Business Management

Prepared by

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Syllabus

University of Calicut

B.COM COOPERATION/ FINANCE

BCMIB01 Business Management

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Time: 6 Hours per week   **Credits: 4**

Objectives: To understand the process of business management and its functions, To familiarize the students with current management practices, To understand the importance of ethics in business, To acquire the knowledge and capability to develop ethical practices for effective management.

Module 1

Concepts of management: Characteristics of management – Schools of management thought – Management and administration – Management by objectives – Management by participation – Management by exception – Management by motivation – Functions of management – Planning – Organizing – Departmentation – Delegation.   **25 hours**

Module 2

Function s of management: Motivation – Concept and contributions of Mc Gregor, Maslow and Herzberg – Leadership – Concepts and styles – Leadership traits – Communication – Process and barriers – Control – Concepts – Steps – Tools – Coordination – Concept – Principles – Techniques   **20 hours**

Module 3

Business ethics: Ethics and morality – Theories of ethics – Technological theory – Deontological theory – Virtue theory – Types of ethics – Meaning and scope of business ethics – Characteristics – Objectives of business ethics – Factors influencing business ethics – Arguments for and against business ethics – Different views of business ethics – The separatist view – The Unitarian view – The integration view – Ethical issues in global business   **20 hours**

Module 4

Corporate social responsibility: Meaning and definition – History of CSR activities – Concept of corporate citizenship – Need and importance of CSR – Stakeholders of CSR – Steps in the implementation of CSR activities – CSR and business ethics – CSR and corporate governance – CSR initiative s in India.   **18 Hours**

Module 5

Emerging concepts in management: Kaizen – TQM – TPM – MIS – ISO – Change management – Stress management – Fish bone (ISHIKAWA) Diagram – Holacracy Rank and Yank – 20% time – Gamification – Flex working - Business eco system – Logistics management   **13 hours**

Module: 1

Introduction to Management

Definition of management

1. Functional concept

➢ According to Henry Fayol, "To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control."

➢ According to Louis A. Allen, "Management is the planning, organizing, command, co-ordination and control of the technical, financial security and accounting activities".

2. Human relations concept

➢ Lawrence A. Appley defines, "Management is getting things done through the efforts of other people"

➢ According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups. It is the art of creating an environment in which people can perform as individuals and yet co-operate towards attainment of group goals."

3. Decision making concept

➢ According to E. Peterson and E .G Plowman, "A technique by means of which the purposes and objectives of a particular human group are determined, classified and effectuated".

4. Productivity concept

➢ According to F.W Taylor, "Management is the art of 'knowing what you want to do' and then seeing that it is done in the best and cheapest way."

5. Integration concept

➢ According to Wheeler, "Business management is a human activity which directs and controls the organization and operation of business enterprises. Management is centered in the administration or managers of the firm who integrates men, material and money into an effective operating unit."

Characteristics of Management

- It is a process
- It is a social process
- Existence of objectives
- Integration of organizational resources
- Decision making
- Leadership

Nature of management

- Universal application
- Management is goal oriented
- Management human activity
- Management is a profession
- Management is art as well as science
- Multi-disciplinary
- Dynamic
- Intangible
- Distinct process
- Management is a system of authority
- It is required at all levels of the enterprise
- An activating factor

Importance of management

- Management helps to achieve objectives of the organization
- It ensures optimum utilization of resources
- It ensures the economic and social development of a country
- It helps to attain maximum efficiency with the minimum human efforts
- It helps to promote the welfare of the society by providing better quality goods
- Management motivates the people in the organization towards the attainment of the objectives of the organization
- Management organizes, directs and controls the efforts of the people in the group in an organization
- Management helps to meet the challenges due to change in the technology, taste and fashion, government policy
- Management ensures efficient and smooth running of business through better planning, organization and control of all factors
- Management provides new idea, imagination and vision to an enterprise
- Management provides repeated stimulus to augment business
- It ensures co-ordination between different activities in the organization

Scope of Management

> **Subject matter of management**

It includes managerial functions like a planning, organizing, staffing, directing and controlling.

> **Functional areas of management**

- Financial management
- Personnel management
- Materials management
- Production management
- Marketing management
- Maintenance management
- Office management
- Transport management
- Interdisciplinary approach
- Principles of management

Levels of Management

a) Top level management

Top level management consists of the Board of Directors, Managing Director, General Manager and other senior executive. The following are the main functions of top level management: -

- Determine the objectives
- Define the goals
- Establish the policies
- Prepare strategic plan
- Give guidance and directions
- Control and create good relation with public
- Judge the results

b) Middle level management

Middle level management consists of heads of the functional departments. They are responsible to top management. Following are the main functions of middle management:

- Interpretation of the programs and policies communicated by the top level management.
- Organizing and managing their departments as per the main plan.
- Plan the departmental operations
- Guide, direct and motivate their workers to attain the objectives
- Co-operate and co-ordinate with other departments
- Evaluate the performance of his subordinates
- Collect reports and statistics from lower level and send it to top level management

c) Lower level management

It is also known as supervisory management. This level includes supervisors, foreman and gang boss, accounts officer and sales officers. Their functions are as follows:-

- Plan for a day or week
- Organize the activities of his group
- Allot work to the workers under him
- Issue instructions at the site
- Motivate the employees
- Arrange materials, machines and tools for worker.
- Give guidance and supervise the employees
- To maintain discipline and good relations within the group.

School of Management thought

a) Empirical approach
b) Classical approach
c) Neo classical approach
d) Human relations approach
e) Human behavior approach
f) Social system approach
g) Modern management theory
h) Management science approaches
i) System approach
j) Contingency or situation approaches and operational approaches

Evolution of management

1. Management in ancient civilization
2. Management during the medieval period
3. Scientific and functional approach to management
4. Management in modern period

Management in ancient civilization

➢ Men were food gathers making their living by hunting, fishing and collecting berries and nuts. The culture of that period was known as *Mesolithic.*

➢ Primitive society had its code for the conduct of business, rules regarding the roles of parents, punishment for wrong doing, manners presenting proper ways to eat and the like.

➢ Small village grew and civilization evolved, the manager or leaders too grew and evolved.

Management during the Mediaeval period / Pre Scientific Management

➢ During the mediaeval period no writings as on management were done.

Contributions of Economics

- Adam Smith (1923 - 90) - Wealth of nations

- John Stuart mill (1806-73) - He emphasized a control for the prevention of theft and waste

- James Mill - He pleaded for treating 'Time study' and 'Motion study' as a separate activity.

- J.B Says (1767 - 1832) - His main concern was planning among all other managerial functions.

- W S Jerom (1835-82) - Noted British economist of 19th century believed in the scientific analysis of work.

- Alfred Marshall (1842 - 1924) - Father of modern economics. He recognized planning as one of the main function of management.

Scientific and functional approach to management

The modern factory system was both the cause and consequence of industrial revolution.

Contributors to scientific management

- ➢ Charles Babbage: - Babbage emphasized that good machines and efficient workers are required ensure the success of the business organization. Good management is a necessity for successful business. He emphasized on division of labour and specialization.

- ➢ Henry Robbinson Towne: - He emphasized that management was an important as engineering. According to him the manager of industries should be a mechanical engineer, administrator and a statistician.

Scientific Management

According to FW Taylor "Scientific management means exactly what you want men to do and seeing that they do it in the best and the cheapest way."

Features of scientific management

- Separation of planning and doing
- Functional foremanship
  - ➢ *For planning*
    - o Route clerk
    - o Instruction card clerk
    - o Time and cost clerk
    - o Disciplinarian
  - ➢ *For doing work*
    - o Speed Boss
    - o Inspector
    - o Maintenance foreman
    - o Gang Boss
- Scientific work study
  - o Time study
  - o Motion study
  - o Fatigue study
- Standardization
- Scientific selection and training of workers
- Financial incentives

- Economy
- Mental revolution

Major management contributors in scientific era

1. **Frederick Winslow Taylor (1856 - 1915)**
   - FW Taylor is considered as the father of scientific management.
   - Scientific management is based on experiences and experiments.
   - He wrote two books related with scientific management. They are "Shop Management" and "Principles of Management".
   - He worked in Midvale Street Company, Bethlehem Steel Company and Simonds Rolling Machine Company.
   - Tyler's important contributions are :
     a. **Principles**
     b. **Techniques**

Principles

I. Development of scientific methods
II. Planning
III. The scientific selection and training of workers
IV. Co-operation between employer and employee
V. The division of work between management and the workers
VI. Differential piece rate system of wages
VII. Mental revolution

Techniques

A. **Work study**
- Method study
- Time study
- Fatigue study

B. **Standardization**

C. **Functional foremanship**

2. **Henry Laurence Gantt (1861-1919)**

He joined that in Midvale Street Company as an assistant of F.W Taylor. His main contribution is the philosophy of humanity in the industry. Other contributions are follows: -

- He emphasizes the importance of scientific management
- He mentioned that management as a function can be applied in all fields

- His valuable contribution is Gantt chart.
- He suggested the task and bonus system for remunerating the workers for their performance.
- Gantt said that emphasis is to be placed on service rather than on profit

  He considered management as a leadership function.

3. Frank Bunker Gilbreth (1868-24)

His main contributions to management are :-

- According to him one best way to do a job is to reduce the unnecessary motion.
- He developed a motion study to find out one best method of doing work.
- He developed a new type of time study.
- He emphasized on providing training to workers on every beginning.
- He developed a three position plan of promotion.
- He devised methods for avoiding wasteful and unproductive movements.

4. Mrs. Lillian Moller Gilbreth (1878-1912)

Her contributions are follows : -

- She is emphasized on the best way of doing a work
- She joined with her husband in the motion study
- She gave emphasis in the importance of the recognition of human factor in industry.

5. Henri Fayol (1841 - 1925)

- He is a French industrialist, regarded as the real father of Modern Management Theory.
- His famous book is "General and Industrial Management."
- He was the first man who advocated the views that management should be taught.
- His main contributions are:

  A. Activities of business
    - Technical
    - Commercial
    - Financial
    - Security
    - Accounting
    - Managerial
    - The first five activities are called *operating activities.*

B. Functions of a Manager

- Planning
- Organizing
- Commanding
- Co-ordinating
- Controlling

C. Abilities of mangers

- Physical qualities
- Mental qualities
- Moral qualities
- Educational qualities
- Technical qualities
- Experience

D. Fayol's principles of management

- Division of work
- Authority and responsibility
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual interest to group interest
- Remuneration
- Centralization and decentralization
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative

6. Mary Parker Follett (1868-1933)

- She made important contributions in the fields of functional authorities, coordination, leadership, controlling and handling conflict.
- She expressed her views in her famous book "Creative Experience."
- According to Follett, the basic problem of any organization was the harmonization and co-ordination of group efforts to achieve the most efficient effort towards completing a task.
- She believed that leaders are not only born, but also developed through proper training in human behavior. According to her, power, leadership and authority are dynamic concept.
- Follett has expressed her views on different aspects of management. Among them the four principles of co-ordination are important:-
  o Principle of direct contact
  o Principle of early start
  o Principle of reciprocal relationship
  o Continuous process

7. Elton Mayo (1880 - 1949)

- Elton Mayo was responsible for the changes in the outlook of management. His studies have led to the development of behavior approach to management practice.
- He became famous as Hawthorne experiments. The Hawthorne studies are regarded as the starting point of the behavior approach to management.

The Hawthorne Studies

Mayo and his assistants set out to measure the effect of changes in working condition and other physical factors on the productivity of the workers. Five studies undertaken in this respect, they are: -

- Experiments on illumination
- Relay assembly test room
- Mass interviewing programme
- Book writing observation room
- Personal counseling

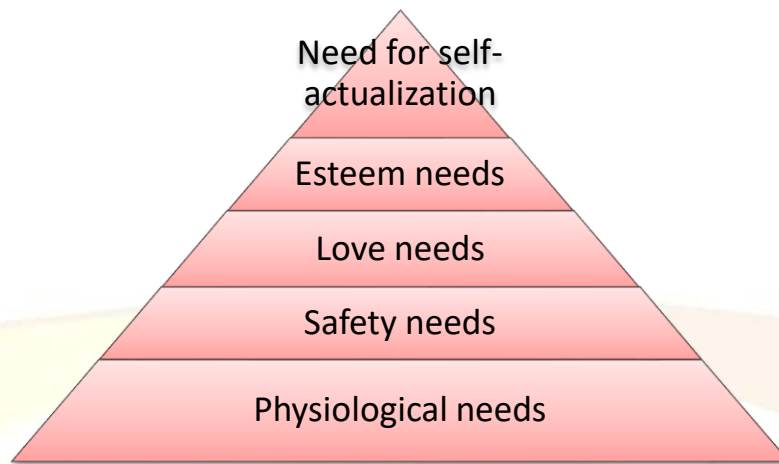**The main findings of Hawthorne Studies are:** -

- Responsiveness to total work situation
- Social factors in motivation
- Significance of human group
- Leadership
- Supervision
- Communication and consultation

8. Chester I Bernard (1886-1961)

- His famous book is the "Function of Executive" considered as the classic in organization theory.
- He divided organization into formal and informal one.
- He defined a formal organization as any co-operative system.
- This system of co-operation can exist if :-
  - There is an effective communication between management and workers
  - They are willing to contribute to the action
  - They direct their efforts to achieve a common purpose
- An informal organization is any joint personal activity without any conscious joint purpose.
- He stressed that the behavior and actions of individuals are influenced not only by the pressures of formal organization but also the expectation of the informal organization.
- According to him the primary function of executives is to establish a communication system.
- He also discusses the decision making process and suggested participation of employees at all levels.
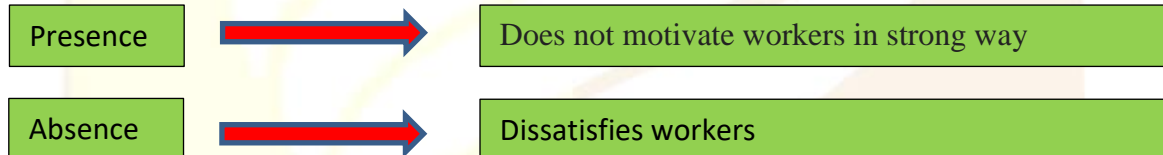
9. Abraham. H. Maslow

- He wrote a book "Motivation and Personality."
- He developed a need hierarchy theory to explain human behavior within an organization.
- He stressed that behavior of individuals was directed towards the satisfaction of needs.
- He emphasized that human needs could be arranged in a particular order from lower level to higher level.
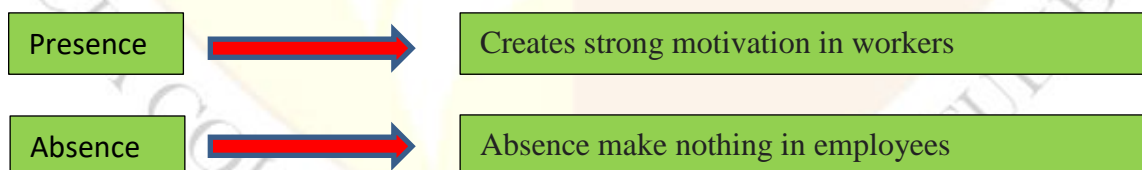
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                    Need for self-
                    actualization
                    Esteem needs
                    Love needs
                    Safety needs
                 Physiological needs
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10. Frederick Herzberg

- Herzberg has made a substantial contribution to work motivation. He has made significant contribution through:-
    - o Two factor theory of motivation
    - o Job enrichment
- According to his theory, there are two types of job factors

A. Maintenance factors

| Presence | ➔ | Does not motivate workers in strong way |
| Absence | ➔ | Dissatisfies workers |

B. Motivational factors

| Presence | ➔ | Creates strong motivation in workers |
| Absence | ➔ | Absence make nothing in employees |

- Herzberg emphasized that the presence of motivational factors would increase motivation of employees and they would contribute better performance.
- The main theme of job enrichment is to motivate employees for higher job performance. For this purpose the job should be designed in such a way that the job itself or provide the worker with the opportunities for achievement, advancement, recognition and responsibility.

11. Douglas MC Gregor

- His famous book is "The Human side of Enterprise." He propounded two contrasting theories - theory X and theory Y.

Theory X

- It assumes that employees are naturally unmotivated and dislike working and this encourages an authoritarian style of management.
- According to this management must actively intervene to get things done.
- It summarizes that workers need to be constantly watched and instructed what to do.
- Here assumes that employees dislike works are lazy, dislike responsibility and must be coerced to perform.

Theory Y

- Theory y shows a participation style of management that is decentralized. It assumes that employees are happy to work, self-motivated, creative and enjoy working with greater responsibility.
- It emphasizes that staff are self-disciplined and would like to do the job themselves.
- Here assumes that employees like work, are creative, seeks responsibility and can exercise self-direction coerced to perform.

12. Rensis Likert

- His famous books are "New Pattern of Management" and "The Human Organization".
- Likert treats the organization as a complex system based on the principles of supporting relationships, in which decision making, leadership, motivation, communication and control move together.
- Likert has given a continuum of four systems of management. To facilitate his research, he evolved four models of management which termed as system of management. His systems are follows:-

a. **System 1- Exploitative authoritative**

- Managers are highly autocratic
- Managers getting things done by issuing orders and instruction to their subordinates
- Employees involvement in decision making is little and they are strictly controlled
- Managers have a no confidence and trust in subordinates
- Communication is highly formal in nature and downward in direction
- Motivational devices used in the organization are threat and punishment.

b. **System 2- Benevolent authoritative**

- A master servant relationship existed between employer and employees
- Top level management it takes majority of the decisions, subordinates are concerned with its implementation.
- Motivation is governed by 'carrots and sticks'.
- Communication is only a one way traffic
- Suspicion and fear exists in the organization

c. **System 3- Consultative**

- Managers have a substantial but not completely confidence and trust in subordinates.
- A few operational decisions are allowed to be made at lower levels of management.
- The line of communication between supervisors and subordinates are open.
- More emphasis is given on rewards rather than punishment as a motivational factor.

d. **System 4 - Participative – Democratic**

- Managers have completely confidence and trust in all matters in subordinates.
- Superior subordinate relationship is cordial and friendly
- The is effective communication system
- Leaders are very supportive in their attitude towards subordinates.

Management in Modern Period

1. Lyndall Fowners Urwick

He propounded six principles of management:-

- ➢ Principle of Investigation
- ➢ Principle of objective
- ➢ Principle of organization
- ➢ Principle of direction
- ➢ Principle of experiment
- ➢ Principle of control

- Urwick used the term Management and Organization interchangeably.
- He contributed 29 classical principles for organization.
- Urwick's principle of authority states that the line of authority should be quite clear and well recognized
- He emphasized on principle of delegation
- According to him authority and responsibility must be coterminous, co-equal and well defined.

2. Herbert Simon

- Herbert Simon is a well-known authority in the field of administrative behavior and decision making
- His major books are: -
    - o Administrative behavior
    - o A study of decision-making processes in administrative organization
    - o Models of man and the new science of management decision.
- He is known as a social scientist.
- His main contributions include: -
    - o Organization concept
    - o Decision making
    - o Intelligence activity
    - o Design ability
    - o Choice activity
    - o Bounded rationality
    - o Administrative man
    - o Organizational communication

3. C.K Prahalad

- He has written extensively on core competency and strategy.
- Managers have to identify the most highly evolved core competencies which can be leveraged for the future.

4. Michael Porter

- He brings phenomenal knowledge and insight that helps corporations to achieve higher performance.
- His major book is "The competitive advantages of nations".
- According to him four key elements required for international entrepreneurial success

  1) **Factor conditions**
     o Basic factors
     o Advanced factors
     o Factor importance
     o Factor origin
  2) **Demand conditions**
  3) **Related and supported industries**
  4) **Structure of firms and rivalry**

5. Peter. F. Drucker

- He is the father of modern management.
- His major books are
  o The practice of Management
  o Managing by results
  o The effective executive
  o The age of discontinuity
- His main contributions are described below:-
  o Nature of management
  o Functions of Management
  o Organization structure
  o Management by Objectives [MBO]

Management by Objectives [MBO]

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

Features of MBO

- It focuses on goals and their achievement.
- It includes long term and short term objectives
- The philosophy of MBO views that organization as a dynamic entity
- Constant attention must be given to refine, modify and improve goals and the approaches to achieve them on the basis of experience.
- Effective participation and involvement by each member is required to set up goals and its achievement
- It gives emphasis on effective performance
- It provides guidelines for appropriate systems, procedures, delegation of authority and allocation of resources.
- Periodic review of performance is an essential feature of MBO
- The technique of MBO establishes a community of interest and a shared sense of vision among all the managers.
- It aims at radical realignment of relation between superior and subordinate managers.

Steps in MBO

- Setting objectives
- Development of action plan
- Periodic review
- Performance appraisal

Benefits of MBO

- Subordinates co-operate and participate in setting goals
- It provides the subordinates an opportunity which will encourage them to improve their performance
- The individual is given a chance of controlling his own performance
- Managers at all levels are involved in setting goals
- Integration of objectives of different level with the overall objectives is possible
- It provides definite performance standards

- A systematic evaluation of performance is possible with the help of MBO
- Periodic review of performance is done according to changes in environment
- It is a tool for organizational control
- Classified objectives reduce ambiguity and employer anxiety
- It envisages planning
- It encourages motivation

Limitations of MBO

- The main emphasis of MBO is setting up of objectives. It is not an easy task.
- Subordinates participation is the corner stone of MBO. This may not be feasible in all organizations
- There is a danger of rigidity in MBO technique.
- MBO is only successful if the objectives are set in measurable and verifiable terms. To measure the performance, objectives should be in quantitative terms.
- MBO emphasizes short term goals only.
- It is costly
- MBO gives you stress on quantitative aspect. Attention is not provided on qualitative aspects.
- The success of MBO will depend upon the effectiveness of the feedback system.

Suggestions to become MBO more effective

- Support from the top level management
- Attainable objectives
- Part of the philosophy of the management
- Modification and review of MBO
- Give a formal training

Management by Participation

- It is also known as 'Workers Participation', 'Labour Participation' or 'Employee Participation' in management.
- Workers participation in management implies mental and emotional involvement of workers in the management of enterprise.
- According to International Institute of Labour Studies, 'Workers participation in management is the participation resulting from the practices which increase the scope for employees share of influence in decision making at a different tiers of organizational hierarchy with concomitant assumption of responsibility'.

- The main implications of workers participation in management are summarized by ILO, Workers have ideas which can be useful
- Workers may work more intelligently if they are informed about the reasons for and the intention of decisions that are taken in a participative atmosphere.

Objectives of WPM

- To establish industrial democracy
- To build the most dynamic human resources
- To satisfy the workers social and esteem needs
- To strengthen labour management co-operation and maintain industrial peace and harmony
- To promote increased productivity for the advantage of the organization, workers and the society at large
- Its psychological objective is to secure full recognition of the workers

Process of participation

- Information sharing
- Training
- Employee decision making
- Rewards

Basic requirement

- Willing to give up some control
- Ready to accept ideas
- Careful planning
- Cultural changes
- Genuine and honest
- Trust
- Willing to participate
- Provide information of training
- Encouragement
- Guiding employees
- Provide criteria
- Give sufficient time
- Integration of suggestions
- Ask for alternative suggestions
- Creative confidence

- Union representation
- Clearly formulated objectives
- Feeling of participation
- Faith

Levels of workers participation in management

- Information participation of workers
- Consultative participation of workers
- Associative participation of workers
- Administrative participation of workers
- Decisive participation of workers

Specific purpose of workers participation

- It helps in managing resistance to change which is inevitable.
- Workers participation can encourage communication at all levels
- Joint decision making ensures that there will be minimum industrial conflict
- Workers participation at the plant level can be seen as the first step to establishing democratic values in society at large.

Forms of workers participation in management

- Collective bargaining
- Suggestion scheme
- Works councils
- Works committee
- Joint management council and committee
- Joint decision model
- Self-management team
- Workers representation on board
- Co partnership
- Quality circle
- Total quality management

Advantages of participative management

- Increase in productivity
- Job satisfaction
- Motivation

- Improved quality

- Reduced costs

- Creating a sense of ownership

- Attains self-esteem

Disadvantages of participatory Management

- Decision-making slows down

- Security issue

- Participative management is probably the most difficult style of management to practice

- Managers will be less willing to turnover some of the decision making responsibility to subordinates

- The larger the organization, the more difficult it becomes to institute a participative management style.

Management by Exception

- The idea behind this concept is that management attention is to be focused only on those areas in need of attention.

- It is the practice of examining the financial and operational results of the business and only bringing issues to the attention of management if result represents the substantial differences from the budgeted or expected amount.

- It has both a general business application and a business intelligence application

Features of MBE

- Management by exception is a management system where business results are compared against the results that were either budgeted or planned.

- It means that management intervenes in daily operations only if there is a deviation.

- Minor deviation may be brought to the attention of low-level supervisors while huge deviations may be shot straight up to the top level of management.

- It is when applied to business is a style of management that gives employees the responsibility to take a decisions and to fulfill their works by themselves.

- It is intended to reduce the managerial load and enable managers to spend their time more effectively.

- It can bring forward business hours and oversights, ineffective strategies that need to be improved, changes in competition and business opportunities.

Importance of Management by Exception

- Easy determination of responsibility
- Saves time
- Optimum utilization of abilities
- Increases productivity
- Enhances research and development
- Develops subordinates

Advantages of Management by exception

- The key benefit of MBE is managers do not have to overlook all monitoring procedures
- It saves the time and energy of senior executives and it enables them to concentrate on more important problems and issues
- It even provides the key to automation, for ordinary or routine matters can be handled by an automatic machine while cases of exceptional nature can be left for human judgment.
- It facilitates the engagement of specialized staff for high-routine jobs.
- It reduces the frequency of decision-making
- It leads to the identification of critical problems
- It stimulates communication
- As employees are given a task and less supervised they are indirectly motivated by a Self-driven approach to attaining the given goals.
- It reduces the amount of financial and operational results that management a must review
- This method allows employees to follow their on approaches to achieving the results fixed in the company's budget.

Disadvantages of Management by Exception

- Important decisions will be with the senior management and participation of employees is less.
- This concept is based on the existence of a budget against which actual results are compared.
- This concept requires the use of financial analysts who prepare variance summaries and present this information to management.
- This concept is based on the command and control system, where conditions are monitored and decisions made by a central group of senior managers.
- The concept assumes that only managers can correct variances.

- Management by exception is a concept that managers use to focus on key areas of business performance instead of looking at the business as a whole.
- It is a way for managers to save time effectively and more efficiently run their department or business.

Management by Motivation

- It is the process of stimulating people to action to accomplish the goals.
- Motivation by management is the process through which managers encourage employees to be productive and effective.
- Motivation techniques are used by management to achieve its goals and objectives.
- Managers are continually challenged to motivate employees to do two things. The first challenge is to motivate employees to work towards helping the organization achieve its goal. The second is to motivate employees to work towards achieving their own personal goals.

Process of motivating employees

- Observe employees
- Performance throughout an evaluation period
- Give employees regular feedback
- Schedule public announcements to recognize employee
- Promote employee
- Ask employees to volunteer for roles
- Collect employees opinion

Methods for motivating employees

- ❖ **Reward and incentives**

Need for Incentives

- To increase productivity
- To drive or arouse a stimulus work
- To enhance commitment in work performance
- To psychologically satisfy a person which leads to job satisfaction
- To shape the behavior or outlook of subordinates towards work.
- To inculcate zeal and enthusiasm towards work.
- To get maximum of their capabilities so that they are exploited and utilized maximally.

  Incentives maybe two type:-

    o Monetary incentives

- o Non-monetary incentives
    - Security of service
    - Praise or recognition
    - Suggestion scheme
    - Promotion opportunities
- o Challenging jobs
- o Using Merit Pay
- o Using spot awards
- o By means of lifelong learning
- o By means of skill based pay
- o With positive reinforcement
- o Use of empowerment
- o With job redesign
- o By goal setting methods

Difference between Management and Administration

Management	Administration
It is concerned with the activities to achieve the objectives laid down by administration.	It is concerned with determination of policies and objecti
It is a middle level activity.	It is a top level activity
It is used mainly in business organization	It is more popular in government, military, educational and religious organizations
It uses organization to achieve target fixed by administration	It coordinates finance, production and distribution
Its function is to guide and direct the operation to achieve the goal	It takes major decisions about enterprises
Its decisions are influenced by values, beliefs and opinions	Its decisions are generally influenced by public opinion, government policies and social religious factors
It is considered as doing process	It is regarded as thinking process
Management requires technical ability than administrative ability	It requires administrative ability than technical ability
It uses the structure of the organization to achieve objectives	It devices the structure of the organization

Functions of Management

- Planning
- Organizing
- Staffing
- Directing
- Controlling

PLANNING

Planning is the basic function of management. Planning is concerned with the thinking before doing and deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it.

According to H. Koontz and O' Donnel "Planning is an intellectual process, the conscious determination of the course of action and taking of decision on purpose, knowledge and considered estimates".

Features of planning

- It is done on the basis of objectives
- It is futuristic
- It is the primary function of management
- Planning is a mental activity
- It is a continuous process
- It is dynamic
- Planning is pervasive
- It involves selection of best course of action
- It should be flexible
- It should be participative
- It is to be directed towards efficiency
- Planning is forward looking

Planning process

1) Determination of objectives

<u>Business objectives</u>

Objectives are the end points or goals or predetermined results towards which all business activities are directed. Objectives may be defined as the end results, which an organization tries to achieve.

Features of business objectives

- It is multiple in nature
- Objectives have hierarchy
- Objectives form a network
- Objectives may be long range or short range
- Objectives may be tangible or not
- Objectives have a priority
- Objectives are verifiable
- Chance of clash between objectives

Merits of objectives

- Clear definition of objectives increase unified planning.
- Objectives form the basis of decentralization of authority at different levels of management.
- It facilitates the coordination of works, efforts and resources of the organization
- They motivate the individual.
- It provides the basic standards for control by the way of establishing the objectives specifically.
- It indicates the contribution to be made by each unit.
- Objectives eliminate hazard actions.
- Facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.

Process of setting objectives

- Classification of objectives
- Areas of objectives
- Realistic objectives
- Consideration of past performances
- Clarity
- Balancing of short range and long range objectives

o Quantification of objectives

o Dynamic

2) **Construction of planning premises**

   Planning premises are certain assumptions about the future on the basis of which the plan will be ultimately formulated.

   Types of planning premises

   o External premises and Internal premises

   o Tangible premises and Intangible premises

   o Controllable premises and Non controllable premises

3) **Collection, classification and processing of information**

4) **Identification of alternative courses of action**

5) **Evaluation of alternatives**

6) **Selecting the best course of action**

7) **Preparation of subsidiary plans**

8) **Implementation and follow up**

9) **Assessment of strength and weakness**

Types of plan

According to its kind

❖ **Policies**

   Policies are basically a statement, either expressed or implied of those principles and rules that are set up by exclusive leadership as guides and constraints for the organization thought and action.

   Characteristics of a good policy

   - A policy should be simple to understand
   - It should be flexible
   - It should be co-related with the organizational objectives
   - It should be capable of being applied in different circumstances
   - A policy should not be contradictory to any other policies of the same organization
   - A policy should be formulated after studying all relevant aspects of problems
   - It should be realistic and attainable
   - It must reflect the internal and external business environment
   - It should be based on facts
   - It should be stated in clear terms

❖ **Procedures**

Procedures are operational guide to action. These are plans specifying ways to perform various tasks to achieve the objectives. Procedures are guide to action. It indicates the standard way of doing the work.

❖ **Rules**

A rule is a specific action to be taken or not to be taken with respect to a situation. Rules are definite and rigid. There is no deviation from the stated action except in a few rare cases. They are the standing plans. A rule may be a part of procedure.

❖ **Strategies**

In business, strategies means plans made in the light of plan of competitors.

❖ **Programmes**

Programme is a sequence of activities to be undertaken for implementing the policies and achieving the objectives of an organization.

Features of programs

- It is a single use plan
- It is prepared to achieve the objectives of the organization
- It represents a fixed timetable for each step to be undertaken
- It should ensure co-ordinated planning efforts.

❖ **Budgets**

A budget is a statement of expected results expressed in quantitative terms for a definite period of time.

According to use

- Standing plan
- Single use plan

According to their origin

- Imposed origin plan
- Appealed origin plan

Importance of planning

➢ Focuses attention on organizational objectives

➢ To offset uncertainty

➢ Helps in co-ordination

➢ Facilitates control

➢ Planning brings economy into operation

➢ Enhances efficiency

Limitations of planning

- ➤ Expensive
- ➤ Lack of reliable data
- ➤ Time consuming
- ➤ Restricts initiation
- ➤ It encourages a false sense of security
- ➤ Technological changes
- ➤ External factors
- ➤ Limitations of forecasting

Barriers of effective planning

- ➤ Difficulty of accurate premising
- ➤ Lack of appropriate planning climate
- ➤ Internal inflexibility
- ➤ External inflexibility
- ➤ Uncertainty
- ➤ Inability to plan or inadequate planning
- ➤ Substandard information
- ➤ Procedural inflexibility
- ➤ Lack of knowledge in forecasting techniques
- ➤ Technical problems
- ➤ Psychological difficulties
- ➤ Constraints
- ➤ Reluctance of managers

Decision making

Decision is the act of determining in one's mind upon an opinion or course of action. A decision can be defined as a course of action purposively chosen from a set of alternative to achieve organizational or managerial objectives or goals. According to George R Terry "Decision making is the selection based on some criteria from two or more possible alternatives".

Features of decision making

- It implies a choice, choosing from among two or more alternative course of action.
- It is a selection process
- It is a continuous process
- It is a kind of intellectual activity
- Every decision affects the past, present and future.

- Decisions have wide-ranging, long-term and lasting effect.
- Decisions are the tools of management.

Decision making process

- Identify and define the problem
- Seek the facts
- Determination of alternatives
- Evaluate the alternatives
- Select the best alternative
- Implementation of the decision.
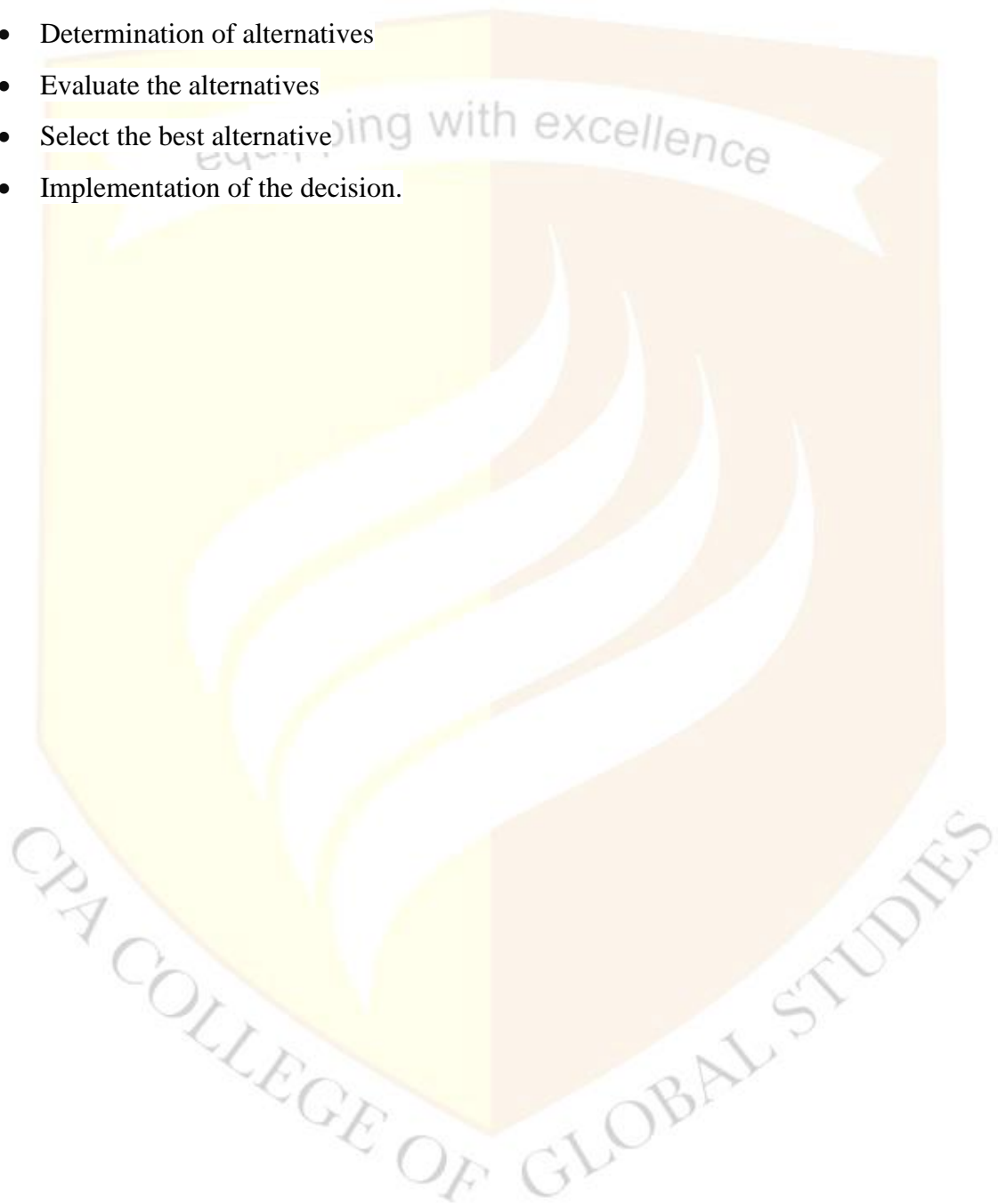
Organizing

Louis. A. Allen defines "Organization is the process of identifying and grouping the work to be performed, defining, delegating responsibility and authority, and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives.

According to koontz and O' Donnel "organizing involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority delegation and coordination".

Nature of organization

- ❖ Organization as a group
- ❖ Organization as a process
- ❖ Organization as a structure

Steps involved in organizing (Elements of organization)

- Defining objectives
- Determining activities
- Grouping of activities
- Assigning duties
- Delegation of authority
- Co-ordinating activities
- Provision of physical facilities and good environment
- Establishment of structural relationship

Importance of organization

- It facilitates administration and the managerial efficiency
- It facilitates growth and diversification
- It provides scope for training and development
- It makes use of new technological development
- It encourages optimum use of human resources
- It promotes co-ordination and communication

Principles of organization

- Principles of objectives
- Division of labour
- Principle of definition
- Scalar chain
- Unity of command
- Span of control
- Flexibility
- Unity of direction
- Management by exception
- Delegation of authority
- Principles of balance
- Simplicity
- Stability
- Accountability

Formal organization

According to Allen, it is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability, the whole consciously designed to enable the people of the enterprise to work most effectively together in accomplishing their objectives.

Features

- It is predetermined by the top management
- The structure of a formal organization is clearly defined
- Formal relationship is exhibited through organization charts.
- Formal organization is relativity permanent. They have a long life.
- Authority and responsibility are well defined in this type of organization.
- The line of communication is formalized.
- The relationship between superior and subordinate is determined.
- The relationship is based on rules, regulations and procedures.

Informal organization

Informal organization is created through personal relationship within the formal organization. It is created through friendship, mutual regard, intimacy and close contact. There are no specific rules of duty and responsibility.

Features

- They arise spontaneously
- It is created due to personal relationship
- It is natural grouping of people in a work situation.

Difference between formal and informal organization

Formal organization	Informal organization
It is created to achieve a predetermined objectives	It has no predetermined objectives
The structure is well defined	The structure is not well defined
Authority and responsibility of each individual is defined and clearly stated	Authority and responsibility is not defined
It has a long life	It does not last long
Created by top management	Created spontaneously by personal relationship
It is governed by specific rules and regulations	There are no specific rules and regulations
Communication channel is clearly specified	Unofficial channels are used
It is fairly large	It is generally small
It can be shown in an organization chart	It cannot be depicted through a chart
Emphasis is given on authority	Emphasis is given on personal relationship

Organizational structure

It is shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom.

Features

- Organization structure includes two or more person
- Organization structure ensures the achievement of goals
- Organization structure permits the workers to work in a co-operative manner to achieve the objectives
- The whole work of the organization is divided into small segments. It is assigned to people working at various levels.
- The line of communication is fixed
- Rules and regulations are created
- Various positions in the organization are arranged in a hierarchy model and authority and responsibility to each position is clearly defined.

Importance of organization structure

- Authority and responsibility are clearly defined in the organization structure
- Line of communication is clearly stated
- It determines the location of centers of decision making
- More importance can be given in selected areas of business of the organization
- A good organization is flexible to adopt latest technology
- A sound structure facilitate the growth of the enterprise
- A good organization structure is essential for improving efficiency of the management

Factors determining organizational structure

- Objectives
- Size
- Technology
- People

Types of organization structure

- ➢ Line Organization
- ➢ Line and staff organization
- ➢ Functional organization

Line Organization

This is the simplest type of organization. It is also known as military type of organization. Here the line of authority flows vertically from the top most executive to lowest subordinate throughout the organization structure. It is clearly identifies authority, responsibility and accountability at each level. There are two kinds of line organization:-

- Pure line organization
- Departmental line organization

Features of line organization

- Authority flows from top level management to lower level
- Each subordinate get instructions and directions from his immediate superior
- Line authority gives the authority to superior to take a disciplinary action against his subordinates.
- Each subordinate is accountable to his immediate superior for his performance
- There exists proper channel of communication
- The line organization forms a vertical line relationship from the top to the bottom of the organization.

Merits

- Simple
- Prompt and quick decisions Discipline
- Unity of command
- Economical
- Flexibility
- Co-ordination
- Responsibility fixed
- Clear communication

Demerits

- Concentration of authority
- Lack of specialization Overloading of work
- Difficult co-ordination
- Defective communication
- Not suitable for large enterprises

Line and staff organization

It is a combination of line and staff officers. The line executives have the executive authority. The staff officers are required to advise and assist line managers to achieve objectives. The staff officers have no control over workers. They should advise and help line managers to take a proper decision.

Features

- Line of authority flows from top management to lower ones
- Staff officers should provide expert opinion, guidance and advice to line authorities
- Staff officers are placed at different points in the line organizations to help the line authorities.
- Staff officers have no control over subordinates.
- Line and staff organization is a combination of line organization and functional organization.
- In line and staff organization there is a clear distinction between the two aspects of administration versus planning and execution.
- The line and staff organization is based on the principle of specialization.

Merits

- Sound managerial decisions
- Flexibility
- Development of executives
- Unity of command
- Reduction of burden
- Planned specialization

Demerits

- Conflicts
- In effective staff in the absence of authority
- Increase cost of administration
- Confusion about position
- Too much dependence on experts
- Lack of accountability
- Chance of misinterpretation

Difference between line Organization and line and staff organization

Line Organization	Line and staff organization
Experts advise are not available	Experts advise are available
There is strict discipline	There is loose discipline
There is no need to consult staff officers while taking decisions	Staff officers are to be consulted before taking decision
There is no scope for conflict of interests between members	There are occasions of conflict between line and staff. It will prevent harmonious relationship between these two
It is less elastic	It is more elastic
It is less expensive	It is costly and not suitable for small scale enterprise
It is not based on specialization	It is based on specialization

Functional organization

Functional organization is in between line and staff authority. A functional head can give directions throughout the organization related with his function.

Features

- The whole activities of the enterprise are divided into different functions
- Functional organization is a complex type of organization when compared to other organizations
- The specialization in functional organization as the work of the concern as a whole is divided into different specialized functions like production, purchasing and marketing.
- In this type of organization the line executive receives instructions not only from his line boss but also from one or more specialists.
- Under this system the principle of unity of command is not observed as a single worker has to get instructions from more than one specialist
- More importance is given to staff specialist or functional experts. The functional experts are given even some line authority
- In this type of organization there are three types of authority relationship.
  - ➢ Line authority relationship
  - ➢ Staff authority relationship

> ➤ Functional authority relationship.

- Under this type, the executive have to perform limited number of operations

Advantages

- Specialization
- Standardization
- Maintenance of higher efficiency
- No overload of work
- Mass production flexibility
- Scope for expansion

Disadvantages

- Violation of unity of command
- Lack of co-ordination
- Complex relationship per
- Conflicts
- Delay in decision making
- Overlapping of authorities and division of responsibility

Difference between line Organization and functional organization

Line Organization	Functional organization
The authority flows from top to bottom	Authority is functional
There is a direct chain of command	There is no direct chain of command
No there is no specialization	There is specialization
It is suitable to small scale organization	It is suitable to large scale organization
There is strict discipline	There is loose discipline
There is efficient administration	There are obstacles for efficient administration
It promotes better coordination	It is difficult to attain co-ordination and team spirit

Organization models

1. Hierarchical organization
2. Flat organization
3. Flatter organization
4. Flatarchies
5. Holocratic organization

✚ Hierarchical organization

A hierarchical organization is an organizational model for every entity in the organization except one, is subordinates to a single other entity. This arrangement is a form of hierarchy. In hierarchical organization employees are ranked at various levels within the organization each level is one above the other. The chain of command is a typical pyramid shape.

Advantages of hierarchical organization

- Authority and responsibility are clearly defined
- Clearly defined promotion path
- There are specialist managers and the hierarchical environment encourages the effective use of specialist managers
- Employees are very loyal to their department within the organization
- All the employees know exactly what position they are in and also know what job they have to do.
- Fixed rules of in intra organization procedures and structures are setup and usually written in language which leaves no discretion for interpretation.
- The hierarchical structure creates clear lines of communication
- No one is confused about the boundaries between departments and jobs and everyone understands the chain of command
- Hierarchical structures centralize power and authority at the highest level possible

Disadvantages of hierarchical organization

- Communication across various sections can be poor especially horizontal communication
- The organization can be bureaucratic and response slowly to changing customer needs and the market within which the organization operates.
- Departments can make decisions which benefit them rather than the business as a whole especially if there is inter departmental rivalry.
- The major disadvantage to the hierarchy is that it doesn't encourage people to collaborate and share information across the reporting structure.

- It leaves little communication between employees causing a lack of team spirit.
- Hierarchical structures are often inflexible
- Decision making is usually slower in hierarchical structures because the responsibility and authority are concentrated in a few people at the top.
- The hierarchical system places limits on the responsibility and authority of individual employees which reduces an organization's ability to adapt to dynamic business conditions

Flat organization

A flat organization is also known as horizontal organization. It is an organizational structure with the few or no levels of middle management between staff and the executive. A manager in a flat organization possesses more responsibility than a manager in a tall organization because there are a greater number of individuals immediately below who are dependent on direction help and support.

Advantages of a flat organization structure

- Flat organization is less costly because it has only few managers
- It creates fewer levels of management
- Quick decisions and actions can be taken because it has only a few levels of management
- Fast and clear communication is possible among these few levels of management
- Subordinates are free from close and strict supervision and control
- It is more suitable for routine and standardized activities.
- Superiors may not be too dominating because of large number of subordinates

Disadvantages of flat organizational structure

- There are chances of loose control because there are many subordinates under one manager
  The discipline in the organization may be bad due to lose control.
- The relations between the superiors and the subordinates may be bad. Close and informal relations may not be possible.
- There may be problems of teamwork because there are many subordinates under one manager
- Flat organization structure may create problems of coordination between various subordinates.

- Efficient and the experienced superiors are required to manage a large number of subordinates.
- It may not be suitable for complex activities.
- The quality of performance may be bad.
- A company's emphasis on a flat organizational structure can hinder growth.

✚ Flatter organization

Many small companies use a flatter organizational structure because of a lack of manpower. This organizational structure relatively flat versus the pyramid shaped larger companies. Flatter organizations tend to improve employees communications and morale because people are more empowered to make their own decisions.

Advantages

- Flatter organizations tend to improve greater communication between employees than taller ones
- Employees moral may be higher especially those who are high achievers
- A company with a flatter organizational structure also has less bureaucracy because of fewer tiers.
- A company can make quicker decisions within a flat organizational structure.
- Fewer layer of management means fewer approvals in decision-making which can mean faster decisions and the organization can respond more quickly to new opportunities or threats.
- Fewer layers of management also mean that decisions reach the ultimate decision maker sooner in the process, which gives the ability for faster decision making and faster response to new business issues.
- Fewer layers of management can lead to better and more frequent communication between higher level managers and staffers resulting in better understanding of company goals.

Disadvantages

- Some employees may report to more than one boss in a company with a flatter organizational structure
- Department roles can also be somewhat vague in a flatter organization.
- Fewer opportunities for promotions since there are fewer management positions in the company
- A wider span of control for managers mean that manager input will be relatively harder for staffers to obtain.
- A wider span of control for managers also means that they will have less time to focus on individual decisions.

Flatarchies

This types of companies are a little bit of both structures. In this type of an environment the company operates within an existing structure but usually allows employees to suggest and then run with new ideas. This type of a structure can work within any type of company whether it is large or small. A flatarchy is to be thought of as a more temporary structure which creates isolated pockets of new structures when needed, such as in the case of developing a new product or service.

Holacracy organization

Holocratic-like structure was developed as an alternative to a top down hierarchical organizational design. The structure is focused on autonomy rather than defined tasks, job titles or roles. It gives individuals autonomy and produces solutions to problems quickly. It empowers individuals to make their own decisions and choices that can positively benefit the organization. The basic goal with this structure is to allow for distributed decision-making while giving everyone the opportunity to work on what they do best.

Span of management

Span of management refers to the number of subordinate who can manage effectively by a superior. It is called Span of supervision, Span of managerial responsibility, Span of authority or Span of control.

Factors determining the span of supervision

- ➢ Capacity of superior
- ➢ Capacity of subordinates
- ➢ Nature of work
- ➢ Degree of decentralization
- ➢ Availability of staff assistance
- ➢ Supervision from others
- ➢ Communication technique

Delegation of authority

Delegation is the assignment of authority and responsibility to individuals to carry out their duties. According to *Theo Haimann*, "Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limit". Delegation of authority reduces the burden of the top level managers.

Delegation involves:-

- • Dividing ones work and entrusting a part of it to others.
- • Ensuring that they get it done as he would have accomplished himself
- • Ensuring that the subordinates perform the work to his satisfaction and expectation or creating an obligation on the part of subordinate managers to perform the entrusted work according to established standards.

Types of delegation

- ➢ Specific or general
- ➢ Written or unwritten
- ➢ Formal or informal

Authority

According to Louis. A. Allen, "Authority is the sum of powers and right entrusted to make possible the performance of work assigned".

The authority gives the management the power to enforce obedience. It is the power to give orders and make sure that these orders are obeyed. It enables the manager to issue orders to his subordinates to act as per his directions.

Types of authority

- ➢ Legal authority
- ➢ Traditional authority
- ➢ Charismatic authority
- ➢ Technical Authority
- ➢ Position authority

Responsibility

Every individual is obligated to perform certain duties which are assigned to him. Responsibility may be defined as the obligation of a subordinate to whom a duty has been assigned to perform a work.

According to George R Terry "Responsibility is the obligation to carry out assigned activities to the best of his abilities''.

Delegation process or steps in delegation of authority

- ➢ Entrustment of responsibility
- ➢ Delegation of authority
- ➢ Creation of accountability

Principles of delegation

- Principles of delegation by results expected
- Principles of functional definition
- Parity of authority and responsibility
- Unity of command
- Authority level principle
- Scalar principle
- Principles of communication

Importance or advantages of delegation

- It results in quick decision
- It reduces the burden of responsibility of superiors
- The management can get more time for strategic planning and policy making
- It allows subordinates to grow, enlarge their understanding and develop their capacities.
- Delegation serves as s motivational factor.
- It is a tool used to develop executives
- It secures better co-ordination of enterprise activities
- Delegation improves the behavioral climate in the organization.

Difference between authority and responsibility

Authority	Responsibility
It is the right to initiate, command and issue orders	It is the obligation of a subordinate to perform a duty
Delegation is possible	It cannot be delegated
It is stable	It ends with performance
It can be withdrawn	It cannot be withdrawn
Authority arises due to position in the organization	It arises due to supervisor subordinate relationship
It flows downward	It does not flow but stays

Centralization

Centralization refers retention and the concentration of authority of decision making at a higher or top levels of management.

According to Allen, "Centralization is the systematic and consistent reservation of authority at the central points in an organization". Small enterprises usually have centralized authority.

Decentralization

According to Louis. A. Allen, "Decentralization refers to the systematic effort to delegate to the lowest levels of all authority except that which can only be exercised at central point". The centers of decision-making are dispersed throughout the organization. The essence of decentralization is the transference of authority from a higher level to the lower level.

Difference between delegation and decentralization

Delegation	Decentralization
It refers to the entrustment of responsibility and authority from one individual to another	It refers to the systematic delegation of authority throughout the organization.
Delegation is a must for management	Decentralization is optional
The person who delegates authority keeps the power to control with himself	The authorities to control may also be delegated to the lower level
It is a process	It is the end result
It gives good results in all types of organization	It is effective in big organizations
Delegation establishes superior subordinate relationship	It is a step towards creation of semi-autonomous units.

Need for decentralization in business houses

- Relief to the top executives
- Development of future executives
- Highly motivational
- Better co-ordination of activities
- Leads to prompt actions and decisions
- Effective control

Limitations of decentralization

- Decision making process creates problems of co-ordination among various levels
- Uniformity of policies and procedures is not possible
- Qualified and trained personnel are required to accept authority
- It is only possible if the enterprise is a big one

Departmentation

Departmentation can be defined as the process of grouping of activities into units and subunits for the purpose of Administration. The process of departmentation is done in all sections of the organization. A senior executive of the organization administers these divisions. They are to report to chief executive. The senior executives assign duties to their juniors. On the basis of level of management, departmentation can be divided into three stages:

- Primary departmentation
- Intermediate departmentation
- Ultimate departmentation

Methods of departmentation

➢ By functions
➢ By product or services
➢ By project team
➢ By location
➢ By customers

Departmentation by functions (Functional organizational structure)

As per this method the entire activities of the organization is grouped together on the basis of functions. A number of departments are created in the organization such as production, finance, marketing etc... All these departments are under the charge of a specialist. On the basis of the growth of organization these primary departments are further classified into different secondary departments. The functional organization structure is mainly seen in small companies and also in large companies with single product line or narrow product range.

Merits of functional organization structure

- Specialization
- Standardization
- Maintenance of higher efficiency
- Simple and easy to understand
- Managers are not overloaded with work
- Helps to increase production
- Facilitates coordination both with the function and at inter- departmental level
- This type of organization structure is flexible

Limitation of functional organization structure

- The functional organization structure violated the principle of unity of command
- There are number of functional departments. It will make difficulty in coordinating the diverse activities of the departments.
- A functional manager tends to create his own boundaries and he think about his department and he things about the whole business
- There are number of specialists in equal rank. It will cause conflict.
- While taking a decision on a single issue, it is necessary to consult different functional managers. It will cause delay in decision making.
- A worker receives orders from different functional managers. He is accountable all these bosses. It will cause hardship to workers.
- This type of organization structure is and suitable where their geographical centralization is required for emphasis on product lines is required.

Departmentation by products or services

This type of departmentation is adopted by large organizations that have different types of products. The product lines are segregated and special product managers are in charge of each line of product. Each product department is responsible for the development of product entrusted with them. All the functions related that product line is to be performed by that department. The performance of each department is measured separately. This type of departmentation is known as multinational product departmentation.

Merits

- Each product line will get special attention and it will lead to produce standardized product
- Each division has responsibility to increase profit.
- The performance of each unit can be measured
- Coordination of functional activities is easier
- It enjoys the advantage of specialization on product
- Top level management get detailed information about the market of the product
- It makes control effective because accounts are maintained separately for each department
- It is helpful for the development of overall managers.

Demerits

- Too many departments will create problems and coordination become complex and difficult.
- If the unit grow too much it will deteriorate managerial efficiency
- There is a chance of conflict between different divisions of the organization.

Departmentation by product (Matrix Structure)

In an organization if many products used the same equipment or sold by the same sales personnel or distributed in the same market channel, then departmentation by products is not advisable. In such cases a matrix organization is required. For example production division of a unit is used to produce different types of products. Here all the product managers have no line authority over the persons in the production, accounts and marketing division. These divisions and product managers care the control of chief executive of the organization.

Departmentation of Project Team (Matrix Structure)

A team is created in the existing organization for the purpose of conducting a study of the particular region or to produce a new product or complete a specific assignment etc. This team is known as project team. It has a project manager. His job is to analyses the activities that must be performed to achieve desired objectives.

Composite type of departmentation

Many of the business organizations adopt a composite pattern of departmentation. That means the functional and product departmentation are combined together. Finance and personnel function may be performed in separate department. Remaining functions are performed under the respective departments.

Territorial or locational departmentation

If the activities of the organization are widely dispersed, it is better to adopt territorial departmentation. The whole activities of the organization are grouped area or territorial wise and each area is under the charge of one executive. Pure territorial division is impossible.

Departmentation by customers

In this type of departmentation the whole enterprise is divided into number of departments on the basis of the customers that it is serving. This type of departmentation is useful in case of companies which are under specialized services.

Staffing

Staffing is the process of obtaining capable and competent people to fill all positions from top management to operative management. This includes recruitment, selection, training, development and appraisal of employees.

According to Theo Haimann "The staffing function pertains to the recruitment, selection, development, training and compensation of subordinates".

Nature of staffing

- It is concerned with the employees
- Creation of cordial environment
- It is continuous process
- It ensures economic, social and individual satisfaction
- It is related with the personnel policies
- It aims at selecting right people, for right jobs, at a right time and retaining them in the organization.
- Staffing function is a line authority.

Need and importance of staffing

- Key to other managerial function
- Better performance of enterprise
- Adoption of latest technology
- Higher productivity
- Maintaining good human relations

MODULE: 2

FUNCTIONS OF MANAGEMENT: MOTIVATION

- The word motivation is derived from 'motive', which means an active form of a desire, craving or need that must be satisfied.
- According to George R. Terry, "Motivation is the desire within an individual that stimulates him or her to action."

Features of motivation

- It is an internal feeling and forces a person to action.
- It is a continuous activity.
- It varies from person to person and from time to time.
- It may be positive or negative.
- It is a psychological phenomenon
- It is dynamic
- Goal oriented process
- Complex process
- Based on motives

Importance of motivation

- Effective utilization of human resources
- Make employee quality oriented
- Maintain good human relation
- Basis of good cooperation
- Better image
- Less absenteeism and turn over
- Improvement of skill and knowledge
- Create willingness to work

Motivation process

1. Stage 1 - Need deficiency
2. Stage 2 - Selection of the course of action
3. Stage 3 - Assessment of the employee's performance
4. Stage 4 - Reward or punishment
5. Stage 5 - Re-evaluation of needs

Theories of motivation

1. Maslow's need hierarchy theory

1) Physiological needs
2) Safety needs
3) Social needs/belongingness or love needs
4) Esteem needs
5) Self- actualization needs

2. Herzberg's two factor theory

- Hygiene or maintenance factors

The presence of these factors will not motivate people in an organization

They are:

  - Company policy and administration
  - Technical supervision
  - Interpersonal relations with supervisor and colleague
  - Salary
  - Job security
  - Personal life
  - Work conditions
  - Status

- Motivational factor

    These are a set of job conditions which operate primarily to build strong motivational factors. They are:

    - ➢ Achievement
    - ➢ Recognition
    - ➢ Advancement
    - ➢ The work itself
    - ➢ The possibility of personnel growth
    - ➢ Responsibility

3. **MC Clelland's achievement motivation theory**
    - Need for affiliation
    - Need for power
    - Need for achievement

4. **Mc Gregor's theory X and theory Y**

Assumptions of theory X and theory Y

Theory of X:-

Following are the assumptions of managers who believe in the "Theory of X" regarding their employees.

- ➢ Employees dislike work.
- ➢ Employees must be coerced, controlled or threatened to do the work.
- ➢ Employees avoid responsibilities and seek formal direction.
- ➢ Most employees consider security of job, most important of all other factors in the job and have very little ambition.

Theory of Y:-

Following are the assumptions of managers who believe in the "Theory of Y" regarding their employees.
- ➢ Employees love work as play or rest.
- ➢ Employees are self-directed and self-controlled and committed to the organizational objectives.
- ➢ Employees accept and seek responsibilities.
- ➢ Innovative spirit is not confined to managers alone, some employees also possess it.

5. **Theory Z (William G Ouchi)**

- Theory Z of Ouchi is Dr. William Ouchi's so-called "Japanese Management" style popularized during the Asian economic boom of the 1980s.
- For Ouchi, 'Theory Z' focused on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee, both on and off the job.
- Five broad features suggested by Ouchi on the basis of Japanese management and motivational pattern are:
  - ➢ Trust
  - ➢ Strong bond between organization and employees
  - ➢ Employee involvement
  - ➢ Formal structure
  - ➢ Role of managers

LEADERSHIP

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

Characteristics of Leadership

1. Leadership is a personal quality of behavior and character in a man which helps in exercising personal influence of individuals.
2. It is a reciprocal relationship between the leader and the followers.
3. Leadership helps others to attain specific goals.
4. It is the process of guiding, directing, and influencing the people to do their best for attainment of specific goals.
5. Leadership is related to a particular situation, at a given point of time and under the specific set of circumstances.
6. It involves the sharing of interest between the leader and his followers.

Leadership traits or Qualities of a successful leader

a) **Personal traits**
- Intelligence
- Intellectual capacity
- Self confidence
- Foresight and vision
- Initiative
- Sound physique
- Dynamic personality
- Objectivity
- Empathy
- Responsibility
- Emotional stability
- Tact

b) **Managerial traits**
- Technical knowledge
- Organizing ability
- Ability to deal with people

Importance of Leadership

- Motivating employees
- Better utilization of human resources
- Creating confidence
- Promoting the spirit of coordinating
- Builds morale
- Directing group activity
- Develop good human relations
- Fulfills social responsibilities

Functions of Leadership

- Integration
- Communication
- Production
- Representative of subordinates
- Fraternity

- ➢ Team spirit
- ➢ Performance evaluation
- ➢ Initiation
- ➢ Shapes the character of the organization
- ➢ Manages internal conflicts

Leadership styles

1. **Autocratic Leadership**
   - ➢ Under this style, leader concentrates all authority in himself, instructs a subordinate as to what to do, how to do it, when to do it etc
   - ➢ There are three categories of autocratic leaders
     a. Strict Autocrat – A strict autocrat relies on negative influence and gives orders which the subordinates must accept
     b. Benevolent Autocrat – The benevolent is effected in getting high productivity in many situations and he can develop effective human relationship
     c. Manipulative Autocrat – A manipulative autocrat leader is one who makes the subordinates feel that they are participating in decision making process even though he has already taken the decisions.

2. **Laissez Faire or Free-rein Leadership**
   - ➢ Under this style of leadership, the leader largely depends upon the group and its members to establish their own goals and make their own decisions.
   - ➢ This style is also known permissive style of leadership.

3. **Participative Leadership**
   - ➢ This style is also called as democratic, consultative, group centered or ideographic style.
   - ➢ Under this style, subordinates are freely allowed to communicate with the leader and also with their fellow subordinates and take their own initiative.

4. **Paternalistic style**
   - ➢ Under this style the leader assumes that his function is paternal or fatherly.
   - ➢ The leader guides and protects his subordinates as a member of his family.
   - ➢ As the leader of the family, the leader provides good working conditions and fringe benefits to his subordinates.

5. **Charismatic leadership**
   - ➢ 'Charisma' possessed by a person attracts number of people towards him. He is known as a charismatic leader.
   - ➢ The charismatic leader gathers followers through dint of personality and charm. Rather than any form of external power or authority.

Emerging approaches to Leadership

- ➢ Leader participation model
- ➢ Transformational Leadership
- ➢ Charismatic Leadership theory
- ➢ Vertical Dyad theory
- ➢ Situational leadership model
  - • Directing
  - • Coaching
  - • Supporting
  - • Delegating

COMMUNICATION

- ➢ Communication is a process in which Information, Ideas, Thoughts and Feeling exchanges within two or more person.
- ➢ It is a process of sending and receiving information between two or more people.

Nature and Characteristics of communication

- ➢ It involves at least two persons.
- ➢ Message is a must
- ➢ Communication may be written, oral or gestures.
- ➢ It is a two way process.
- ➢ Communication may be formal or informal.
- ➢ It is an integral part of the process of exchange.

Objectives of Communication

- ➢ Conveying right messages
- ➢ Co- ordinating
- ➢ Development of managerial skill
- ➢ Good industrial relations
- ➢ Effectiveness of policies
- ➢ Ensure free exchange of information

Importance of communication

- ➢ Act as a basis for decision making
- ➢ Basis for coordination
- ➢ Promotes cooperation and human relation
- ➢ Increases managerial efficiency
- ➢ Employee motivation and morale
- ➢ Emphasis on effective leadership
- ➢ Smooth functioning of an organization
- ➢ Contact with outside parties.

Types of Communication

I. According to organization structure:

1. **Formal communication**-
   - It is associated with formal organization structure.
   - The formal channel is deliberately created officially prescribed path for flow of communication between various positions in the organization.
   - The formal channel is also called channel of command.

2. **Informal communication**
   - There is no formal channel for communication.
   - They are based on informal relationship between parties.
   - The informal communication I also known as 'grapevine'.

II. **According to direction:**

1. **Downward communication**

   - Communication flow from superior to subordinate.

2. **Upward communication**

   - Upward communication flows from a subordinate position to superiors.

3. **Horizontal communication**.

   - Communication between two or more persons operating at the same level of authority.
   - It is also known as 'lateral communication'

III. **According to way of expression:**

1. **Oral communication**

   - Transmission with the help of spoken words is oral communication.
   - Both parties of the communication process exchange ideas through oral words either through face to face communication or through a mechanical device .

2. **Written communication**

   - This includes written words, graphs, chats, etc.
   - This may take the form of letters, memorandum and instruction to workers, house bulletin, suggestion box schemes and feed back

Communication process

1. Sender / Encoder – Sender / Encoder is a person who sends the message.
2. Message –Message is a key idea that the sender wants to communicate
3. Medium – Medium is a means used to exchange / transmit the message.
4. Recipient / Decoder – Recipient / Decoder is a person for whom the message is intended / aimed / targeted
5. Feedback – Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message

Barriers to communication

- Physical barriers
- Information overload
- Semantic problems
- Poor listening
- Filtering
- Cultural barriers

- Socio- psychological barriers
- Emotions
- Complexity in organizational structure
- Poor retention
- Loss by transmission
- Time pressures

Steps to overcome the barriers of communication

- Eliminating difference in perception
- Use of simple language
- Active listening
- Emotional state
- Simple organizational structure
- Avoid information overload
- Give constructive feedback
- Proper media selection
- Flexibility in meeting the target

CONTROL

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

Features of control

- Continuous process
- Management function
- Forward looking
- Corrective process
- Related to planning
- Flexible
- Setting standards
- Key to control is the delegation of authority

Importance of control

- Effective execution
- Help delegation of authority
- Facilitates decentralization
- Facilitates coordination
- Basis for future action
- Regulates the operations
- Points out weakness of management
- Efficiency evaluation
- Pressure for better performance

Steps in control or process of control

1. Establishing standards
2. Measurement of performance
3. Appraisal of performance
4. Determining the reason for deviation
5. Feedback

Objectives of control

- To ensure that the work progress as planned
- To detect the deviations
- To evaluate efficiency
- To make sure that all the activities are performed according to the pre -determined plans
- Revise the plans on the basis of deviation occurred

Elements in effective control system

- Suitability
- Focus
- Flexible
- Reflection of organization pattern
- Objective
- Simple
- Economical
- Acceptance
- Motivate employees

Control techniques

1. **Budgetary control**
   - A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period.
   - Budgets not only help managers plan their finances, but also help them keep track of their overall spending.
   - According to George R Terry" budgetary control as a process of finding out what is being done and comparing actual results with the corresponding budget data in order to accomplishment or remedy differences to by either adjusting budget data or correcting the cause of differences"

Requisites for effective budgetary control

- Determine objectives
- Prepare budget manual
- Set up Budget committee
- Determine budget period
- Flexibility of budget
- Coordination and cooperation
- Employee participation
- Adequate and appropriate accounting
- Determination of the key factors
- Reporting

Benefits of budgetary control

- ➢ Help the process of planning
- ➢ Provides standards against which actual performance is measured.
- ➢ It coordinates various activities of the organization
- ➢ It saves executive's time and attention by emphasizing the exception principle.
- ➢ Reduce wasteful expenditure

Limitations

- ➢ Over budgeting will result in shifting initiative and makes works stereo typed
- ➢ As the budget prepared for future, the period may or may not be correct.
- ➢ It is a time consuming activity
- ➢ Only a tool for management not a substitute.

2. Cost control

- It is the process of limiting the expenditure either on production or distribution, so that goods may be made available to the ultimate consumer on cheaper rate.
- The cost control techniques are:
    - Cost analysis
    - Cost accounting
    - Break even analysis
    - Budgetary control
    - Standard costing

3. Financial control

- It is the process of controlling the sources and uses of finance of business.
- Financial control techniques involves:
    - Comparative financial statements
    - Financial ratios

MODERN METHODS

1. Management Audit

- It is a systematic, critical and unflustered assessment of management's performance.
- The assessment is done by means of comprehensive examination of the organization structure, its plan and policies, methods of operation and controls its physical facilities and human resource.

2. Programme Evaluation and Review Technique and Critical Path Method

- Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) techniques were developed in USA in the late 50's.
- CPM / PERT can be used to minimize the total time or the total cost required to perform the total operations.
- In these techniques, the job is divided into various activities / sub-activities. From these activities, the critical activities are identified. By controlling the time of the critical activities, the total time and cost of the job are minimized.

3. **Information Control/Management Information System**
   - ➢ Information is collected continuously to identify problems and find out solutions. MIS collects data, processes it and provides it to the managers.
   - ➢ MIS may be manual or computerized.
   - ➢ With MIS, managers can delegate authority to subordinates without losing control.

4. **Quality control**
   - ➢ It is an integral and permanent part of management control
   - ➢ The quality control techniques involves:
     - • Inspection
     - • Statistical quality control

DIRECTION AND COORDINATION

- ➢ Direction means issuing directives, orders, instructions and commands.
- ➢ It is concerned with direction of human efforts toward achievement of organizational goals.

Features

- ➢ It is an important function of management
- ➢ It is performed at every level of management
- ➢ It is a continuous process
- ➢ It is concerned with dealing with human beings and has a human factor.

Principles of Direction

1. Harmony of objectives
2. Unity of command
3. Efficiency of direction
4. Maintain individual contribution
5. Direct supervision
6. Intelligibility
7. Right type of leadership
8. Communication
9. Flow of information
10. Appropriation of direction techniques
11. Follow up

SUPERVISION

- It means control and direction of subordinate's activities.
- According to R C Davis "it is the function of assuring that works being done in accordance with the plan and instruction"

Qualities of a Good Supervisor

- Leadership qualities
- Communication skill
- Knowledge of rules and regulations
- Managerial qualities
- Technical qualities
- Emotional stability
- Tactfulness
- Responsibility
- Secure cooperation
- Knowledge of organization
- Good memory
- Ability to judge correctly

CO-ORDINATION

- It is a process of integrating the interdepartmental activities as unified action towards the fulfillment of the predetermined common goals of the organization.
- According to Henry Fayol, " To co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success"

Features of coordination

- It is the activity of management
- Group efforts are arranged orderly
- It aims to secure unity of action for achieving a common objective.
- It is a continuous process.

Principles of Co-ordination

- Reciprocal relationship
- Principle of direct contact
- Early stages
- Principle of continuity
- Principle of self – coordination

Co-ordination process or steps in Co-ordination

- ➢ Authority should be delegated
- ➢ Departmentation must be done
- ➢ Appropriate policies, procedures etc. are to be formulated
- ➢ A dynamic decision making system should be developed
- ➢ Proper communication channels are to be established
- ➢ A good system of reporting is to be installed
- ➢ A proper compensation system is developed
- ➢ Staff groups, committees etc. wherever appropriate, should be introduced
- ➢ Inter personal relationship is encouraged.
- ➢ Managers are given training.

Techniques of co-ordination

- ➢ Sound planning
- ➢ Well defined goals
- ➢ Sound organization structure
- ➢ Effective communication
- ➢ Proper leadership
- ➢ Proper supervision
- ➢ Better plans and policies
- ➢ Cooperation
- ➢ Staff meetings or conferences
- ➢ Group decisions
- ➢ Formation of committees
- ➢ Incentives

MODULE 3

BUSINESS ETHICS

Meaning

- Ethics is system of moral principles .These are moral guidelines which govern good behavior. So behaving ethically is doing what is morally right.

- The word „Ethics ,, is Latin which is called „Ethics" and in Greeks called „Ethics" has come from the word „Ethics".

- Ethics means character or manners.

Definitions

- The Concise Oxford Dictionary defines ethics as the treating of moral questions Chambers dictionary defines the ethics as a "code of behavior considered correct". In the words of Peter f Drucker "Ethics deals with the right actions of individual"

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

- Ethics is two things
    1. Well based standards
    2. Study and development of one's ethical standards

Features of ethics

- The concept of Ethics deals with human beings.

- It is the study of a set of systematic knowledge about moral behavior and conduct. So it is a social science.

- Ethics seeks to determine the nature of the norms, ideal or standard and seeks to enquire into the fitness of human action to this standard.

- It is an area dealing with moral judgment regarding voluntary human conduct. Moral judgment requires moral standards by which to judge human conduct.

- Ethics tries to set the standard for the ultimate end or the highest goal is pursued. So, ethics separates good and bad, right and wrong, fair and unfair, moral and immoral and proper and improper human action.

- Ethics is about what is right and what is wrong and Law is about what is lawful and what is unlawful.

Ethics and Morality

- Morality is derived from the root moralities in Latin word which means conduct or manner. Ethics is derived from the word 'Ethics' which mean character.

- Ethics mean character and morality means the behavior or conduct, Ethics refer to rules provided by an external source, e.g., codes of conduct in workplaces or principles in religions. Morals refer to an individual's own principles regarding right and wrong.

- Certain authorities say that morals and ethics are closely related concepts, morals refer mainly to guiding principles, and ethics refer to specific rules and actions, or behaviors.

- Ethics is called a normative science; It's the study of norms or standards by which things are measured or evaluated. Morality, on the other hand, is what we would call a descriptive science. A descriptive science is a method to describe the way things operate or behave.

- Ethics focuses on the decision-making process for determining right and wrong. Which sometimes is a matter of weighing the pros and cons or the competing values and interest. Morality is a code of behavior usually based on religious tenets, which often inform our ethical decisions.

- Morals come from within one's own internal range. Ethics are more extrinsic rule sets to guide us all.

- Ethics deals with codes of conduct set for policies in the workplace and morality is the standards that we individually set for ourselves in regards to right and wrong

- Ethics is a set of principles developed purposefully over time. Morality is something one feels intuitively.

- Ethics is a map of how one makes choices. Morality is an established code that can be used to judge behavior.

- Ethics contains standards of what should be, what we "ought" to do. Morality is more of what we do - how we actually behave - focused on what is" etc.

Moral Standards

A moral standard refers to the norms which we have about the types of actions which we believe to be morally acceptable and morally unacceptable, moral standards deal with matters that we think of serious consequences for human well-being.

The great philosopher Bernard provides a list of ten moral rules /commandments that he believes, express our considered ethical judgments about our moral /ethical conduct.

1. Don't kill.

2. Don't cause pain.

3. Don't disable.

4. Don't deprive of freedom.

5. Don't deprive of pleasure.

6. Don't deceive.

7. Keep your promise.

8. Don't cheat.

9. Obey the law

10. Do your duty.

Features

- Moral standards are not established by an act of law or the government legislature.

- They occupy a higher ground and should take precedence over other values including self- interest.

- Moral standards are based on impartial considerations.

- They are especially invoked in serious situations when something substantial is at stake.

- Society associates moral standards with special emotions.

Objective of Ethics

1. The basic objective is to define the greatest good of man and establish a standard for the same

2. Set/Establish moral standards/norms of behavior.

3. An overall study of human behavior: what is moral or immoral should be assessed

4. Apply judgment upon human behavior based on these standard and norms

5. Suggest moral behavior, prescribes recommendations about Do's & Don'ts.

6. One's opinion or attitude about human conduct is expressed in general.

7. To evaluate past behavior against standards and norms

Branches or Types of Ethics

1. Normative ethics: This is the largest branch of ethics which deals with how Individuals can decide the correct moral action that they should take in a given situation of ethical nature. Normative ethics is the study of ethical action. It is the branch of philosophical ethics that investigates the set of questions that arise when considering how one ought to act.

2. Meta Ethics: This branch seeks to understand the nature of ethical properties and judgments such as if true values can be found and the theory behind moral principles. Meta- ethics is one of the four branches of ethics generally recognized by philosophers. It seeks questions like "what are the motives for acting ethically?

3. Applied ethics: This is the study of applying ethical theories developed by various philosophers in our everyday life. Applied ethics is the philosophical examination, from a moral standpoint, of particular issues in private and public life which are matters of moral judgment. It is thus the attempts to use philosophical methods to identify the morally correct course of action in various fields of everyday life.

4. Moral ethics: A. descriptive Ethics or Morals is a study of human behavior as a consequence of beliefs about what is right or wrong, or good or bad. In a sense, morals are the study of what is thought to be right and what is generally done by a group, society, or a culture.

Personal ethics and Professional ethics

Personal ethics refer to the application of personal values in everything one does.

- Personal ethics might also be called morality, since they reflect general expectation of any person in any society, acting in any capacity.

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

- Personal ethics depends highly on personal beliefs and loyalties and results in behavior in a person's life and his relationship with different persons on the society.

- Personal ethics are often deep within us and it is not written. Personal ethics will change when we become aged persons.

Professional ethics

Professional ethics refers to the ethics that a person must adhere to in respect of their interactions and business dealings in their professional life, Professional ethics mean adherence to professional code of ethics Professional ethics are usually written and signed does not change from time to time. Professional ethics we will follow in our profession.

Theories of Ethics

Theories are a set of assumptions, propositions, or accepted facts that attempt to provide a plausible or rational explanation of cause-and-effect (causal) relationships among a group of observed phenomenon.

Business ethics is a systematic study of business situations, activities and decisions forming business phenomena where issues of right and wrong are addressed. It can also be defined as the written and unwritten codes of principles and values, determined by an organization's culture, that govern decisions and actions within that organization.

Relevance theory of Business ethics

It is true that business ethics is a fuzzy area. There is no universal set of ethical principles. What is right and what is wrong often depends on circumstances. Ethical behavior is essential for long term success of business. Theory of business ethics enables a business to do activities that are right and desirable and avoid those undesirable and wrong ones Ethical theories provide us a framework for moral decisions and for assessing their rightness or wrongness. By using these theories everyone can seek guidance in making

decisions which are good and useful for not just business but or workers customers, shareholders society and environment. Theory of business ethics helps

- To provide us a framework for moral decisions and for assessing their rightness or wrongness.

- To serve and guard business interest.

- To protect the interest of owners of business.

- To accomplish the expectations of stakeholders to the maximum possible extent.

- To thwart damages and harm to the society due to the operations of business.

  - To contribute the well-being of the society by discharging benevolent and social welfare activities.

  - To contribute revenue to the government

Foundation of Theories of Business ethics

- Descriptive ethics – different societies have different moral standards

- Analytical ethics – this action is wrong in this society ,but it is right in another

- Normative ethics – morality is relative

In descriptive ethics, it is simply observed that different societies have different standards – this is a true and factual statement which offers no judgment or conclusions.

In normative ethics, a conclusion is drawn from the observation made above, namely that some action is wrong in one society arid is right in another. This is a normative Claim because it goes beyond simply observing that this action is treated as wrong in one place and treated as right in another.

In analytic ethics, an even broader conclusion is drawn from the above, namely that the very nature of morality is that it is relative. This position argues that there are no moral standards independent of our social groups, and hence whatever a social group decides is right is right and whatever it decides is wrong Is wrong - there is nothing "above" the group to which we can appeal in order to challenge those standards.

Theories of business ethics

- Teleological ethical theories

- Theory of virtue ethics

- Theory of justice and fairness

- Deontological theories

Teleological ethical theories

The Teleological Ethical Theories are concerned with the consequences of actions which mean the basic standards for our actions being morally right or wrong depends on the good or evil generated. The word teleological is an adjective to the word teleology which is derived from Greek word 'telos' which means end, goal or purpose. Teleology is the study of end, goals and purposes.

This theory is also referred as consequentialist theory and is generally phrased as no harm, no foul. Under consequentialist theory, the consequences of action determine its moral rightness. Consequentialist theory has three forms.

- Ethical egoism: The ethical egoism is a teleological theory that points, an action is good if it produces or is likely to produce results that maximize the persons self-interested as defined by him, even at the expense of others.

- Utilitarianism: The Utilitarianism theory holds that an action is good, if it results in maximum satisfaction for a large number of people who are likely to get affected by the action. In other words an action is morally right if the consequences of that action are more favorable than unfavorable to everyone.

- Eudaimonism: Eudaimonism is a teleological theory which posits, that an action is good if it results in the fulfillment of goals along with the welfare of the human beings.

Strength and Weakness of Teleological Theories

1. These theories are very much in accordance with general moral reasoning

2. Use of objectivity in decision making is the strength of teleological theories.

The teleological system has many weaknesses which outweigh the strengths. One main weakness is that the consequences are so uncertain, that basing a system on consequences having to be loved to be good means that it is always possible to fail in any situation.

Types of Teleological theories

Thus, a moral theory that maintains that the rightness or wrongness of actions solely depends on their consequences is called as a teleological theory. There are three main types of theory coming under Teleological theories.

1. Theory of Utilitarianism

2. Theory of virtue

3. Theory of justice and Fairness

Theory of Utilitarianism

The best known consequentialist theory of ethics is called utilitarianism. Theory of Utilitarianism has developed from the word utility which denote the capacity of actions to have good results. Utilitarianism is based on the principle of utility where ones action adds to the overall utility of the community impacted by those actions. Utility means usefulness.

Utility is happiness and disutility is unhappiness.

Utilitarianism has three essential elements:

1. Whether an action is right or wrong is determined solely by its consequences.

2. The value of the consequences of an action is assessed in terms of the amount of happiness or well-being caused.

3. In assessing the total happiness caused to a number of people, equal amounts of happiness are to have equal value, no one person's happiness having greater value that another's.

On the basis of the Jeremy Bentham ethical statement, the utilitarian theory consists of the following four basic theses.

❖ Consequentialism: Consequentialism is the class of normative ethical theories holding that the consequences of one's conduct are the ultimate basis for any judgment about the rightness or wrongness of that conduct.

❖ Hedonism: Hedonism is a school of thought that argues that the search of pleasure and inherent goods are the primary or most important goals of human life. A hedonist strives to maximize net pleasure (pleasure minus pain).

❖ <u>Maximalism:</u> Every action is likely to produce both pleasure and pain. The proponents of Utilitarian theory viewed that maximum net pleasure can be determined by subtracting pain from the pleasure produced by an action.

❖ <u>Universalism:</u> Utilitarian principle can be applied to everyone The universalism thesis of Unitarianism obliges us to consider not only our interest but interest of everyone in performin**g** our actions.

Rule Utilitarianism

➢ Rule utilitarianism is associated with john Stuart Mill.

➢ Rule utilitarianism is a form of utilitarianism that says an action is right as it conforms to a rule that leads to the greatest good, or that "the rightness or wrongness of a particular action is a function of the correctness of the rule of which it is an instance"

➢ One Example of Rule Utilitarianism is roads rules. We must drive on the left hand side of the road. This rule applies to everyone that drives and it is the rules and it must be or should be followed in all situations, even if we were stuck in traffic jam.

Act utilitarianism

Act utilitarianism is a utilitarian theory of ethics which states that a person's act is morally right if and only if it produces the best possible results in that specific situation

Example:

One could produce more overall happiness in the world by doing charity work tomorrow than by watching television all day tomorrow. According to act utilitarianism, then, the right thing to do tomorrow is to go out and do charities work; it is wrong to stay home and watch television all days.

Strengths & Weakness of Utilitarianism

Strengths of utilitarianism

1. It promotes a world with more happiness. Generally, utilitarian would want everything and everyone to be happy in making decisions, which could be very advantageous because it helps Individuals to truly think about the consequences of their actions...

2. It articulates the basic human nature of feelings.

3. This theory treats everyone equally - regardless of emotional or social attachments.

4. Act Utilitarianism is pragmatic and focuses on the consequences of an action.

5. For many people happiness is an important part of decision making as main aim in life.

6. Simple to follow, just greatest happiness for the greatest number.

7. It bases everything on the concept of happiness

8. It is a universal concept that all of us can understand. It is a principle that applies to every culture, which means it would be possible to take one more step closer to a borderless world.

9. It uses an objective process to decide what is right or wrong

Weakness

1. Utilitarianism seeks to predict the consequences of an action, which is impossible.

2. Utilitarianism fails to identify that we have certain duties or obligations to others.

3. Happiness is subjective. Whereas someone may find happiness in cake, another may find it in murder.

4. Using the hedonic calculus to calculate the greatest happiness for the greatest number is impractical

5. Society does not solely focus on happiness when making choices.

6. The ends never really justify the means when considering happiness.

7. Outcomes are unpredictable when dealing with the future.

8. It forces you to rely on everyone else following the same moral code.

9. We cannot measure happiness in tangible ways.

Theory of Virtue Ethics

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

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

Nicomachus. His ethics is known as Nicomachean ethics.

The virtues that he lists in his Nicomachean Ethics are:

- Courage

- Temperance

- Liberality

- Magnificence

- Magnanimity

- Patience

- Truthfulness

- Wittiness

- Friendliness

- Shame

- Justice

According to Socrates, "knowledge is equal to virtue and virtue is equal to happiness"
Virtue ethics teaches:

1. An action is only right if it is an action that a virtuous person would carry out in the same circumstances.

2. A virtuous person is a person who acts virtuously

3. A person acts virtuously if they "possess and live the virtues"

4. A virtue is a moral characteristic that a person needs to live well.

The traditional list of cardinal virtues are :

- Prudence

- Justice

- Fortitude/bravery

- Temperance

In 1726 at the age of 20 Benjamin franklin created a system to develop his character.in his autobiography franklin listed his thirteen virtues are

- Temperance

- Silence

- Order

- Resolution

- Frugality

- Industry

- Sincerity

- Justice

- Moderation

- Cleanliness

- Tranquility

- Chastity

- Humility

The modern theologian James F Keenan suggests

- Justice

- Fidelity

- Self-care

- Prudence

Three central concepts of virtue ethics

- Eudaimonism

- Ethics of care

- Agent based theories

Strengths and weaknesses of virtue ethics

- Character traits

- Better people

- Broad and holistic

- Agent –cantered

- Sense of community

- Preservation of goodness

- Motivates us too work on morality

- It centers ethics on the person and what it means to be human

- It includes the whole of a person's life

- Maps on to moral reasoning

- Good to be partial

- Doesn't rely on a theory

Weaknesses

- Without focus

- Nature of virtues

- Self-centeredness

- Misguidance

- Limited number of virtues

- No single and definitive answer to what the virtues are, they are time-changing.

- There is no general agreement on what the virtues are and it may be that any list of virtues will be relative to the culture in which it is being drawn up.

- It doesn't provide clear guidance on what to do in moral dilemmas

- Hard to tell what someone's motives are / some may not even want to develop moral virtues?

- Doesn't concern right or wrong action these virtues don't distinguish between what the right course of action would be when in an ethical dilemma just describe what sort of characteristics one ought to develop

Theory of justice and fairness

The first significant and unique contribution to the study of ethics by an American has been that of John Rawls (1921 - 2002), a Professor of Philosophy at Harvard University. He was an American political philosopher in the liberal tradition. He published several books and many articles. He is mainly known, however, for his. Book "A Theory of Justice, an effort to define social justice".

Justice as fairness is Rawls's theory of justice for a liberal society. Rawls constructs justice as fairness around specific interpretations of the ideas that citizens are free and equal and that society should be fair. Rawls's justice theory contains three principles and five procedural steps for achieving fairness.

Principles

- Original position

- Veil of ignorance

- Unanimity of acceptance

Procedural steps

- Entering into the contract

- Agreeing unanimously to the contract

- Including basic conditions in the contract such as freedom of speech

- Maximizing the welfare of the most disadvantaged persons

- Ensuring the stability of contract

Principles of justice

- One, that each person should have equal rights to the most extensive liberties consistent with other people enjoying the same liberties

- Two, that Inequality should be arranged so that they would be to everyone's advantage and arranged so that no one person would be blocked from occupying any position.

Issues involved in justice and fairness

- Distributive justice

- Retributive or corrective justice

- Compensatory justice

Strengths and weakness of Rawl theory Strengths

1. The philosophy can have specific implications in the contemporary society. The major strength of the philosophy is that it provides people with a specific tool to avoid any bias.

2. The "veil of ignorance" is an effective way to develop certain principles to govern a society (Shaw & Barry, 2012). Thus, people will never create an authoritarian society as the odds to be in the unfavorable position are too high.

3. Thanks to the veil of ignorance, people will try to create the society where the less well-to-people will have all possible rights.

4. Apart from rights, these groups of people will have numerous opportunities, which will secure realization of potential of the most active and gifted people.

5. The present philosophy can become a good solution to the existing issues associated with unequal distribution of resources. Now less well-to-do people have few opportunities compared to more well-to-do groups

6. Strength of the philosophy is that it does not ignore inequality which t characteristic feature of the human society. On the contrary, Rawl is justifies it and even proves that inequality is one of the factors contributing to development of the human society.

7. Rawls develops a model of society where the least well-to-do groups will have more resources, rights and opportunities than those in an imaginary society where all are equal.

8. Therefore, there is no need in trying to diminish inequality, which is simply impossible. According to Rawls' philosophy, people can focus on creating a society where inequality is a tool of development.

Weakness

1. Advocates of strict equality argue that inequalities permitted by the Difference Principle are unacceptable even if they do benefit the least advantaged.

2. According to Rawls's philosophy, equality is impossible as people are 'victims' of a "genetic lottery"

3. Some people will inevitably accumulate more resources and there is no guarantee that these people will remain following the principles worked out. More well-to do-people can deprive less well-to-do people of their rights and, more importantly opportunities.

4. One of the criticisms forwarded against Rawls theory is about his assumption of the original position and the use of maximum reasoning

5. It is also possible that Rawl's original position may also have impact of duty, or say, deontic or consequentialism. But the theory of justice ignores the same.

6. Some critics of Rawls point out, however, that just because a group of people would be willing to live under a principle does not mean that it is morally justified.

Deontological theories

Deontological ethics, in philosophy, ethical theories that place special emphasis on the relationship between duty and the morality of human actions. The term deontology is derived from the Greek Deon, "duty," and logos, "science." The popular motto "Let justice be done though the heavens fall" conveys the spirit that most often underlies deontological theories. In deontological ethics an action is considered morally good because of some characteristic of the action itself, not because the product of the action is good. Deontological ethics holds that at least some acts obligatory regardless of their consequences for human welfare. While a "teleologist" focuses on doing what will maximize societal welfare, a "deontologist" focuses on are morally doing what is "right" based on his moral principles. Accordingly, some actions would be considered wrong even if the consequences of these actions were good.

Definition:

According to Dc George: The deontological approach is built upon the premise that is the basic moral category and that the duty is independent of the consequences. An action is right if it has certain characteristics or is of a certain kind and wrong if it has other characteristics or is of another kind"

Deontological (duty-based) ethics are concerned with what people do not with the consequences of their actions.

1. Do the right thing.

2. Do it because it's the right thing to do.

3. Don't do wrong things.

4. Avoid them because they are wrong.

Types of Deontological Theory Deontological theory consists of four types, **Duty Theory**

Deontology provides a foundation for duties and obligations of people. Duty theory explains the discharging of duties and obligations beyond normal limits. Such duty theory is called sup rogation.

Samuel Pufendorf is one of the most important moral and political philosophers of the seventeenth century, He is the first person who classified dozens of duties under three headings) a)duties to God, b)duties to oneself, and c)duties to others,

Duties to God

According to him there are two kinds of our duties towards God

1. A theoretical duty to know the existence and nature of God, and

2. A practical duty to both inwardly and outwardly worships God.

Duties towards oneself

Concerning our duties towards one, these are also of two sorts:

1. Duties of the soul, which involve developing one's skills and talents, and

2. Duties of the body, which involve not harming our bodies, as we might through greediness or drunkenness, and not killing oneself.

Duties towards others

Concerning our duties towards others, Pufendorf divides these between absolute duties, which are universally binding on people, and conditional duties, which are the result of contracts between people. Absolute duties are of three sorts:

- Avoid wronging others

- Treat people as equal

- Promote the good of others

Rights theory

A second duty-based approach to ethics is rights theory. Most generally, a "right" is a justified claim against another person's behavior - such as my right to not be harmed by you.

Rights and duties are related in such a way that the rights of one person imply the duties of another person.

There are four features traditionally associated with moral rights.

- First, rights are natural insofar as they are not invented or created by governments.

- Second, they are universal insofar as they do not change from country to country.

- Third, they are equal in the sense that rights are the same for all people, irrespective of gender. Race or handicap.

- Fourth, they are inalienable which means that I cannot hand over my rights to another person, such as by selling myself into slavery.

Kantian theory of duty based ethics

Deontological theories include not only Kantianism but also many other theories. Immanuel Kant (1724-1804) was arguably one of the greatest philosophers of all time. His theory emphasized on a single principle of duty, Kant believed that people's actions should to be guided by moral laws, and that these moral laws were universal.

Kant recognized those things like kindness, loyalty, sympathy, and other good motives" for actions are admirable, but they do not constitute moral motivation for acting and thus do not result in morally good action.

Categorical imperative

"Categorical Imperative", is the highest moral principle. A categorical imperative, he argued, is fundamentally different from hypothetical imperatives that hinge on some personal desire that we have.

- Moral rules must be universal

- Moral rules must respect human beings

- Autonomy of rational beings

Rossian duty theory – based ethics

Kantian ethics seems pretty uncompromising and not really suited to the untidiness of many moral choices that people have to make. A fourth and more recent duty based theory is that by British philosopher W.D. Ross, which emphasizes prima facie duties. Like his 17th and 18th century counterparts. Ross argues that our duties are "part of the fundamental nature of the universe." However, Ross's list of duties is much shorter, which he believes reflects our actual moral convictions:

      1. Prima facie duties.

      2. Actual duties

Prima facie duties

- ➤ These duties are self-evident and obvious duties (prima facie is a Latin expression meaning on first appearances' or by first Instance)

- ➤ These duties can be known to be correct if a person thinks about them and understands them

- ➤ These duties should be promoted. "All things considered"

➢ These duties can be outweighed by other prima facie duties. Ross listed seven prima facie

➢ Duties:

➢ Fidelity: the duty to keep promises

➢ Reparation: the duty to compensate others when we harm them

➢ Gratitude: the duty to thank those who help us

➢ Justice: The duty to recognize merit

➢ Beneficence: the duty to improve the conditions of others

➢ Self-improvement: the duty to improve our virtue and intelligence

➢ Non maleficence: the duty to not injure others

Actual duties

This is the duty people are left with after they have weighed up all the conflicting prima facie duties that apply in a particular case:

Strengths and weakness of duty based ethics

Strengths of duty based ethics

1. **It emphasizes the value of every human being**

- Duty-based ethical systems tend to focus on giving equal respect to all human beings

- This provides a basis for human rights - it forces due regard to be given to the interests of a single person even when those are at odds with the interests of a larger group.

2. It says some acts are always wrong

- Kantian duty-based ethics says that some things should never be done, no matter what good consequences they produce. This seems to reflect the way some human beings think

- Rossian duty-based ethics modified this to allow various duties to be balanced, which, it could be argued, Is an even better fit to the way we think.

3. It provides 'certainty

- Consequentialist ethical theories bring a degree of uncertainty to ethical decision making, in that no one can be certain about what consequences will result from a particular action, because the future is unpredictable.

- Duty-based ethics don't suffer from this problem because they are concerned with the action

itself - if an action is a right action, then a person should do it, if it's a wrong action they shouldn't do it - and providing there is a clear set of moral rules to follow then a person faced with a moral choice should be able to take decisions with reasonable certainty.

- Of course things aren't that clear cut. Sometimes consequentialist theories can provide a fair degree of certainty, if the consequences are easily predictable.

- Furthermore, rule-based consequentialism provides people with a set of rules that enable them to take moral decisions based on the sort of act they are contemplating

4. It deals with intentions and motives

- Consequentialist theories don't pay direct attention to whether an act is carried out with good or bad intentions; most people think these are highly relevant to moral Judgments.

- Duty-based ethics can include intention in at least 2 ways...

- If a person didn't intend to do a particular wrong act - it was an accident perhaps then from a deontological point of view we might think that they hadn't done anything deserving of criticism. This seems to fit with ordinary thinking about ethical issues.

- Ethical rules can be framed narrowly so as to include intention

 Weakness of duty-based ethics

1. Absolutist

- Duty-based ethics sets absolute rules. The only way of dealing with cases that don't seem to fit is to build a list of exceptions to the rule.

- It allows acts that make the world a less good place

- Because duty-based ethics is not interested in the results it can lead to courses of action that produce a reduction in the overall happiness of the world.

- Most people would find this didn't fit with their overall idea of ethics: hard to reconcile conflicting duties

2. Duty-based ethics doesn't deal well with the cases where duties are in conflict.

BUSINESS ETHICS

Business ethics refers to the moral compass that drives people's actions in activities related to commercial operations.

Definition

According to Rogene A.Buchholz, "business ethics refers to right or wrong behavior in business decisions"

Tangible benefits of corporate or business ethics are

- Improved customer loyalty

- Improved employee retention and easier recruitment of new employees

- It makes easier to attract investment capital

Objectives of business ethics

According to Peter Pratley -Business ethics has twofold objectives

1. It evaluates human practices by calling upon moral standards

2. It may give prescription advice on how to act morally in a specific kind of situation.

Other objectives are

- Analysis and evaluation

- Approaches to resolve ethical dilemmas

Characteristics of business ethics

- A discipline

- Its art, science and both

- Dynamic

- An ancient concept

- Theological base

- Study of goals and means

- Based on social reality and customs

- Relating to human aspect

- Universal application

- Develops personal dignity

- Differ with individual perspectives

- Keeps harmony

Scope of business ethics

- Ethics in conformity

- Ethics in finance

    1. In accounting the main ethical Issues are financial analysis. Window dressing and misleading

    2. Bribery, kickbacks, over billing of expenses, facilitation payments.

    3. Fake reimbursement

    4. Related party transactions not at arm's length

    5. Insider trading securities fraud leading to manipulation of the financial markets

    6. Executive compensation

- Ethics in human resources

    1.Discrimination issues i.e. discrimination on the basis of age, gender, race, religion, disabilities, weight etc.

    2.Sexual harassment.

- Ethics in marketing

    1. Pricing: price ne price discrimination and price skimming

    2. Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.

    3. Misleading advertisements

    4. Content of advertisements

    5. Children and marketing.

    6. Black markets and grey markets

- Ethics in production

    1. Defective, addictive and inherently dangerous products and

    2. Ethical relations between the company and the environment include pollution environmental ethics, and carbon emissions trading.

    3. Ethical problems arising out of new technologies for eg. Genetically modified food

    4. Product testing ethics.

Areas of business Ethics

- Managerial mischief

- Moral mazes

Determinants of business ethics

1. The ethical standards and values prescribed for a manager by his superiors.

2. manager's personal code of conduct

3. The policies and philosophy of the organization itself.

4. The ethical climate of the society.

Factors influencing business ethics

- Personal code of ethics

- Legislation

- Government rules and regulations

- Ethical code of the company

- Social pressures

- Ethical climate of the industry

Basics of business ethics

- Honesty

- Integrity

- Promise keeping and trustworthiness

- Loyalty

- Fairness

- Concern for others

- Respect for others

- Law abiding

- Commitment to excellence

- Leadership

- Reputation and morale

- Accountability

Principles of business ethics

- Sacredness of means and ends

- Not do any evil

- Principle of proportionality

- Non –co-operation in evils

- Co-operation with others

- Publicity

- Equivalent price

- Business consciousness

- Service motto

- Universal value

- Human dignity

- Autonomy

- Promise keeping

- Non – violence

Importance of business ethics

- Increases goodwill

- Helps to increase mutual trust and confidence

- Helps in professionalization of management

- Protects each other

- Release from tension

- Perpetual succession

- To face challenges

- Ethics create credibility with the public

- Ethics give management credibility with employees

- Ethics help better decision making

Limitations of business ethics

- No reward for ethical conduct

- Difficult to decide an act whether it is ethical or not

- No proper knowledge of ethical standards

Factors causing unethical behavior

- Competition

- Pressure to earn more profit

- Ambiguous situations

- Political corruption

- Social values and customs are not followed by new generation

- Now-a-days people want to become rich in a short while even by doing unethical acts. Money and success becomes the important motivator behind any activity.

People neglect the social responsibility, lack of integrity and discipline in the social values. Many of the business activities, which involve unethical activities, are objectionable, exploitative and create big problems to innocent people. A sample of these unethical conducts is shown below:

1 Encourage practices of corruption

2. False representation of returns and income

3. Ignore the social Interest

4. Creation of acute competition

5. Political donations

6. Exploit the consumer

7. Illegal trade with enemy countries

8. Exploit scarce natural resources.

Arguments for and against business ethics

Arguments in favor of business ethics

1. Businesses cannot survive unless moral standards exist in business concerns and outside.

2. Ethical concerns are consistent with profits of businesses.

3. Analogy to Prisoners dilemma problem reveals that in repeated interactions, cooperation is the best solution and ethical behavior is the best solution.

4. Most people value ethical behavior and punish business men and organizations that are not ethical. In organizations, where people feel there is no fair play, there is more absenteeism, avoidance of work and lack of respect. In organizations where people feel there is fair play, there is enthusiasm, cooperation and trust.

5. Ethics applies to all human activities.

6. Business cannot survive without ethics.

7. Customers, employees, and people in general care about ethics.

8. Studies suggest ethics does not detract from profits and seems to contribute to profits.

9. The law is not appropriate for regulating certain aspects of business activity. The reason is that not everything that is immoral is illegal. For example ethical issues In a business concern related with inter personal relations at work or relations between competitors is not be regulated by law.

10. The law itself is unsettled. The court decides legality of certain actions.

Arguments against Business Ethics

1. In a free market economy, the pursuit of profit will ensure maximum social benefit so business ethics is not needed.

2. A manager's most important obligation is loyalty to the company regardless of ethics. Managers are appointed in the organizations to serve his or her manager.

3. So long as companies obey the law they will do all that ethics requires.

4. An ethical company cannot be competitive and viable.

5. People's ethical values are set during childhood, in their families, and little can be done after that.

6. Ethics has to start from the top. Depending on who is making the argument, they could mean that the CEO and his team must show ethics first for the rest of the company to do it.

7. If ethics is applied to business sphere, there is a conflict between profitability and ethics.

8. The application ethics and morality to enter the realms of business may cause danger of business values ultimately dominating over social values.

9. Another argument forwarded against bringing ethics to the realm of business is its adverse impact on competitive advantage of a business firm.

10. Business is just a sub set of the society. Hence the moral principles that apply to society also apply to the business.

11. Legitimacy is another argument. Legitimacy means what is legally o.k is also morally o.k. accordingly ethics is considered as identical to law.

Different views of business ethics

- Separatist view
- The Unitarian view
- Integration view

Separatist view

- Effects the objectives of the business
- It will lead conflicts
- Social values dominates over business values
- It will disorder the process of corporate decision making

- It will create adverse impact on competitive advantage

- It affects legitimacy of business

Myths about business ethics:

1. Business ethics is more a matter of religion than management

2. Our employees are ethical so we don't need attention to business ethics

3. Business ethics is a discipline best led by philosophers, academics and theologians.

4. Business ethics is superfluous - it only asserts the obvious: "do good!"

5. Business ethics is a matter of the good guys preaching to the bad guys,

6. Business ethics in the new policeperson on the block. 7. Ethics can't be managed

8. Business ethics and social responsibility are the same thing.

9. Our organization is not in trouble with the law, so we're ethical.

10. Managing ethics in the workplace has little practical relevance.

The Unitarian view

Unitarian view argues that morality and ethics are related to business According to this view the moral principles which are applying in society are also to be applied in business. Business and morality cannot be separated. If businesses want to exist, survive and flourish in the long-run, morality and ethics cannot be separated from the operation of the business. The view also emphasizes, that business should concentrate on society and it has a major role to play in serving the society and ushering in society welfare.

Integration view

The Integration view defined a new area called business ethics, where ethical behavior and business are integrated. Talcott Persons proposed a view called the integration view. He stated that ethical behavior and business should be integrated or combined in a new area called 'Business Ethics'. He argued that business being economic entity, has the right to make profits, but at the same time it should discharge the social obligation.

Code of ethics

A code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics also referred to as an ethical code." may encompass areas such as business ethics, a code of professional practice and an employee code of conduct.

Examples of code of ethics

- Honesty

- Integrity

- Promise keeping & trustworthiness

- Loyalty

- Fairness

- Concern for others

- Respect for others

- Law abiding

- Commitment to excellence

- Leadership

- Reputation and morale

- Accountability

Globalization and business ethics

Business ethics (also corporate ethics) "is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations". Ethics has gained more significant place in the competitive business environment. Globalization "refers to the growing interdependence of countries resulting from the increasing business on integration of trade, finance, people, and ideas in one global marketplace.

Globalization has four factors:

(a) Permitting free flow of goods by removing or reducing trade barriers between the countries.

(b) Creating an environment for the flow of capital between the countries

(c) Allowing free flow in technology transfer and

(d) Creating environment for free movement of labour between the countries of the world. The entire world is considered as global village and all the four components are equally important for attaining a smooth path for globalization.

Relevance of globalization for business ethics

- Cultural and moral issues

  Some of the ethical issues faced by the countries include

  - ➢ Discrimination of woman
  - ➢ Unfair treatment of workers
  - ➢ Language barriers
  - ➢ Unfair treatment of the opposite sex
  - ➢ Legal issues
- Legal issues
- Accountability issues

Ethical Impacts of Globalization

1. **Shareholders:** Globalization provides potential for greater profitability, but also greater risks. Lack of regulation of global capital markets, leads to additional financial risks and volatility.

2. **Employees:** Corporations outsource production to developing countries in order to reduce costs in global marketplace. This provides jobs but also raises the potential for exploitation of employees through poor working conditions.

3. **Consumers:** Global products provide social benefits to consumers across the globe but may also meet protests about cultural imperialism and westernization. Globalization can bring cheaper prices to customers, but susceptible consumers in developing countries may also face the possibility of exploitation by MNCS.

4. **Suppliers and Competitors:** Suppliers in developing countries face regulation from MNCs through supply chain management. Small scale Indigenous competitors exposed to powerful global players.

5. **Civil Society (Pressure groups, NGOs, etc.):** A global business activity brings the company in direct interaction to local communities with possibility for erosion of traditional community life: globally active pressure groups emerge with aim to police the corporation in countries where governments are weak and tolerant.

6. **Government and Regulation**: Globalization weakens governments and increases the corporate regulation for jobs, welfare, maintenance of ethical standards, etc. Globalization also confronts governments with corporations from different cultural expectations about issues such as bribery, corruption, taxation and philanthropy.

MODULE 4

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility

➤ Roots of CSR lie in philanthropic activities. But now it covers:-

- Triple bottom line
- Corporate citizenship
- Philanthropic activities
- Shared value
- Corporate sustainability
- Business responsibility

➤ According to the World Business Council for Sustainable Development (WBCSD) "CSR is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and the society at large".

➤ CSR is generally an activity in which a company achieves a balance of economic, environmental and social essentials (Triple Bottom Line approach) and at the same time satisfying expectations of shareholders and stakeholders.

➤ CSR is also known as corporate conscience or corporate citizenship.

➤ It is the integration of socially beneficial programs and practices into a corporation's business model and culture.

➤ CSR became popular in 1960 but now it is a part of our regular business activities.

Features of CSR

- CSR is a holistic approach and integrated with business strategy for addressing social and environmental impacts of business.
- It needs well-being of all stakeholders of company.
- Philanthropic activities are only a part of CSR.

Core features of CSR

- Voluntary
- Internalizing or managing externalities
- Various stakeholder orientations
- Configuration of social and economic responsibilities
- Practices and values

- Beyond philanthropy

Functions of CSR

According to United Nations Industrial Development Organization, following are the functions under CSR:-

- Responsible sourcing of materials and supplies
- Employees, Vendor, customer and community engagement and relations
- Adherence to labour standards
- Environmental protection and management
- Anti - corruption measures
- Upholding social equity, gender equality and other human rights and goals
- Conservation of resources

History of CSR

- ➢ When we look animal's life, we can see the social responsibility of them towards nature.
- ➢ In 1914, Frederick Goff, a well-known banker in Cleveland, founded the Cleveland foundation, a trustee of the Cleveland Trust Company. It was the first community foundation.
- ➢ In 2011, the Economic and Social Commission for Asia and the Pacific (ESCAP) forwarded the concept of welfare of employees and their impact on society.
- ➢ Up to 1960 CSR activities limited to just philanthropic activities and then after a change in the same can be seen.
- ➢ Howard. R Bowe n (an American economist, Grinnell college president) is regarded as the father of CSR. He published a book in 1953 named "Social responsibilities of businessman". The term CSR was officially emerged in this book.
- ➢ In 2017 European Commission has defined "CSR as the responsibility of enterprise for their impact on society".

Corporate Citizenship

- ➢ The term emerged in 1990s.
- ➢ This term sometimes used interchangeably with social responsibility.
- ➢ It is the term used to describe the contributions of a business to local community or society as a whole.
- ➢ These contributions not only in the core business of company but also in local communities.

- An organization's long-term success depends on having favorable corporate citizenship.
- According to investopedia, "Corporate Citizenship involves the social responsibility of business and the extended to which they meet the legal, ethical and economic responsibilities as established by shareholders.

Corporate philanthropy

- It means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective.
- It can be by an individual or by a corporate.

Need for CSR

- Social responsibility of corporates is satisfying customers more.
- Employees are attracted and more committed to companies having CSR practices.
- Failure of businessman to follow CSR, invites government interventions and controls in activities.
- Shareholders buy or sell shares on the basis of CSR activities of company.
- CSR gives all employees a chance to contribute towards the society, environment and the country.
- CSR helps in making brand popular in between competitors, customers and society.
- Helps in building positive image or public image.
- It helps in increasing a positive word of mouth for organization.
- Innovative ability of business can be used in solving social problems.
- A better society produces a better environment and in which business can gain long-term maximization of profit.

Importance of CSR

- It aims at consumer protection
- It aims at protection of local and global environment
- It ensures respect for human rights
- It result in avoiding bribery and corruption
- Promote labour standards by company
- It helps in building positive environment for employees

Arguments 'For' CSR

- Some social problems have been created by corporations. It is the responsibility of corporations to correct such problems.
- Business has many resources needed for solving society's problems and they are using them to solve the problems.
- If the business is not following CSR, then government will create new regulations. By following CSR, companies can avoid government interventions.
- It helps to get support from employees. Otherwise employees will form and depends trade union.
- It helps to protect consumer's interest. Otherwise they have consumer redressal cells to protect their interest.
- CSR activities may suffer losses in short term but will beneficial for long run survival of firms.
- To avoid self-destruction in the long run, business enterprises assume social responsibility.
- It covers payment like taxes to government, dividend to shareholders, fair wages to workers and equality goods to consumers.
- Business must work in the interest of society (both economically and socially).
- To grow in the environment of dynamism and challenges, business concern decides how much social responsibility is to be discharge.
- It helps to build shareholders value by solving social problems.

Arguments 'Against' CSR

- Business should focus on profit and let the government or non-profit organization to deal with the social and environmental issues.
- Companies are normally deciding what is best for the world according to free market.
- Company meant to produce products or provide services rather than handling welfare activities. They may not have a proper expertise and knowledge of the same. They can't perform their primary duties.
- What measures social responsibility and to what extent a business enterprise be engage in it is not clear.
- Professionally qualified managers may not have an attitude to solve social problems.
- Treatment of cost related to social programs is difficult to a company. Its adjustments may reduce profit or increase cost etc.

- Utilization of resources of a company in social activities may violate the purpose of organization.
- CSR damage a company in global marketplace.

Stakeholders of CSR

- Shareholders
- Employees
- Consumers
- Creditors
- Government
- Community

Corporate Social Responsibilities towards different sections of the society

1. **Responsibility to owners, shareholders and other investors**
   - It must ensure the safety of the fund invested by shareholders
   - It must ensure effective utilization of funds provided by them.
   - It must provide a fair and reasonable return on investment in the long run
   - To ensure full participation of owners in the management of the affairs of the concern.
   - To provide a fair and honest report of business operation from time to time to them.
   - It must see that the public image of the company is such that the shareholders feel proud of their company
   - To offer reasonable appreciation of capital through growth, Innovation and diversification of business activities.

2. **Responsibility towards employees or workers**
   - Apart from this management should provide recreation, sanitation and medical facilities.
   - To ensure job security for the workers.
   - To maintain cordial relationship with employees.
   - To ensure fair opportunities to workers for their promotion, growth and development.
   - Provision and recognition of genuine trade union rights of workers.
   - Proper steps should be taken to ensure social security.
   - It ensures fair and courteous treatment to the workers.

- To make provisions of workers participation in management.
- To recognize social needs of workers.
- To ensure that there is no discrimination in between workers.
- A grievance handling procedure should be established for redressal of the grievance of employees.
- Recognize the collective bargaining and encourage it.
- To ensure protection of workers from occupational hazards.
- Recognize workers as human resources and treat them as an asset instead of a factor of production.

3. **Responsibility towards the consumers**
   - Goods offered to the consumers should be of good quality.
   - Heavy burden in the form of high prices should not be imposed on consumers.
   - Consumers should be given adequate freedom to select the products which they require.
   - New product should be made known to the consumers.
   - Exploitation of consumers should be avoided.
   - A company should select a suitable channel of distribution of their products.
   - Prompt services to consumers must be ensured.
   - It must guard itself against obscene and misleading advertisement.
   - Proper after sales services to the consumer should be ensured.
   - It must guard against adulteration, poor quality, hoarding, profiteering, black marketing, selling second hand articles etc. as a new.
   - To ensure a fairly wide distribution of products among all sectors of the consumers
   - To encourage the formation of association of consumers for their satisfaction and welfare.

4. **Responsibility towards suppliers or creditors**

- To provide accurate information regarding the financial health of the organization
- To ensure a reasonable price for the articles is supplied and make prompt repayment.
- A healthy atmosphere should be prompted between creditors, suppliers and other interest groups

5. **Responsibility towards the community**

- To introduce and in maintain such business policies and activities which help in promoting the basic social values of the community.
- The local self-government, municipality and corporation in the development of public services.
- To organize cultural and religious function for the community for the improvement of society.
- To help the community by opening schools, dispensary, charitable institution, sports and recreation etc.
- To channelize the resources of the society in production lines and make their best use.
- Refrain from include to refrain from indulging in anti-social business activities.
- To develop a good relationship with community.
- To sustain a congenial and healthy environmental conditions.
- To minimize all kinds of pollution.
- To ensure safety of the people who are living near the business establishment.
- The national resources must be utilized efficiently and without making any wastage.
- It must take the responsibility of developing backward areas.
- It should rehabilitate the people who are suffered due to the business operations.
- It must try to create new employment opportunity to solve unemployment problems faced by the community to some extent
- To give cash donations and provide jobs to the disabled person and widows.

6. **Responsibility towards inter- business relations**

- To maintain good relationship
- To avoid unilateral price fixation.
- To have a fair trade practices with other firms
- To co-operate to form the forum of trade association, chamber of Commerce etc.
- It should not indulge in malpractice to obtain trade secrets of other firms through espionage, bribery or other foul means.

7. **Responsibility to the government**

- The main responsibility of the business is to obey the laws passed by the local, state or central government.
- Firms should pay tax in time.
- It should invest their surplus funds in infrastructural bonds, Government bonds etc. . . to boost the development of nation.
- They should not try to indulge in malpractices like hoarding, black marketing etc. to create artificial shortage.
- It must not allow unfair trade practices.
- It must help in mitigating social problems like inflation, national debt, unemployment, illiteracy.
- It must co-operate with the government to implement social activities.
- Discourage unhealthy practices like influencing government officials to carry forward, obtaining license etc.

Advantages of CSR

- Favorable public images
- Employee's contribution.
- Society gains through better neighborhoods and employment opportunities.
- Public needs have changed leading to changed expectations from consumers.
- The company's social involvement discourages excessive regulation or interventions from government.
- The internal activities of the organization have any impact on the external environment.
- A business organization has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility.

- The good public images secured by one organization by their social responsiveness encourage other organizations in the neighborhood to adapt them to achieve their social responsiveness.
- The atmosphere of social responsiveness encourages co-operative attitude between groups of companies.
- Companies can better address the grievances of its employees and create employment opportunities for the unemployed.
- A company with its 'ear to the ground' through regular stakeholder dialogue, is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur.
- Financial Institutions are increasingly incorporating social and environmental criteria into their assessment of projects.
- In a number of jurisdiction, such as government have expedited approval process for firms that have an undertaken social and environmental activities beyond those required by regulations.

Steps in the implementation of CSR activities

1. **Conduct a CSR assessment**
   - Assemble a CSR leadership team
   - Develop a working definition of CSR
   - Identify legal requirements
   - Review corporate documents, processes and activities and internal capacity
   - Identify and engage key stakeholders

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

3. **Develop a CSR commitments**

- Do a scan of CSR commitments
- Hold discussions with the major stakeholders
- Create a working group to develop the commitment
- Prepare a preliminary draft
- Consult with affected stakeholders

4. **Implement CSR commitments**

- Develop an integrated CSR decision making structure
- Prepare and implement a CSR business plan
- Set measurable targets and identify performance measures
- Engage employees and others to whom CSR commitments apply
- Design and conduct CSR training
- Establish mechanism for addressing problematic behavior
- Create internal and external communication plants
- Make commitments public

5. **Measure and assure performances**
6. **Assure and report on progress**
7. **Evaluate and improve**

CSR and ethics in business

Advantages of ethical behavior in business

- Building consumer loyalty
- Retain good employees
- Positive work environment
- Avoid legal problems

MODULE 5

EMERGING CONCEPTS IN MANAGEMENT

KAIZEN

Kaizen is a Japanese word which means continuous improvement.it is made up of two words:"kai" and "Zen". Kai means change and Zen means good. Kaizen works on the following basic principle "change is for good"

Kaizen brings continuous small improvements in the overall process and eventually aims towards organization's success.

Features of kaizen

- One of the most notable features of kaizen is that big results come from many small changes accumulated over time.
- It aims at continuous improvement of process
- Implementing Kaizen tools is not the responsibility of a single individual but involves every member who is directly associated with organization.
- Every employee contributes his own suggestions to improve work.
- Kaizen is a philosophy that focuses both on the process and results,
- It is a process that, when done correctly. Humanizes the work place, eliminates unnecessary hard work (both mental and physical), and teaches people how to do rapid experiments using scientific methods and how to eliminate waste in business process.
- It is process oriented and not goal oriented way of thinking.
- It focuses on improvement of all components of production and business process particularly on such factors as stimulation and involvement of workers and medium ranking managers in the process of decision making.

Objectives of Kaizen

1. To eliminate waste or activities that adds cost and not value
2. Just in time delivery
3. Production load leveling of amount and types
4. Standardized work
5. Paced moving lines and right sided equipment

Kaizen Benefits

1. Kaizen reduces waste like inventory waste, time waste, transportation, workers motion

2. Kaizen improves space utilization, product quality and productivity

3. It results in higher employee morale and Job satisfaction, and lower turnover.

4. It eliminates processes that cause human fatigue.

5. Improvement in individual people capabilities.

6. Improvements for new products (ideas)

7. Improving systems and processes

8. Achieving maximum efficiency and quality

9. An open management style that allows questioning of the existing systems and processes

10. Machine capability improvement (minimum down-time)

11. Striving for continuous improvement at all levels

12. Quality improvement.

13. Improvement in customer service and customer relations.

14. Improvement in production aids (fixtures, tools, etc.).

15. Faster delivery

16. Improvement in use of capital, employee retention and communication

Advantages of Kaizen

- It concentrates attention on the process and activity is centered on getting the process right. It is thus able to identify exactly where things are going wrong and change the process the so that mistakes do not occur. Wasteful processes are reduced, and this in turn reduced waste of resources.
- The long term and short term goals of the company are identified easily and there are systems to ensure that these goals are achieved
- It harbors group-centered activity and therefore encourages teamwork. Hence Teamwork increases tremendously.
- People are able to think beyond the needs of their specific department.
- It rewards effort as well as achievement.
- It is a method for active problem solving.

- It delegates responsibility to all participants.
- It gives employees a sense of purpose.
- All people who participate in it get certain responsibilities, thereby giving them more purposefulness. Further, since it puts people on the forefront, employee morale increases tremendously.
- It acts as a motivator for building quality in to the product.
- It eliminates the need for inspection.
- It helps to breakdown departmental barriers.
- The focus for improvement is returned to the needs for the customer.

TQM (TOTAL QUALITY MANAGEMENT)

Meaning and Definition

Total Quality Management (TQM) is a participative, systematic approach to planning and implementing a constant organizational improvement process. Its approach is focused on exceeding customers' expectations. Identifying problems, building commitment, and promoting open decision-making among workers.

Total Quality Management, TQM, is a method by which management and employees can become involved in the continuous improvement of the production of goods and services, it is a combination of quality and management tries aimed at increasing business and reducing losses due to wasteful practices.

TQM Concepts
- Customer focus
- Continuous improvement
- Employee empowerment
- Team approach
- Employee involvement
- Management involvement

Quality circle

One of the most common types of teams is the quality circle, a team of volunteer production employees and their supervisors whose purpose is to solve quality problems. The circle is usually composed of eight to ten members, and decisions are made through group consensus. The teams usually meet weekly during work hours in a place designated for this purpose. They follow a present process for analyzing and solving quality problems. Open discussion is promoted, and criticism is not allowed. The functioning of quality circles is friendly and casual, but it is serious business. Quality circles are not mere "chatter sessions." They do important work for the company and have been very successful in many firms.

TQM Tools

1. Process maps.

2. Poke-A-Yoke

3. Statistical tools

4. Force field analysis.

5. Root cause analysis

6. Fishbone diagram

7. Loss functions

8. Plan- Do-Check- Act (PDCA) Cycle.

9. Brain storming

10. Affinity diagram

11. Interrelation Digraph.

12. Tree Diagram

13. Prioritization Matrices

14. Activity network diagram

Advantages of TQM

1. Eliminates defects and waste

2. It helps in developing an adequate system of communication

3. Assures better quality performance in every sphere of activity

4. Helps in checking non-productive Wastes

5. Helpful in meeting the competition

6. Customer satisfaction:

7. Employee Morale

8. TQM leads to cost effectiveness

9. TQM accelerates productivity

Disadvantages of TQM

- Quality is Expensive
- Discourages Creativity
- Production Disruption
- Reduce workers output
- Employee resistance

Total productive maintenance (TPM)

Total productive maintenance (TPM) is a system of maintaining and improving the integrity of production and quality systems through the machines, equipment, processes, and employees that add business value to an organization. Each letter in the acronym of TPM is subtle yet critical

- **Total** implies a comprehensive look at all activities that relate to maintenance of equipment and the impact each has upon availability.
- **Productive** relates to the end goal of the effort i.e. efficient production not merely efficient maintenance as is often mistakenly assumed.
- **Maintenance** signifies the directional thrust of the program in ensuring reliable processes and maintaining production

Objectives of TPM

1. Avoid wastage in a quickly changing economic environment.

2. To ensure operational readiness at all times of all equipment for production or service and to obtain the maximum possible return on investment.

3. Producing goods without reducing product quality.

4. Reduce cost.

5. Produce a low batch quantity at the earliest possible time.

6. Goods send to the customers must be non-defective.

7. Achieve Zero Defects, Zero Breakdown and Zero accidents in all functional areas of the organization.

8. Involve people in all levels of organization.

9. Form different teams to reduce defects and Self Maintenance,

Motives of TPM

- Adoption of life cycle approach for improving the overall performance of production equipment.
- Improving productivity by highly motivated workers which is achieved by job enlargement.
- The use of voluntary small group activities for identifying the case of failure, Responsible plant and equipment modifications

Advantages of TPM

- Increase productivity and OPE (Overall Plant Efficiency) by 1.5 or 2 times.
- Operators feel responsible for their machines, equipment becomes more reliable
- Helps to rectify customer complaints
- Reduce the manufacturing cost by 30%.
- Satisfy the customer's needs by 100 % (Delivering the right quantity at the right time, in the required quality.
- Reduce accidents
- Follow pollution control measures
- Defect reduction and consequent profit improvement.
- Improves problem solving capabilities of the workers

- Employees gain the necessary skills to enable them solve problems within the organization

Indirect benefits of TPM

1. Higher confidence level among the employees.

2. Keep the work place clean, neat and attractive.

3. Favorable change in the attitude of the operators.

4. Achieve goals by working as team

5. Horizontal deployment of a new concept in all areas of the organization.

6. Share knowledge and experience.

7. The workers get a feeling of owning the machine.

Principles of TPM

1. Focused Improvement

2. Autonomous maintenance

3. Planned Maintenance

4. Quality maintenance

5. Early Equipment Management

6. Training and Education

7. Safety Health Environment

8. Office functions

Benefits of Autonomous maintenance

- Operators become more responsible and concerned about the condition of equipment they use on a daily basis
- Skill levels of workers increase and they gain an understanding of the general working of equipment thus achieving the multi-skilling objective of a lean organization
- Machines operate at their optimal level because basic maintenance such an cleaning and lubrication is carried out more regularly
- Problems are identified and corrected before they go out of control leading to major breakdown of equipment.

- Engineering staff are freed-up to carry out higher level maintenance activities on sensitive and critical equipment thus reducing the overall system downtime
- The operators carry out the simple activities. It will help to reduce capital Investments drastically because the organization has reliable equipment and does not have to replace machines frequently.

Management information system (MIS)

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

Definition

Jerom kanter defines management information system as "a system that aids management in making, carrying out and controlling decisions"

Features of MIS

- Management oriented
- Management directed
- Integrated concept
- Common data base
- Avoids redundancy in data storage
- Heavy planning
- Subsystem concept
- Common data flow
- Flexibility
- Information as a source
- Need based
- Exception based
- Future oriented

Objectives of MIS

- Data capturing
- Processing of data
- Storage of information
- Retrieval of information
- Dissemination of information

MIS function

- To improve decision making
- To improve efficiency
- To provide connectivity

Advantages of MIS

- It facilitates planning
- It minimizes information overload
- MIS encourages Decentralization
- It brings in coordination
- It makes control easier
- MIS assembles, process, stores, retrieves, evaluates and disseminates the information

Disadvantages

- Highly sensitive and requires constant monitoring
- Implementation of MIS is costly as requires hardware, software and training of human resources.
- Budgeting of MIS extremely difficult.
- Quality of outputs is governed by quality of inputs.
- Lack of flexibility to update itself.
- Effectiveness decreases due to frequent changes in top management
- Thieves and hackers get access to identities and corporate saboteurs target sensitive company data. The hackers distribute the information over the Internet, sell it to rival companies or use it to damage the company's image.

ISO (International Organization for Standardization)

ISO originated from the union of two organizations – the ISO (International Federation of the National Standardizing Associations) and the UNSCC (United Nations Standard Coordinating Committee). In 1946 over 25 countries met at the Institute of Civil Engineers in London to create a new international organization, where the objective was to 'facilitate the international coordination and unification of industrial standards' From this the new organization ISO began operations in February 1947. The word ISO is derived from the Greek ISOS meaning 'equal'. As the International Organization for Standardization would translate differently across different languages it was decided that the short form name for the organization would be ISO. ISO has published 21634 International Standards and related documents, covering every industry, from technology to food safety, to agriculture and healthcare. They meet on a regular basis to further develop new and existing management standards.

Need for ISO Certification

• To increase success on public and private tenders

• To improve internal efficiency and reduce costs

• Subliminal marketing – by showing our logo on your marketing you prove to your prospective clients you are credible.

ISO 9001: 2008

Quality Management System an ISO 9001 quality management system is a systematic and process driven approach to managing your business. It is designed to support the company in ensuring you meet the needs of your customers, whilst delivering a consistent level of quality and satisfaction. ISO 9001:2008 specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

ISO 14001

The ISO 14000 family of standards provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities. ISO 14001:2015 and its supporting standards such as ISO 14006:2011 focus on environmental systems to achieve this. The other standards in the family focus on specific approaches such as audits,

communications, labeling and life cycle analysis, as well as environmental challenges such as climate change. ISO 14001:2015 sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector.

ISO 9001:2015

ISO 9001:2015 specifies requirements for a quality management system when an organization: a) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and b) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements. All the requirements of ISO 9001:2015 are generic and are intended to be applicable to any organization, regardless of its type or size, or the products and services it provides.

The ISO 9000:2000 revision had five goals

1. Meet stakeholder needs
2. Be usable by all sizes of organizations
3. Be usable by all sectors
4. Be simple and clearly understood
5. Connect quality management system to business processes

The ISO 9000:2015 and ISO 9001:2015 standards are based on seven quality management principles that senior management can apply for organizational Improvement:

1. **Customer focus**
   - Understand the needs of existing and future customers
   - Align organizational objectives with customer needs and expectations
   - Meet customer requirements
   - Measure customer satisfaction
   - Manage customer relationship
   - Aim to exceed customer expectations
   - Learn more about the customer experience and customer satisfaction.

2. Leadership

- Establish a vision and direction for the organization
- Set challenging goals
- Model organizational values
- Establish trust
- Equip and empower employees
- Recognize employee contributions

3. Engagement of people

- Ensure that people's abilities are used and valued
- Make people accountable
- Enable participation in continual Improvement
- Evaluate individual performance
- Enable learning and knowledge sharing
- Enable open discussion of problems and constraints

4. Process approach

- Manage activities as process
- Measure the capability of activities
- Identify linkages between activities
- Prioritize improvement opportunities
- Deploy resources effectively

5. Improvement

- Improve organizational performance and capabilities
- Align improvement activities
- Empower people to make improvements
- Measure improvement consistently
- Celebrate Improvements

6. Evidence-based decision making

- Ensure the accessibility of accurate and reliable data
- Use appropriate methods to analyses data
- Make decisions based on analysis
- Balance data analysis with practical experience

7. Relationship management

- Identify and select suppliers to manage costs, optimize resources, and create value
- Establish relationships considering both the short and long term
- Share expertise, resources, information, and plans with partners
- Collaborate on improvement and development activities
- Recognize supplier success

Change management (CM)

Change management is the process, tools and techniques to; manage the people side of change to achieve the required business outcome.

Levels of change management

- Individual change management
- Organizational or initiative change management
- Enter[rise change management capability

Responsibility for managing change

- Increase urgency
- Build the guiding team
- Get the vision right
- Communicate for buy in
- Empowers action
- Create short term wins
- Don't let up
- Make change stick

Resistance to change

- Misunderstanding about the need for change/when the reason for the change Is unclear
- Fear of the unknown
- Lack of competence
- Connected to the old way
- Low trust
- Temporary fad
- Not being consulted
- Poor communication

- Changes to routines
- Exhaustion or saturation
- Change in the status quo
- Benefits and rewards

Stress management

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

Stress management strategies

1. Avoid unnecessary stress

- Learn how to say no
- Avoid people who stress you out
- Take control of your environment
- Avoid hot button topics
- Pare down your to do list

2. Alter the situation

- Express your feelings instead of bottling them up
- Be willing to compromise
- Be more assertive
- Manage your time better

3. Adapt to the stressor

4. Adapt to the stressor

- Reframe problems
- Look at the big picture
- Adjust your standards
- Focus on the positive

5. Accept the things you can't change

- Don't try to control the uncontrollable
- Look for the upside
- Share your feelings
- Learn to forgive

Make time for fun and relaxation

- Set aside relaxation time
- Connect with others
- Do something you enjoy everyday
- Keep your sense of humor

Causes of stress at work

1. Maltreatment or harassment, by anyone, not necessarily a person's manager

2. Feeling powerless and uninvolved in determining one's own responsibilities

3. Continuous unreasonable performance demands

4. Lack of effective communication and conflict resolution

5. Lack of Job security

6. Long working hours

7. Excessive time any from home and family

8. Office politics and conflict among staff

9. A feeling that one's reward is not commensurate with one's responsibility

Stress management techniques

- Meditate
- Exercise
- Yoga ,tai chi and qi gong
- Healthy diet
- Socialization and supportive conversation
- Assertive communication

Fishbone diagrams

A fishbone diagram, also called a cause and effect diagram or Ishikawa diagram, is a visualization tool for categorizing the potential causes of a problem in order to identify its root causes. Dr. Kaoru Ishikawa, a Japanese quality control expert, is credited with inventing the fishbone diagram to help employees avoid solutions that merely address the symptoms of a much larger problem.
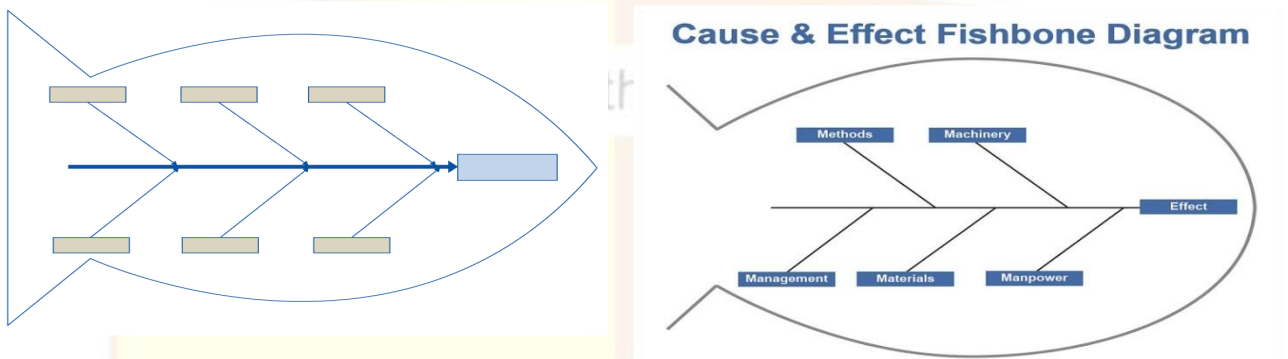
How to create a fish diagram:

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

Types of fishbone diagram

- Simple fishbone
- 4S fishbone
- 6M fishbone
- 8P fishbone

Advantages of Fishbone diagram

- Fishbone diagrams permit a thoughtful analysis that avoids overlooking and possible root causes for a need.
- The fishbone technique is easy to implement and creates an easy to understand Visual representation of the causes, categories of causes, and the need.
- By using a fishbone diagram, we are able to focus the group on the big picture as to possible causes or factors influencing the problem/need.
- Even after the need has been addressed, the fishbone diagram shows areas of weakness that once exposed can be rectified before causing more sustained difficulties.
- The major advantage of a fishbone diagram (also known as an Ishikawa diagram is that it can be of great help in a situation where a person or team of people is trying to determine the cause of some problem.
- A fishbone diagram helps the team by providing a convenient and easily understood way of thinking of and listing possible causes of the problem that Is being faced.The team comes up with basic sources of possible problems (like machines, work methods, or measurement) and then brainstorms, Trying to think of what aspects of these sources could possibly be causing the problem.
- The method operates through the function of joint brainstorming discussions
- Brainstorming allows for broad-ranging thinking, steering teams away from "in a rut" thinking patterns.
- Fishbone allows for prioritizing relevant causes so the predominating, underlying root cause is addressed first.

Disadvantages

- The simplicity of a fishbone diagram can be both its strength and its weakness .As a weakness; the simplicity of the fishbone diagram may make it difficult to represent the truly interrelated nature of problems and causes in some very complex situations.
- A very large space for working out the diagram is needed for complex problems with many branching bones and "why"-bones. It can only help in identifying possible causes of problems and does not offer any possible solutions or any analysis of the likelihood that a given cause is the real one.
- It is not very good at pointing out which of the possible causes is most likely or most important.
- The complex interrelationships of multiple factors are difficult to show on a fishbone

Holacracy

Holacracy was invented by Brian Robertson, a 35-year-old former programmer with hardly any management experience.

Holacracy is a method of decentralized management and organizational governance, in which authority and decision making are distributed throughout a holacracy of self-organizing teams rather than being vested in a management hierarchy.

Features

- A holacracy is a system for managing an organization where there are no assigned roles and employees have the flexibility to take on various tasks and move between teams freely.
- The organizational structure of a holacracy is rather flat, with there being little hierarchy.
- The structure, which has a set of guidelines laid out as the Holacracy Constitution, works well for some but can be a bad fit for other employees that might otherwise be great In a more hierarchical system.
- It is a lively organizational structure.
- It provides more autonomy to teams and individuals.
- It is a unique decision-making process
- Every team member directs their energies with the mission of organization.
- Every individual acts as a sensor for the organization and has direct pathways for processing their challenges and opportunities into organizational change.
- Holacracy replaces the management hierarchy with a set of rules. It helps to make transparent decision making authority at every level of the organization. It creates a cleaner working relationship.

Advantages of Holacracy

- If an organization implements holacracy, it will see an increase in agility, efficiency, transparency, innovation and accountability.

- Holacracy is highly adjustable and adaptable business strategy allowing for quicker corrections of imbalanced workloads or responsibilities.

- Another advantage of the holocratic model is increased transparency and fewer conflicts in the organization.

- 1t enables speedy decision making, drives burn and overwhelm at the top change in the organization and reduces

- It allows companies adapting to chances and threats in the environment, according to the JIT system.

- Removing all job titles, for instance, will prevent the risk of clashes between employees and managers, which is cause of tensions and inefficiencies into company.

- A further benefit that advocates of holacracy tend to stress is higher staff commitment. In their view, the engagement levels of the workforce will be higher If all the employees are equally responsible and empowered. This will in tum lead to increased productivity and competitiveness.

- There is an advantage of flexibility and adaptability.

Disadvantages

- The hardest challenge that holacracy (as other alternative setups) need to face is possibly its sustainability.

- It is neither easy nor straightforward and, most importantly, requires time.

- Raises concern about its feasibility in Implementation.

Rank and Yank

The term probably came to describe the process used at General Electric (GE), and associated with former CEO Jack Welch.

Rank and Yank is a term used to describe a process by which a company ranks its employees against each other, and terminates the employment of the people at the lowest end of the ranking that's the yank). The purpose of rank and yank is firing of the worst performers, and replacing them with best performers, the company will end up with a better workforce. The technique, at least on the surface, sounds logical

The "rank-and-yank" process of employee reviews involves slotting employees Into three categories based on their productivity rewarding employees who promote themselves and tear

down their peers and penalizing employees who are less adept at self-promotion or less willing to complain about others.

Advantages

> ➤ It leads to increased productivity.
>
> ➤ It helps you to identify key players. It will help you to weed out the leaders from the rest of the pack.
>
> ➤ It encourages competition. Employees competing to do more and get better results will usually improve the company's bottom line effectively
>
> ➤ The technique, at least on the surface, sounds logical
>
> ➤ It helps to building great teams and great companies through consistency, transparency and honesty.
>
> ➤ An HRD manager of a company that has implemented the model feels it's a great stir up management concept and ensures that the organization has fresh ideas and fresh faces.

Disadvantages

- Critics charge that a rank and yank" approach is unfair to people performing an acceptable level and creates an unhealthy cult-of-star culture
- There's no guarantee that the new employees will be better than the old. Unless the hiring process if extremely effective. On top of that when rank and yank i.e. used, the new employees need to learn their jobs, and will take a significant amount of time to come up to speed.
- Those in the bottom aren't necessary poor performers: they just ranked that way because, well, somebody has to be .
- It forces managers to sometimes sacrifice otherwise good employees in order to protect those considered more essential
- Critics believe the cream may rise, but in leaves too many otherwise good worker to sour.
- It encourages unhealthy competition
- The practice is widely believed to kill innovation and demoralize employees because no one want to risk being on a project that could potentially fall and, thus, be allocated to a lower ranking
- The other line of argument against it as long as there is a status quo, things are fine, but once new technology for competition emerges and there is a serious crisis, such

companies are overwhelmed by the turn of events with low committed employees around to handle the situation

Many Indian companies feel that a ranking such as this can be devastating to the morale and trust of an organization.

Managers sometimes misuse any ranking system for any of a number of reasons:-

- To make themselves look good thy trying to get the largest percentage of high-rankings, regardless of actual merit)
- To get rid of someone perceived to be a threat to the position
- To punish insubordination
- To keep a star performer from fob hopping by sing a good, but not top evaluation

20% of Time

20% of time is a policy which allows employees to work on whatever they want for 20 percent of their time on the job. This policy Inspire innovative projects it serves as a checks and balance system between unreasonable managers and reasonable employees.

Advantages

- Is Innovative,
- Has a defined scope.
- Should be open to collaboration.
- Could benefit the company,

Limitations

- The results are debatable
- It is very, very expensive
- Theoretically it sounds like a great idea

Gamification

In the words of Gartner Gamification is the use of game mechanics and experience design to digitally engage and motivate people to achieve their goals"

Gamification is defined as "a process for integrating game mechanics into something that already exists to motivate participation, engagement and loyalty this can be almost anything,

from a website to social media presence, day-to-day operations, customer engagement and more.

Components

1. Fast Feedback
2. Transparency
3. Goals
4. Badges
5. Leveling Up
6. On boarding
7. Competition
8. Collaboration
9. Community
10. Points

Uses of Gamification

- Promotion
- Employee productivity
- Behavior change
- Loyalty

Benefits of Gamification

- Good learning experience
- High levels of management
- Managerial insights
- Instant feedback
- Better learning environment
- Versatile
- Increases in recall and retention
- Gamification motivates everyone
- Gamification increases teamwork

Disadvantages

- The motivation may only be n superficial one. The motivation is contained within the game and not to the product which it supposedly supports
- By making play mandatory. Gamification might create rule-based experiences that feel just like school.

- Like anything, over dose of gamification may defeat the purpose of the exercise. Employee's spirit may fall behind if they tasked them with playing a game too often or for too long

- Another reason is that gamification removes a lot of the essence of a game., It's become almost a cut and paste methodology and lacks a lot of originality.

- Employees may not take the game seriously. In those situations, it is no longer entertaining or competitive but rather coercive.

- The effort and not mastery should be rewarded, and the learners should learn to see failure as an opportunity, Instead of becoming unmotivated or fearful.

- Organizations that attempt to use gamification as a means of manipulating and exploiting employees will ultimately fall with those efforts.

- Designing a gamified experience that truly engages employees requires a deep understanding of employee goals. But many managers are simply blind to employee goals, or choose to focus on their own goals.

- Gamification is not useful for making people work harder, but it can be used to encourage people to work better.

Flexi working

Flexible working, also known as flextime or flextime, refers to non-traditional working arrangements that take into account an individual's personal needs, often involving some degree of working from home. Flexible working is often used to describe any other working arrangement than the traditional.

Types of flexible working

- Part time working
- Working from home
- Job sharing
- Compressed hours
- Flexi time

Benefits of flexi working

- Flexibility to meet family needs, personal obligations, and life responsibilities conveniently
- Reduced consumption of employee commuting time and fuel costs
- Avoids traffic and the stresses of commuting during rush hours.
- Increased feeling of personal control over schedule and work environment.

- Reduces employee burnout due to overload
- Allows People to work when they accomplish most, fee Treatment and enjoy working
- Depending on the flexible work schedule chosen. may decrease external childcare hours and costs.

Advantages for Employers

- Increased employee morale. engagement, and commitment to the organization
- Reduced absenteeism and lateness
- Increased ability to recruit outstanding employees.
- Reduced turnover of valued stall.
- Allows people to work when they accomplish most. feel freshest, and enjoy working. Extended hours of operation for departments such as customer service.
- Develops image as an employer of choice with family-friendly flexible work schedules.

Disadvantages for Employees

- Employees who thrive in an office environment may find it difficult to work when colleagues don't hold the same schedule. This is why many employers require core days and core hours during which everyone is in the office.
- Working from home can often make neighbors and friends think you aren't actually working, thus causing problems with relationships.
- There is no clear delineation between work and home. When you use flexible schedules sometimes that means work all of the time.

Disadvantages for Employers

- In team-oriented departments, teams still need to meet, which requires a set of guidelines. Some people take advantage of the flexibility and use that as an invitation to work from home which really means watch films with their email screen open.

- Some managers, who are used to seeing when their staff members come to work, watching what staff do all day at work, and knowing when people leave for home, have trouble adjusting to the new management style which require trust.
- Office-oriented people sometimes view their work at home colleagues as slackers because they can't physically see their productivity.
- Some employees may not work efficiently without supervision
- Compressed work weeks may mean client availability suffers
- Feelings of unfairness when only certain employees have work that can be remotely

Business Eco system

A business ecosystem is the network of organizations—including suppliers, distributors, customers, competitors, government agencies, and so on—involved in the delivery of a specific product or service through both competition and cooperation.

Characteristics of business eco system

- Ecosystem are dynamic
- Diversity and their collective ability
- Creates and capture new value
- Collaboration and competition
- It aims at innovations and commercial success
- Large number of participants: There Is large number of participants
- Ecosystems enable and encourage the participation of a diverse range of Barge and small organizations, and often individuals, who together can create scale and serve markets beyond the capabilities of any single organization
- Cooperation and competition is the other feature of business eco system.
- Ecosystems create new ways to address fundamental human needs and desires
- Ecosystems create and serve communities, and harness their creativity and Intelligence
- Business ecosystem can be characterized as harmonious, holistic, comprehensive functioning and development of the enterprise

Advantages and disadvantages of business eco system

- Larger companies, such as Wal-Mart, have the advantage to lead the development. Operation and distribution of goods that members within the ecosystem use to either build or deliver perspective products and services.

- Businesses also have the advantage of connecting suppliers to customers through branding. In a healthy business ecosystem, companies and Individuals concurrently collaborate in the production of common assets and use these assets to develop market offers they sell in the marketplace.
- The need to visualize and shape business ecosystems creates new opportunities for small technology companies.
- Consumers are able to get desired goods.
- Fast and favorable access to sophisticated capabilities worldwide
- A huge disadvantage is that businesses may face functioning within an ecosystem is the risk of being copied by an outside company or vendor presenting a possible threat to the business' confidentiality and security.

Practical Advantages for an Entrepreneur
- Market entry barrier reduction
- Access to customers
- Operation cost reduction
- Elimination of regional limitation

Logistics management

Logistics management is the part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption to meet customer requirements.

Objectives of logistics
- Reduction of inventory
- Economy of freight
- Reliability and steadiness in delivery performance
- Minimum damage to products
- Quicker and faster response

Functions of logistics
- Order processing
- Inventory planning and management
- Warehousing
- Transportation

- Packaging

Classification of logistics

- Inbound logistics
- Process logistics
- Outbound logistics

Significance or objectives of logistics management

- Cost reduction and profit maximization
- Efficient flow of manufacturing operations
- Competitive edge
- Effective communication system
- Sound inventory management

Key activities involved in logistics management

- Network design
- Order processing
- Procurement
- Material handling
- Inventory management
- Packaging and labeling
- Warehousing
- Transportation