BUSINESS ADMINISTRATION

Study Material

CLASS XII

Curriculum - Business Administration

Topics	Topics to be covered	Marks allocated
Concept of Business	Meaning of terms "Business" and Administration "Administration" Legal Framework/obligations of Forms of Business organizations Introducing Business Interest Lobby organizations – e.g. Chambers of Commerce and how to use them **Practice Session: In Groups**, To understand the concepts and integration of Business and Administration, concept of People Management – Leadership/ Motivation needs to be brought in Place. A brief overview needs to be shared to set the base for the next module. This module should include- Concept of Human Resources (Meaning. Management, Relevance) that ultimately run the business.	**8**
Concept of People Management	Role of Leadership Motivation Conflict Management Interpersonal Relations (Johari Window Concepts) In continuation with the last module, this module should focus on theory as well as practical implications of these principles. The pedagogy should be such that it focuses on cases, activities, simulations & role plays to understand the behavior of people at work.	**8**
Concept of Business Plan	Innovation in form of Entrepreneurship needs to be taught Various ingredients of Business Plan Concept of performance and Profit Budget and their monitoring Tools of Budget Analysis/Corrective Action	**8**

Introduction to Business	Vouchering Accounting Primary and secondary Books of accounts Computerized Accounts Analysing Accounts for performance Improvements PLA, Balance sheet, Debit , Credit, Primary Accounting	**8**
Business Correspondence	Principles of Business Correspondence Forms of Common Business letters Practice in Business writing	**5**
Business Communication	Rules of Good Business Communication Communication and Teamwork Commitment to Business organization In continuation with the module of "Workplace environment" this needs to be covered from the holistic point of view. Topics like – Motivation, Leadership and Organization Commitment to be covered in detail Another logical topic is Organization Citizenship Behavior. This is again in tune with the current demand of businesses.	**8**
Business and Environment	Concept of Responsible Corporate Citizen Corporate Social Responsibility	**5**
Technology in Business	How I.T. has changed Business Business and Social Networking Dangers in business through I.T. E-commerce Do's and don'ts. And integration of other related technology aspects could be covered.	**5**
Integration of Different Branches of Management	This Module is of extreme relevance so as to enable the students understand different branches of management that are linked with Business. Overview of Production Management Overview of Financial Management	**5**

	Overview of Supply Chain Management Overview of IT Management Overview of Human Resources Management Overview of Marketing Management All these topics have been discussed in some point or the other in the curriculum Only a quick recap and understanding needs to be reiterated in the system so as to set the base for the next level of specialization for the students. This would also add value to the students in terms of understanding the technical nature of businesses.	

1.1 BUSINESS ADMINISTRATION - CONCEPT, OBJECTIVES, IMPORTANCE

CONCEPT OF BUSINESS

Literally, the word "business" means the state of being busy. Generally, the term business includes all human activities concerned with earning money. In other words, business is an activity in which various persons regularly produce or exchange goods and services for mutual gain or profit. The goods and services produced or purchased for personal use are not included in "business".

DEFINITION

1.According to L. H. Haney

"Business may be defined as human activities directed toward providing or acquiring wealth through buying and selling of goods."

2.James Stephenson says that:

"Every human activity which is engaged in for the sake of earning profit may be called business."

3.In the words of B. W. Wheeler

"An institution organized and operated to provide goods and services to the society, under the incentive of private gain" is business.

Business administration in simple terms, is everything that encompasses a business. The administration of a business includes managing and monitoring absolutely everything to do with a business, from marketing, advertising, to the hiring and the management of staff. To explore business administration in great detail, we will explore each of your questions separately.

- **THE CONCEPT OF BUSINESS ADMINISTRATION:**

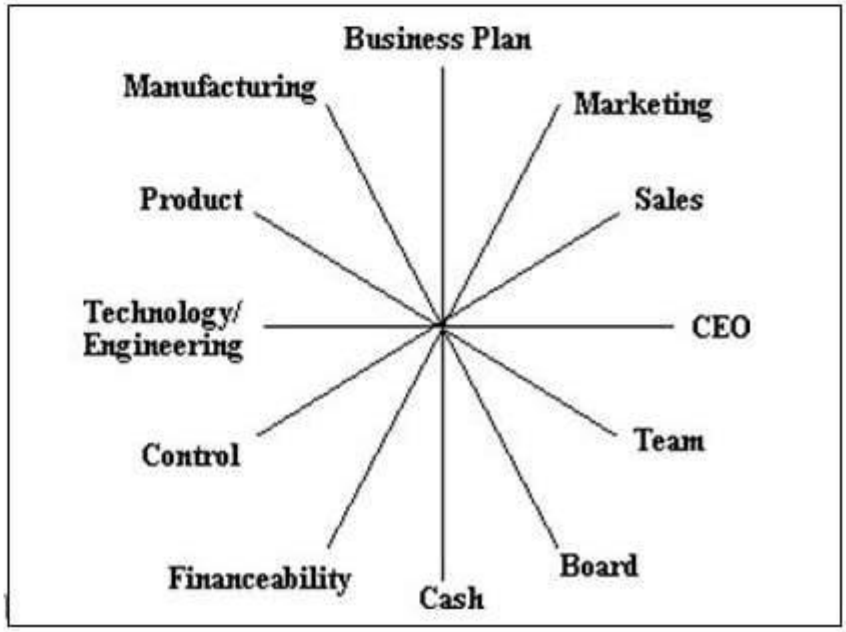
  The concept of business administration is the process of managing every different angle of a business so it can run, expand, grow and succeed. Without business administration, all areas of the business would go unmonitored and would eventually break down.

  In a business, there is usually a team or department of business administrators and their job is to monitor and manage every aspect of the business to ensure the business has its best chance of succeeding. In short, the concept of business administration is to over see the running of the company and working to ensure the business is working, running to its best ability.

- **THE IMPORTANCE OF BUSINESS ADMINISTRATION:**

  The importance of business administration is of course very high. In order for a business to run properly and to be successful, every aspect of the business needs to work. In order for this to take place, business administrators should monitor, manage and assess each element of the business, keeping records and analyzing each department's information on a regular basis to ensure everything is running according to plan.

  Business administrators usually are the ones to make large important business decisions, too, which is of course again, exceptionally important. In short, a business would very likely fail without a good business administration team.



- **THE PROCESS OF BUSINESS ADMINISTRATION:**

The process of business administration is the overseeing and controlling of a business. This includes keeping a lot of records, monitoring and overseeing every department and staffing and managing teams of employees.

1.2 Business Administration functions - planning, organizing, staffing, directing and controlling

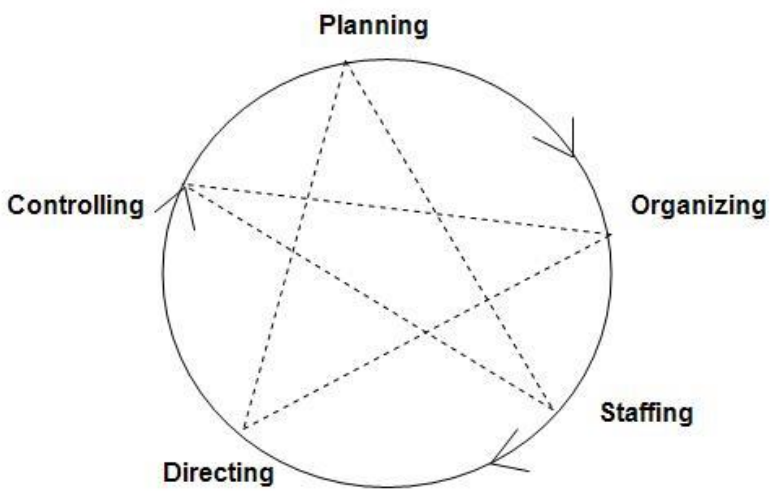
Business Administration Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

Different experts have classified functions of Business Administration. According to*George & Jerry*, "There are four fundamental functions of Business Administration i.e. planning, organizing, actuating and controlling". According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting.

i.e. **PLANNING**, **ORGANIZING**, **STAFFING**, **DIRECTING** AND **CONTROLLING**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable

Each function blends into the other & each affects the performance of others.



1. **Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. **Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. **Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Comparison of actual performance with the standards and finding out deviation if any.
d. Corrective action.

1.3 COORDINATION - CHARACTERISTICS AND IMPORTANCE

According to management experts, co-ordination is necessary because :-

- "Co-ordination is the Essence of Management." i.e. co-ordination effects all the functions of management, viz., Planning, Organising, Staffing, etc.
- Co-ordination is a function of management.
- Co-ordination is a principle of management, and all other principles are included in this one principle, i.e. co-ordination is the "Mother Principle".
- According to Mary Parker Follett, Co-ordination is the "Plus value of the group". That is, if there is good Co-ordination then the combined group achievement will be greater than the total of the individual achievement, i.e. 2+2=5. This is impossible in the physical world, but it is possible in human affairs through co-ordination.

- Coordination is a process to establish harmony among the different activities of an organisation, so that the desired objectives can be achieved. Definitions of coordination present the following facts about its characteristics:

CHARACTERISTICS OF COORDINATION

(1) Coordination Integrates Group Effort:

- The need for coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual effort. The question of coordination does not arise, if the job is done by one person only.

(2) Coordination Ensures Unity of Action:

- The nature of coordination is of creating unity in action. It means during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

(3) Coordination is a Continuous Process:

- It is not a job which can be performed once and for all, but its need is felt at every step. Many activities are performed in a business. Sometimes or the other, if any one of the activities goes on fluctuating either for more or less than required, the whole organisational balance is disrupted. Thus, a close watch has to be kept on all the activities to maintain the balance.

(4) Coordination is an All-pervasive Function:

- Pervasiveness refers to that truth which is applicable to all spheres (business and non-business organisations) and places uniformly. The nature of coordination is pervasive. Like making of timetable in an educational institution is an apt example of establishing coordination.
- In the game of cricket, the placement of players at pre-determined positions is nothing but coordination. In the same manner, to synchronise the activities of different departments, like purchase, sales, production, finance, etc. in a business organisation is coordination.

(5) Coordination is the Responsibility of All Managers:

- Coordination is needed at all the three, i.e., top, middle and lower managerial levels. Different activities performed at all the levels are equally important. Thus it is the responsibility of all the managers that they make efforts to establish coordination. That is why, it could not be said that coordination is of more importance to any one particular managerial level or a manager.

(6) Coordination is a Deliberate Function:

- Coordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but coordination is also needed. For example, a teacher aspires to teach effectively (this is cooperation) but the timetable is not prepared in the school (this is lack of coordination).
- In this situation, classes cannot be arranged for. Here, the effort made by the teacher is meniangless, in the absence of coordination. On the other hand, in the absence of cooperation, coordination dissatisfies the employees. Thus, both are required at a given point of time.

IMPORTANCE OF COORDINATION

The need and importance of coordination can be judged from points below :-

1. Coordination encourages team spirit

There exist many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organisational objectives. Coordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organisation. This increases the team spirit of the employees.

2. Coordination gives proper direction

There are many departments in the organisation. Each department performs different activities. Coordination integrates (bring together) these activities for achieving the common goals or objectives of the organisation. Thus, coordination gives proper direction to all the departments of the organisation.

3. Coordination facilitates motivation

Coordination gives complete freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the employees get job satisfaction, and they are motivated to perform better.

4. Coordination makes optimum utilisation of resources

Coordination helps to bring together the human and materials resources of the organisation. It helps to make optimum utilisation of resources. These resources are used to achieve the objectives of the organisation. Coordination also minimise the wastage of resources in the organisation.

5. Coordination helps to achieve objectives quickly

Coordination helps to minimise the conflicts, rivalries, wastages, delays and other organisational problems. It ensures smooth working of the organisation.

Therefore, with the help of coordination an organisation can achieve its objectives easily and quickly.

6. Coordination improves relations in the organisation

The Top Level Managers co-ordinates the activities of the Middle Level Managers and develops good relations with them. Similarly, the Middle Level Managers co-ordinates the activities of the Lower Level Managers and develops good relations with them. Also, the Lower Level Managers co-ordinates the activities of the workers and develops good relations with them. Thus, coordination overall improves the relations in the organisation.

7. Coordination leads to higher efficiency

Efficiency is the relationship between Returns and Cost. There will be higher efficiency when the returns are more and the cost is less. Since coordination leads to optimum utilisation of resources it results in more returns and low cost. Thus, coordination leads to higher efficiency.

8. Coordination improves goodwill of the organisation

Coordination helps an organisation to sell high quality goods and services at lower prices. This improves the goodwill of the organisation and helps it earn a good name and image in the market and corporate world.

CHAPTER- 2 CONCEPT OF PEOPLE MANAGEMENT

PRINCIPLES OF BUSINESS ADMINISTRATION

Implicit in the preceding discussion are a number of fundamental principles that must be honored in order to deliver business results to customers and to satisfy the needs of the organization's other stakeholders. These principles underlie the methods of business operation and change. Understanding and living according to these principles will get managers and practitioners alike through some tough debates about managing processes. Without the principles, teams can easily get lost and distracted from the intent of the journey.

The 10 principles are

1. Business change must be performance driven.
2. Business change must be stakeholder based.
3. Business change decisions must be traceable to the stakeholder criteria.
4. The business must be segmented along business process lines to synchronize change.
5. Business processes must be managed holistically.
6. Process renewal initiatives must inspire shared insight.
7. Process renewal initiatives must be conducted from the outside in.
8. Process renewal initiatives must be conducted in an iterative, time-boxed approach.
9. Business change is all about people.
10. Business change is a journey, not a destination.

Principle 1: Business Change Must Be Performance Driven

This principle deals with the question, "How can we evaluate what we are doing and how well we are doing it?"

All change must be based on business performance measurement. All the things we do, we should do for a reason, and measurement allows us to know if we are acting consistently with the reason. This principle in no way says what the right measurement indicators should be.

Every industry is different, and every company has its own strategy for which a variety of indicators are possible. Nonetheless, it's vital that each organization choose wisely; the old adage, "You get what you measure," seems true for all organizations.

Clearly, profit and market share will be important performance indicators for automobile companies; customer satisfaction and retention for services firms; share price and staff loyalty for dot-coms. Government will have different drivers than the private sector, and monopolies will have different drivers than free-market firms. All, however, must know their aim in life and set a scorecard to evaluate how they're doing.

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Traditionally, competitive organizations have used physical asset-based measures or investor-based measures, which I have likened to hearing last night's final score without seeing the football game. Although we know that all teams go out to win and, in the long term, a team must win or its management and coaches will be fired, just having the final score after the fact does little to help our understanding of the whole game. We don' t know if it was a good game for our team or not. We don' t know if it was exciting and if our fans were happy, or perhaps not because we should have done better. We don' t know if our strategy worked, or if it was abandoned part way through. We don' t know what the team should probably do differently in the next game. We only know the result.

Similarly, in business, most of us need other feedback to know what's working. A high stock price or good return on assets is nice, but how can we contribute to it with what we do every day? Earlier, I talked about evaluating human resources and intellectual capital as measured by return on management. However, this too can disconnect us from what we must do as far as many of our staff are concerned. As in sports, we need predictive measures, not just after-the-fact reports, to see the total picture. Constructing a connected measurement system is critical for us to break down overall targets into what people do every day.

A popular response to this has been the "balanced scorecard" approach, which tries to put in place a set of measures that aren't oriented just to the financial bottom line. Measures of all major components of success are required, including customer satisfaction and loyalty, innovation, knowledge and people, customers, suppliers, processes, as well as the financial side of the organization. From this perspective, the measurement-oriented approach doesn't have to be just financial numbers but can also include outsider perceptions. This means that all organizations, regardless of business mission, can find their own set of performance metrics from which all decisions regarding processes can be derived and linked to each other.

This concept is normally referred to as *traceability.* Traceability simply means that everything we do, and every decision we make under ideal circumstances, relates through a set of linked performance measures to the organization's scorecard.

After performance measurement factors are determined, the organization sets some performance targets. There may be inherent conflict among the targets. Meeting targeted measures associated with customer acquisition, such as achieving rapid market share growth, could be in direct opposition to the requirement to delight our customers. Attaining good satisfaction levels and delivering higher profits by reducing costs may be fundamentally at odds, especially if we also are striving for no headcount growth at the same time. Likewise, improving speed may fly in the face of our quality improvement initiative. Cost reduction can also be a killer of customer satisfaction, depending how it's done. Management must send clear messages on strategy and priority and not rely just on wishes and targets. Remember, hope is not a strategy. Both hope *and* business strategies are needed.

The bottom line for any business improvement is that well-thought-out,
targeted measurements will inspire and track progress and ensure that we

allocate our scarce human and financial resources to things that matter most.

PRINCIPLE 2: BUSINESS CHANGE MUST BE STAKEHOLDER BASED

This principle asks, "Who cares about what we are doing and how well we are doing it? What do they care about?"

This principle continues the thought process surrounding traceability started in the first principle, but from the perspective of those other organizations and people that surround the organization in focus—its stakeholders. A stakeholder is anyone or any group that's affected by, has a vested interest in, or can influence the organization's performance in some way.

Clearly some stakeholders are more important than others when it comes to the organization's success, and this will change over time. This principle recognizes that the organization doesn't exist only for its own purposes—it must serve a larger community than itself. Stakeholders provide context for the business—its own ecosystem.

Stakeholder needs and expectations are the prime drivers of the balanced scorecard and also help determine what that scorecard should be.

Stakeholders can be classified into a number of broad and deep types. Typical generic categories are

- Customers and consumers
- Owners
- Staff
- Suppliers
- Community
- The enterprise itself

These categories will vary wildly for different companies and significantly from industry to industry.

Often, significant overlaps in classification result in confusion. For example, many organizations have customers or suppliers who are also their competitors. How should the competitor be classified? Also, what's good for the customer might be not so good for the staff or might violate legal and regulatory community rules. Again, a balance must be struck.

In most organizations, one level of stakeholder type is insufficient, especially when we look at what certain parts of the organization do and whom they deal with. *Customer segmentation* is a well-developed function in many sales-oriented companies. It's the basis for marketing.

campaigns, sales organization design, and incentive schemes. Segmentation is used less, however, as a driver and organizer of business change initiatives and process management, an area where it holds great potential. Likewise, we can segment or structure the other stakeholder types, such as staff or suppliers, into hierarchical categories, from general types to more specific sub-types.

Types should be segmented according to their different requirements and the difference in the way that they are to be treated. For example, telecommunications companies treat residential customers differently from multinational business customers. If there's no difference in treatment required, further segmentation might not be required.

To analyze a stakeholder segment, we should know the current state of our relationship with that segment and what would we want it to be in the future. The gap between these two states will drive our needs for change. The future state view will provide a set of evaluation criteria for change from the current reality.

From the current state, we should determine where we are with each type and sub-type that warrants distinction. This evaluation includes knowing the following about each stakeholdertype:

- Our principles and values as they affect the type
- Key performance indicators (KPIs) and actual performance measurements
- Interactions from and to the stakeholder type including Business events/outcomes

Flows of work, material, data, knowledge, and commitments Health of current interactions

- Health of the overall relationship

For the future state, we should know where we need to be at the end of the planning horizon with each type and sub-type that warrants distinction. This projection should cover

- Principles and values
- Expectations and relationship vision
- Key performance indicators (KPIs) and performance targets
- Interactions from and to the stakeholder type including Business events/outcomes

  Flows of work, material, data, knowledge, and commitments
- Critical success factors

The stakeholder criteria will depend on the stakeholders' actual needs, but this will be balanced with the organization's desires.

The degree of importance placed on each stakeholder type will also depend on the value proposition that the organization chooses for itself. If the organization sees itself first and foremost as a customer/consumer service excellence company, it will focus heavily on the customer segmentation and customer criteria. If it sees itself as primarily an excellent manufacturer, it will focus more on suppliers and distributors, and its customer orientation will be toward quality of product more than service at all costs. If it sees itself as an innovator above all else, the organization will have a different mix of staff and community stakeholders than the others and might depend on channel partners to get products and services to market.

Another factor in the stakeholder analysis will be the organization's philosophy toward its prime mission. This is especially a key factor in today's drive toward e-businesses. Many organizations have come and gone—some by design and others, not. Organizations that see themselves as built to last will have a totally different perspective from those that plan to take advantage of their intellectual property or capability in the short term and flip the firm to others purely for immediate financial gain.

Executives with an incentive to haul in lots of stock options in the short term might de-emphasize staff criteria for market share or growth. In any case, the organization must come up with a set of criteria based on balancing the outsiders' needs and expectations that can be measured to make decisions now and to prioritize later. These stakeholder evaluation criteria reflect the value added by their relationship with the organization.

Principle 3: Business Change Decisions Must Be Traceable to the Stakeholder Criteria

Principle 3 tackles with the question, "Why should we make the choices we make?"

This principle is almost self-evident and doesn't require a lot of explanation. However, that doesn' t mean it's common practice. As a matter of fact, it's often ignored or abused. Personal and political agendas more often form the basis for proposals, recommendations, and approvals of courses of actions than criteria derived from outcomes of value to our stakeholders. The key question is, "What's the reason or justification for a particular decision? Is it business or personal?"

The challenge is to obtain accepted criteria before we enter into choosing among business options, even small ones, and to use those criteria instead of the personal drivers of powerful players. Conflicting personal, political drivers among decision makers can devastate a sound decision-making process. When those drivers are also misaligned to the organization's mission, vision, and values and to its stakeholders' expectations, we cannot expect to optimize results,

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Again, insist on agreement to the future state stakeholder criteria that will determine your course of action; then and only then, select that course.

This simple philosophy of tracing business change decisions to stakeholder criteria is consistent with many popular strategies for personal and professional success. Stephen Covey's second habit of highly successful people states, "Begin with the end in mind."[1] Sports psychologist Terry Orlick[2] claims that the first thing any competitive athlete must have is a clear picture of what success is. Visualization of that end state drives the behavior to get there. If you don' t know or care about where you are going, any behavior will suffice.

To actually put this principle into practice, management must consciously and visibly agree on the criteria first and then publish them. Management must also empower those working on change to work creatively within those parameters.

An example is the up-front agreement necessary in the process-renewal projects I have handled for various businesses. I always fight hard to get the commitment that we will use the stakeholder criteria to reach a solution. We all agree not to discuss or even try to think about any organizational structure already in place. This is hard to manage, but, if I don't get this commitment, it usually means that managers are thinking more about the drivers of direct relevance to them personally and currently. These current personal drivers seldom align within the team or with the best interests of external stakeholders.

Principle 3 should be practiced in numerous situations. In deciding on design options for every aspect of the process management hexagon (refer to Figure 3.2), we should use the stakeholder criteria. In making scoping decisions, in selecting among alternatives in business cases, in allocating resources to work requirements, in communication and human change management, and many other business practices, it will serve you well.

Principle 4: The Business Must Be Segmented Along Business Process Lines to Synchronize Change

Based on the earlier discussion in this chapter, it's natural to view *process* as the prime segmentation strategy internal to organizations and—more and more frequently—among organizations. As business cycles of products and services shrink timewise, management structures with overly rigid organizational boundaries and planning mechanisms are too slow to respond. They don' t anticipate changes well enough to lead the market.Also, a customer or supplier clicks on a mouse while on a Web site, with the expectation of quick, efficient, and effective results.

In both scenarios, seamless cross-functional integration is mandatory. Restructuring functional units alone won' t do it. Focusing on people skills and empowerment also won' t do it by itself; such approaches are aimless. A technological basis for organizing the delivery of results is likewise misdirected because technology will automate only what we want it to. Despite wider-focusing technologies, such as enterprise resource planning and customer relationship management, businesses require results-oriented structures.

Only process can stake the claim of achieving enterprise-wide integration because, by definition, a process starts with the first triggering event that initiates action and doesn' t end until the results of value are delivered to the appropriate stakeholders. This event/outcome pairing defines the processes that we have. All other structures should be put in place solely to serve the event-to-outcome process and therefore to deliver added value to stakeholders.

This strategy implies that in deciding how to invest in change, prioritizing along process lines is requisite. In this way, processes organize strategy and become a key link in the traceability chain between business/stakeholder criteria and the day-to-day actions of all the people in the value chain.

Aggregated around events for stakeholders, process definitions become more stable. The first event will define the start of the process, and the last outcome, its end. Other events and outcomes can appear in the interim, but they are still part of the same process. For example, when a customer clicks on a Web site to order a product, he launches the "Fulfill order process." The process isn' t complete until satisfactory delivery has occurred, and payment has been received. Other events along the way can include receipt of an inquiry regarding status of shipment, invoicing, receipt of payment, and so on. Other types of events to consider include

- Arrival events, such as "Order phone rings"
- Scheduled events, such as "Invoice creation at 6:00AM every day"
- Conditional events, such as an alert warning "Out of stock condition"

Each event will or should generate an appropriate business response. Process analysis doesn't rest until all actions are complete. In event/outcome analysis, the organization is treated as a black box, and we don't look inside. Looking internally in the process will only confuse us— we' ll get to that later. In order for you to manage processes, they must be defined as independent activities. However, in their performance, it's clear that they are interdependent.

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In identifying processes that need to be renewed to resolve a problem, start with those event/outcome pairings that involve the customers and consumers affected by the problem. These processes are referred to as *core processes.* Look at the customer/consumer life cycle, which starts with the first interaction or awareness that this stakeholder has with the organization and proceeds to the last interaction in that relationship. This would span everything from marketing through to, in worst case, losing the customer, or, in best case, delivery of the completed product or service. From the core processes, we can derive the processes that deliver guidance to them *(guiding processes)* and those that deliver reusable enablers to them *(enabling processes).* These processes should themselves be defined, taking into account events and outcomes but from the perspective of other stakeholders.

Especially important is the need to see the core processes as customers of the guiding and enabling processes. In this way, value creation can be traced from the processes traditionally seen as overhead. Processes such as hiring staff, developing systems and guidelines, and so forth exist only to support the business objectives that are the target of the core processes. They should be measured primarily by the impact they have on the core processes, such as their impact on operational capacity. Their internal measures of efficiency, such as headcount and expense, are irrelevant in this situation.

By segmenting the business along process-value added lines, we have a clear framework for organizing and prioritizing change and for measuring the impact of our efforts in terms that the business executives can understand

Principle 5: Business Processes Must Be Managed Holistically

One traditional pitfall associated with business change is an inability to deliver and sustain benefits. In process-oriented change, the problem can be exacerbated if the proponents of change can' t find appropriate champions. These sponsors must take a full-process perspective—that is, one that delivers on behalf of external stakeholders, and not just for internal functional managers.

Typically, anyone in a position to act is also typically responsible for only a portion of the day-to-day process and might not have the interest, knowledge, or motivation to take the whole process into account. This person seldom has the authority to act on behalf of the full process. Consequently, it's becoming more and more prevalent to appoint a full *process owner,* sometimes referred to as a *process steward,* for each process of the organization.

The process owner acts as advocate on behalf of the process, taking responsibility for the process's performance for stakeholders. The process owner works not only to deliver improvements in process projects but also to remain in the role subsequent to completion of these projects. This means staying on top of process and stakeholder performance metrics and reviewing current performance against the best in the business. It also means assessing the work methods and other guides and enablers for the process, as defined in the process hexagon (refer to Figure 3.2). The process owner is always looking for an edge and evaluating the risk of not adapting. He ensures that feedback mechanisms exist to gather lessons learned and that knowledge from the latest experience and practices is distributed.

Primarily, the process owner makes certain that the process continues to perform to requirements for its stakeholders, and he takes corrective or anticipatory action as needed to either continuously improve or to introduce radical change. The objective is similar to that of total quality management, although the process owner's focus is wider and spans organizational control boundaries. Process owners must be effective even though they might have no direct control over the resources involved in the execution and management of the daily work being performed.

There are several structural approaches to achieve the goals of process management. One is full-process organization, in which all workers in the process report to the process owner, who controls all staff and is accountable for all results. This avoids the problem of internal organizational behavior and incentives that are misaligned with desired outcomes. This is the utopia for process ownership and results-oriented performance management.

In this model, well-designed natural organizational units send finished products and services to one another. Process teams manage all work from business event through to business outcome. This approach upholds a very strong "customer" orientation and accountability for results.

Feedback and information are shared broadly. The model is fully traceable, both process-wise and people-wise.

It' s can be very hard to transition from other models of hierarchical management to a process-organized approach because multiple processes might have to move simultaneously. Such a change clearly requires incredibly strong top management leadership. One way of making this happen is to implement a single point-of-contact for service to stakeholders. This one-stop-shopping approach widens the point of contact's job to be fully aligned with the activities in the process; the individual's performance measurement is simply tied to stakeholder value added. Clearly, this also has a significant organizational impact.

Another organizational option is a mixed function-and-process approach wherein day-to-day control rests with functional line management, but monitoring and improvement responsibility goes to process owners. These might be dedicated process owners who have a very small staff and rely on advocacy and influence. They might also be line managers who also are responsible for certain processes. Process owners, then, can have a cross-functional responsibility without the direct ability to change what people do. In this case, their success lies in their ability to influence those who do have direct control. These could be the line managers or the managers of the line managers.

The critical mechanism that must be in place for ongoing process management to be effective is a forum within which processes are discussed their performance vetted, and the incentive for process outcomes shared among all involved managers. Typically, every senior manager not only has a line but also has at least one process to report against in the forum and to act on. The managers' personal evaluations must rest on their reports and their success, and they must take reporting and follow-up seriously. Top management must also be decisive about the consequences of not supporting the approach.

Staff involved in the day-to-day process also must see feedback on the ultimate results of the process. They must have incentives to support overall stakeholder value creation and not to do just what's convenient for themselves.

Principle 6: Process Renewal Initiatives Must Inspire Shared Insight

Process renewal relies heavily on gathering information, gaining understanding, and arriving at innovative approaches and designs for change. In many organizations, approaches to change have mirrored the now classic debate in any knowledge management discussion group: What form of knowledge is most appropriate to understand and communicate the nature of change needed? Should this be done explicitly through documents and models or tacitly through low-tech meetings and discussions? Experience has shown that using either approach exclusively is risky.

It' s hard to argue against the fact that one learns best by being in the work environment itself. This type of knowledge allows one to internalize the subtleties of "being there." It's also true that working closely with "knowers" rapidly accelerates the learning curve. In small areas of an organization, this type of learning is manageable because everyone can identify the area's knowers and trusts them as credible sources of process information. This type of knowledge is hard to steal but sometimes hard to change.

As its organizational focus grows, a business requires more formal approaches to identify, connect, and share what's known as well as to realize the identities and trustworthiness of its knowers. It's also usually impractical to learn everything required first hand in the timeframes required by modern change. Hence, accessible knowledge artifacts, often in the form of explicit documents, hold great importance to help bridge the knowledge chasm between "knower" and "solution stakeholder."

The quantum jumps in knowledge experienced by society and the associated historical leaps in quality of life can be traced to the availability of breakthrough distribution mechanisms and media associated with explicit knowledge artifacts. The advent of language, writing, paper, scribes, printing presses, copy machines, and electronic media have all provided a great acceleration in the amount of both tacit *and* explicit knowledge available to members of society.

PART I

In doing this work, it' s important to be cautious about too much emphasis on the models themselves. They are only one aspect of the deliverable. The other is arrival at a common understanding of the situation and its potential for improvement.

NOTE

Models and documentation are only abstractions of the real world and not comprehensive in their reach. Not everything can be explicitly modeled or documented in pictures and words. Some things are tacit and must be explained in other terms. Metaphors, scenarios, and verbal examples are often more useful than written, technical reports to assure common learning and validation, which are necessary conditions for any change to proceed. If we just focus on models, we will never bring to the surface what we are unaware of.

Recognition of the value of sharing insight, not just documents, is reflected in the methods discussed later in this book. A number of activities will uncover what we know, so that it can be shared across a group in workshops. These workshops will create artifacts or records of the agreements and ideas, but more importantly they will embody a deeper tacit understanding of what's important to allow better decision making and common commitment. In many cases, a discussion of strengths and weaknesses will be more valuable than the charts created. Especially regarding strategy and architecture, there are no right answers, only a better sense of how to judge. Not everything can be objective.

Don' t leave out activities that embody trust, commitment, and understanding in the participants.

Principle 7: Process Renewal Initiatives Must Be Conducted from the Outside In

In any change initiative, it' s easy to become overwhelmed with the daunting task to be accomplished. There are myriad concepts to master, all of which are in play concurrently and all of which interact with one another. If we try to deal with too much at once, we will never finish the job; instead, we will fall prey to "analysis paralysis." Each step of the way will require a strong ability to focus on the work at hand with the confidence that we will get to the other aspects later when the time is right.

Managing multiple levels of detail or going to an overly complex level is the biggest risk. It won' t be possible to understand and communicate that understanding when looking too soon at 500 flow boxes with decision points throughout. Everything we do should be understood and validated at its own level, starting at the top box and then working down. At each level, the objects we are analyzing must be looked at only with regard to their own context before any decomposition occurs.

Processes and organizations should employ the black-box approach. For example, we will look at the organization-in-focus and how it interacts with its external stakeholders before we analyze the processes of that organization. We will then identify each process for that organization and select the priority ones to examine further. We' ll examine each chosen process in turn to see how it works with regard to its external stakeholders and other related, internal processes. We will break down each process into its next level of activities, and each of those will be examined. In this way, we' ll keep analysis and design at an appropriate level of detail. We won' t spend unnecessary time analyzing work that won' t even exist later. We will focus on the *key* aspects, not *all* aspects. We will understand the drivers and have the insight needed before moving on. The context will provide meaning at each and every level of detail or decomposition. The details will come if and when they are needed.

Principle 8: Process Renewal Initiatives Must Be Conducted in an Iterative, Time-Boxed Approach

The arguments in Principle 7 call for a top-down approach to conducting change. The arguments in Principle 6 call for a discovery approach that fosters learning. Principle 8 extends these two ideas into an approach that encourages you to learn, create something, review it, and plan the next cycle of the same. It assumes that people don' t know everything in advance and that they must create an environment wherein they can figure things out and articulate them incrementally. This iterative approach can be found in knowledge creation processes, in prototyping of technology, and in research-oriented activities. It assumes that you will get it wrong before you get it right and that you will know the result of a change only when you try it. It also assumes that we need to attempt changes first at a fairly high level of abstraction before we get too detailed.

> This concept isn' t new, but, more recently, those applying the concept have proven the benefit of doing only a time-fixed amount of work before reviews occur. This is often referred to as *time boxing.*

Time boxing dictates that the activity schedule is preset and the amount of work performed varies according to what can be done within the timeframe. For example, a schedule might say, "Each Tuesday afternoon from 1:00 to 5:00, we will review what we have learned in the past week with the key participants in the process in order to validate our findings." Such a statement ensures that the team will not get too deep too soon, too far off track without correction, and will be able to gain gradual commitment toward the deliverables from the participants. It also solves one of the biggest problems in process-oriented and other change situations— that is, scheduling the participants, especially management, for key reviews. In this approach, everyone schedules weeks and months of reviews and other workshops in advance with no surprises and no excuses.

Each time-boxed cycle includes major types of activity: knowledge gathering, analysis, reconciliation and packaging of findings, and results validation.

When gathering knowledge, the previously described approach of starting at the top and decomposing downward into detail is a key tactic. Of all the components at any level, only the important ones should be investigated. What's important should be determined by the impact of that activity on the desired outcomes of the overall process, by the frequency of its execution, by the degree of problems encountered, by the amount of inconsistency in its methods, and so on. Those gathering knowledge should recognize that the 80/20 rule is in full play. This rule suggests that 80% of the effort in a process is consumed in 20% of the activities, that 80% of the problems are caused by 20% of the process, and so on. The session are fixed in time and therefore must be limited in scope. Even if the participants gain only 50% of the critical understanding at any level at each iteration, the knowledge gained with each iteration will add up quickly, as seen in Table 3.2.

TABLE 3.2 The Value of Timeboxing and Iteration

Iteration Number	*Outstanding Knowledge Gained*	*Incremental Knowledge Gained*	*Cumulative Knowledge Gained*
1	50%	50%	50%
2	50%	25%	75%
3	50%	12.5%	87.5%
4	50%	6.25%	93.75%

It appears that there' s little value studying things to death when an incremental approach will get us there. Experience bears this out. It also confirms commitment to the findings is also built incrementally. However, it's important that the right knowledge be pursued—that is, relevant knowledge to the task at hand as defined by the stakeholder criteria. Whatever is to be dealt with at any level or number of iteration must be prioritized according to those criteria and other factors that tell us where to drill and where to stop. In this way, the analysis and design might be lumpy. In other words, some parts of the process under review are known in detail because it's important to know at that level, whereas other parts are known at a broader, higher level only (see Figure 3.8). Note that although there are different levels of detail at different points, the process remains connected without breaks from left to right. This prioritization should occur as part of the review or validation session at the end of each iteration, when we seek consensus on what we got right, what we didn't get right, what we missed, and what priority we should look at next. We've found that a simple ABC ranking is sufficient, wherein we can be confident that we will get to the A's by next time but the C's won't be addressed now. (They might become A's in later iterations.)

Process

A Sub-Process 2

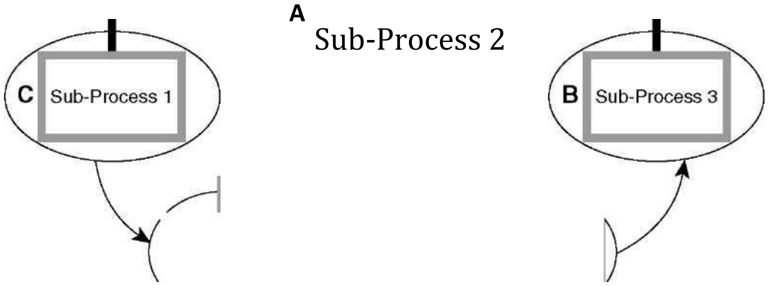


Figure 3.8
Process prioritization and

Sub-Sub Process 2.1	\ / ; \	Sub-Sub Process 2.2	\ (**A**	Sub-Sub Process 2.3

Not all work can be at the lowest level of detail nor needs to be. If four levels of decomposition are pursued and each level has five subprocess components, there would be 5, 25, 125, and 625 chunks of detail to investigate, respectively. To avoid this, prioritization is a must. Certain overly detail-oriented staff should be kept away from this type of work. We are analyzing and developing processes, not procedures.

This type of rapid-fire work can put tremendous pressure on team members, who are now living a series of short-term deadlines. Perfectionists will have a difficult time with this. What's needed are good listeners, who can develop trust and respect, and good presenters who will explain but never defend their findings.

They must not take changes personally; they must be comfortable in revealing their incomplete, incorrect work products and see the changes to them as a positive. Likewise, those who tend to dominate or push their own solutions are inappropriate for this work.

Principle 9: Business Change Is All About People

At a seminar I facilitated a few years ago in Toronto, a participant came up to me and said that she had found the two days extremely valuable. When I asked her why, she told me that she came to find out "Where do we do human change management?" She said she was leaving knowing that, "Human change isn't something you do; it's everything you do." That phrasing of the message has stayed with me ever since. It's absolutely true.

Change initiatives are often used simply as ways of creating a document—a specification for a system, for example. Instead, you must see them as a vehicle of more encompassing transformation. You aren' t just converting technology, data, procedures, or organizations; you are converting people into enthusiastic supporters and participants who will provide you with a competitive edge that can' t be matched. This is one reason that you should encourage the analysis of existing processes. This analysis fosters understanding and communication.

To do this, a number of factors become paramount. In addition to your communications strategy, you must support changes with appropriate roles and responsibilities, organizational structures, empowerment within accountability, aligned performance incentives, and recognition as well as personal growth opportunities. During transition, the staff must feel that an appropriate level of trustworthy communication is happening. They should feel a sense of contribution as a result of their participation.

Principle 10: Business Change Is a Journey, Not a Destination

A major distinguishing feature between process management and the wave of business process re-engineering (BPR) efforts that swept past us in the early and mid-1990s is their approaches to continuity of effort. BPR emphasized radical change of business processes and everything that touched them in a big-bang, "break-all-the-eggs" approach but did little to uphold the notion of supporting the ongoing management of the implemented change or the ongoing implementation of change. It assumed that the solution would have stability in a stable market-place. Perhaps for these reasons, as well as human resistance to the inhumane approaches sometimes taken, BPR took its share of criticism and failed to deliver the anticipated results more often than not.

Two major business factors must be taken into account today:

- We don't have time to get it right, so whatever we do will have to adjust as we learn in the marketplace.
- Whatever we do, no matter how right, will be short-lived and have to change anyway.

Consequently, classic BPR philosophies won't work. Instead, we must build adaptable solutions and keep our eye on what is changing to be able to adapt in the future. This essentially means that we will never arrive at the Nirvana of stability but will always be getting there.

We must recognize that, at any point in time, our stakeholders will have a set of requirements that are in flux. The balance among these requirements will change as each of the stakeholders' contributions to us change. This will make some stakeholders more important to us than others. For example, when no one is buying, the customer relationship seems more important, and, when few skilled resources can be found, staff relationships become more valued.

The ebb and flow of stakeholder and market evolution means that processes must be managed, even when they aren' t undergoing radical change. Without process ownership, ongoing measurement, benchmarking, and constant attention to stakeholders of all types, we will fall behind through attrition. Change is required even if we simply want to maintain our current position.

If change is a journey, it's important to pay attention to all the principles that precede this one all the time. Notice especially that seeking perfection before action is suicide. Doing something small now and learning are more valuable than getting a bigger process right later. Whatever we do, we must be prepared to do it again better on the next go around.

Building learning feedback and knowledge distribution into processes is mandatory. Constantly gaining tacit insight before designing is key. Designing for change is essential. Acting fast isn't a risk if we are prepared to pay attention to outcomes and adjust accordingly.

CHAPTER 3: CONCEPT OF BUSINESS PLAN

CONCEPT, FEATURES, IMPORTANCE, LIMITATIONS OF PLANNING PROCESS

Meaning of Planning – Deciding about all the aspect is called planning. A problem about taking decision on these matters rises when there are more than one possible answers.. therefore it can be said to be a process of choosing .

Definition of planning :

According ot koontz and O'donnell," Planning is deciding in advance What to do , how to do it, when to do it, and who is to do it."

CHARACTERISTICS OF PLANNING

1 Planning focuses on achieving the objectives: Management begins with planning and planning begins with the determining of objectives. In the absence of objectives no organization can ever be thought about.

2 Planning is the primary function of Management: Planning is the first important function of management. The other functions –organising, staffing, directing and controlling come later. In the absence of planning no other function of management can be performed.

3 planning is continuous: Planning is the process which begins with the beginning of business itself and ends with the ending of the business. It means that as long a business exists, the planning process is continuous.

For example , a company plans to sell one lakh units in the coming year. Suddenly, many competing companies enter the market. This will naturally affect the previous position of the company and , therefore ,it shall have to revise its planning.

4. Planning is Futuristic: Planning decides the plan of action-What is to be done, how is to be done, when is to be done, by who is to be done, all the questions are related to future. Under the planning, answer to these questiona is found out. While an effort is made to find out these answer.

5. Planning is mental exercise: planning is known as a mental exercise as it is related to thinking before doing something. A planner has mainly to think about the following questions:

(1) What to do? , (2) how to do it? , (3)When to do it? , (4) Who is to do it?

IMPORTANCE OF PLANNING

Planning is the first and most important function of the management. It is needed at every level of the management. In the absence of planning all the business activities of the organization will become meaningless. The importance of planning has increased all the more in view of the increasing size of organizations In the absence of planning, it may not be impossible but certainly difficult to guess the uncertain events of future.

1 Planning facilitates Decision making: Decision making means the process of taking decision. Under it, a variety of alternatives are discovered and the best alternative is chosen. But it is important to determine the objectives before the discovery of alternatives. Objectives are determined under the process of planning. So. it can be said that planning facilitates decision making.

2 Planning reduce risk of Uncertainty: planning is always done for future and future is uncertain. With the help of planning possible changes in future are anticipated and various activities are planned in the best possible way.

3. Planning reduces overlapping and wasteful activities: Under planning, future activities are planned in order to achieve objectives. the problems of when, where ,what and almost decided. This puts an end to disorder. In such situation coordination is established among different activities and departments. It puts an end ot overlapping and wasteful activities.

4. Planning provides Direction: Under the process of planning the objectives of the organization are defined in simple and clear words. The outcome of this is that all the employee's important role in the attainment of the objectives of the organization.

5 Planning establishes Standards for controlling: By determining the objectives the objectives of the organisation through planning all the people working in the organization and all the departments are informed about when, what and how to do things. Standards are laid down about their work, time and cost. Under controlling ,at the time of completing the work,the actual work done is compared with the standard work and deviations are found out and if the work has been done as desired the person concerned is held responsible.

LIMITATIONS OF PLANNING

Planning is needed both in the business and non business organizations. Some people think that planning is based on the future and nothing can be said certainty about future. Therefore, it is

for all the situations before and which now requires immediate decision. In such situation if the useless process. If planning has to be successful and purposeful, the managers should be aware of these difficulties and limitations of planning.Following are the limitations of planning.

1 Planning does not work in Dynamic Environment: Planning is based in the future happenings. Since future is uncertain and dynamic. Generally, a longer

period of planning makes it less effectives. Therefore, it can be said that planning does not work in dynamic environment.

2 Planning reduce creativity: Under the planning

All the activities connected with the attainment of objectives of the organization are pre-determined. Everybody works as they have been directed to do and it has been made clear in the plans. it means that they do not think about appropriate ways of discovering new alternatives.

3 Planning involves huge costs: Planning is small work but its process is really big. Planning becomes meaningful after a long path. It takes a lot of time to cover this path. During this entire period the managers remain busy in collecting a lot of information and analyzing it. In this way the organization is bound to face huge costs.

4 Planning is time consuming process: Planning is blessing in facing a definite situation but because of long process it can not f ace sudden emergencies. Sudden emergencies can be in the form of unforeseen problems or some opportunity of profit is and there has been no planning manager thinks of completing the planning process before taking some decision. Thus, planning is time consuming process.

5Planning does not guarantee of success: Some times the manager think that planning solves all their problems. Such a think makes them neglect their real work and adverse effect of such an attitude has to be faced by the organization. In this way, planning planning offers the managers a false sense of security and makes them careless. So, we can that mere planning does not ensure successs,rather efforts have to be made for it.

PLANNING PROCESS

When we look at planning in the context of management process, it is called activity , it is being a part of management. But on the other hand, when it is studied separately it is called a process because to complete one has to clear many steps one after the other. So far as the number of steps included in the planning process is concerned it depends on the size of the organization. Different organization can have different planning process.The following steps are generally taken in the business organization during the planning process.

1 Setting the objectives; Objectives are those end points for whose attainment all the activities are taken. In the planning process objectives are determined and defined first of all so that all the employees concerned can be informed about them to get their complete cooperation. Objectives have a hierarchy of their own organizational objectives, departmental objectives, and individual objectives.

2 Developing the premises: the basis of planning is those factors which influence the possible results of different alternatives. Before taking a final decision about any alternative a forecast of this assumption is made. The rate of success of planning will be in direct proportion to the rate of the success of forecasting. The assumption of planning is two types:

(1) Internal premises: capital, labour, raw material, machinery ect.
(2) External premises; Government polices, business competition, taste of customer rate of taxes. ect.

3 Identifying alternative course of action: Generally, there is no work which has no alternative method of doing it. On the basis of the objectives of the organization and limitations of planning, alternative course of doing a particular work can be discovered.

4 Evaluating alternative courses: All those alternative courses which are up to the expectations of the minimum preminary criteria are selected for intensive study. it will be seen as to what extent a particular alternative course can help in the attainment of the objectives of the organizations. There is however, one problem

which confronts us while analysing these alternative courses. Every alternatives course has its merits and demerits.

5 Selecting an alternative: alternative a careful analysis of different alternatives the best one is selected. Sometimes the analysis yields more than one alternative course with similar merits.

Keeping in view the uncertainties of future it is justifiable to select more than one good alternative course One of such alternative is adapted and other is kept in reserve.

6 Implementing the plan: After having decided the chef plan and the subsidiary plans, they are to be implemented. After implementing the plans the sequence of different activities has to be decided. In other words, it is decided as to who will do a particular job and at what time.

7. Follow up Action: the process of planning does not end with the implementation of plans. plans are formulated for future which is uncertain. It is of great importance that there is a constant review of plans so as to ensure success in the uncertain future. The moment there appears to be changes in the plans also. In this way we can say planning is Continuously moving process.

TYPES OF PLANS

Planning is a process and plan is its outcome. Plan is a sort of commitment to accomplish all the activities needed for the attainment of special results, from this point of view there are many plans. The following study will help in understanding different kinds of plans.

1Objectives: objectives are those end points for the attainment of which all the activities are Undertaken.

Following are the examples of objectives:

(I)To improve the communication system to hold regular staff meeting and publish a newsletter.

(2)To cross the 20,0 00 crore mark in turnover of soaps.

(3) To make available the employment to 100 people every year.

(4) To reduce quality rejects to 3%

2 **Strategies:** Strategies refer to those plans which are prepared in view of the move of the competitors and whose objective is to make possible the optimum utilization of resources.

3. **Policies**; Polcies are those general statements which are decided for the guidance of the employees while taking decision. Their purpose is laying down a limit within which a particular work can be done or decision taken. Objectives decide what is to be achieved and the policies tell us how it can be achieved.

4**Procedures** : Procedures are those plans which determine the sequence of any work performance. For example, the recovery of money from the debtors can be done in the following order:

(a) Writing letters, (b) connecting on telephone, (c) Meeting personally,(d0 taking legal action.

This is the procedure of collecting money from all the debtors. There is a difference between policies and procedures.. There can be two policies of the organization regarding the recovery of money from the debtors. (A) Tight collection policy, and (B) Lenient collection policy. Under the first policy an effort is made to recover money from debtors is by treating him harshly. Under the second policy the debtors will be given enough time for the payment of money while treating him leniently.

5 **Methods**: Methods is that plan which determines how different activities of the procedure are completed. Methods is not related to all steps but only to

one step of the procedure . it is more detailed than procedure . there may be many methods to do a particular work. After extensive study, a method has to be selected from which a worker feels minimum fatique, increase in productivity and there is reduction in costs.

6 **Rules**: Rules till us what is to be done and what is not to be done in particular situation. In the absence of rules there is no need to take any decision. Whatever is said in the rules has to be followed without any thinking. For example, the rule " No smoking in the factory "is applicable to everybody and it must be observed. Provision for punishment in case of non-observing of the rule can also be made.

7Budget: Budgets describe the desired results in numerical terms. A budget is that planning which provides detailers about estimated money, material time and other resources for the achievement of pre determined objectives of various departments. For example, the sales departmen'sbudget gives estimated figures about the type of material that will be purchased, its quantity, the time of purchase and the amount to be spent on it. Similarly, budget of other departments are also prepared.

8 **Programmers**: a programme means a single-use comprehensive plan laying down the what, how who and when of accomplishing a specific job. through program me the managers are informed in advance about various needs so that there is no problem in future. The programmers can be different types-production programme, Training programme Sales promotion programme management developing programme.etc.

CONCEPT AND IMPORTANCE, . STEPS IN THE PROCESS OF ORGANIZING.

"Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them."

According to **Louis Allen**,

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

STEPS IN THE PROCESS OF ORGANISING

Organising is a step-by-step process. At each step, an important task is performed by the administrators working at the top-level of management.

While organising, the top managers carry out following important tasks:-

1. In this general eight-stepped process, the top management first fixes the common objectives of the organisation.
2. In the second step, they (top management) identify all the activities (i.e. works or jobs) which are required to achieve these predefined objectives.
3. In the third step, they group similar (related) activities and make their individual departments.
4. In the fourth step, they define the responsibilities (duties) of all the staff members (employees and managers).
5. In the fifth step, they delegate authority to staff members.
6. In the sixth step, the authority relationships between superiors and subordinates are established.

7. In the seventh step, they provide the staff members with all the essential requirements like money, machines, materials, etc., which are used for achieving the objectives.

8.In the eighth final step, they co-ordinate the efforts of all staff members and direct it towards achieving the common objectives of the organisation.

STRUCTURE OF ORGANIZATION - FUNCTIONAL AND DIVISIONAL.

When businesses get large enough to need an organized company structure, they traditionally segregate personnel by work function. This setup lets people with similar jobs communicate easily and share resources. A divisional structure, meanwhile, puts employees together to serve a common cause -- a certain product or service, customer type or geographical location. Both structures are vertical, stacking a middle- and upper-management hierarchy atop a base of employees, and having characteristics such as a tendency toward rigidity. The two structures also have important differences.

RESPONSIVENESS

The marked management hierarchy of vertical structures means an established, powerful bureaucracy. Bureaucracies stifle adaptability and responsiveness, resulting in rigid, mechanistic companies with tight controls and clear chains of command. This is most true of the functional structure. The divisional structure is less rigid. Being organized around a common market focus increases the structure's responsiveness, with the vertical structure still retaining some of the strong controls evident in the functional structure.

ORGANIZATIONAL FLEXIBILITY

Organizing around a common market focus also means each division may be arranged according to the needs of its particular focus. Once divisions are created, work is often further subdivided by functions, but that isn't required. A division may, for instance, group personnel into teams to accomplish work. The functional structure locks in organization, this stability allowing it to build a strong momentum toward a desired end. This lets companies mass-produce and standardize services and products.

MANAGEMENT FOCUS

Middle management has a chance to shine in the divisional structure. That's becau division operates as if it were an autonomous business; divisions often are kn strategic business units, or SBUs. Upper management continues to oversee things parent company, leaving middle managers in charge of the divisions. In effect, ma run SBUs as if they were business owners or CEOs. Divisions thus serve as a trainin for future company executives. This strategic training is lacking in the functional st where upper management holds the reins.

EFFICIENCY AND COST-EFFECTIVENESS

Sharing expertise and resources within departments makes the functional structure highly efficient and cost-effective. It also allows for job specialization, repetition and assembly line operations. These features give companies the opportunity to capitalize on economies of scale that diminish in the divisional structure. That structure must spend to duplicate personnel and resources for each division -- workspace, support staff and supplies, for instance.

COORDINATION, COOPERATION AND COMMUNICATION

Interdepartmental communication, cooperation and coordination can become problematic in the functional structure. The segregated workers may not understand the issues and priorities of other functional areas. The problem isn't as acute within a divisional structure's SBUs because, regardless of function, everyone is devoted to the market or product around which the division is formed. The divisional structure doesn't avoid problems altogether, though. Communication, cooperation and coordination between SBUs may develop problems that are exacerbated by distance

Difference between Functional and Divisional Organisation Structure

Basis	Functional Organisational Structure	Divisional Organisational Structure
Origination	Division of activities is made on the basis of functions.	Division of the activities is made on the basis of end result like product or customer.
Responsibility	It is very difficult to fix the responsibility of the results.	It is easy to fix the responsibility of the results.
Unity of Command	It does not follows the principle of unity of command	It follows the principle of unity of command.
Overlapping /Duplication	It reduces or avoids the overlapping or duplication of work	There are more chances of overlapping/duplication of work.
Coordination	It is difficult to establish coordination.	Coordination can be easily established.
Cost	Less cost due to no overlapping and duplication of work.	More cost due to overlapping and duplication of product.
Suitability	Organisations with one product.	Organisations with several products.

FORMAL AND INFORMAL ORGANIZATION

Formal Organisation is formed when two or more persons come together. They have a common objective or goal. They are willing to work together to achieve this similar objective.

Formal Organisation has its own rules and regulation. These rules must be followed by the members (employees and managers). A formal organisation has a system of co-ordination. It also has a system of authority. It has a clear superior-subordinate relationship. In a formal organisation, the objectives are specific and well-defined. All the members are given specific duties and responsibilities. Examples of formal organisation are:- a company, a school, a college, a bank, etc.

Informal Organisation exists within the formal organisation. An informal organisation is a network of personal and social relationships. People working in a formal organisation meet and interact regularly. They work, travel, and eat together. Therefore, they become good friends and companions. There are many groups of friends in a formal organisation. These groups are called informal organisation.

An informal organisation does not have its own rules and regulation. It has no system of co-ordination and authority. It doesn't have any superior-subordinate relationship nor any specific and well-defined objectives. Here in informal organisation, communication is done through the grapevine.

2. Formed by Whom?

A formal organisation is formed by the top level management.

An informal organisation is formed by social forces within the formal organisation.

3. Rules and Regulations

- The members of a formal organisation have to follow certain rules and regulations. These rules are available in writing (documented). They are made by a formal authority (superiors). If the members follow these rules properly, then they will be rewarded. However, if they do not follow these rules, they will be punished.

The members of an informal organisation do not have to follow any rules and regulations.

4. Duties and Responsibilities

In a formal organisation, the duties, responsibilities, authority and accountability of each member is well-defined.

In an informal organisation, there are no fixed duties, responsibilities, authority, accountability, etc. for the members.

5. Objectives or Goals

In a formal organisation, the objectives or goals are specific and well-defined. The main objectives of a formal organisation are productivity, growth, and expansion.

In an informal organisation, the objectives are not specific and well-defined. The main objectives of an informal organisation are friendship, security, common interest, individual and group satisfaction, etc.

6. Stability

A formal organisation is stable.

An informal organisation is not stable.

7. Channels of Communication

A formal organisation uses formal channels of communication.

An informal organisation uses informal channels of communication (i.e. grapevine)

8. Organisation Chart

A formal organisation is shown on the organisation chart.

An informal organisation is not shown on the organisation chart.

9. Superior-Subordinate Relationship

In a formal organisation, there exist a superior-subordinate relationship.

In an informal organisation, there is no such superior-subordinate relationship.

10. Benefits for Members

The members of the formal organisation get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc.
The members of informal organisation get social and personal benefits like friend circle, community, groups, etc

DELEGATION: CONCEPT, ELEMENTS AND IMPORTANCE.

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

Authority - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

Responsibility - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

Accountability - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps : -

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

Assignment of Duties - The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

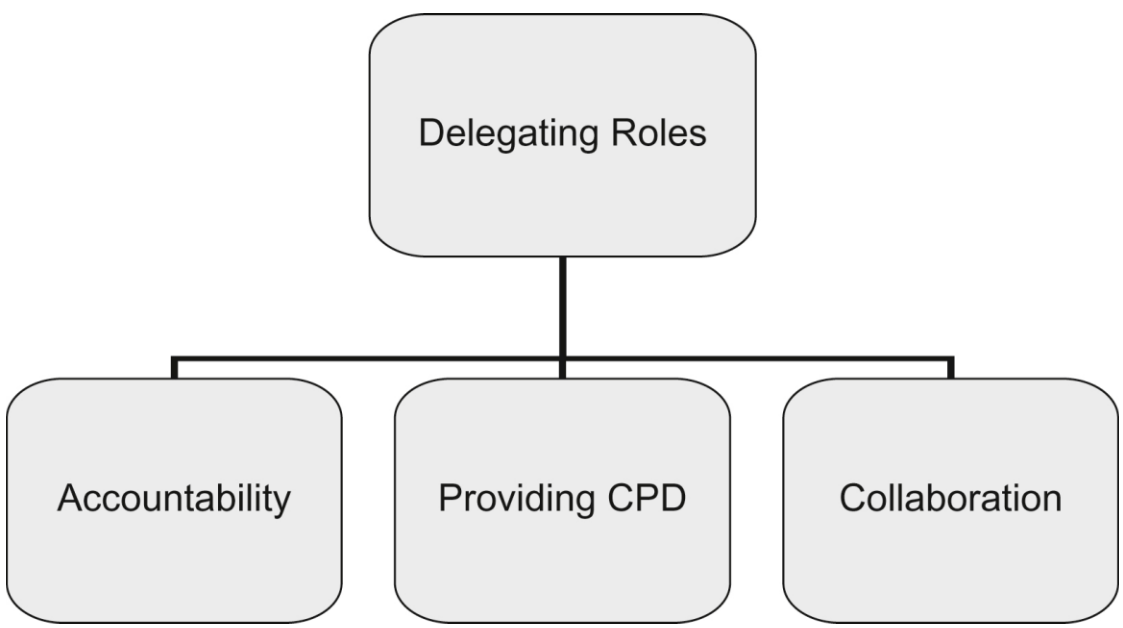
1. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

2. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager ,i.e.,the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee's role which means his responsibility and accountability is attached with the authority over to here.

Relationship between Authority and Responsibility

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance Authority flows from the superiors to subordinates,in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.



DECENTRALIZATION: CONCEPT AND IMPORTANCE

The term "decentralization" embraces a variety of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. Decentralization—the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector—is a complex multifaceted concept. Different types of decentralization should be distinguished because they have different characteristics, policy implications, and conditions for success.

Types of Decentralization

Types of decentralization include political, administrative, fiscal, and market decentralization. Drawing distinctions between these various concepts is useful for highlighting the many dimensions to successful decentralization and the need for coordination among them. Nevertheless, there is clearly overlap in defining any of these terms and the precise definitions are not as important as the need for a comprehensive approach. Political, administrative, fiscal and market decentralization can also appear in different forms and combinations across countries, within countries and even within sectors.

Political Decentralization

Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups.

Administrative Decentralization

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of **certain** public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.

The three major forms of administrative decentralization -- deconcentration, delegation, and devolution -- each have different characteristics.

Deconcentration. Deconcentration--which is often considered to be the weakest form of decentralization and is used most frequently in unitary states--redistributes decision making authority and financial and management responsibilities among different levels of the ***central*** government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

Delegation. Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

Devolution. A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

Fiscal Decentralization

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues –either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including a) self-financing or cost recovery through user charges, b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; c) expansion of local revenues through property or sales taxes, or indirect charges; d) intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and e) authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.

Economic or Market Decentralization

The most complete forms of decentralization from a government's perspective are privatization and deregulation because they shift responsibility for functions from the public to the private sector. Privatization and deregulation are usually, but not always, accompanied by economic liberalization and market development policies. They allow functions that had been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Privatization. Privatization can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure. Privatization can include: 1) allowing private enterprises to perform functions that had previously been monopolized by government; 2) contracting out the provision or management of public services or facilities to commercial enterprises indeed, there is a wide range of possible ways in which function can be organized and many examples of within public sector and public-private institutional forms, particularly in **infrastructure**; 3) financing public sector programs through the capital market (with adequate regulation or measures to prevent situations where the central government bears the risk for this borrowing) and allowing private organizations to participate; and 4) transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

Deregulation. Deregulation reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. In recent years privatization and deregulation have become more attractive alternatives to governments in developing countries. Local governments are also privatizing by contracting out service provision or administration.

Choosing the Most Appropriate Form of Decentralization

Under appropriate conditions, all of these forms of decentralization can play important roles in broadening participation in political, economic and social activities in developing countries. Where it works effectively, decentralization helps alleviate the bottlenecks in decision making that are often caused by central government planning and control of important economic and social activities. Decentralization can help cut complex bureaucratic procedures and it can increase government officials' sensitivity to local conditions and needs. Moreover, decentralization can help national government ministries reach larger numbers of local areas with services; allow greater political representation for diverse political, ethnic, religious, and cultural groups in decision-making; and relieve top managers in central ministries of "routine" tasks to concentrate on policy. In some countries, decentralization may create a geographical focus at the local level for coordinating national, state, provincial, district, and local programs more effectively and can provide better opportunities for participation by local residents in decision making. Decentralization may lead to more creative, innovative and responsive programs by allowing local "experimentation." It can also increase political stability and national unity by allowing citizens to better control public programs at the local level.

But decentralization is not a panacea, and it does have potential disadvantages. Decentralization may not always be efficient, especially for standardized, routine, network-based services. It can result in the loss of economies of scale and control over scarce financial resources by the central government. Weak administrative or technical capacity at local levels may result in services being delivered less efficiently and effectively in some areas of the country. Administrative responsibilities may be transferred to local levels without adequate financial resources and make equitable distribution or provision of services more difficult. Decentralization can sometimes make coordination of national policies more complex and may allow functions to be captured by local elites. Also, distrust between public and private sectors may undermine cooperation at the local level.

Project and program planners must be able to assess the strengths and weaknesses of public and private sector organizations in performing different types of functions. Before developing elaborate plans for decentralization, they must assess the lowest organizational level of government at which functions can be carried out efficiently and effectively and -- for functions that do not have to be provided by government -- the most appropriate forms of privatization. Even program planners who do not see 'decentralization' as their primary motive must carefully analyze the types of decentralization already present in a country in order to tailor policy plans to existing structures.

Centralization and decentralization are not "either-or" conditions. In most countries an appropriate balance of centralization and decentralization is essential to the effective and efficient functioning of government. Not all functions can or should be financed and managed in a decentralized fashion. Even when national governments decentralize responsibilities, they often retain important policy and supervisory roles. They must create or maintain the "enabling conditions" that allow local units of administration or non-government organizations to take on more responsibilities. Central ministries often have crucial roles in promoting and sustaining decentralization by developing appropriate and effective national policies and regulations for decentralization and strengthening local institutional capacity to assume responsibility for new functions. The success of decentralization frequently depends heavily on training for both national and local officials in decentralized administration. Technical assistance is often required for local governments, private enterprises and local non-governmental groups in the planning, financing, and management of decentralized functions.

CHAPTER 6 – BUSINESS COMMUNICATION

CONCEPT AND IMPORTANCE OF STAFFING

Meaning of Staffing:

The term 'Staffing' relates to the recruitment, selection, development, training and compensation of the managerial personnel. Staffing, like all other managerial functions, is the duty which the apex management performs at all times. In a newly created enterprise, the staffing would come as a. third step—next to planning and organizing—but in a going enterprise the staffing process is continuous.

In order to define and clarify the group of employees included in the staffing concept, it must be stated that the staffing function is concerned with the placement, growth and development of all of those members of the organization whose function it is to get things done through one effort of other individuals.

This definition includes all levels of management because those who will occupy positions in the top two or three levels of management fifteen or twenty years from now are likely to be found in the lower levels today.

"The managerial function of staffing involves manning the organisational structure through effective and proper selection, appraisal, and development of personnel to fill the roles designed into the structure." — Koontz and O'Donnell

Nature of Staffing:

Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

The nature of staffing function is discussed below:

1. People Centred:

Staffing is people centred and is relevant in all types of organisations. It is concerned with all categories of personnel from top to bottom of the organisation.

The broad classification of personnel may be as follows:

(i) Blue collar workers (i.e., those working on the machines and engaged in loading, unloading etc.) and white collar workers (i.e., clerical employees).

(ii) Managerial and non-managerial personnel.

(iii) Professionals (such as Chartered Accountant, Company Secretary, Lawyer, etc.).

2. Responsibility of Every Manager:

Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. Thus, staffing is a pervasive function of management and is performed by the managers at all levels.

It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counseling of employees. In many enterprises. Personnel Department is created to perform these activities.

But it does not mean that the managers at different levels are relieved of the responsibility concerned with staffing. The Personnel Department is established to provide assistance to the managers in performing their staffing function. Thus, every manager has to share the responsibility of staffing.

3. Human Skills:

Staffing function is concerned with training and development of human resources. Every manager should use human relations skill in providing guidance and training to the subordinates. Human relations skills are also required in performance appraisal, transfer and promotion of subordinates. If the staffing function is performed properly, the human relations in the organisation will be cordial.

4. Continuous Function:

Staffing function is to be performed continuously. It is equally important in the established organisations and the new organisations. In a new organisation, there has to be recruitment, selection and training of personnel. In a running organisation, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Importance of Staffing:

It is of utmost importance for the organisation that right kinds of people are employed. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them incentives.

In fact, effective performance of the staff function is necessary to realize the following benefits:

1. Efficient Performance of Other Functions:

Staffing is the key to the efficient performance of other functions of management. If an organisation does not have competent personnel, it can’t perform planning, organisation and control functions properly.

2. Effective Use of Technology and Other Resources:

It is the human factor that is instrumental in the effective utilisation of latest technology, capital, material, etc. the management can ensure right kinds of personnel by performing the staffing function.

3. Optimum Utilisation of Human Resources:

The wage bill of big concerns is quite high. They also spend money on recruitment, selection, training and development of employees. In order to get the optimum output from the personnel, the staffing function should be performed in an efficient manner.

4. Development of Human Capital:

The management is required to determine the manpower requirements well in advance. It has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in future.

5. Motivation of Human Resources:

The behaviour of individuals is shaped by many factors such as education level, needs, socio-cultural factors, etc. that is why, the human aspect of organisation has become very important. The workers can be motivated through financial and non-financial incentives.

6. Building Higher Morale:

Right type of climate should be created for the workers to contribute to the achievement of the organisational objectives. By performing the staffing function effectively, management can show the significance it attaches to the personnel working in the enterprise. This will increase the morale of the employees.

RECRUITMENT - MEANING AND SOURCES

The process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner. The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization.

Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization. It is the process of bringing together those who are offering jobs and those who are seeking jobs. Recruitment is a positive process where a pool of prospective employees is created and management select the right person for the right job from this pool. It provides a base for the selection process.

PROCESS OF RECRUITMENT:

i) Firstly it identify the different sources of employee supply

ii) To check their validity

iii) Selecting the most suitable source

iv) Inviting the applications from the prospective candidate for the vacancy.

Sources of recruitment:

Broadly, there are two main sources of recruitment

1) Internal sources of recruitment which means recruitment from within the organization.

2)External sources of recruitment means recruitment from outside the organization

1) Internal sources of recruitment which means recruitment from within the organization:

i) Transfer: it means shifting of employees from one job to another. There is no drastic change in the pay or status of the employees it generally remains the same.

ii) Promotion: it means shifting the employee to higher position with the change in the pay or status.

iii) Internal advertisement: it means appointing the employees from within the organization through advertisement.

iv) Lent services: it means employing the person for newly started plant in the organization.

v) Extension of services: it is extending the service of employees by recruiting them again.

vi) Absorption of trainees: those who come in the organization for training employing them.

2) External sources of recruitment mean recruitment from outside the organization:

i) Advertisement: it is a way to attract number of employees by giving advertisement in the newspaper.

ii) Casual callers: the good organizations have a list of casual callers also who apply them and the organization instead of giving new advertisement give a call to these casual callers.

iii) Employment exchange: it is a good source of recruitment where the candidates are called with the help of employment exchange.

iv) Educational institutions: here the company's go to the educational institutions from where they select the suitable employees for the job.

v) Labor union: the organization may select the candidate from the labor union of the company to satisfy the labors also.

vi) Recommendation of employees: sometimes the employees working in the organization also suggest the name of suitable candidate for the appointment.

vii) Waiting lists: generally the organization s prepares the waiting lists of the employees. Sometimes the selected candidates failed to join in that case the waiting list employees are called.

Thus the above said are the main sources of recruitment of the employees within the organization and outside the organization which are used by the organization to employ the employees.

CONCEPT AND IMPORTANCE OF DIRECTING

While managing an enterprise, managers have to get things done through people. In order to be able to do so, they have to undertake many activities, like guide the people who work under them, inspire and lead them to achieve common objectives. An office manager, for instance, has to supervise the activities of his subordinates, i.e., typists, office assistants, dispatchers, accounts clerks, etc. He has to issue instructions to them and describe and illustrate the work and related activities. He has to tell them what to do, and how to do it. The office manager can plan, organise and appoint people, but he can not get things done, unless he assigns specific duties to his subordinates and motivates them to perform well. All these activities of a manager constitute the directing function.

Thus, directing is concerned with instructing, guiding, supervising and inspiring people in the organisation to achieve its objectives. It is the process of telling people what to do and seeing that they do it in the best possible manner. The directing function thus, involves:

- telling people what is to be done and explaining to them how to do it;
- issuing instructions and orders to subordinates to carryout their assignments as scheduled;
- supervising their activities;
- inspiring them to meet the mangers expectation and contribute towards the achievement of organisational objectives; and
- providing leadership.

Managers plan and take decisions. They organise to define the work and create suitable positions in the enterprise. People are employed to perform the jobs, but the actual work of getting the job done comes under the directing function. Thus, directing is 'management in action'. It is through the exercise of this function that managers get things done through people.

IMPORTANCE OF DIRECTING

Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways.

- It guides and helps the subordinates to complete the given task properly and as per schedule.
- It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do them best.
- It helps in maintaining discipline and rewarding those who do well.
- Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.

IMPORTANT PRINCIPLES OF DIRECTING:

(1) Principle of Maximum Individual Contribution:
According to this principle, management should adopt that directing policy through which the employees get motivated and give their maximum individual contribution for the achievement of organisational objective.

(2) Principle of Harmony of Objectives:
According to this principle, there must be full coordination between organisational and individual objectives. Employees work in an organisation with an objective to get better remuneration, promotion, etc. On the other hand, organisational goal can be to earn more profits and to increase market share.

Sometimes it is seen that there is a conflict between the objectives of both the parties, e.g., organisation wants that it should get a major share of profit whereas employees perceives that as they work directly on the job, so more profit must be shared among them in the form of bonus.

Management here must establish coordination between the objectives of both the parties/factors by adopting suitable method of direction.

(3) Principle of Unity of Command:

According to this principle, a subordinate should get directions from one officer at a time. If the subordinate gets directions from more than one officer, the subordinate will be unable to priorities his work.

As a result, situation of confusion, conflict and disarrangement is created. By following this principle, effective direction takes place.

(4) Principle of Appropriateness of Direction Technique:

According to this principle, appropriate direction techniques should be used, e.g., to supervise effectively, to provide able leadership, to adopt free communication and to motivate through right medium.

(5) Principle of Managerial Communication:

According to this principle, it should be monitored by the management that the subordinates get the same meaning for what has been said. This simplifies the job of the subordinates and they need not go to the managers repeatedly for enquiring.

(6) Principle of Use of Informal Organisation:

According to this principle, there must be a free flow of information between the seniors and the subordinates. The success of direction depends upon effective exchange of information to a great extent.

Information should be given both through formal and informal mediums. Special attention should be given to the informal organisation. This strengthens the formal organisation.

(7) Principle of Leadership:

According to this principle, while giving directions to the subordinates a good leadership must be provided by the managers. By this, subordinates get influenced by the managers. In this situation, subordinates act according to the wish of the managers.

(8) Principle of Follow Through:

According to this principle, it must be monitored by management as to what extent the policies framed and issued directions have been enforced. Thus, it must be seen whether the employees are following the management or not.

If yes, then to what extent. As per this principle, the job of managers is not to sit idle after framing policies or issuing directions but to continuously take feedback. The advantage of this will be that if there is any problem in implementing a policy or a direction it can be removed then and there.

ELEMENT OF DIRECTING

It has been made clear in the nature of leading that it is not a single activity but a group of functions. On the same basis, the following functions are included in its scope: (1) Supervision, (2) Communication, (3) Leadership, and (4) Motivation.

(1) Supervision:
It refers to monitor the progress of routine work of one's subordinates and guiding them properly. Supervision is an important element of the directing function of management. Supervision has an important feature that face-to-face contact between the supervisor and his subordinate is a must.

(2) Communication:

It refers to an art of transferring facts, ideas, feeling, etc. from one person to another and making him understand them. A manager has to continuously tell his subordinates about what to do, how to do, and when to do various things.

Also, it is very essential to know their reactions. To do all this it becomes essential to develop effective telecommunication facilities. Communication by developing mutual understanding inculcates a sense of cooperation which builds an environment of coordination in the organisation.

(3) Leadership:

It refers to influence others in a manner to do what the leader wants them to do. Leadership plays an important role in directing. Only through this quality, a manager can inculcate trust and zeal among his subordinates.

(4) Motivation:

It refers to that process which excites people to work for attainment of the desired objective. Among the various factors of production, it is only the human factor which is dynamic and provides mobility to other physical resources.

If the human resource goes static then other resources automatically turn immobile. Thus, it becomes essential to motivate the human resource to keep them dynamic, aware and eager to perform their duty. Both the monetary and non-monetary incentives are given to the employees for motivation.

SUPERVISION - CONCEPT AND ROLE

A variety of definitions for clinical supervision exist. Differences typically reflect aspects of the author's discipline and training focus. Bernard and Goodyear (1998) offer this definition that has come to be accepted within the counseling profession:

Supervision is an intervention that is provided by a senior member of a profession to a junior member or members of that same profession. This relationship is evaluative, extends over time, and has the simultaneous purposes of enhancing the professional functioning of the junior member(s), monitoring the quality of professional services offered to the clients she, he, or they see(s), and serving as a gatekeeper of those who are to enter the particular profession.

Within the definition, there is mention of several components of supervision:

Supervision is an intervention

There are unique competencies and skills involved in supervision that allow the supervisor to help the supervisee. Models of supervision exist that provide a framework for the process. In addition, supervisors incorporate various modes and interventions to facilitate supervisee development.

Awareness of these models, modes, and interventions will help the supervisee understand the underlying processes of supervision and therefore, be a more active participant in the supervision process. A dialogue can develop between supervisor and supervisee as a means to share personal styles and preferences for frameworks and interventions to be used in supervision.

Supervision is provided by a senior member of a profession

A clinical supervisor is more advanced, at least in some important ways, than the supervisee. During fieldwork experiences, supervisors typically include a course instructor and an individual clinical supervisor. Depending on the level of the fieldwork experience and the program, the clinical instructor may be the course instructor or other professor from the training program, a doctoral student from the training program, and/or a professional counselor affiliated with the site at which the student is engaged in the fieldwork experience.

It is important that the supervisee understand the roles and expectations of each supervisor.

Supervision is a relationship that extends over time

The process of supervision occurs within the relationship established between the supervisor and supervisee. It is important to keep in mind that both the supervisor and supervisee contribute to the relationship and have responsibilities within the process. As assumption of supervision is that it will last long enough for some developmental progress of the supervisee. Supervision is differentiated from brief interactions (such as workshops), and consultation that, by definition, is time and session limited, although all of these interactions share common goals (e.g., training in a skill, clarification of process, regaining objectivity). The fact that supervision is ongoing allows for the relationship to grow and develop. The importance of the supervisory relationship has received much attention in supervision literature.

While not the sole determinate of the quality of supervision, the quality of the relationship between the supervisor and supervisee can add or detract from the experience. It is important that the "relationship" aspect of supervision not be overlooked or neglected.

The supervisor evaluates, monitors, and serves as a gatekeeper

In addition to enhancing the professional functioning of counselors, supervisors have an ethical and legal responsibility to monitor the quality of care that is being delivered to the supervisee's clients. In order to enhance the professional functioning of the supervisee and assure quality of care, the supervisor constantly monitors and provides feedback regarding supervisee performance. This formative evaluation forms the basis of the work done in supervision. The supervisor also serves as a gatekeeper for those who want to enter the counseling profession. The supervisor is charged to evaluate the counselor based on work done with current clients, and to assess potential for working with future clients. As part of this role, supervisors formallyevaluate supervisees. These summative evaluations occur after there has been enough supervision to expect a certain degree of competence. For example, during fieldwork experiences, summative evaluations typically occur at the midpoint and end of semesters.

MOTIVATION - CONCEPT, MASLOW'S HIERARCHY OF NEEDS

Motivation is the driving force which help causes us to achieve goals. Motivation is said to be intrinsic or extrinsic. The term is generally used for humans but, theoretically, it can also be used to describe the causes for animal behavior as well. This article refers to human motivation. According to various theories, motivation may be rooted in a basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, selfishness, morality, or avoiding mortality. Conceptually, motivation should not be confused with either volition or optimism. Motivation is related to, but distinct from, emotion.

Motivation concepts

<u>Intrinsic and extrinsic motivation</u>

Intrinsic motivation refers to motivation that is driven by an interest or enjoyment in the task itself, and exists within the individual rather than relying on any external pressure. Intrinsic motivation has been studied by social and educational psychologists since the early 1970s. Research has found that it is usually associated with high educational achievement and enjoyment by students. Explanations of intrinsic motivation have been given in the context of Fritz Heider's attribution theory, Bandura's work on self-efficacy, and Deci and Ryan's cognitive evaluation theory (see self-determination theory). Students are likely to be intrinsically motivated if they:

- attribute their educational results to internal factors that they can control (e.g. the amount of effort they put in),
- believe they can be effective agents in reaching desired goals (i.e. the results are not determined by luck),
- are interested in mastering a topic, rather than just rote-learning to achieve good grades.

Extrinsic motivation comes from outside of the individual. Common extrinsic motivations are rewards like money and grades, coercion and threat of punishment. Competition is in general extrinsic because it encourages the performer to win and beat others, not to enjoy the intrinsic rewards of the activity. A crowd cheering on the individual and trophies are also extrinsic incentives.

Social psychological research has indicated that extrinsic rewards can lead to overjustification and a subsequent reduction in intrinsic motivation. In one study demonstrating this effect, children who expected to be (and were) rewarded with a ribbon and a gold star for drawing pictures spent less time playing with the drawing materials in subsequent observations than children who were assigned to an unexpected reward condition and to children who received no extrinsic reward.[4]

Self-determination theory proposes that extrinsic motivation can be internalised by the individual if the task fits with their values and beliefs and therefore helps to fulfill their basic psychological needs.

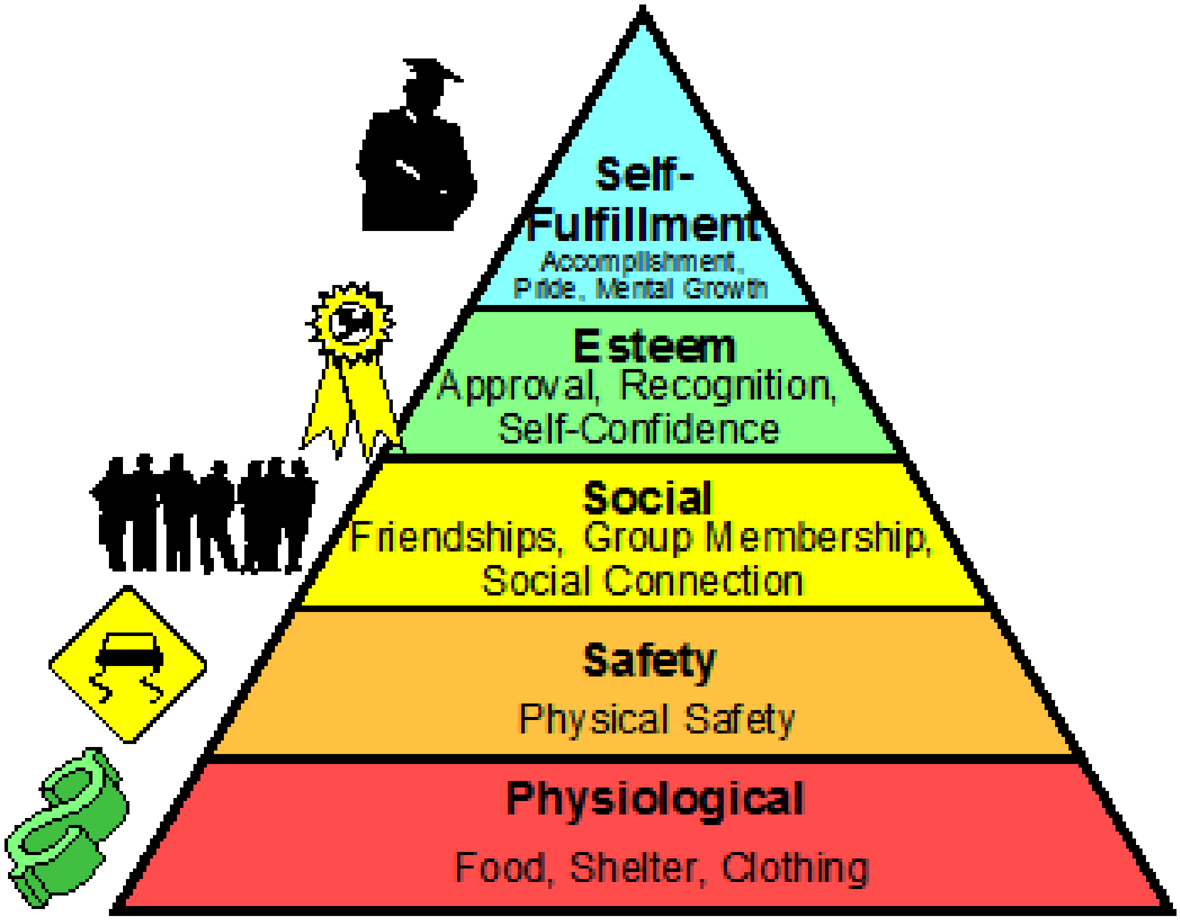
Self-control

The self-control of motivation is increasingly understood as a subset of emotional intelligence; a person may be highly intelligent according to a more conservative definition (as measured by many intelligence tests), yet unmotivated to dedicate this intelligence to certain tasks. Yale School of Management professor Victor Vroom's "expectancy theory" provides an account of when people will decide whether to exert self control to pursue a particular goal.

Drives and desires can be described as a deficiency or need that activates behavior that is aimed at a goal or an incentive. These are thought to originate within the individual and may not require external stimuli to encourage the behavior. Basic drives could be sparked by deficiencies such as hunger, which motivates a person to seek food; whereas more subtle drives might be the desire for praise and approval, which motivates a person to behave in a manner pleasing to others.

By contrast, the role of extrinsic rewards and stimuli can be seen in the example of training animals by giving them treats when they perform a trick correctly. The treat motivates the animals to perform the trick consistently, even later when the treat is removed from the process.

MASLOW’S HIERARCHY OF NEEDS;



INCENTIVE AND ITS VARIOUS TYPES

The term 'incentive' is not peculiar to economics alone, it is a general term used in many spheres of life. However, in economics, it is a very important word. In fact you can never study economics successfully without understanding what incentives are. One American economist says that economics in its entirety is a study of people's response to incentives. Whether that statement is accurate or not is subject to one's point of view, but what comes out clearly is the fact that incentives are truly central to the study of economics.

dictionary definition of an incentive is 'something that motivates you to do something'. In economics one can say that an incentive is a benefit, reward, or cost that motivates an economic action. Human beings do things deliberately and purposefully, and, naturally, people expect to benefit from their own decisions and actions. Before someone decides to produce something and sell it to people, they should have taken time to think and decide that doing this will help them earn something. Likewise, before a consumer buys anything, they know (or at least they think) that they are going to benefit from the product. In strict sense, it is more than just the usual concepts or trade and economics, it is about human nature. No one does something for no reason. Not when they have to spend time and resources in doing so.

Types of incentives

Incentives can be grouped into four main categories, or types. These types of incentives apply both to economics and to other spheres of life.

Financial incentives

Perhaps in the modern times, financial incentives are more dominant. Before you get to business, you know that it is always about profit. Employment is all about salary and remuneration. It is true that sometimes people do voluntary jobs for some reasons other than financial ones. But ultimately, the main reason why human beings do business or work at all in modern days is money. It is this type of incentive that informs the idea of product promotions, where people are told that if they buy a certain product; they stand a chance of winning a certain amount of money.

Moral incentives

Moral incentives motivate people to do things on the basis of right and wrong. People are encouraged to do certain action because morally, it is the right thing to do. Aspects of morality today are quite diverse, varying broadly from one society to the next, and it is practically impossible to define morals of society in general. Moral incentives therefore generally appeal to an individual's own conscience.

Natural incentives

"What will happen if I do this?" We often ask ourselves. Humans are naturally curious creatures, and we do many things for no reason other than to find out what the consequences are.

Coercive incentives

Coercive investments emphasize on the consequences of not doing something, rather than the benefit of doing it.A good example is blackmail. You are warned to do something or risk being beaten up, or being reported to your seniors. That is a coercive incentive.

LEADERSHIP - CONCEPT; QUALITIES OF A GOOD LEADER

"Leadership is the art of leading others to deliberately create a result that wouldn't have happened otherwise."

The Characteristics of a Good Leader

What makes a good leader? Here are some of their most important characteristics:

Self-Awareness. You have an intimate knowledge of your inner emotional state. You know your strengths and your weaknesses. You know when you're working in flow and you know when you're over worked. You know yourself, including your capabilities and your limitations, which allows you to push yourself to your maximum potential.

Self-Direction. You're able to direct yourself effectively and powerfully. You know how to get things done, how to organize tasks and how to avoid procrastination. You know how to generate energy for projects, to calm yourself when angered. You can make decisions quickly when necessary, but can also slow to consider all the options on the table.

Vision. You're working towards a goal that's greater than yourself. It could be something small, like the success of the team, or a larger vision like world peace. Working towards a vision is far more inspiring than working towards personal gain.

Ability to **Motivate**. Leaders don't lead by telling people what they *have* to do. Instead, leaders cause people to *want* to help them. A key part of this is cultivating your own desire to help others. When others sense that you want to help them, they in turn want to help you.

Social Awareness. Understanding social networks and key influencers in that social network is another key part of leadership. Who in the organization has the most clout, both officially and unofficially? Who moves the hearts of the group?

These are some of the most important characteristics of good leaders.

Emotional Intelligence and Leadership

Most of these traits tie directly into emotional intelligence (EQ). Leaders with high EQ are intrinsically more self-aware. They understand their mental processes and know how to direct themselves. They're more in touch with what they're deeply passionate about. They naturally care more for others and receive more compassion in return. They're more socially in tune.

Leadership is more often than not about "soft skills" rather than hard skills. Yes, a leader who understands what drives the bottom line is valuable. Yet it's the leader who can get *others* to perform at their best who ultimately creates winning organizations.

CHAPTER 5: CONSUMER PROTECTION

IMPORTANCE OF CONSUMER PROTECTION , CONSUMER RIGHTS. CONSUMER RESPONSIBILITIES

CONSUMER PROTECTION

Protection of consumers' rights is important to all inhabitants, because everybody buys commodities and uses services. That is why it is essential to everyone that his or her rights are protected while making purchases – so that commodities one buys are safe and do not harm one's health or danger one's life, so that information given is complete and real, so that advertisements are not misleading, so that there are no unjust provisions of the contracts and so that consumers can exercise their rights.

Consumer Rights Protection Centre (CRPC) insures operation of Consumer Rights Protection Law, Advertising Law, Law on the Safety of Goods and Services, Law On Information Society Services, as well as other laws and many regulations of Cabinet of Ministers, that regulate consumer rights, in Latvia.

To insure implementation of functions entrusted to us, CRPC main tasks and directions of activity are as follows:

1) supervising and controlling of the market:

- supervising commerce of non-food consumer goods (except medical commodities, medicaments, veterinary medicaments, cosmetics, veterinary-pharmaceutical products, animal care products, house-hold use chemical substances and chemical products)
- Supervising of information about commodities and services, as well as information given by manufacturers, vendors or providers of services, for it to be in compliance with laws and regulations.
- Supervising of correct determination of food and non-food consumer goods' weight and size, correct calculation of commodity's price, as well as supervising of prices' indication procedure
- Supervising of services
- Supervising of e-commerce and e-business – providing of information, fulfillment of contract, etc.

- Organization and coordination of cooperation between supervision and control institutions involved in implementation of state policy about protection of consumer rights and nongovernmental organizations of consumer's rights protection.

2) Reviewing of consumer complaints about violation of consumer rights, inter alia:

- Rendering of assistance to consumers in solving of conflicts with manufacturers, vendors and providers of services
- Requiring of fulfillment of lawful demands of consumers
- Controlling of procedure how consumer declares claim about commodity or service, which is improper to provision of the contract. Controlling of organization of commodity's or service's expertise. To make a decision about fulfillment of lawful demands of consumers.
- Accordingly to competence of CRPC, to create, to maintain and to update data base of expertise performers
- Providing legal aid to consumers regarding their rights

3) Protection of consumers' economical interests – supervision of advertising and supervising of contracts' projects and contracts which consumers conclude with manufacturers, vendors and providers of services to comply with consumers rights, inter alia:

- To perform actions planned in laws and regulations, so that manufacturer, vendor or provider of service changed project of the contract or terminated fulfillment of provisions of contract, when unjust or unclear provisions are found in project of the contract or in concluded contract
- To verify the consideration of procedure for undertaking, execution and implementation of warranty obligations
- To supervise being in compliance with laws and regulations of crediting contracts, distance contracts and other contracts
- To verify if contracts concluded by consumers include procedure given in laws and regulations for announcement and exploitation of refusal rights
- To evaluate compliance with laws and regulations of providing of complex tourism services

-Protection of consumers’ collective interests
- Protection of air passengers’ rights
- Supervising of e-commerce and e-business – providing of information, fulfillment of contract, etc.
- To evaluate compliance with laws and regulations of advertising and to make according decisions

Now let‘s discuss importance and need of consumer protection one by one.

1. Protection from Exploitation

Importance of the consumer protection is to safeguard the consumer from exploitation. In the absence of consumer protection, consumers were exploited in many ways e.g. sale of unsafe products, adulteration and hoarding of goods, using wrong weights and measures, charging excessive prices and sale of inferior quality goods, etc. Through various Consumer Protection Acts; business organizations are under pressure to keep away from exploiting consumers.

2. Consumer Education

Importance of consumer protection is to create awareness among consumers about their rights and responsibilities by organizing workshops and seminars and gives them confidence to take legal action against companies who have defaulted.

3. Redressal of Complaints

Importance of Consumer Protection is to present the consumer complaints in appropriate consumer courts and make sure that justice is done to consumers.

4. Bulletins and Periodicals

Importance of consumer protection organization is to issue various journals and periodicals in which wide publicity is given to the unfair trade practices adopted by business organisations so that they are pressured to give fair treatment to consumers.

5. Encouraging Honest Businessmen

Importance of consumer protection is to encourage the honest businessmen. organizations give the credit to the business organizations which aims at consumer satisfaction by publishing favorable reports in their periodical's about them. This helps in building goodwill for such organizations.

6. Connecting Link

Importance of consumer protection is they play connecting link between the consumer. Consumer Protection organizations act as a link between consumers wanting to file complaints on one side and the business organizations that have defaulted on other sides and make sure that justice is done to final consumers.

7. Unity

Consumer Protection aims at bringing unity among consumers to fight collectively against the business organisations which indulge in unfair trade practices. Consumers are encouraged to form co-operative societies so that the focus is on providing services to members rather than earning profit on the cost of customers.

8. Quality life for Consumer

Importance of Consumer Protection is to aim at redressal of consumer complaints in an effective manner but also on giving good-quality life to consumers by business organizations who have defaulted on the other side and make sure that justice is done to final consumers.

9. Ethical Obligations

Importance of consumer protection, Today ethics play a prominent role in business. Business without ethical values is nothing but a criminal activity. Protecting the interests of the consumer includes absence of unfair business practices such as black marketing, profiteering, creating an artificial shortage, using wrong weights and measures, publishing false advertisement, etc. It is necessary for a businessman not to practice such uneven means thereby protect the interest of consumers.

10. Getting Public Support

Importance of consumer protection does not isolate the business. Financial institutions and banks provide finance to business. Government provides support and incentives. Employees contribute their time, skill and labour. Consumers are ready to pay for value. The businessmen can get the best support of all these parties only when it stops exploiting its customers.

To conclude, the importance of Consumer Protection is to safeguard consumers from any kind of exploitation from business organizations and ensuring the position of 'King of Market' to consumer.

NEED OF CUSTOMER PROTECTION

The necessity of adopting measures to protect the interest of consumers arises mainly due to the helpless position of the consumers. There is no denying fact that the consumers have the basic right to be protected from the loss or injury caused on account of defective goods and deficiency of services. But they hardly use their rights due to lack of awareness, ignorance or lethargic attitude. However in view of the prevailing malpractices and their vulnerability there to, it is necessary to provide them physical safety, protection of economic interests, access to information, satisfactory product standard, and statutory measures for redressal of their grievances. The other main arguments in favour of consumer protection are as follows:

(a) Social Responsibility

The business must be guided by certain social and ethical norms. It is the moral responsibility of the business to serve the interest of consumers. Keeping in line with this principle, it is the duty of producers and traders to provide right quality and quantity of goods at fair prices to the consumers.

(b) increasing Awareness

The consumers are becoming more mature and conscious of their rights against the malpractices by the business. There are many consumer organisations and associations who are making efforts to build consumer awareness, taking up their cases at various levels and helping them to enforce their rights.

(c) Consumer Satisfaction

Father of the Nation Mahatma Gandhi had once given a call to manufactures and traders to *"treat your consumers as god* Consumers' satisfaction is the key to success of business. Hence, the businessmen should take every step to serve the interests of consumers by providing them quality goods and services at reasonable price.

(d) Principle of Social Justice

Exploitation of consumers is against the directive principles of state policy as laid down in the Constitution of India. Keeping in line with this principle, it is expected from the manufacturers, traders and service providers to refrain from malpractices and take care of consumers' interest.

(e) Principle of Trusteeship

According to Gandhian philosophy, manufactures and producers are not the real owners of the business. Resources are supplied by the society. They are merely the trustees of the resources and, therefore, they should use such resources effectively for the benefit of the society, which includes the consumers.

(f) Survival and Growth of Business

The business has to serve consumer interests for their own survival and growth. On account of globalisation and increased competition, any business organisation which indulges in malpractices or fails to provide improved services to their ultimate consumer shall find it difficult to continue. Hence, they must in their own long run interest, become consumer oriented.

RIGHT TO CUSTOMER

F, Kennedy, the former USA President, in his message to consumer had given six rights to consumers. These rights are (i) right to safety, (ii) right to be informed, (iii) right to choose, (iv) right to be heard, (v) right to redress and (vi) right to represent. These rights had paved the way for organised consumer movement in the USA and later it spread all over the world. In India, the Consumer Protection Act, 1986 has also provided for the same rights to consumers. Let us have a brief idea about these rights of consumers.

(a) Right to Safety

It is the right of the consumers to be protected against goods and services which are hazardous to health or life. For example, defective vehicles could lead to serious accidents. The same is true of electrical appliances with sub-standard material. Only recently, there were mass protests and boycott of soft drinks due to presence of hazardous pesticides beyond permissible limits. Thus, right to safety is an important right available to the consumer which ensures that the manufacturers shall not produce and sell sub-standard and dangerous products.

(b) Right to be Informed

The right to be informed is an important component of consumer protection. The consumer must be provided with adequate and accurate information about quality, quantity, purity, standard and the price of the goods and services. Now-a-days the manufacturers provide detailed information about the contents of the product, its quantity, date of manufacturing, date of expiry, maximum retail price, precautions to be taken, etc. on the label and package of the product. Such information helps the consumers in their buying decision and use of the product.

(c) Right to Choose

The right to choose provides that the consumer must be assured, whenever possible, access to a variety of goods and services at competitive prices. If the market has enough varieties of products at highly competitive prices, the buyers have an opportunity of wide selection. However, incase of monopolies like railways, postal service and electricity supply etc. it implies a right to be assured of satisfactory quality of service at a fair price.

(d) Right to be Heard

The rights to safety, information and choice will be frivolous without the right to be heard. This right has three interpretations. Broadly speaking, this right means that consumers have a right to be consulted by Government and public bodies when decisions and policies are made affecting consumer interests. Also, consumers have a right to be heard by manufactures, dealers and advertisers about their opinion on production, marketing decisions and any grievances of the consumers. Now-a-days, most of the top manufacturers and firms have set up consumer service cells to attend to consumers' complaints and take appropriate steps for their redressal. Thirdly, consumers have the right to be heard in legal proceedings in law courts dealing with consumer complaints.

(e) Right to seek Redressal

The consumers have been given the right of redressal of their grievances relating to the performance, grade, quality etc. of the goods and services. If required, the product must be repaired / replaced by the seller/ manufacturer. The Consumer Protection Act has duly provides for a fair settlement of genuine grievances of the consumers. It has also set up a proper mechanism for their redressal at district, state and national levels.

(f) Right to Consumer Education

It means the right to receive knowledge and skill to become informed consumer. In this direction the consumer associations, educational institutions and the policy makers can play an important part. They are expected to impart information and knowledge about (i) the relevant laws which are aimed at preventing unfair trade practices, (ii) the ways and means which dishonest traders and producers may adopt to deceive the consumers, (iii) insistence on a bill or receipt at the time of purchase, and (iv) the procedure to be followed by consumers while making complaints. Effective consumer education leads to an increased level of consumer awareness and help them to enforce their rights more effectively, and protect themselves against fraudulent, deceitful and grossly misleading advertisement, labeling, etc.

RESPONSIBILITIES OF CONSUMER

(a) Be quality conscious

To put a stop to adulteration and corrupt practices of the manufacturers and traders, it is the duty of every consumer to be conscious of the quality of product they buy. They should look for the standard quality certification marks like ISI, Agmark, FPO, Woolmark, Eco-mark, Hallmark etc. while making the purchases.

(b) Beware of misleading advertisements

The advertisement often exaggerates the quality of products. Hence, the consumers should not rely on the advertisement and carefully check the product or ask the users before making a purchase. Incase there are discrepancies, the same should be brought to the notice of the sponsors and the appropriate authority, if need be.

(c) Responsibility to inspect a variety of goods before making selection

The consumer should inspect a variety of goods before buying the goods and service. For this purpose he/she should compare their quality, price, durability, after sales service etc. This would enable the consumers to make the best choice within the limit of their own resources.

(d) Collect proof of transaction

The consumer should insist on a valid documentary evidence (cash memo/invoice) relating to purchase of goods or availing of any services and preserve it carefully. Such proof of purchase is required for filing a complaint. In case of durable goods the manufactures generally provide the warrantee/guarantee card along with the product. It is the duty of consumers to obtain these documents and ensure that these are duly signed, stamped and dated. The consumer must preserve them till the warrantee/ guarantee period is over.

(e) Consumers must be aware of their rights

The consumers must be aware of their rights as stated above and exercise them while buying goods and services. For example, it is the responsibility of a consumer to insist on getting all information about the quality of the product and ensure himself/ herself that it is free from any kind of defects.

(f) Complaint for genuine grievances

As a consumer if you are dissatisfied with the product/services, you can ask for redressal of your grievances. In this regard, you must file a proper claim with the company first. If the manufacturer/company does not respond, then you can approach the forums. But your claim must state actual loss and the compensation claim must be reasonable. At no cost fictitious complaints should be filed otherwise the forum may penalise you.

(g) Proper use of product/services

It is expected from the consumers that they use and handle the product/services properly. It has been noticed that during guarantee period, people tend to reckless use of the product, thinking that it will be replaced during the guarantee period. This practice should be avoided.

WAY AND MEANS OF CONSUMER PROTECTION

We have enumerated several instances of exploitations and malpractices on the part of manufacturers, traders, dealers and services providers. Now the question arises as to how can these be eliminated. Actually it is very difficult to stop such exploitation by any consumer single handedly. The consumers have to collectively act against such malpractices and take the help of consumer organisations and the government agencies. Infact, consumer protection essentially needs consumer awareness, education and guidance, and it cannot be assured by voluntary business conduct or self-regulation. The following are the various ways and means of consumer protection followed in Indi

Lok Adalat

Lok Adalats are the effective and economical system for quick redressal of the public grievances. The aggrieved party can directly approach the adalats with his grievance, and his issues are discussed on the spot and decisions are taken immediately. The consumers may take the advantage of this system to solve their problems. Cases of electricity billing, telephone billings, road accidents etc. can be taken up in Lok Adalat for spot settlement. Infact, Indian Railways, Mahanagar Telephone Nigam Limited and Delhi Vidyut Board hold Lok Adalat regularly to settle user's grievances on the spot.

Public interest Litigation

Public Interest Litigation (PIL) is a scheme under which any person can move to the court of law in the interest of the society. It involves efforts to provide legal remedy to un-represented groups and interests. Such groups may consist of consumers, minorities, poor persons, environmentalists and others. Any person or organisation, though not a party to the grievances, can approach the court for remedial action in case of any social atrocities.

Redressal Forums and Consumer Protection Councils

Under the Consumer Protection Act 1986, a judicial system has been set up to deal with the consumer grievances and disputes at district level, state level and national level. These are known as District Forum, State Consumer Disputes Redressal Commission (State Commission) and National Consumer Disputes Redressal Commission (National Commission). Any individual consumer or association of consumers can lodge a complaint with the District, State or National level forum, depending on the value goods and claim for compensation. The main objective of these forums is to provide for a simple, speedy and inexpensive redressal of consumers' grievances. The Act as amended in 2002 also provides for setting up of **Consumer Protection Council** at district, state and national level for promotion and protection of the rights of the consumers as laid down in Section 6 of the Act. The councils are required to give wide publicity to the rights of consumers, the procedures for filling complaints by them and provide inputs to consumer movement in the country.

Awareness Programme

To increase the level of awareness among the consumers the Government of India has initiated various publicity measures. It regularly brings out journals, brochures, booklets and various posters depicting the rights and responsibilities of consumers, redressal machineries etc. It observes World Consumer Rights Day on 15 March and National Consumer Day on 24 December. Several video programmes on consumer awareness are broadcasted through different television channels. Similarly, audio programmes are also broadcasted through All India Radio and FM channels. The poster and slogan competition on consumer protection are also organised at various level. To encourage the participation of public in the field of consumer protection the Government has also instituted National Awards to the persons who have done outstanding work in this field.

Consumer Organisations

Consumer organisations have been active all over the world to promote and protect consumer interests. A number of such organisations have also been set up in recent years in different parts of India. It is felt that neither it is possible to discipline all members of the business community through moral sanctions and a code of fair business practices nor can administrate orders and legislative provisions to ensure consumer protection without the active involvement of consumer associations. Now with an increasing number of consumer organisations involved in consumer protection, the consumer movement is getting a foothold in India and helping individuals to seek quick and adequate redressal of their grievances. Look at the box for some of such consumer organisations.

CHAPTER-7 - BUSINESS ADMINISTRATION AND BUSINESS ENVIRONMENT

Business environment refers to different forces or surroundings that affect business operations. Such forces include customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, and social and cultural factors. Others are innovations and technological developments.

WHAT IS BUSINESS ENVIRONMENT?

A business organization can not exist a vacuum. It needs living persons, natural resources and places and things to exist. The sum of all these factors and forces is called the business environment.

Business environment is of two types-

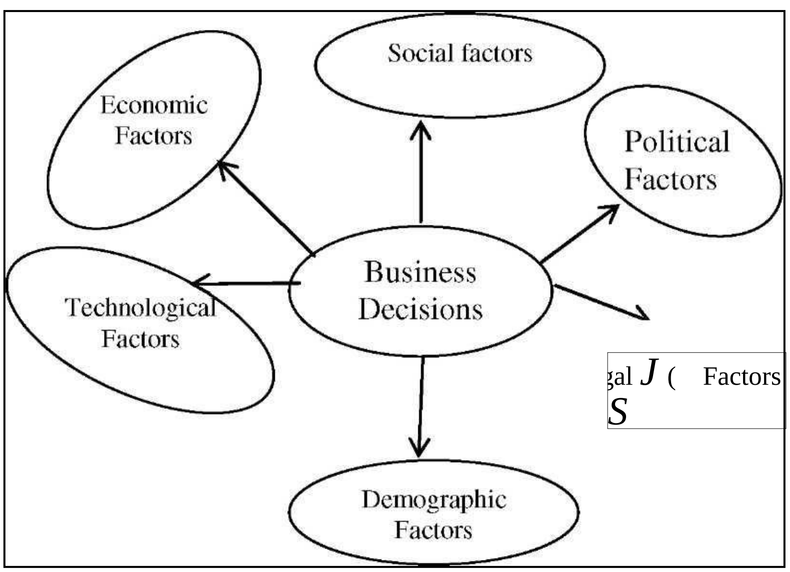
(i) Micro environment or the internal environment

(ii) Macro environment or the external environment

(i) Micro environment / Internal Environment of Business

Micro environment comprises of the factors in the immediate environment of the company that affect the performance of the company. In includes the suppliers, competitors, Marketing intermediaries, customers, pressure groups and the general public. Supplier form an important factor of the micro environment of business as the importance of reliable sources of supply are obvious. Supplier include the financial labor input. Stock holders, banks and other similar organizations that supply money to the organization are also termed as suppliers. Managers always strive to ensure a study flow of inputs at the lowest price. Customers are also an important factor in the internal environment of business. The customers or the clients absorb the output of an organization and a business exists to meet the demands of the customers. Customers could be individuals, industries, government and other institutions. Labor force is also an important part of the internal environment of business. Other than these the business associates, competitors, regulatory agencies and the marketing intermediaries are also a part of the micro business environment.

Macro environment / External environment of Business :
The forces and institutions out side of the organization that can potentially affect the performance of the organization come under the external environment of Business. The macro environment of business consist of the economic, demographic, natural, cultural and political forces. The external environment of business is often categorized into the economic environment, political and government environment, socio cultural environment and the international environment.Business Market is understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects,



BUSINESS ENVIRONMENT

the political framework, the legal aspects and the technological aspects etc. In this chapter, we shall learn about the concept of business environment, its nature and significance and the various components of the environment. In addition, we shall also acquaint ourselves with the concept of social responsibility of business and business ethics.

IMPORTANCE OF BUSINESS ENVIRONMENT

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal and economic environment helps the business in the following ways:

(a) **Determining Opportunities and Threats:** The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.

(b) **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.

(c) **Continuous Learning:** Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.

(d) **image Building:** Environmental understanding helps the business organisations in improving their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.

(e) **Meeting Competition:** It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly.

(f) **Identifying Firm's Strength and Weakness:** Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.

TYPE OF BUSINESS ENVIRONMENT

Confining business environment to uncontrollable external factors, it may be classified as (a) Economic environment; and (b) Non-economic environment. The economic environment includes economic conditions, economic policies and economic system of the country. Non-economic environment comprises social, political, legal, technological, demographic and natural environment. All these have a bearing on the strategies adopted by the firms and any change in these areas is likely to have a far-reaching impact on their operations. Let us have a brief idea about each of these areas of business environment.

3.2.1 ECONOMIC ENVIRONMENT

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

(a) **Economic Conditions:** The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) **Economic Policies:** All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

(i) Industrial policy
(ii) Fiscal policy
(iii)Monetary policy
(iv)Foreign investment policy
(v) Export -Import policy (Exim policy)

RECENT DEVELOPMENT IN INDIAN ECONOMY

The economic environment of business in India has been changing at a fast rate mainly due to the changes in the economic policies of the government. At the time of independence, the Indian economy was basically agrarian with a weak industrial base. To speed up the industrial growth and solve various economic problems, the government took several steps like state ownership on certain categories of industries, economic planning, reduced role of private sector, etc. The Government adopted several control measures on the functioning of private sector enterprises. All these efforts resulted a mixed response. There was growth in net national product, per capita income and development of capital goods sector and infrastructure. But rate of industrial growth was slow, inflation increased and government faced a serious foreign exchange crisis during eighties. As a result, the government of India introduced a radical change in economic policies in 1991. This policy abolished industrial licensing in most of the cases, allowed private participation in most industries, disinvestment was carried out in many public sector industrial enterprises and opened up the economy considerably. Foreign Investment Promotion Board was set up to channelise foreign capital investment in India. Let us discuss the developments under three heads, viz., (a) Liberalisation, (b) Privatisation, and (c) Globalisation.

(A) LIBERALISATION

Liberalisation refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises. It includes:

- abolishing industrial licensing requirement in most of the industries;
- freedom in deciding the scale of business activities;.

(iii) freedom in fixing prices of goods and services;

(iv) simplifying the procedure for imports and exports;

(v) reduction in tax rates; and

(vi) simplified policies to attract foreign capital and technology to India.

Through this liberalisation process, Indian Economy has opened up and started interacting with the world in a big way. This has resulted in easy entry of foreign business organisations in India. This has further resulted in stiff competition and efficiency. Ultimately, liberalisation has helped us in achieving a high growth rate, easy availability of goods at competitive rates, a healthy and flourishing stock market, high foreign exchange reserve, low inflation rate, strong rupee, good industrial relations, etc.

(b) PRIVATISATION

Privatisation refers to reducing the role of public sector by involving the private sectors in most activities. Due to the policy reforms announced in 1991, the expansion of public sector has literally come to a halt and the private sector registered fast growth in the post-liberalised period. The issues of privatisation include:

- reduction in the number of industries reserved for the public sector from 17 to 8 (reduced further to 3 later on) and the introduction of selective competition in the reserved area;

(i) disinvestment of shares of selected public sector industrial enterprises in order to raise resources and to encourage wider participation of general public and workers in the ownership in business;

(ii) improvement in performance through an MOU system by which managements are to be granted greater autonomy but held accountable for specified results.

In India, as a result of these steps, the post liberalisation phase has witnessed a massive expansion of the private sector business in India. You can have an idea of their expansion from the fact that the total capital employed in top 500 private sector companies rose from Rs. 1,39,806 crores in 1992-93 to Rs. 2, 34, 751 crores in 1994-95 (an expansion of 68% in just two years).

(c) GLOBALISATION

Globalisation means 'integrating' the economy of a country with the world economy. This implies free flow of goods and services, capital, technology and labour across national boundaries. To achieve these objectives of globalisation, the government has adopted various measures such as reduction in custom duties, removal of quantitative restrictions or quotas on exports and imports, facilitating foreign investment and encouragement of foreign technology. These measures are expected to achieve a higher rate of growth, enlargement of employment potential, and reduction of regional disparities