor's product
 - Growth rate of suppliers
 - New products entry
 - Economic conditions**
39. The man to coin the word 'Intrapreneur':
- Thomas Malthus
 - Gifford Bentinck
 - Gifford Pinchot**
 - Thomas Pogge
40. Market innovation refers to _____.
- Discovering new product and market**
 - Setting up of a new shop
 - Acquiring a market place and bring innovation to it.
 - Procurement of capital to buy market
41. Concept of entrepreneurship was referred as _____.
- Board Management
 - Business Administration
 - Board Administration**
 - Business Management
42. What is the full form of LDC?
- Low Division Countries
 - Less Developed Countries
 - Low Development Countries**
 - Less Development Countries
43. The feature of business should be
- Unlawful business
 - No risk**
 - Distinct ownership
 - No status

CHAPTER 17

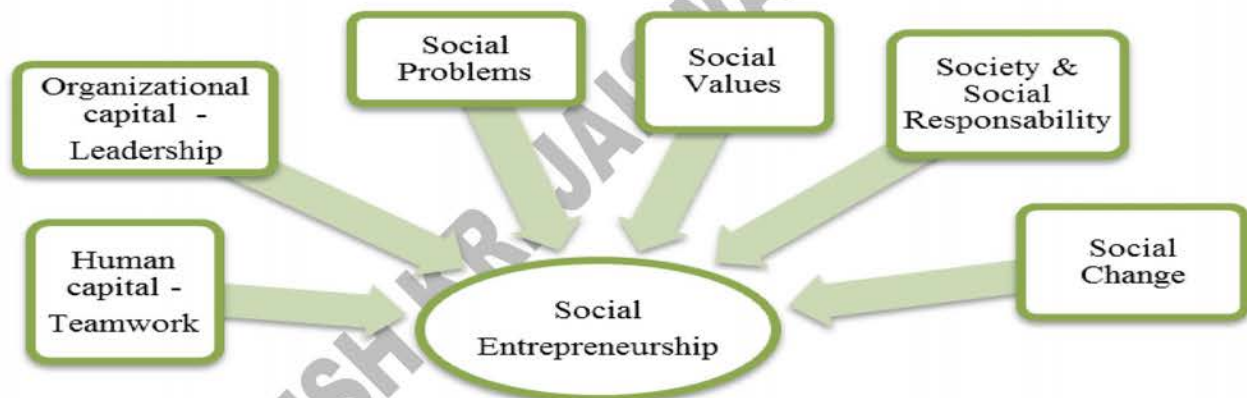
SOCIAL ENTREPRENEURSHIP

Social entrepreneurship

Social entrepreneurship is the use of the techniques by start-up companies and other **entrepreneurs** to develop, fund and implement solutions to **social**, cultural, or environmental issues. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs.

Social entrepreneur

- They are individuals with innovative solutions to society's most pressing social problems.
- They find what is not working and solve the problem by changing the system, spreading the solutions, and persuading entire new societies to take new leaps.
- They commit their lives to changing the direction of their fields.
- They present ideas that are user friendly, understandable and ethical



Qualities of social entrepreneur

Ambitious
Persistent
Tackling major social issues
Innovative and creative
Problem solving

Why social entrepreneur?

- They act as the change agents for society, seizing opportunities other miss and improving systems, inventing new approaches, and creating solutions to change society for the better.
- It comes up with new solutions to social problems and then implements them on a large scale.

➤ They act as change agents by-

- Adopting a mission to create and sustain social value(not just private value) Recognizing and relentlessly pursuing new opportunity to serve the mission
- Engaging in a process of continuous innovation, adaptation and learning
- Acting boldly without being limited by resources currently in hand
- Exhibiting heightened accountability to the constituencies served and for the outcome created.

How to identify a social entrepreneurship opportunity?

Mission- it is to bring the benefits to society.

It must be said that opportunities in social enterprise are normally based on the need to create some type of social value that is benefit the local community by sowing a social problem or providing any assistance.

Creating a social business model

Elements of business model	The business model for a social enterprise is the channel that the social entrepreneur converts inputs into outputs,the generation of both social and economic value.
1. Operating strategy	It includes internal organisation structure and external partnership that are crucial for creating the organisation intended impact.
2. Resource strategy	It defines where and on what terms the organisation will acquire the resources it needs to do its work.

Business models

Business models	How it works	Examples	Key factors
Entrepreneur support	Sells business support to its target population	Microfinance organizations, consulting or tech support	Appropriate training for the entrepreneur
Market intermediary	Provide services to clients to help them access markets.	Supply cooperatives like fair trade, agriculture and handicraft organizations	Low start-up costs, allows clients to stay and work in their community
Employment	Provide employment opportunity and job training to clients and then sells its products or services on the open markets.	Disabilities or youth organizations providing work opportunities in landscape, cafes, printers, or other business	Job training appropriateness and commercial viability

Free for service	Selling social services directly to clients or a third party payer.	Membership organizations, museums, and clinics	Establishing the appropriate fee structure vis a vis the benefits
Low income client	Similar to fee-for-service in terms of offering services to clients but focuses on providing access to those who couldn't otherwise afford it.	Healthcare (prescriptions, eyeglasses), utility programs	Creative distribution systems, lower production and marketing costs, high operating efficiencies
Cooperative	Provides members with benefits through collective services.	Bulk purchasing, collective bargaining (union), agricultural coops, credit unions	Members have common interests/needs, are key stakeholders, and investors
Market linkage	Facilitates trade relationships between clients and the external market.	Import-export, market research, and broker services	Dies not sell clients' products but connects clients to markets
Service subsidization	Sells products or services to an external market to help fund other social programs this model is integrated with non-profit organization; the business activities and social programs overlap.	Consulting, counselling, employment training, leasing, printing services, and so forth	Can leverage tangible assets (building, lands, employees) or intangible (expertise, methodologies, or relationships)
Organisational support	External model is being applied where business activities are separated from social programs	Similar to service subsidization- Implement any type of business that leverages its assets	Similar to service subsidization.

Funding social ventures

- Equity investors
- Banks
- Bond funds
- Ventures capitalists
- Provide risk-return through balance sheet to investors.

Capital broadening

- Loan guarantees-A loan guarantee, in finance, is a promise by one party (the guarantor) to assume the debt obligation of a **borrower** if that **borrower** defaults. A guarantee can be limited or unlimited, making the guarantor liable for only a portion or all of the debt.
- Quasi equity debt-Quasi-equity fills the gap between debt and equity and aims to reflect some of the characteristics of both. Quasi-equity, also known as revenue participation **investment**, is usually structured as investments where the financial return is calculated as a percentage of the investee's future revenue streams.
- Pooling-In resource management, pooling is the grouping together of resources for the purposes of maximizing advantage or minimizing risk to the users. The term is used in finance, computing and equipment management.
- Social impact bonds-A social impact bond, also known as pay for success financing, a pay for success bond or a social benefit bond or simply a social bond, is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings.



CHAPTER 18

GOVERNMENT INITIATIVES FOR BUSINESS DEVELOPMENT

Government initiatives

Ministry of skill development and entrepreneurship	The ministry is responsible for co-ordination of all skill development efforts across the country, removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill up gradation, building of new skills and innovative thinking. There are further collaborations with universities, colleges and organisations.
National skill development agency	It is created with the mandate to coordinate and harmonise the skill development exercise in the country.
National Skill Development Corporation	The National Skill Development Corporation India (NSDC) was setup as a one of its kind, Public Private Partnership Company with the primary mandate of catalysing the skills landscape in India.

Objectives of national skill development corporations

- Upgrade skill to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance.
- Enhance, support and coordinate private sector initiatives for skill development through appropriate public private partnership models, strive for significant operational and financial involvement from the public sector.
- Play the role of market maker by bringing financing, particularly in sectors where market mechanism is ineffective or missing.
- Prioritize initiatives that can have a multiplier or catalytic effect as opposed to one off impact.

Partnerships

- Private sector
- International engagement
- Central ministries
- State government
- University /school system
- Non-profit organisation
- Innovation



Start-up

- A start up is a company that is first stage of its operations.
- A start-up company (start-up or start-up) is an entrepreneurial venture which is typically a newly emerged, fast-growing business.
- it aims to meet a marketplace need by developing a viable business model around innovative product, service, process or a platform.
- A start-up is usually a company such as a small business, a partnership or an organization designed to effectively develop and validate a scalable business model.

DIFFERENCE BETWEEN START-UP AND SME?

DEFINATION	A start-up , according to Steve Blank, is a "temporary organization designed to search for a repeatable and scalable business model." A start-up is searching for answers to the product it will sell, the customer it will serve and the way it will make money from delivering value to its customers.	A SME , according to the U.S. Small Business Administration (SBA) is an "independently owned and operated, organized for profit, and not dominant in its field." SMEs generally sell known products to known customers in known local markets.
INTENT	A start-up owner's intent is to scale and to grow into a large, disruptive company that has a significant impact on the existing market and may even be intent on creating new markets.	The SME owner's intent on the other hand is to be their own boss and secure a financially sustainable place in a local market. SMEs are driven by making a profit and creating a business offering stable long-term value, while start-ups are focused on top-end revenue volume and growth potential.
FUNCTION	The start-up organization's primary function is to search for a repeatable and scalable business model via a process of testing, pivoting and validating innovative hypotheses. So	An SME starts out in a structured organisation that is focused on the delivery of value to known customers. An SME does not need to change nor is it structured to change rapidly.

	the start-up will either "exit" the start-up phase and become a real business or it might fail to find the repeatable and scalable business model within the cash-flow limits and will move on to another opportunity. However once found, a start-up then morphs into focusing on the execution of the proven business model and so changes from an agile innovative temporary organisation to a more structured one focused on delivery the plan.	
FUNDING	In order for start-ups to grow into a large disruptive enterprise, they seek additional funding by way of diluted equity. (Sharing profits with other investor/owners and so losing a measure of control)..	The concept of relinquishing control would defeat the purpose of an SME owner running their own business, so the funding approach for start-ups and SMEs is very different

LATEST POLICY INITIATIVES

- MSMEunit has to fill in a single one page self declaration online form called udyogaadhar.
- The Apprentices Act,1961 was amended to enable even the MSME units engage apprentices which will enable the units to get trained labour as well as in turn supply skilled labour.
- Apprentice ProtsahanYojnawas that 50% of the stipend payable to the apprentices would be reimbursed by the gov for the first two years which is an incentive for MSME.
- ASPIRE SCHEME, MARCH 2015 It is a scheme for promotion of innovation, rural industry and entrepreneurship.it is to set up a network of technology and incubation centres to accelerate entrepreneurship and also to promote start-ups for innovation in agro industry.
- Atal innovation mission the program operated from NITI aayog is about an innovation promotion platform involving academics, entrepreneurs and researchers and draw upon national and international experience to foster a culture of innovation, R&D, and scientific industry.

Self-employment and talent utilization(SETU)

- It is a techno financial, incubation and financial programme to support all aspects of start-up businesses and other self-employment activities, particularly in technology driven areas operated from NITI Ayog.
- The expert committee has identified 5 major drivers for creating a vibrant entrepreneurial eco system –
 - Catalytic gov. policy and regulatory framework
 - Easy access to equity capital and debt

- Businesses as entrepreneurial hub
- Culture and institution which encourage entrepreneurship over careerism
- Adequate and effective collaboration forums.

Stand up India

- Narendra Modi launched the 'Stand up India' scheme on 5 April 2016 as part of the government's efforts to support entrepreneurship among women and SC & ST communities
- The scheme offers bank loans of between ₹10 lakh (US\$16,000) and ₹1 crore (US\$160,000) for scheduled castes and scheduled tribes and women setting up new enterprises outside of the farm sector.

ELIGIBILITY

- SC/ST And women entrepreneur should be 18 years or more
- Certification from DIPP
- The age of the company must not exceed 5 years
- The product must be related to commercialism
- Borrower should not be bank defaulter
- Loans under the scheme is available for only green field project

In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST/WOMEN.

ABBREVIATIONS

DIPP	DEPARTMENT OF INDUSTRY POLICY AND PROMOTION
MSME	MICRO SMALL AND MEDIUM ENTERPRISE
PwD	PERSON WITH DISABILITIES
SIDBI	SMALL INDUSTRIAL DEVELOPMENT BANK OF INDIA
IAF	INDIAN ASPIRATIONS FUND
EDF	ELECTRONIC DEVELOPMENT FUND
AIM	ATAL INNOVATION MISSION
MUDRA	MICRO UNITS DEVELOPMENT & REFINANCING AGENCY,
SETU	SELF EMPLOYMENT AND TALENT UTILIZATION
NBFC	NON BANK FINANCIAL INSTITUTION
SBA	SMALL BUSINESS ADMINISTRATION
SDMS	SKILL DEVELOPMENT MANAGEMENT SYSTEM
NOS	NATIONAL OCCUPATIONAL STANDARDS
SSC	SECTOR SKILL COUNCILS
PPP	PUBLIC- PRIVATE PARTNERSHIP
NSDC	NATIONAL SKILL DEVELOPMENT CORPORATION
MSDE	MINISTRY OF SKILL DEVELOPMENT & ENTREPRENEURSHIP
NSDF	NATIONAL SKILL DEVELOPMENT FUND



TIME FOR NKJ-CLASS TEST !



Dear NKJ Student !

Please Request your Faculty to
Conduct Test of Past Chapter and
ensure that the test is surely conducted.

Its mandatory !

"Practice makes a man perfect"

TM

NITESH KR. JAISWAL CS CLASSES



CORPORATE LAW ACADEMY

The Best CS-Coaching is Here !

Empowering

CS

Education

TM

NITESH KR. JAISWAL CS CLASSES



CORPORATE LAW ACADEMY

The Best CS-Coaching is Here !