CW8401 INTRODUCTION TO BUSINESS SYSTEMS

What is Business?

- A business is any activity that provides goods or services to consumers for the purpose of making a profit. Examples of goods provided by a business are tangible items such as cars, televisions, or soda. A service is an action or work performed for monetary compensation. Services include things such as haircuts, hotel stays, or roller-coaster rides.

- Business is an occupation, profession, or trade, or is a commercial activity which involves providing goods or services in exchange for profits.

What is Business System?

A business system is a defined set of principles, practices and procedures that are applied to specific activities to achieve a specific result. Basically, it‘s about creating a set of shortcuts that will make sure everything still gets done right.

Business Definition

The business definition into business entity definition and business activity definition

- A business [entity] - is an organisation or any other entity engaged in commercial, professional, charitable or industrial activities. It can be a for-profit entity or a not-for-profit entity and may or may not have a separate existence from the people/person controlling it.

- A business [activity] - is a commercial activity which involves providing goods or services with a primary motive of earning profits.

Concept of Business

The business concept is the fundamental idea behind the business. The business model, plan, vision, and mission are developed based on this concept. Uber, for example, was started on the concept of aggregating taxi drivers and providing their services on demand under one brand.

Objective of the Business

The business objective is what makes the business go on and conduct its activities in a long run. It is the reason why the business exists.

Traditional concept, business exists only to earn profits by providing the goods and services to the customers.

- *Modern concept*, the underlying objective of every business is customer satisfaction as this is what results in most profits. If the customer is satisfied, business excels.

Types of Business

Businesses can be classified into but are not limited to 4 types. These are –

Manufacturing

Manufacturing businesses are the producers who develop the product and sell it either directly to the customer or the middlemen to conduct sales. Examples of manufacturing businesses are steel factories, plastic factories, etc.

Service

This type of business deals in selling intangible goods to the consumers. Unlike tangible goods, services cannot be stored or separated from the provider.

Service firms offer professional services, expertise, commission-based promotions, etc.

Examples include salons, schools, consultancy etc.

Merchandising

Merchandising is a middlemen business strategy where the business buys products from a manufacturer, wholesaler, or other partners, and sells the same at the retail price. It is usually known as a _buy and sell' business as they make profits by selling the products at a price higher than their cost price.

Examples of a merchandising business are grocery stores, supermarkets, distributors etc.

Hybrid

Hybrid businesses have the characteristics of two or more types of businesses explained above.

For example, a restaurant develops its own dishes (manufacturing), sells the products like cold drinks which are manufactured by other businesses (merchandising), and provide service to the customers (service).

Forms of Business Ownership

Business ownership comes in many forms based on the number of owners, the liability of the owners, representation, and motives. These are –

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company
- Cooperative

1. Business environmental factors

The word ―environment‖ can be acknowledged as the surroundings or conditions in which a specific activity is carried on. Secondly, a business firm is a social entity which is formed by a hierarchical structure where all necessary items of its own are activated together to reach the collective goal.

Therefore, it is absolutely that every factor inside or outside a business organization has a profound influence on business activities. In other words, internal and external environment create a business environment.

Definition

Business environment is the sum total of all external and internal factors that influence a business. External factors and internal factors can influence each other and work together to affect a business.

For example, a health and safety regulation is an external factor that influences the internal environment of business operations. Additionally, some external factors are beyond our control. These factors are often called external constraints.

Importance of Business Environment Understanding

- Business environment inserts its impacts on business success, scale, vision, and development strategy, having fully understanding about this issue should be prioritized by leaders.

- Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted and unpredicted situation.

1.1 Internal and External Environments

If there is anything that is steadfast and unchanging, it is change itself. Change is inevitable, and organizations that don't accept change and that make adjustments to their business model to keep up with changes are doomed to fail.

There are events or situations that occur that affect the way a business operates, in a positive or negative way. These events or situations can have either a positive or a negative impact on a business and are called environmental factors.

There are two types of environmental factors:

1. Internal environmental factors and

2. External environmental factors.

1.1.1 Internal environmental factors

The internal factors refer to anything within the company and under the control of the company no matter whether they are tangible or intangible. These factors after being figured out are grouped into the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength.

On the other hand, if a factor prevents the development of the company, it is a weakness. Within the company, there are numerous criteria need to be taken into consideration.

Internal environmental factors are events that occur within an organization which are easier to control than external environmental factors. Some examples of internal environmental factors are:

Figure : Internal Environmental Factors

Value System: Value system can be defined as a set of rules and the logical and consistent values adopted by the firm, as a standard guide, so as to regulate the conduct in any type of circumstances.

Vision, Mission and Objectives: Vision - refers to the overall picture of what the enterprise wants to attain, whereas mission talks about the organization and its business, and the reason for its existence. Objectives refer to the basic milestones, which are set to be achieved within the specific period of time, with the available resources.

Management structure and Internal Power Relationship:

Management structure implies the organizational hierarchy, the way in which tasks are delegated and how they relate, a span of management, relationship amidst various functional areas, the composition of the board of directors, shareholding pattern.

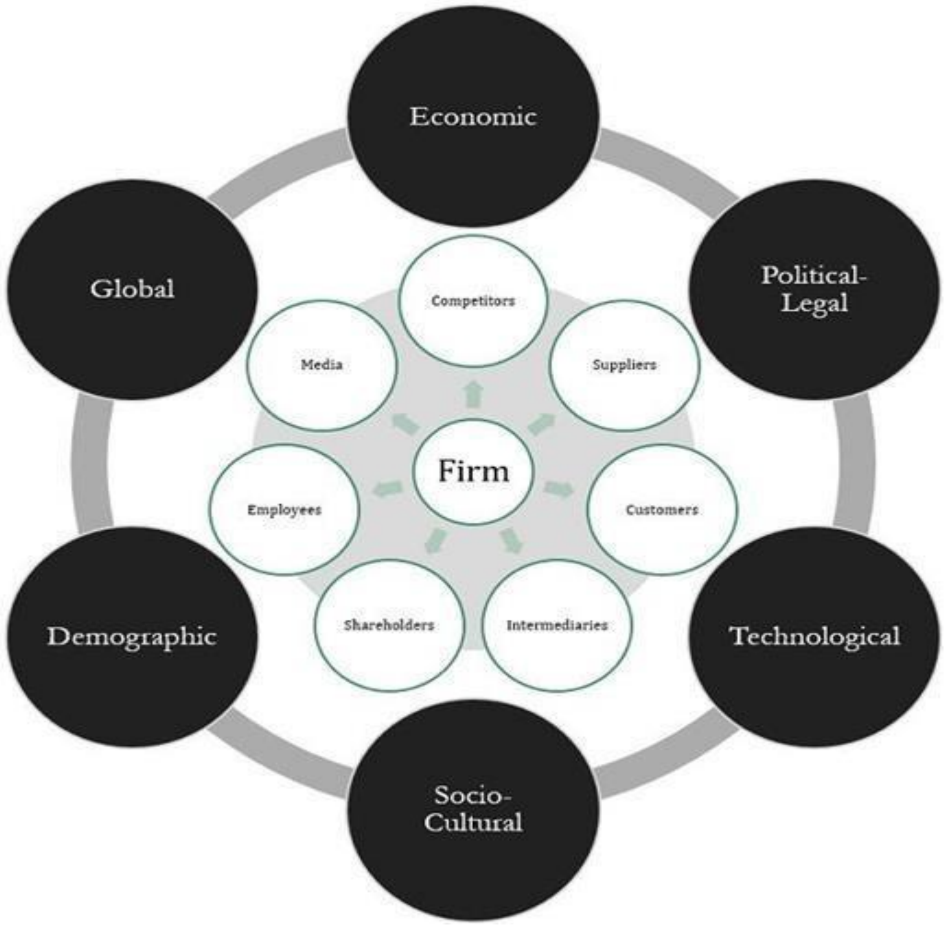
Internal power relationship describes the relationship and cordiality between the CEO and board of directors. Further, the degree of support and contribution received from the employees and other members of the organization strengthens the organization‘s decision making power and its organization-wide implementation.

Human Resource: Human resources are the most important asset of the organization, as they play a critical role in making or breaking the organization. The skills, competencies, attitude, dedication, morale and commitment, amounts to the company‘s strengths or weakness.

Tangible and Intangible Assets: The tangible assets refer to the physical assets which are owned by the company such as land, building, machinery, stock etc. Intangible assets amount to the research and development, technological capabilities, marketing and financial resources etc.

1.1.2 External Environmental Factors

External Business environment comprises of all the extrinsic factors, influences, events, entities and conditions, often existing outside the company‘s boundaries and are harder to predict and control but they have a significant influence on the operation, performance, profitability and survival of the business enterprise.
For the purpose of continuous and uninterrupted functioning of the business, the enterprise has to act, react or adjust according to these factors. These factors are not under the control of the enterprise and can be more dangerous for an organization given the fact they are unpredictable, hard to prepare for, and often bewildering.



The elements of the external environment are divided into two categories:

Micro factors:

Otherwise called as task environment, these factors directly influence the company's operations, as it covers the immediate environment that surrounds the company. The factors are somewhat controllable in nature.

- **Customers:** Customers are the target audience, i.e. the one who purchases and consumes the product. The customers are given the most important place in every business, because, the products are created and promoted for customers only.
- **Input or Suppliers:** To carry out the production process, the raw material is required which is provided by the suppliers. The behaviour of the supplier has a direct impact on a company's business operations.
- **Competitors:** Competitors are the business rivals, which operate in the same industry, offering the same product and services, and cater to the same audience.
- **Marketing & Media:** Media plays an important role in the life of every company because it has the capability to make the company's product popular overnight or it can also defame them, in just one go. This is due to the fact that the reach of media is very large and so every content

which is going to air on any form of media can affect the company positively or adversely depending on what kind of information it contains.

- **Intermediaries:** There are a number of individuals or firms that help the business enterprise in the promotion, selling, distribution and delivery of the product to the end buyer, which are called as marketing intermediaries. It includes agents, distributors, dealers, wholesalers, retailers, delivery boys, etc.
- **Shareholders:** Shareholders are the actual owners of the company, as they invest their money in the company. They get their share in the profits also, in the form of a dividend. In fact, they have the right to vote at the company‘s general meeting.
- **Employees:** Employees refers to the company's staff, who are hired to work for the company to help the company reach its mission. Therefore, it is very important for the firm, to employ the right people, retain and keep them motivated so as to get the best out of them.

Macro factors:

Otherwise called as general environment, macro environment affects the entire industry and not the firm specifically. These factors are completely uncontrollable in nature. The firm needs to adapt itself according to the changes in the macro-environment, so as to survive and grow. It includes:

- **Economic Environment:** The economic conditions of the region and the country as a whole has a significant bearing on the company‘s profitability. This is because the purchasing power, saving habits, per capita income, credit facilities etc. depends greatly on the country‘s economic conditions, which regulates the demand for the company‘s products.
- **Political and Legal Environment:** The political and legal environment consists of the laws, rules, regulations and policies which the company needs to adhere. The changes in these laws and government may affect the company's decisions, open doors of new opportunities for the business or pose a threat to the business.
- **Technological Environment:** Technology is ever-changing, as everyday a new and improved version of something is launched which is created with the state-of-the-art technology. This can be a plus point if the company is the first mover in the race, subject to the success of the product. However, if it turns out as a failure, it will prove as wastage of time, money and efforts. Further, every company has to keep itself updated with the changing technology.
- **Socio-Cultural Environment:** Socio-cultural environment consist of those factors which are concerned with human relationships such as customs, traditions, beliefs, values, morals, tastes and preferences of the society at large. The company must consider these factors on various matters such as the hiring of employees, advertising the product and service, decision making etc.
- **Demographic Environment:** As the name suggests, the demographic environment covers the size, type, structure, education level, and distribution of population in a geographical area. The knowledge of this environment will help the firm in deciding the optimal marketing mix for the target population.
- **Global Environment:** Due to liberalization domestic companies can offer their products and services for sale to other countries. In fact, there are many companies which are operating in a number of nations worldwide. Hence, such companies have to follow the laws prevalent in these countries as well as they have to adhere to international laws and guidelines. Further, the responses and the company‘s norms must be in alignment with the global environment

1.2 System approach of management Process

An organized enterprise does not exist in a vacuum. Rather, it is dependent on its external environment; it is a part of larger systems, such as the industry to which it belongs, the economic system, and society. Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment, as shown by the very basic model in Figure 1.2.
However, this simple model needs to be expanded and developed into a model of process, or operational management that indicates how the various inputs are transformed through the managerial functions of planning, organizing, staffing, leading, and controlling, as shown in Figure 1.3.

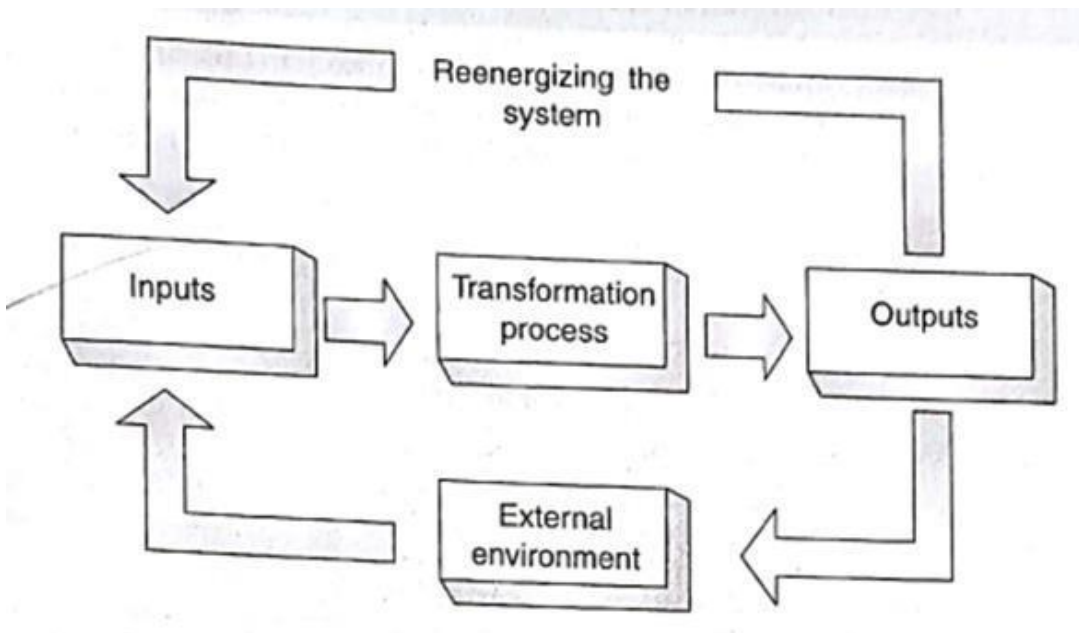


Figure 1.2 Input-Output Model

Inputs and Claimants

The inputs from the external environment (see Figure 1.2) may include people, capital and managerial skills, as well as technical knowledge and skills. In addition, various groups of people make demands on the enterprise. For example, employees want higher pay, more benefits, and job security. On the other hand, Consumers demand safe and reliable products at reasonable prices. Suppliers want assurance that their products will be bought. Stockholders want not only a high return on their investment but also security for their money. Federal, state, and local governments depend on taxes paid by enterprise, but they also expect the enterprise to comply with their laws. Similarly, the community demands that enterprises be ―good citizens,‖ providing the maximum number of jobs with a minimum of pollution.

The Managerial Transformation Process

It is the task of managers to transform the inputs, in an effective and efficient manner, into outputs. Of course, the transformation process can be viewed from different perspectives. Thus, one can focus on such diverse enterprise as finance, production, personnel, and marketing.

However, the most comprehensive and useful approach for discussing the job of managers is to use the managerial functions of planning, organizing, staffing, leading, and controlling as a framework for organizing managerial knowledge.

The Communication System

Communication is essential to all phases of the managerial process for two reasons.

- It integrates the managerial functions.

The objectives set in planning are communicated so that the appropriate organization structure can be devised.

In the selection, appraisal, and training of managers to fill the roles in this structure. Similarly, effective leadership and the creation of an environment conducive to motivation depend on communication.

Moreover it is through communication that one determines whether events and performance conform to plans. Thus, it is communication that makes managing possible.

- To link the enterprise with its external environment where many of the claimants are:

(one should never forget that Customers who are the reason for the existence of virtually all businesses, are outside a company).

It is through the communication system that the needs of Customers are identified; this knowledge enables the firm to provide products and services at a profit.

Similarly, it is through an effective communication system that the organization becomes aware of competition and other potential threats and Constraining factors.

External Variables

Effective managers will regularly scan the external environment. While it is true that managers may have little or no power to change the external environment, they have no alternative but to respond to it.

Outputs

It is the task of managers to secure and utilize inputs to the enterprise to transform them through the managerial functions—with due consideration for external variables into outputs.

Although the kinds of outputs will vary with the enterprise, they usually include many of the following: products, services, profits, satisfaction, and integration of the goals of various claimants to the enterprise. Only the last two is discussed.

- "Satisfactions" if it hopes to retain and elicit contributions from its members. It must contribute to the satisfaction not only of basic material needs (e.g., employees' needs to earn money for food and shelter or to have job security) but also of the needs for affiliation, acceptance, esteem, and perhaps even self- actualization so that one can realize one's potential at the workplace.
- "Goal integration, the different claimants to the enterprise has very divergent and often directly opposing—objectives. It is the task of managers to resolve conflicts and integrate these aims.

Reenergizing the System

- In the systems model of the management process, some of the outputs become inputs again. Thus, the satisfaction and new knowledge or skills of employees become important human inputs.
- Similarly, profits, the surplus of income over costs, are reinvested in cash and capital goods, such as machinery, equipment, buildings, and inventory.

1.3 Objectives of Business System:

The objectives of business system are:

- To meet the user and customer needs.
- To cut down the operating costs and increase savings.
- To smooth the flow data through various levels of the organisation.
- To speed up the execution of results with the reliable data available in a system.
- To handle data efficiently and provide timely information to the management.
- To establish the most desirable distribution of data, services and equipment 's throughout the organisation.
- To define a proper method of handling business activities.
- To eliminate duplicated, conflicting and unnecessary services.

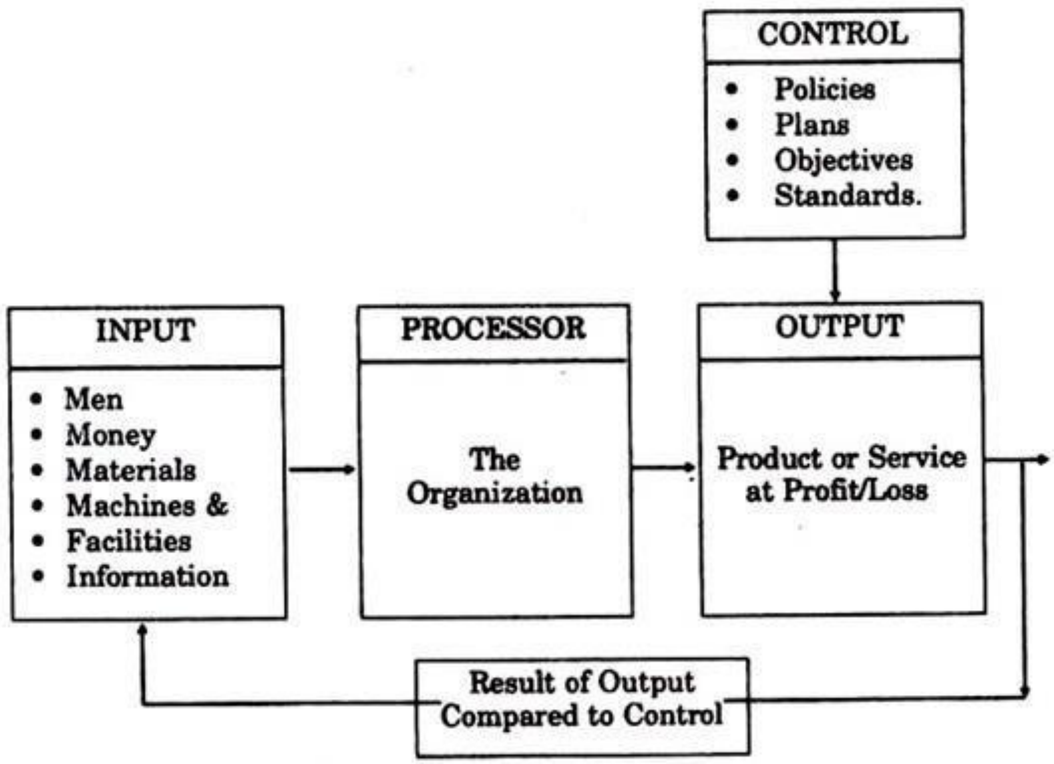


Figure 1.4: General Business System

Types of Business Systems:

- Payroll business system
- Personnel business system
- Accounts receivable system

- Accounts payable system
- Inventory system

Payroll Business System:

A payroll system consists of all forms, procedures, files, equipment‘s, personnel, and computer support necessary to completely process the payment of employees. A payroll system fully handles all tax deductions, personal deductions, and the update of payroll data related to each employee.

It provides for the actual payment of employees, a record of that payment, the modification of all payroll records, and the preparation of payroll reports.
Another payroll responsibility is the accurate reporting of all personal deductions to include bonds, medical and life insurance, profit sharing plans, stock options, credit union deductions, and the garnishing of an employee‘s salary by a creditor.
The computer‘s support makes it possible to accurately and promptly process a payroll, providing the input data are properly handled on a timely basis.

- **Personnel Business System:**

Personnel systems, on the other hand, look at employees over a continuum, from the time they are hired until they retire or leave the company for other reasons.
Personnel systems keep records of employee performance reviews, pay raises, how their pay rate compares with other similar employees, and whether they are taking advantage of company savings and retirement programs.

- **Accounts Receivable System:**

An account receivable systems are monitors the flow of money. An accounts receivable system monitors the people who owe money to a business. It provides the means to process all data for credit cards and other kinds of charge accounts.
The files contain the individual customer data, including names, addresses, financial charges like, payments received and current charges. The information is issued as monthly statements of each customer and also provides useful information for management‘s use.

- **Accounts Payable System:**

Accounts payable system monitors the organisation to which money is owed. The file structures and input/output (I/O) formats are similar as the accounts receivable system. It contains the accounts of vendors to whom money is owed. Input will have goods and services received by the company while outputs include issue of payments and management reports.

- **Inventory System:**

Inventory system monitors the status of items held in an inventory. These systems report on the quantities of goods on hand, as well as when items should be purchased to replenish stock and what critical items are needed. Inventory systems are crucial to organisations that maintain large and costly inventories.

1.4 THE FUNCTIONS OF MANAGERS

The functions of managers provide a useful structure for organizing management knowledge.
Management: is the process of guiding the development, maintenance, and allocation of resources to attain organizational goals.
Managers: are the people in the organization responsible for developing and carrying out this management process.
The four primary functions of managers are planning, organizing, leading, and controlling. By using the four functions, managers work to increase the efficiency and effectiveness of their employees, processes, projects, and organizations as a whole.

Planning

Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making that is, choosing a course of action from among alternatives.

Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable. Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control.
Plans can be classified as

- Missions or purposes,
- Objectives or goals,
- Strategies,
- Policies,
- Procedures,
- Rules,
- Programs, and
- Budgets.

(1) Missions or purposes

The mission or purpose identifies the basic purpose or function or tasks of an enterprise or agency or any part of it. Every kind of organized operation has, or at least should have if it is to be meaningful, a mission or purpose.

In every social system, enterprises have a basic function or task assigned to them by society.

For example, the purpose of a business generally, is the production and distribution of goods and services. The purpose of a state highway department is the design, building, and operation of a system of state highways. The purpose of the courts is the interpretation of laws and their application. The purpose of a university is teaching, research, and providing services to the community.

(2) Objectives or goals

Objectives or goals are the ends _toward which activity is aimed. They represent not only the end point of Planning but also the end towards which organizing, staffing, leading, and controlling are aimed.

(3) Strategies

Strategy is defined as the determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

(4) Policies

Policies define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to an objective.

Policies help decide issues before they become problems, make it unnecessary to analyse the same situation every time it comes up, and unify other plans, thus permitting manager to delegate authority and still maintain control over what their subordinates do.

There are many types of policies. Examples include policies of hiring only university trained
Engineers, encouraging employee suggestions for improved cooperation, promoting from within, conforming strictly to a high standard of business ethics, setting competitive prices, and insisting on fixed, rather than cost plus, pricing.

(5) Procedures

Procedures are plans that establish a required method of handling future activities. They are chronological sequences of required actions. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must be accomplished.

Three steps for its appraisal process:

- Setting performance objectives,
- Performing a mid-year review of the objectives, and
- Conducting a performance discussion at the end of the period.
- Procedures often cut across departmental lines.

For example, in a manufacturing company, the procedure for handling orders may involve the sales department (for the original order), the finance department (for acknowledgment of receipt of funds and for customer credit approval), the accounting department (for recording the transaction), the production department (for the order to produce the goods or the authority to release them from stock), and the shipping department (for determination of shipping means and route).

(6) Rules

Rules spell out specific required actions or non actions, allowing no discretion. They are usually the simplest type of plan. ―No smoking‖ is a rule that allows no deviation from a stated course of action. The essence of a rule is that it reflects a managerial decision that a certain action must or must not be taken.

Policies are meant to guide decision-making by marking off areas in which managers can use their discretion rules allow no discretion in their application.

(7) Programs

Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets

(8) Budgets

A budget is a statement of expected results expressed in numerical terms. It may be called a ―quantified‖ plan. In fact, the financial operating budget is often called a profit plan. Organizing the identification and classification of required activities the grouping of activities necessary for attaining objectives the assignment of each group to a manager with the authority (delegation) necessary to supervise it the provision for coordination horizontally (on the same or a similar organizational level) and vertically in the organization structure.

An organization structure should be designed to clarify who is to do what tasks and who is responsible for what-results ¡n order to remove obstacles to performance caused by confusion and uncertainty of assignment and to furnish decision-making and communication networks reflecting and supporting enterprise objectives.

Formal and Informal Organization

Formal Organization

Formal organization means the intentional structure of roles in a formally organized enterprise. If a manager is to organize well, the structure must furnish an environment in which individual performance, both present and future, contributes most effectively to group goals.

A formal organization must be flexible. There should be room for beneficial utilization of creative talents, and for recognition of individual likes and capacities in the most of formal organization. Yet Individual effort in a group situation must be channelled towards group and organizational groups

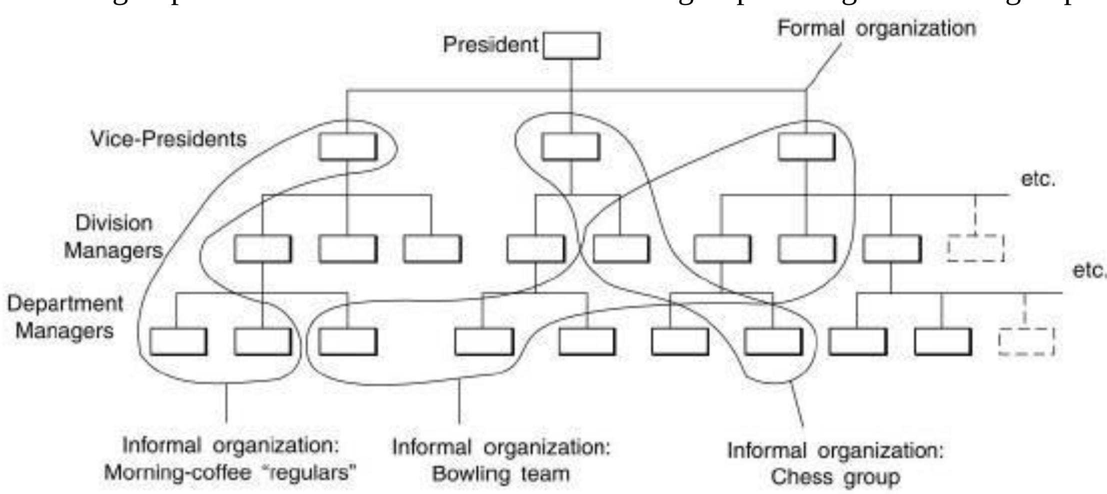


Figure: Formal and Informal Organization Informal organization

The Function of the Executive, described an informal organization as any joint personal activity without conscious joint purpose, although contributing to joint results. It is much easier to ask for help on an organization problem from someone you know personally even if he or she may be in a different department, than from someone you know only as a name on an organization chart.

The informal organization is a network of interpersonal relationships that arise when people associate with each other.

Organizational Division: The Department

The word department designates a distinct area, division, or branch of an organization over which a manager has authority for the performance of specified activities.

In enterprises, departmental terminology is loosely applied; in others, especially large ones, a stricter terminology indicates hierarchical relationships. Thus, a vice president may head a division; a director, a department; a manager, a branch; and a chief, a section.

Organizational levels and the span of management

While the purpose of organizing is to make human cooperation effective, the reason for levels of organization is the limitation of the span of management. In others words, organizational levels exist

Because there is a limit to the number of persons a manager can supervise effectively, even though this limit varies depending on situations. The relationships between the span of management and organizational level are shown in Figure.

A wide span of management is associated with few organizational levels

- Narrow Span
- Wide Span
- Narrow Span

A narrow span of control is a management style where supervisors manage only a small number of employees. The span of control refers to the number of employees who report to a supervisor in a company.

Here are some reasons a company may choose to implement a narrow span of control:

Manager experience: New managers might benefit from narrow spans of control because it allows them to gain experience as a supervisor with a more manageable number of direct reports.

Proximity to direct reports: Managers who aren't able to interact with their employees in person can benefit from having fewer direct reports. If they're supervising employees who work remotely, or in another branch, state or country, having fewer employees to supervise can help them manage their teams more effectively.

Interaction level: Some jobs require managers to interact with their employees more frequently than others. High volumes of calls, meetings and interactive work activities can take more time and require managers to undertake a narrower span of control.

Task diversity: Employees who perform a variety of tasks can benefit from having a manager with more capacity. Similarly, managers who supervise employees who perform separate and diverse tasks often need narrow spans of control to manage successfully.

New operations: If the company or job requirement is new to managers or employees, implementing narrow spans of control can help teams adjust to new tasks.
Training: Management in charge of training employees can benefit from narrower spans of control because it allows more time to focus on the training and development of individual employees.

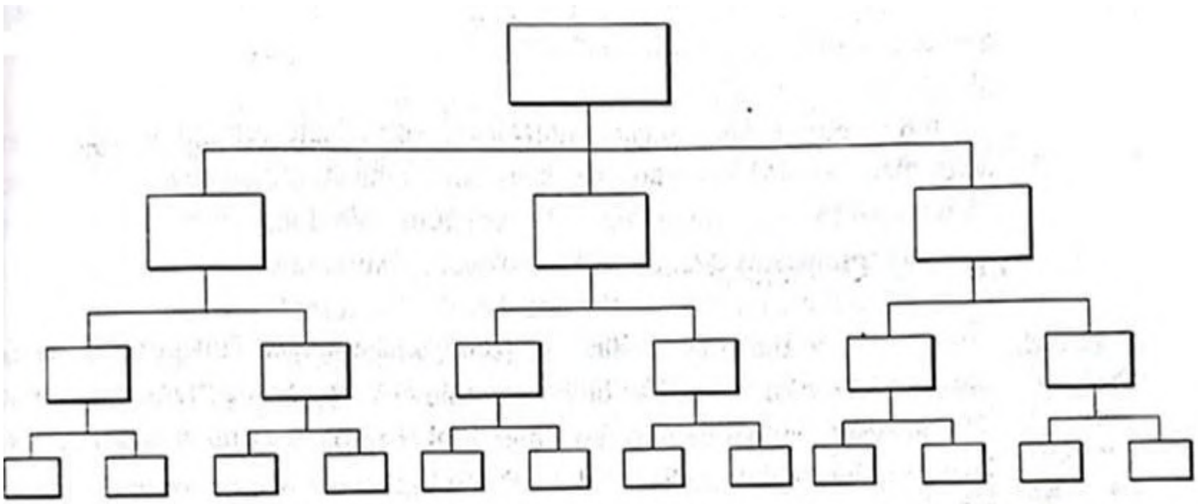


Figure: Organization with Narrow Span

Advantage:
- Closed Supervision
- Closed Control
- Fast communication between subordinates and superiors

Disadvantage:
- Superiors tend to get too involved in subordinates work
- Many levels of management
- High cost due to many levels
- Excessive distance between low and Top level

Wide Span
Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.
In a wide span of management, the manager is directly responsible for a large number of subordinates. This type of management creates a more flat organizational structure, meaning it occurs most often in companies where the organizational structure does not require many levels of management.

Levels of Organization
Organizations generally have large number of people employed and placed at different levels to perform different managerial activities. To carry on these activities the employees are given necessary powers and responsibilities. This grant of authority results in creation of chain of authority. This chain is divided into three levels of management namely

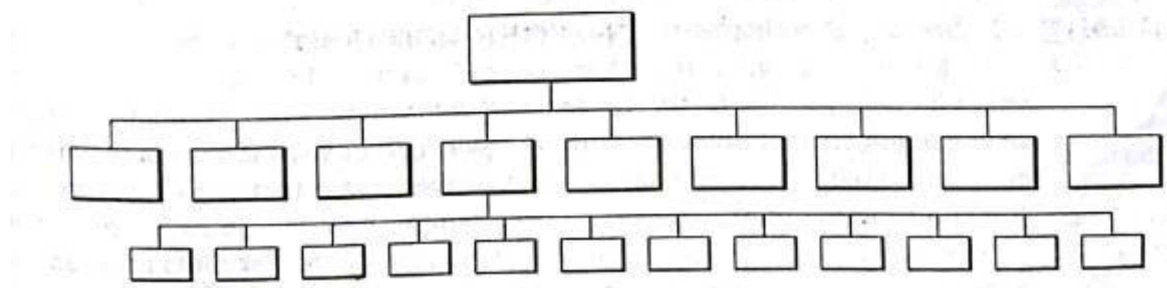


Figure: Organization with Wide Band

- Top level of management
- Middle level of management
- Supervisory level, operational or lower level of management.

Top level of management consists of most of the executives of the organization, middle level consists of departmental heads and lower level consists of foremen, section officers, clerk.

Advantages:

- More Delegation of Authority
- Development of Managers
- Clear policies
- Disadvantages:
- Overloaded supervisors
- Danger of superiors loss of control
- Requirement of highly trained managerial personnel
- Block in decision making

STAFFING:

The managerial function of staffing is defined as filling, and keeping filled, positions in the organization structure. This is done by identifying workforce requirements, inventorying the people available, and recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating, and training. Staffing closely linked to organizing, that is, the setting up of intentional structures of roles and positions.

THE SYSTEMS APPROACH TO HUMAN RESOURCE MANAGEMENT:

Enterprise plans become the basis for organization plans, which are necessary in order to achieve enterprise objectives. The present and projected organization structures determine the number and kinds of managers required. These demands are compared with available talent through the management inventory.

On the basis of this analysis, external and internal sources are utilized in the processes of recruitment, selection, placement, promotion, and separation. Other essential aspects of staffing are appraisal, career strategy, and training and development of managers.

Staffing, as seen in the model, affects leading and controlling. For instance, well- trained managers create an environment in which people, working together in groups, can achieve enterprise objectives and at the same time accomplish personal goals.

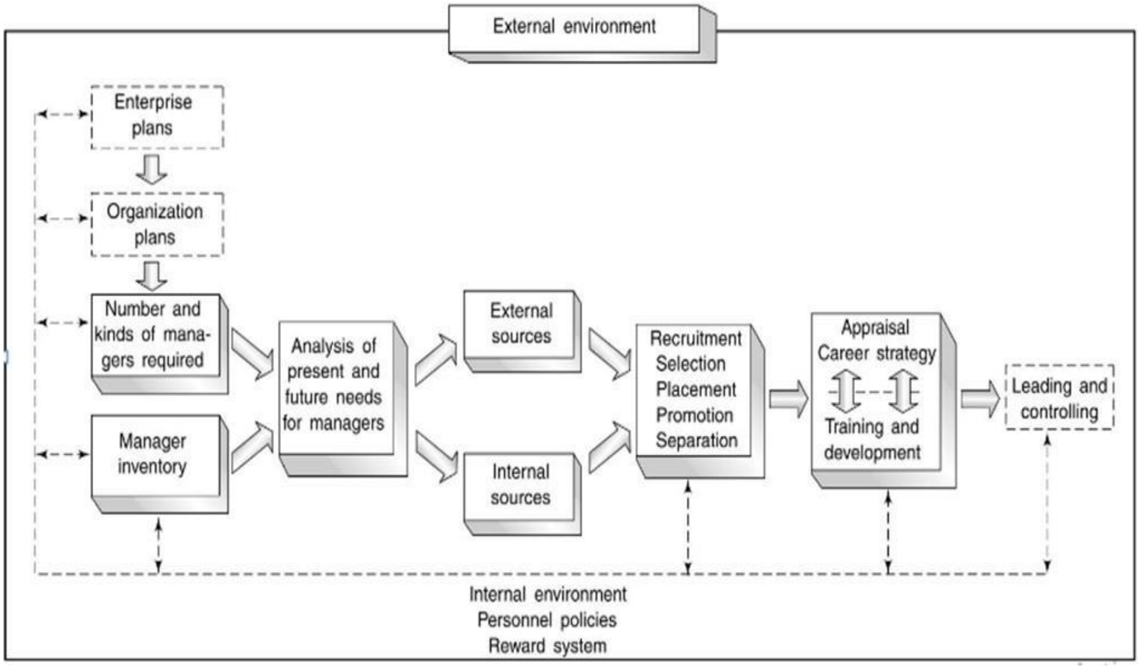


Figure: System Approach to staffing Importance of Proper staffing

Proper staffing facilitates leading.

Selecting quality managers affects controlling, for example, by preventing many undesirable deviations from becoming major problems.

Staffing requires an open-system approach. It is carried out within the enterprise, which in turn is linked to the external environment.

Therefore, internal factors of the firm—such as personnel policies, the organizational climate, and the reward system—must be taken into account. Clearly, without adequate rewards, it is impossible to attract and keep quality managers.

The external environment cannot be ignored either: high technology demands well-trained, well-educated, and highly skilled managers. Inability to meet the demand for such managers may well prevent an enterprise from growing at a desired rate.

THE SYSTEMS APPROACH TO SELECTION

Since qualified managers are critical to the success of an enterprise, a systematic approach is essential to manager selection and to the assessment of present and future needs for managerial personnel. An overview of the systems approach to selection is illustrated in Figure.

The managerial requirements plan is based on the firm's objectives, forecasts, plans, and strategies. This plan is translated into position requirements and job design, which are matched with such individual characteristics as intelligence, knowledge, skills, attitudes, and experience.

To meet organizational requirements, managers recruit, select, place, and promote people. This, of course, must be done with due consideration for the internal environment (e.g., company policies, manager supply and demand, and the organizational climate) and the external environment (laws, regulations, availability of managers).

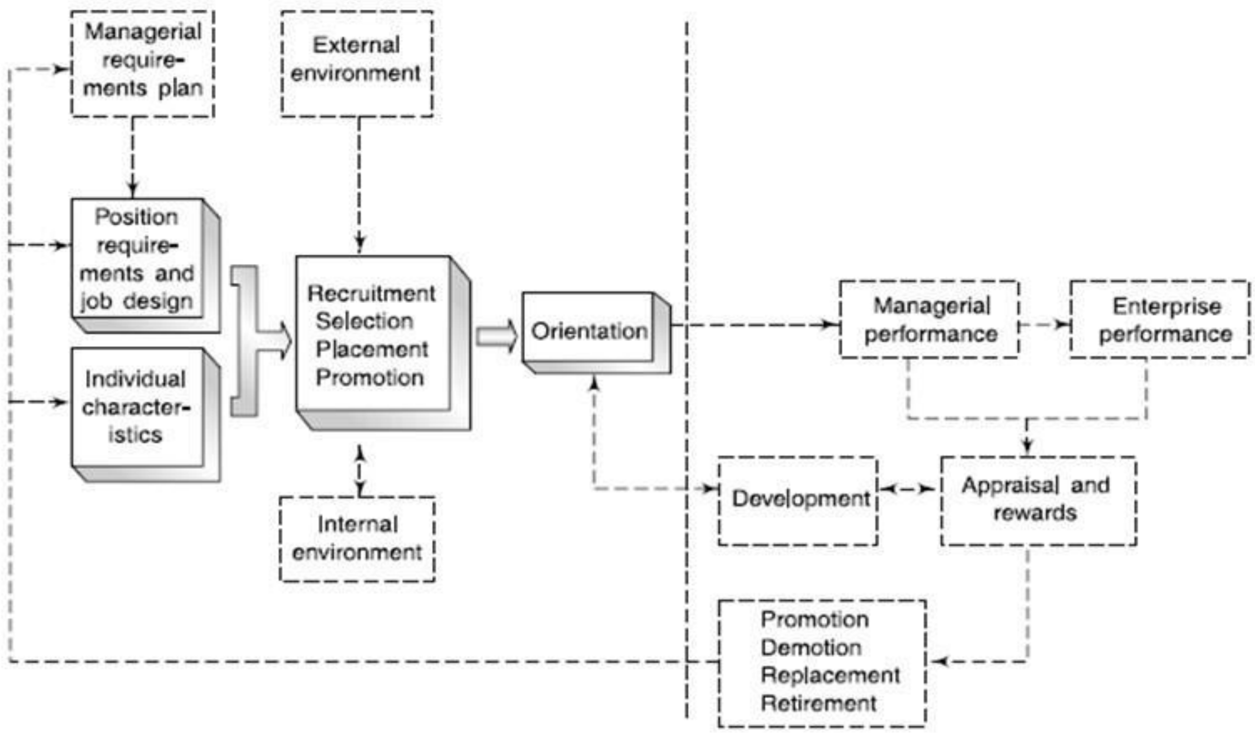


Figure : System approach for selection

After people have been selected and placed in positions, they must be introduced to the new job. This orientation involves learning about the company, its operation, and its social aspects.

The newly placed managers then carry out their managerial and non-managerial functions (such as marketing), and the resulting managerial performance will eventually determines enterprise performance. Subsequently, managerial performance is appraised, and managers who meet their performance goals are rewarded.

On the basis of this evaluation, manager and organization development is initiated. Finally, appraisal may also become the basis for promotion, demotion, replacement, and retirement decisions.

LEADING

The managerial function of leading is defined as the process of influencing people so that they will contribute to organizational and group goals. Although it is true that the most effective manager will almost certainly be an effective leader and that leading is an essential function of managers, there is more to managing than just leading. Managing involves doing careful planning, setting up an organization structure that will aid people in achieving goals, and staffing the organization structure with people who are as competent as possible.

Human Factors In Managing

The function of leading, managers help people see that they can satisfy their own needs and utilize their potential while contributing to the aims of an enterprise. Managers should thus have an understanding of the roles assumed by people and the individuality and personalities of people.

Multiplicity of Roles

Individuals are much more than a productive factor in management‘s plans. They are members of social systems of many organizations; they are consumers of goods and services, and thus they vitally influence demand; and they are members of families, schools, churches, trade associations, and political parties.

In these different roles, they establish laws that govern managers, ethics that guide behavior, and a tradition of human dignity that is a major characteristic of our society. In short, managers and the people they lead are interacting members of a broad social system.

No Average Person

People act in different roles, but they are also different themselves. There is no average person. Yet, in organized enterprises, the assumption is often made that there is. Firms develop rules, procedures, work schedules, safety standards, and position descriptions—all with the implicit assumption that people are essentially alike.

Of course, this assumption is necessary to a great extent in organized efforts, but it is equally important to acknowledge that individuals are unique—they have different needs, different ambitions, different attitudes, and different desires for responsibility, different levels of knowledge and skills, and different potentials.

Unless managers understand the complexity and individuality of people, they may misapply the generalizations about motivation, leadership, and communication. Principles and concepts, although generally true, have to be adjusted to fit specific situations.

In an enterprise, not all the needs of individuals can be completely satisfied, but managers do have considerable latitude in making individual arrangements. Although position requirements are usually derived from enterprise and organization plans, this fact does not necessarily exclude the possibility of arranging the job to fit the person in a specific situation.

The Importance of Personal Dignity

Managing involves achieving enterprise objectives. Achieving results is important, but the means must never violate the dignity of people. The concept of individual dignity means that people must be treated with respect, no matter what their position in the organization. The president, vice president, manager,

first-line supervisor, and worker—all contribute to the aims of the enterprise. Each is unique, with different abilities and aspirations, but all are human beings and all deserve to be treated as such.
Consideration of the Whole Person

Manager cannot decide about the nature of people unless he considers the whole person, not just separate and distinct characteristics such as knowledge, attitude, skills, or personality traits. A person has them all in different degrees. Moreover, these characteristics interact with one another, and their predominance in specific situations changes quickly and unpredictably.
The human being is a total person influenced by external factors. People cannot divest themselves of the impact of these forces when they come to work. Managers must recognize these facts and be prepared to deal with them.

MOTIVATION

Human motives are based on needs, whether consciously or subconsciously felt. Some are primary needs, such as the physiological needs for water, air, food, sleep, and shelter. Other needs may be regarded as secondary, such as self- esteem, status, affiliation with others, affection, giving, accomplishment, and self-assertion. Naturally, these needs vary in intensity and over time between individuals.

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

1. MASLOW'S HIERARCHY OF NEEDS THEORY

One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow.5 Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest; and he concluded that, when one set of needs is satisfied, this kind of need ceases to be a motivator.

The Needs Hierarchy

The basic human needs placed by Maslow in an ascending order of importance and shown in Figure 14.1 are:

1. Physiological needs: These most basic human survivals needs include food and water, sufficient rest, clothing and shelter, overall health, and reproduction. Maslow states that these basic physiological needs must be addressed before humans move on to the next level of fulfilment.

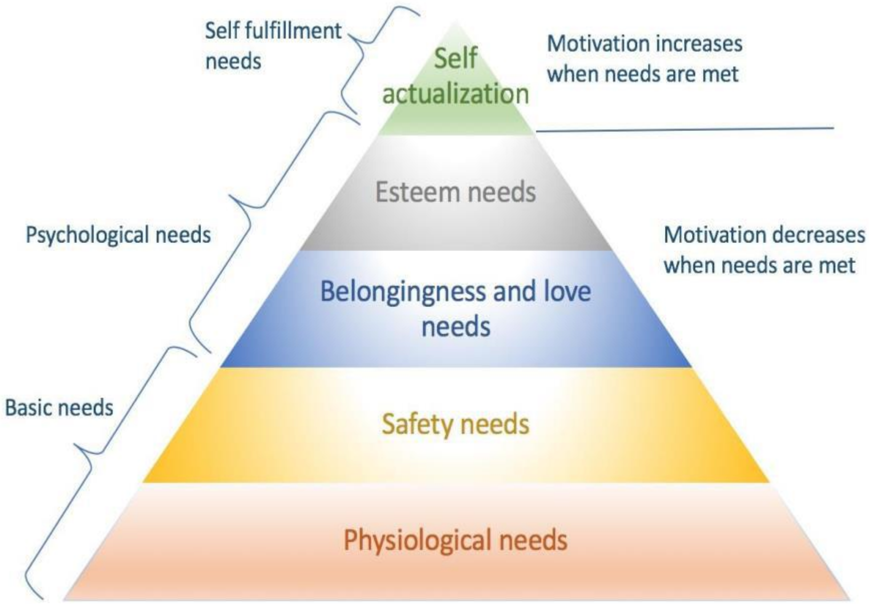


Figure: Maslow`s Theory of Motivation

2. Safety needs: Safety needs include protection from violence and theft, emotional stability and well-being, health security, and financial security. People want to be free of physical danger and of fear of losing a job, property, food or shelter.

3. Affiliation or acceptance needs: Since people are social beings, they need to belong, to be accepted by others. The social needs on the third level of Maslow‘s hierarchy relate to human interaction and are the last of the so-called lower needs. Among these needs are friendships and family bonds—both with biological family (parents, siblings, children) and chosen family (spouses and partners).

4. Esteem needs: The higher needs, beginning with esteem, are ego-driven needs. The primary elements of esteem are self-respect (the belief that you are valuable and deserving of dignity) and self-esteem (confidence in your potential for personal growth and accomplishments). Self-esteem can be broken into two types:

Esteem which is based on respect and acknowledgment from others, and esteem which is based on your own self-assessment.

Self-confidence and independence stem from this latter type of self- esteem.

5. Self-actualization needs: Self-actualization describes the fulfillment of employees full potential as a person. Sometimes called self-fulfillment needs, self-actualization needs occupy the highest spot on Maslow's pyramid.

Self-actualization needs include education, skill development—the refining of talents in areas such as music, athletics, design, cooking, and gardening— caring for others, and broader goals like learning a new language, traveling to new places, and winning awards.

2. HERZBERG‘S MOTIVATION–HYGIENE THEORY

Herzberg‘s Motivation Theory model, or Two Factor Theory, argues that there are two factors that an organization can adjust to influence motivation in the workplace.

These factors are:

Motivators: The presence of motivators causes employees to work harder. They are found within the actual job itself.

Hygiene factors: These won't encourage employees to work harder but they will cause them to become unmotivated if they are not present. The absence of hygiene factors will cause employees to work less hard. Hygiene factors are not present in the actual job itself but surround the job.

The impact of motivating and hygiene factors is summarized in the following diagram. Motivators referred to as factors for satisfaction, and hygiene factors referred to as factors for dissatisfaction.

Figure : Impact of Motivation

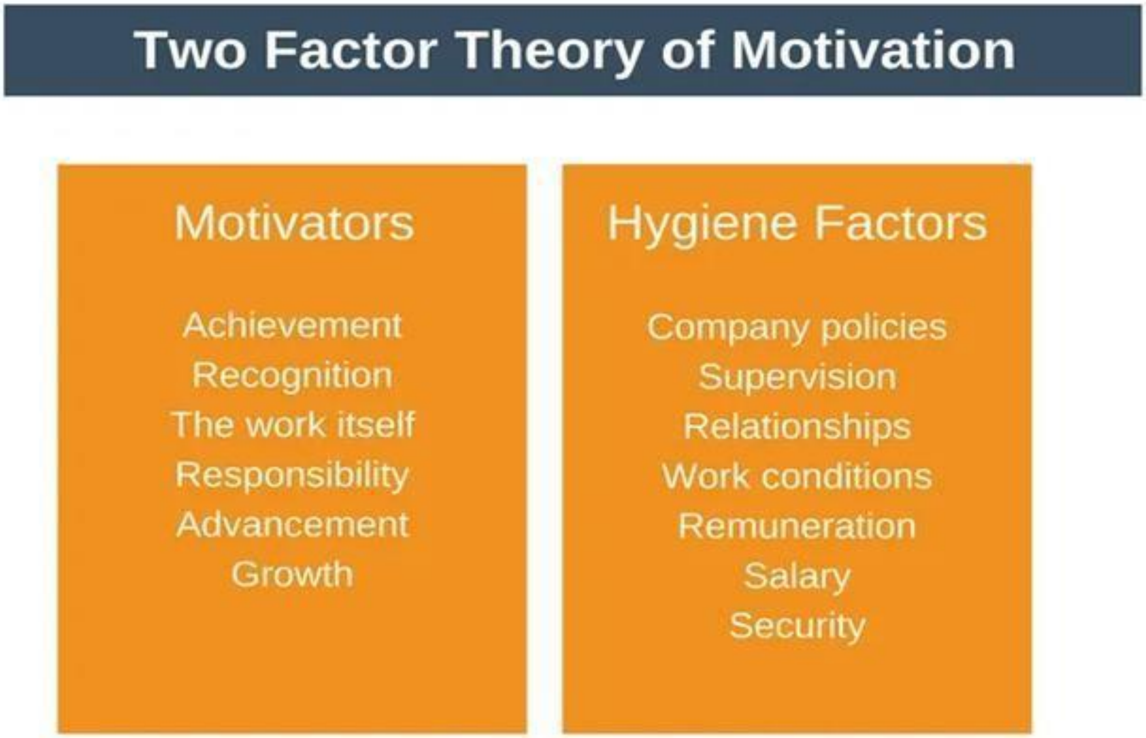


Figure: Examples of motivating and hygiene factors

Motivating factors include:

Achievement: A job must give an employee a sense of achievement. This will provide a proud feeling of having done something difficult but worthwhile.

Recognition: A job must provide an employee with praise and recognition of their successes. This recognition should come from both their superiors and their peers.

The work itself: The job itself must be interesting, varied, and provide enough of a challenge to keep employees motivated.

Responsibility: Employees should ―own‖ their work. They should hold themselves responsible for this completion and not feel as though they are being micromanaged.

Advancement: Promotion opportunities should exist for the employee.

Growth: The job should give employees the opportunity to learn new skills. This can happen either on the job or through more formal training.

Hygiene factors include:

Company policies: These should be fair and clear to every employee. They must also be equivalent to those of competitors.

Supervision: Supervision must be fair and appropriate. The employee should be given as much autonomy as is reasonable.

Relationships: There should be no tolerance for bullying or cliques. A healthy, amiable, and appropriate relationship should exist between peers, superiors, and subordinates.

Work conditions: Equipment and the working environment should be safe, fit for purpose, and hygienic.

Salary: The pay structure should be fair and reasonable. It should also be competitive with other organizations in the same industry.
Status: The organization should maintain the status of all employees within the organization. Performing meaningful work can provide a sense of status.
Security: It is important that employees feel that their job is secure and they are not under the constant threat of being laid-off.

Limitations of the Theory
Some common criticisms of Herzberg‘s Motivation Theory include:
- The theory only applies to white collar workers.
- It doesn‘t take an individual‘s situation or perception into consideration.
- The theory focuses on improving employee satisfaction. That doesn‘t necessarily translate into increased productivity
- There is no objective way to measure employee satisfaction within the theory.

Two Factor Theory is subject to bias.
CONTROLLING:
The managerial function of controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished. Planning and controlling are closely related.
Planning and controlling may be viewed as the blades of a pair of scissors: the scissors cannot work unless there are two blades. Without objectives and plans, control is not possible because performance has to be measured against some established criteria.

THE BASIC CONTROL PROCESS
Control techniques and systems are essentially the same for controlling cash, office procedures, morale, product quality, and anything else. The basic control process, wherever it is found and whatever is being controlled, involves three steps:
- Establishing standards,
- Measuring performance against these standards, and
- Correcting variations from standards and plans.

Establishment of Standards
Because plans are the yardsticks against which managers devise controls, the first step in the control process logically would be to establish plans. Standards are simply criteria of performance.
They are the selected points in an entire planning program at which measures of performance are made so that managers can receive signals about how things are going and thus do not have to watch every step in the execution of plans.
Measurement of Performance
Although such measurement is not always practicable, the measurement of performance against standards should ideally be done on a forward- looking basis so that deviations may be detected in advance of their occurrence and avoided by appropriate actions.
The alert, forward-looking manager can sometimes predict probable departures from standards. In the absence of such ability, however, deviations should be disclosed as early as possible.

Correction of Deviations

Standards should reflect the various positions in an organization structure. If performance is measured accordingly, it is easier to correct deviations. Managers know exactly where, in the assignment of individual or group duties, the corrective measures must be applied. Correction of deviations is the point at which control can be seen as a part of the whole system of management and can be related to the other managerial functions.

Managers may correct deviations by redrawing their plans or by modifying their goals. (This is an exercise of the principle of navigational change.) Or they may correct deviations by exercising their organizing function through reassignment or clarification of duties. They may correct, also, by additional staffing, by better selection and training of subordinates, or by that ultimate restaffing measure—firing. Another way is to correct through better leading—fuller explanation of the job or more effective leadership techniques.

CONTROL AS A FEEDBACK SYSTEM

Managerial control is essentially the same basic control process as that found in physical, biological, and social systems. Many systems control themselves through information feedback, which shows deviations from standards and initiates changes.

In other words, systems use some of their energy to feedback information that compares performance with a standard and initiates corrective action. A simple feedback system was shown in Figure

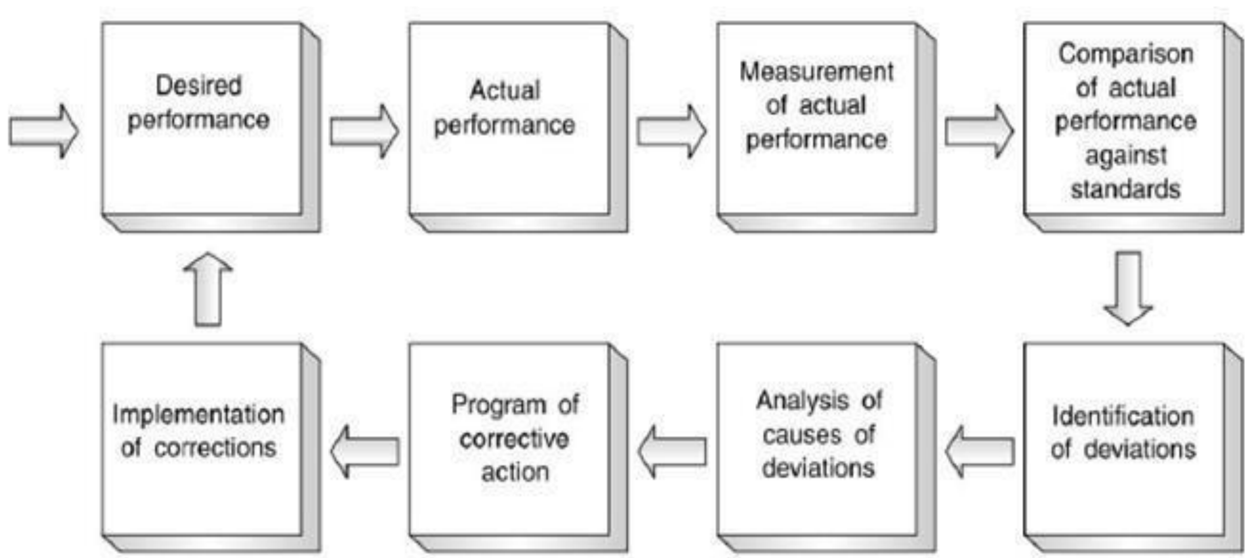


Figure: Feedback loop of management Loop

Management control is usually perceived as a feedback system similar to that which operates in the common household thermostat. This can be seen clearly in Figure, which shows the feedback process in management control. Managers do measure actual performance, compare this measurement against standards, and identify and analyse deviations. But then, to make the necessary corrections, they must develop a program for corrective action and implement this program in order to arrive at the performance desired.

Assignment

Career Path of Wal-Mart's Lee Scott—What is Yours?

Effective human resource management should involve charting your career path. Your career strategy should be goal-oriented, but flexible enough to take advantage of opportunities. Probably many students can identity with the early career of Lee Scott, Wal-Mart‘s CEO. While studying at Pittsburgh State University in Kansas, he worked at night making steel molds at a local factory. After earning his business degree, he worked for the trucking company Yellow Freight System as a dispatcher.

The first contact with Wal-Mart was in 1977 when he tried to collect a $7,000 bill. But Wal-Mart rejected the request. Nevertheless, during the dispute, Mr. Scott impressed Mr. Glass at Wal-Mart who offered him a job as assistant director of transportation, a job that involved setting up Wal-Mart‘s truck fleet. Fourteen years later, in 1993, Mr. Scott was promoted executive vice president of logistics, an area in which Wal-Mart later gained a competitive advantage. This was followed by the advancement to executive vice president for merchandising in 1995, executive vice president of Wal-Mart‘s stores division in 1998, vice chairman and chief operating officer in 1999, and CEO in 2000. In 2002, Wal-Mart under the leadership of Lee Scott, became the largest public corporation in the world, based in revenue.

Mr. Scott did not have an MBA from Harvard or Stanford or any other Ivy League school, but he offered Wal-Mart some special knowledge he gained while working for Yellow Freight.
What are your strengths and what do you have to offer your potential employer that sets you on a path to success?

Part A – Q & A
Unit - I

1. What is Business System? CO1,K1

A business system is a defined set of principles, practices and procedures that are applied to specific activities to achieve a specific result. Basically, it‘s about creating a set of shortcuts that will make sure everything still gets done right.

2. What are the two ways in which Business is defined? CO1,K1

The business definition into business entity definition and business activity definition

- A business [entity] - is an organisation or any other entity engaged in commercial, professional, charitable or industrial activities. It can be a for-profit entity or a not-for-profit entity and may or may not have a separate existence from the people/person controlling it.
- A business [activity] - is a commercial activity which involves providing goods or services with a primary motive of earning profits.

3. Give one example for Merchandising Business. CO1,K2

wholesaler may offer deodorant to a merchandising business at a large discount, but they will likely require the store to purchase hundreds, even thousands, of units to qualify for a discount. The store then offers the deodorant to you at the retail price and allows you to purchase one container.
The difference in the amount you paid the store and the store paid the wholesaler is the store's profit. The profit allows the store to stay in business and offer you products in the future.

4. What are external constraints? CO1,K1

Business environment is the sum total of all external and internal factors that influence a business. External factors and internal factors can influence each other and work together to affect a business.

For example, a health and safety regulation is an external factor that influences the internal environment of business operations. Additionally, some external factors are beyond our control. These factors are often called external constraints.

4. Differentiate Vision, Mission and Objective in Business terms.CO1,K1

Vision : refers to the overall picture of what the enterprise wants to attain.
Mission : talks about the organization and its business, and the reason for its existence.
Objectives refer to the basic milestones, which are set to be achieved within the specific period of time, with the available resources.

5. How Inter-power relationship should be maintained inside organization?CO3,K1

Internal power relationship should be maintained by having cordiality between the CEO and board of directors. Further, the degree of support and contribution received from the employees and other members of the organization strengthens the organization‘s decision making power and its organization-wide implementation.

6. External environment factors divided into how many category and what are they? Explain CO1,K1

These factors are not under the control of the enterprise and can be more dangerous for an organization given the fact they are unpredictable, hard to prepare for, and often bewildering.

Micro factors:

Otherwise called as task environment, these factors directly influence the company‘s operations, as it covers the immediate environment that surrounds the company. The factors are somewhat controllable in nature.

Micro factors:

Otherwise called as task environment, these factors directly influence the company‘s operations, as it covers the immediate environment that surrounds the company. The factors are somewhat controllable in nature.

7. An organized enterprise does not exist in a vacuum. Rather, it is dependent on its external environment. Discuss. CO1,K1

An enterprise cannot exist in vacuum, it belongs to larger system as the industry it belongs the economic system, and society. Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment. Model needs to be expanded and developed into a model of process, or operational management that indicates how the various inputs are transformed through the managerial functions of planning, organizing, staffing, leading, and controlling.

8. Who are Claimants and what they demand from enterprise? CO1,K1

Groups of people make demands on the enterprise are called claimants. For example, employees want higher pay, more benefits, and job security. On the other hand, Consumers demand safe and reliable products at reasonable prices. Suppliers want assurance that their products will be bought. Stockholders want not only a high return on their investment but also security for their money.

9. What is Satisfaction and Goal Integration? CO2, K2

1. “Satisfactions” if it hopes to retain and elicit contributions from its members. It must contribute to the satisfaction not only of basic material needs (e.g., employees‘ needs to earn money for food and shelter or to have job security) but also of the needs for affiliation, acceptance, esteem, and perhaps even self-actualization so that one can realize one‘s potential at the workplace.
2. “Goal integration‖, the different claimants to the enterprise has very divergent and often directly opposing—objectives. It is the task of managers to resolve conflicts and integrate these aims.

10. List some objectives of Business Systems. CO1,K1

The objectives of business system are:

1. To meet the user and customer needs.
2. To cut down the operating costs and increase savings.
3. To smooth the flow data through various levels of the organisation.
4. To speed up the execution of results with the reliable data available in a system.
5. To handle data efficiently and provide timely information to the management.

11.What is the difference between Account Payable and Receivable Business System? CO2,K1

Accounts Receivable System: An account receivable systems are monitors the flow of money. An accounts receivable system monitors the people who owe money to a business. It provides the means to process all data for credit cards and other kinds of charge accounts.
Accounts Payable System: Accounts payable system monitors the organisation to which money is owed. The file structures and input/output (I/O) formats are similar as the accounts receivable system. It contains the accounts of vendors to whom money is owed.

12. Define Management and Manager. CO1,K1

Management is the process of guiding the development, maintenance, and allocation of resources to attain organizational goals.
Managers are the people in the organization responsible for developing and carrying out this management process.

13. Any attempt to control without plans is meaningless. Justify CO1,K2

Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable.
Since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control

14. What are the three steps followed in appraisal process? CO1,K1

- Setting performance objectives,
- Performing a mid-year review of the objectives, and
- Conducting a performance discussion at the end of the period.

15. Why staffing is important? Explain CO1,K2

- The managerial function of staffing is defined as filling, and keeping filled, positions in the organization structure.
- Proper staffing facilitates leading.
- Selecting quality managers affects controlling, for example, by preventing many undesirable deviations from becoming major problems.
- Staffing requires an open-system approach. It is carried out within the enterprise, which in turn is linked to the external environment.

16. How the most effective manager will almost certainly be an effective leader? Discuss. CO2,K2

The managerial function of leading is defined as the process of influencing people so that they will contribute to organizational and group goals. Managing involves doing careful planning, setting up an organization structure that will aid people in achieving goals, and staffing the organization structure with people who are as competent as possible.

The function of leading, managers help people see that they can satisfy their own needs and utilize their potential while contributing to the aims of an enterprise. It can be done through Human Factor and Motivation.

17. Explain the importance of Business Environment factors. CO1,K1

Business environment inserts its impacts on business success, scale, vision, and development strategy, having fully understanding about this issue should be prioritized by leaders.

Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted and unpredicted situation.

18. List the assumptions of Maslow`s Theory of Motivation. CO1,K2

When the lower need is satisfied, a person moves to the next higher level need. Human needs form an hierarchy starting from basic needs to higher level needs. Human behaviour is based on needs. Such satisfaction influences behaviour.

19. Difference between Esteem and Self Actualization needs. CO1,K1

Self Esteem Self Actualization

Self-esteem is a reflection of a person ‘s own evaluation of his or her worth. Self-actualization is the realization or fulfillment of one‘s talents and potentialities. Esteem is included in the fourth tier of the hierarchy.

Self-actualization is the final tier of the hierarchy. Basic physiological needs, security, and feeling of love and belonging should be achieved to gain esteem. Basic physiological needs, security, feeling of love and belonging, and esteem should be achieved to gain self-actualization. self-esteem, confidence, respect of others, respect by others, achievement, etc. are included in esteem tier.

Self-actualization includes morality, creativity, spontaneity, problem solving, lack of prejudice and acceptance of facts.

20. What is Hygiene factor? Explain with representation. CO1,K1

Hygiene factors: These won‘t encourage employees to work harder but they will cause them to become unmotivated if they are not present. The absence of hygiene factors will cause employees to work less hard. Hygiene factors are not present in the actual job itself but surround the job.
Company policies: These should be fair and clear to every employee. They must also be equivalent to those of competitors.
Supervision: Supervision must be fair and appropriate. The employee should be given as much autonomy as is reasonable.
Relationships: There should be no tolerance for bullying or cliques. A healthy, amiable, and appropriate relationship should exist between peers, superiors, and subordinates.

21. How the controlling managerial function can be efficiently carried out? CO1,K2

The controlling managerial function can be efficiently carried out by Establishing standards,
Measuring performance against these standards, and Correcting variations from standards and plans.

22. Explain the flow of feedback system under controlling. CO1,K1

Many systems control themselves through information feedback, which shows deviations from standards and initiates changes. Systems use some of their energy to feedback information that compares performance with a standard and initiates corrective action.

Managers do measure actual performance, compare this measurement against standards, and identify and analyse deviations. But then, to make the necessary corrections, they must develop a program for corrective action and implement this program in order to arrive at the performance desired.

23. It is common now to see CD-ROM`s ,computerized information kiosks, and Internet/World Wide Web multimedia pages highlighting the virtues of products.’ Name the dimension of the business environment highlighted by the statement. CO2,K2
Type of Business : Technological Business

Part B – Questions

1. Define Business environment. Explain how internal environment factors are managed by organization? CO1 K1

2. Identify various approaches to management analysis. Discuss their characteristics and contribution as well as their limitations
CO1 K2

3. What is Business? Explain the system approach for management process. CO1 K1
4. Explain Maslow`s and Herzberg Theory of motivation with example in details. CO1 K1

5. What is Managerial function? What are the qualities a manager should have to be a successful person in an organization CO1 K1
6. Explain any three Managerial functions in detail with appropriate example. CO1 K2

7. What is staffing? Describe the system approach and how mangers requirement been finalized before recruitment using Manager inventory? CO1 K2
8. How business environment get affected by external factors? List the types and explain in detail. CO1 K3

9. Many firms evaluate manager on such personality factors as aggressiveness, cooperation, leadership and attitude. Do you think this kind of rating making sense? CO1 K2
10. Explain different type and forms of business with real time case study of your choice.CO1K4

INTRODUCTION TO BUSINESS SYSTEMS

Business Organization: Business organisation is defined as an entity which is structured for the purpose of carrying on the commercial system of enterprise. The organisation is governed under principles and laws governing contract and exchange of goods and services.

2.1 TYPES OF BUSINESS ORGANIZATION

Business enterprises generally take one of these three forms:

1. Sole proprietorship
2. Partnership
3. Cooperative
4. Corporation
5. Limited liability company

2.2 SOLE PROPRIETORSHIP

A Sole proprietorship is a kind of business or an organization that is owned, controlled and operated by a single individual who is the sole beneficiary of all profits or loss, and responsible for all risks.

It is a business suitable for small scale business at least for its initial years of operation. This type of businesses is usually a specialized service such as hair salons, beauty parlours, or small retail shops.

Definition of Sole Proprietorship:

6. It is that type of business organization which is owned, managed and controlled by a single owner.
7. The word “sole” means “only” and “proprietor” notes to “owner”.
8. A sole proprietor is the beneficiary of all profits.

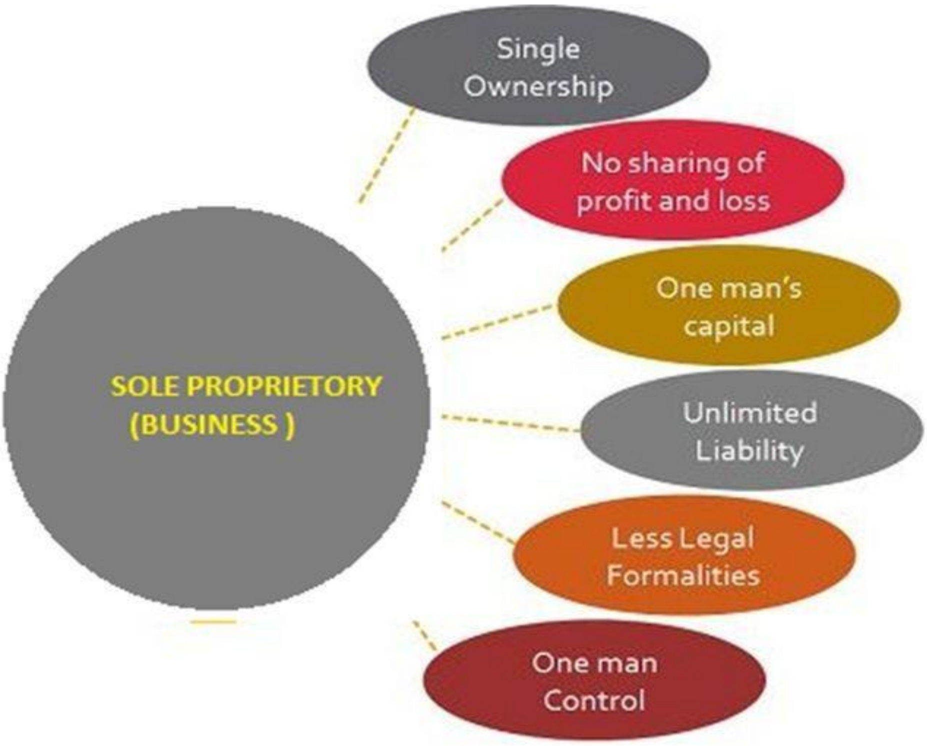


Figure: Sole Proprietary

- All risks are to be borne by the sole proprietor.
- The sole proprietor has unconditional and full control over its business.

Example: Beauty parlour, barbershop, general store and sweet shop run by a singleowner.

Features of Sole Proprietorship:

(1) Formation and Closure

- Business organization is formed by the owner himself.
- No legal conventions are obliged to start the sole proprietorship form oforganization.
- In some instances, the legal formalities are required or the owner shouldhave a particular license or a certificate to run the business.
- The owner can Wind up the business at his own discretion.
- Example: Goldsmith or a person running a medical shop should have alicense to run this type of business.

(2) Liability

- In the sole proprietorship business, the sole owner has unlimited liability.
- In this case, the owner is himself liable to pay all the liabilities. If he takes aloan for its business then he will be liable for all the debts.
- Individual is personally liable for all the debt which can be recovered bypersonal estate when funds are insufficient.
- **Example**: A loan taken by the owner of the sweet shop is solely responsiblefor the repayment of the loan to the bank.

(3) Sole Risk Bearer and Profit Recipient

- A sole proprietor is only the one who bears all risks which are related to itsbusiness.
- All the profits or losses which are earned from the business are to be enjoyedby the sole owner.

(4) Control

- As all the rights and responsibilities lie with the sole proprietor that is why hecontrols all the business activities.
- No one can interfere in the business activities of a sole proprietor.
- Sole proprietor can modify his plans accordingly.

(5) No Separate Entity

- By the law does not make any distinction between the sole trader and itsbusiness.
- Sole trader, the business has no identity because he is the only person whoperforms all the business activities.

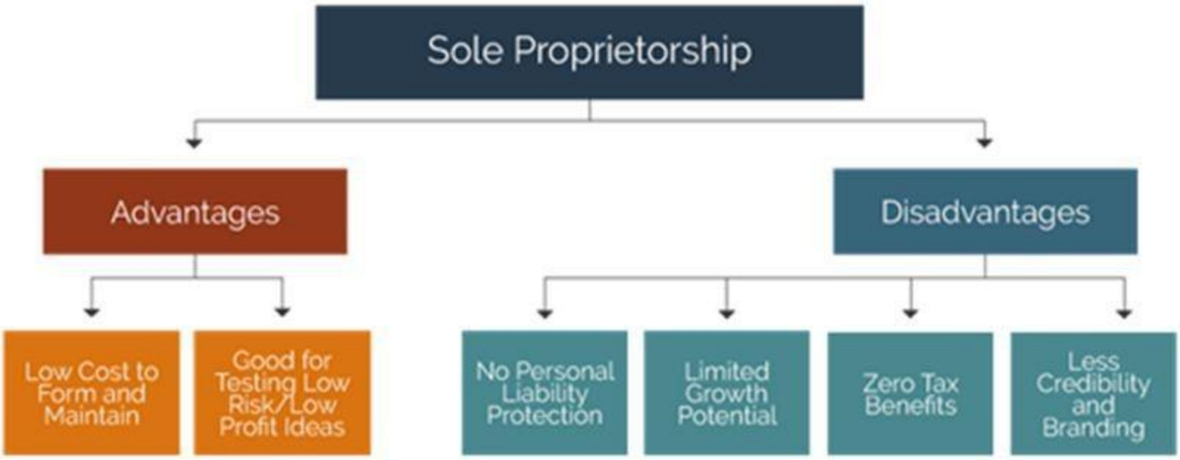


Figure: Merits and Demerits of Sole Trade

(6) Lack of Business Continuity

- Death, imprisonment, physical ailment, insanity or bankruptcy of the sole proprietor will directly affect the business or it may cause shutting down of the business.
- In the case of the beneficiary, successor or legal heir of sole proprietor, he can run the business on behalf of the proprietor.

Advantages of Sole Proprietorship:

Some of the popular advantages of a sole proprietorship are.

- **Quick decision making**– A sole proprietor has the freedom to make any decision. Therefore, the decision would be prompt as they don't have to take the permission of others.
- **Confidentiality of information**- Being only the owner of the business, it allows him/her to keep all the business information to be private and confidential.
- **Direct incentive**- A sole proprietor directly has the right to have all the profit or benefits of a company.

- **Sense of accomplishment-** He/she can have the personal satisfaction
- associated with working without any guidance or alone.
- **Ease of formation and closure-** A single proprietor can enter the businesswith minimum legal formalities.

Limitations of a Sole Proprietorship:

Some of the primary limitations of a sole proprietorship are as follows:

(1) Limited Resources

- Resources of a sole proprietor are limited to his savings and borrowings fromthe relatives.
- Banks also hesitate or deny giving the long term loans or extend the limit oflong term loans due to the weak financial position of the business.
- Lack of all these resources results in hindrance in the growth of the soleproprietorship business

(2) Life of a Business Concern

- The owner and its business is the same entity and due to lack of successor orheir, the life of the business is limited.
- Due to death, insolvency, unsounded mind, illness of a proprietor gives adetrimental impact on the business which results in closure of the business.

(3) Unlimited Liability

- The major demerit of a sole proprietorship is that the owner has unlimited liability.
- If the sole owner becomes fails to pay the debts, due to the failure of a business, the creditors would not only claim from business assets but alsofrom his personal estate.
- Taking a large amount of loan is too risky and also put the burden on the soleowner of the business.

(4) Limited Managerial Ability

- The sole proprietor has to accept all the responsibilities to carry out itsbusiness.

- Sometimes the proprietor has to perform all the managerial functions likesales, purchase, marketing, selling, dealings with clients, etc.
- He may not be able to employ and retain aspiring employees.

2.1 PARTNERSHIP

A partnership is an association of two or more persons to carry on, as co-owners, a business and to share its profits and losses. The partnership may comeinto existence either as a result of the expansion of the sole trading concern or by means of an agreement between two or more persons desirous of forming apartnership.

The **entity** is collectively called a “**Partnership Firm**” and all the **individualmembers** are the “**Partners**”. So let us look at some important features.

Definition:

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

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

Figure: Features of Partnership Firm

Features of a Partnership

1]Formation/Partnership Agreement

- A partnership firm is **not a separate legal entity**. But according to the act,a firm must be formed via a legal agreement between all the partners. The agreement (accord) becomes the basis of the association between the partners.

- Its business activity must be lawful, and the motive should be one of profit.So **two people forming an alliance to carry out charity** and/or social work will not constitute this form of organisation.

2]Unlimited Liability

- In a unique feature, all partners have unlimited liability in the business. The partners are **all individually and jointly liable** for the firm and the payment of all debts. This means that even personal assets of a partner canbe liquidated to meet the debts of the firm.
- If the money is recovered from a single partner, he can, in turn, sue the otherpartners for their share of the debt as per the contract of the partnership.

3]Continuity

- A partnership cannot carry out in perpetuity. The death or retirement or bankruptcy or insolvency or insanity of a partner will dissolve the firm. The remaining partners may continue the partnership if they so choose, but a newcontract must be drawn up.
- Also, the partnership of a father cannot be inherited by his son. If all the otherpartners agree, he can be added on as a new partner.

4]Number of Members

In a partnership, there should be at least two (2) persons possessing a common goal. To put it in other words, the minimal number of partners in an enterprise can be two (2). However, there is a constraint on their maximum number of people.

5] Mutual Agency

The partners are the owners as well as the agent of their firm. Any act performed by one partner can affect other partners and the firm. It can be concluded that this point acts as a test of partnership for all the partners

Types of Partners

Not all partners of a firm have the same responsibilities and functions. There can be various types of partners in a partnership. Let us study the types of partners and their rights and duties.

- **Active Partner**: As the name suggests he takes **active participation** in the business of the firm. He **contributes to the capital**, has a **share in the profit**and also participates in the daily activities of the firm. His **liability in the firm** will be unlimited. And he often will act as an agent for the other partners.
- **Dormant Partner**: Also known as a sleeping partner, he **will not participate** in the daily functioning of the business. But he will still have to make his **share of contribution to the capital**. In return, he will have a **share in the profits**.His **liability will also be unlimited**.
- **Secret Partner**: Here the partner's association with the firm is **not public knowledge.** He will not represent the firm to outside agents or parties. Other than this his participation with respect to capital, profits, management and liability will be the same as all the other partners.
- **Nominal Partner**: This partner is only a partner in name. He allows the firm to use the name of his firm, and the attached goodwill. But he in no way contributes to the capital and hence has no share in the profits. He does not involve himself in the firm's business. But his liability too will be unlimited.
- **Partner by Estoppel**: If a person makes it out to be, through their conduct or behaviour, that they are partners in a firm and he does not correct them, thenhe becomes a partner by estoppel. However, this partner too will have unlimited liability.

Type	Capital contribution	Management	Share in profits/ losses	Liability
Active partner	Contributes capital	Participates in management	Shares profits/ losses	Unlimited liability
Sleeping or dormant partner	Contributes capital	Does not participate in management	Shares profits/ losses	Unlimited liability
Secret partner	Contributes capital	Participates in management, but secretly	Shares profits/ losses	Unlimited liability
Nominal partner	Does not contribute capital	Does not participate in management	Generally does not share profits/ losses	Unlimited liability
Partner by estoppel	Does not contribute capital	Does not participate in management	Does not share profits/ losses	Unlimited liability
Partner by holding out	Does not contribute capital	Does not participate in management	Does not share profits/ losses	Unlimited liability

Table: Types of Partners Advantages of Partnership:

- **Easy Formation** – An agreement can be made oral or printed as an agreement to enter as a partner and establish a firm.
- **Large Resources** – Unlike sole proprietor where every contribution is made byone person, in partnership, partners of the firm can contribute more capital andother resources as required.
- **Flexibility** – The partners can initiate any changes if they think it is required tomeet the desired result or change circumstances.
- **Sharing Risk** – All loss incurred by the firm is equally distributed amongst each partner.
- **Combination of different skills** – The partnership firm has the advantage of knowledge, skill, experience and talents of different partners.

Disadvantages of a Partnership

In examining the advantages and disadvantages of a partnership, it's important to pay particular attention to any possible disadvantages. Let's take a look at some of the downsides of a partnership.

Unlimited liability:

In a partnership business, the partners agree to share all the losses and profits between them. The partners are also entitled to take responsibility for all the debts, even if they are not their debts.

Blocking of capital:

- If a partner wishes to withdraw their wealth from the firm, they cannot do so alone. If the other partners agree to it, only then is withdrawal possible. The partners are also not allowed to transfer their shares to someone else. If someone wants to do so, then they must get the consent of the other partners.
- As a result, they lose the liquidity of their investment. This is one of the significant reasons that discourage people from investing in a partnership.

Uncertainty:

- A partnership business suffers from instability. Insanity, insolvency, retirement,and the death of a partner may result in the sudden end of the business.
- As a result of all these instabilities, it has become difficult to do long-rangeplanning and innovative ideas for business.

Lack of public trust:

The public has less confidence in partnership firms since their annual reports and accounts are not published. Therefore, the public does not trust their dealings.

Difficulty in decision making:

- In a partnership business, the consent of every partner is needed beforemaking a decision. From minor to major, all decisions require the approval of allpartners. The acceptance of all partners is needed for policy-making choices as well.
- As a result, the partners are unable to make spontaneous or quick decisions regarding the firm.

Mutual differences:

The details, records, and secrets of a partnership firm are known by all the partners. If a mutual conflict arises among the partners, there is a high chance of information leakage regarding the firm. The partners may pass the secrets of their firm to other competitors.

2.2 COMPANY

- A company is defined as a **voluntary association** of people having separatelegal existence, perpetual succession and a common seal.
- The company form of organisation is considered to be most suitable for organising business activities on a large scale.
- Once formed, the company becomes a separate legal entity with a distinctname of its own.

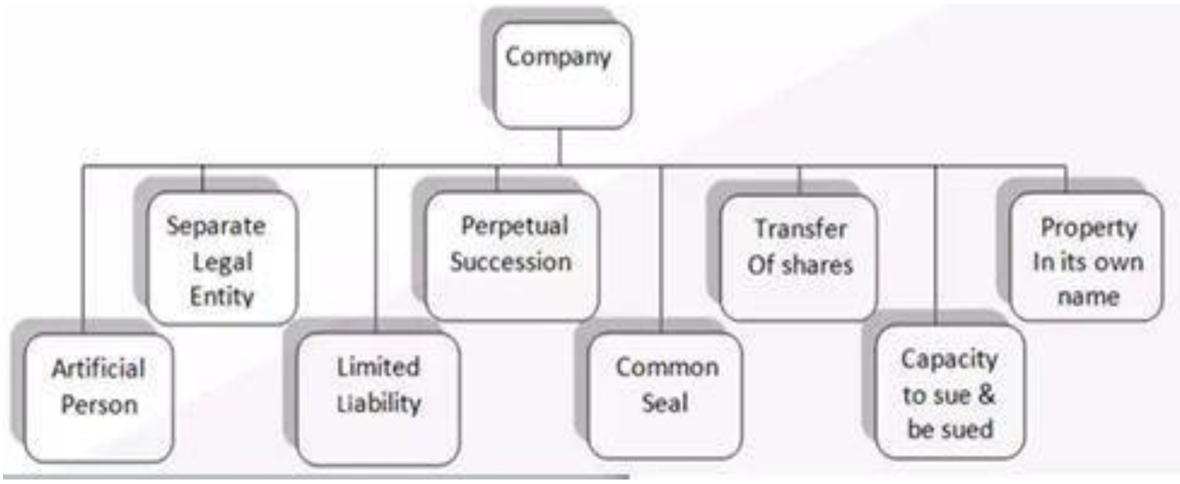


Figure: Characteristics of CompanyFeatures of company

1. Compulsory registration

A company has to be registered under the Companies Act, 1956. Without suchregistrations, no company can come into existence.

2. Distinct legal entity

A company is regarded as a legal entity separate from its members. Thus, a company carry on business in its own name, enter into contracts buy, sell and hold property, sue and be sued.

3. Artificial persons

A company is the creation of law and has a distinct entity. It is therefore regarded as an artificial person. The business is run in the name of the company. Butbecause it is an artificial person, its functions are performed by the elected representatives of members, known as directors.

4. Limited liability

The liability of the members of a company is limited. It is limited to the extentof capital by members contributed. Beyond that amount, the members cannot be personally held liable for payment of the company's debts.

5. Transfer of shares

The capital of company is divided into parts called shares. Normally the shares of a company are freely transferable by its members. However, transferability is restricted in the case of private company.

6. Common seal

The company has no physical existence. Every company has a common seal with its name engraved on it. Anyone acting on behalf of the company must use the common seal to bind the company.

Advantages of Company:

1. Collection of huge financial resources

- The biggest advantages of a company organization are that it has the ability tocollect large amounts of funds.
- This is because a company can raise capital by issuing shares to a large numberof persons.
- Shares of small value can be subscribed even by people with small savings.
- Availability of necessary funds makes it possible for a company to undertakebusiness activities on a large scale.

2. Limited liability

- Another advantage of the company form of organization is the limited liability ofmembers.
- With the liability of members limited to the value of their shares, a company isable to attract many people to invest in shares.

It is thus in a position to undertake business ventures involving risks

3. Growth and expansion

- With the large sources at its command, a company can organize business on a large scale, once the business is started on a large scale it gives the company strength to grow and expand.
- This is because of enough profits which accrue from the economies of large scale organization and production.

4. Efficient management

- Since a company undertakes large scale activities, it requires the services ofexpert professional managers.

- Competent managers can be hired by a company because it commands largefinancial resources.
- Thus, efficient management is more easily ensured in a company organization.

5. Public confidence

- A company enjoys great confidence and trust of the general people.
- Companies have to disclose the result of their activities and financial position inthe annual reports that are available to public.
- It is on the basis of the annual reports and other information that investment ismade in companies.

6. Free transferability of Shares

- A company permits its members to transfer their shares.
- This provides liquidity to the member's investment.

Disadvantages of Company:

1. Lengthy and expensive legal procedure

- The registration of a company is a long-drawn process.
- A number of documents are to be prepared and filed.
- For preparing documents, experts are to be hired who charge heavy fees.
- Besides, registration fees have also to be paid to the Registrar of Companies.

2. Lack of incentives

- The company is not managed by shareholder i.e., owners, but by directors andother paid officials.
- Officials do not have investment in the company and also do not bear the risks.
- As such, they may not be as much motivated to safeguard the interests of the company as the shareholders.

3. Oligarchic management

- The company management may seem to be fully democratic, but in actual practice, it is oligarchic i.e. control by a small group of persons.
- People who are once elected as directors of the company adopt various means to get themselves selected over and again. Such individuals often exploit the company for personal interests rather than working in the interest of shareholders.

4. Excessive government regulations

- A company is subject to government regulation at every stage of its working.
- A company has to file regular returns and statements of its activities with

the Registrar.

2.3 MULTINATIONAL CORPORATION

What is a Multinational Corporation (MNC)?

A multinational corporation (MNC) is a company that operates in its home country, as well as in other countries around the world. It maintains a central office located in one country, which coordinates the management of all its other offices, such as administrative branches or factories.

A company that exports its products to more than one country is not called as multinational Company. They need to maintain actual business operations in other countries and must make a foreign direct investment there.

Characteristics of a Multinational Corporation

The following are the common characteristics of multinational corporations:

1. **Very high assets and turnover**

To become a multinational corporation, the business must be large and must own a huge amount of assets, both physical and financial. The company's targetsare high, and they are able to generate substantial profits.

2. **Network of branches**

Multinational companies maintain production and marketing operations in different countries. In each country, the business may oversee multiple offices that function through several branches and subsidiaries.

3. **Control**

In relation to the previous point, the management of offices in other countries is controlled by one head office located in the home country. Therefore, the sourceof command is found in the home country.

4. **Continued growth**

Multinational corporations keep growing. Even as they operate in other countries, they strive to grow their economic size by constantly upgrading and by conducting mergers and acquisitions.

5. **Sophisticated technology**

When a company goes global, they need to make sure that their investment will grow substantially. In order to achieve substantial growth, they need to makeuse of capital-intensive technology, especially in their production and marketing activities.

6. **Right skills**

Multinational companies aim to employ only the best managers, those whoare capable of handling large amounts of funds, using advanced technology, managing workers, and running a huge business entity.

7. Forceful marketing and advertising

One of the most effective survival strategies of multinational corporations is spending a great deal of money on marketing and advertising. This is how they are able to sell every product or brand they make.

8. Good quality products

Because they use capital-intensive technology, they are able to producetop-of-the-line products.

Reasons for Being a Multinational Corporation

There are various reasons why companies want to become multinational corporations. Here are some of the most common motivations:

1. Access to lower production costs

- Setting up production in other countries, especially in developing economies, usually translates to spending significantly less on production costs. Thoughoutsourcing is a way of achieving the objective, setting up manufacturing plants inother countries may be even more cost-efficient.

ue to their large size, MNCs can take advantage of economies of scale and grow their global brand. The growth is done through strategic manufacturing/service placement, which allows the corporation to take advantage of undervalued services across the globe, more efficient and inexpensive supply chains, and advancedtechnological/R&D capacity.

2. Proximity to target international markets

- It is beneficial to set up business in countries where the target consumermarket of a company is located. Doing so helps reduce transport costs andgives multinational corporations easier access to consumer feedback and information, as well as to consumer intelligence.
- International brand recognition makes the transition from different countries and their respective markets easier and decreases per capita marketing costs asthe same brand vision can be applied worldwide.

3. Access to a larger talent pool

Multinational corporations are also known to hire only the best talent from around the world, which allows management to provide the best technical knowledge and innovative thinking to their product or service.

4. Avoidance of tariffs

When a company produces or manufactures its products in another countrywhere they also sell their products, they are exempt from import quotas and tariffs. **Models of MNCs**

The following are the different models of multinational corporations:

1. Centralized

- In the centralized model, companies put up an executive headquarters in their home country and then build various manufacturing plants and production facilities in other countries.
- Its most important advantage is being able to avoid tariffs and import quotas and take advantage of lower production costs.

2. Regional

- The regionalized model states that a company keeps its headquarters in one country that supervises a collection of offices that are located in other countries.
- Unlike the centralized model, the regionalized model includes subsidiaries and affiliates that all report to the headquarters.

3. Multinational

In the multinational model, a parent company operates in the home country and puts up subsidiaries in different countries. The difference is that the subsidiariesand affiliates are more independent in their operations.

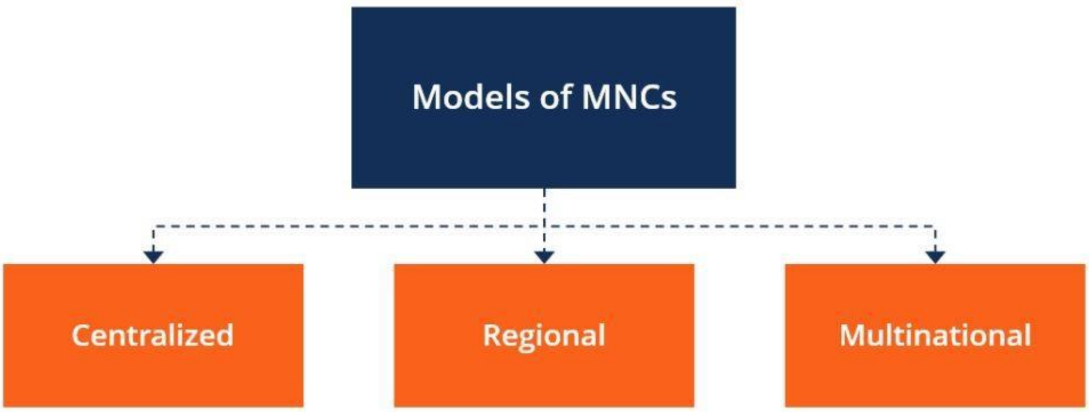


Figure: Model of MNCsAdvantages of Being a Multinational Corporation

There are many benefits of being a multinational corporation including:

1. Efficiency

In terms of efficiency, multinational companies are able to reach their target markets more easily because they manufacture in the countries where the target markets are. Also, they can easily access raw materials and cheaper labor costs.

2. Development

In terms of development, multinational corporations pay better than domesticcompanies, making them more attractive to the local labor force. They are usually favored by the local government because of the substantial amount of local taxes they pay, which helps boost the country’s economy.

3. Employment

In terms of employment, multinational corporations hire local workers who know the culture of their place and are thus able to give helpful insider feedback on what the locals want.

4. Innovation

As multinational corporations employ both locals and foreign workers, theyare able to come up with products that are more creative and innovative.

2.4 GLOBAL COMPANY

- Global corporations operate in two or more countries and face many challengesin their quest to capture value in the global market.
- A global company is one that does business in at least one country outside ofits country of origin. Even expanding to one other country is a huge undertaking. It's not as if someone wants to order some of your products and you ship them out to France or Bolivia or wherever and instantly a global company.
- Becoming a global company means introducing your products and your company to the people of that country.

Global Company Distinctions

- A global company has a foothold in multiple countries but the offerings and processes are consistent in each country. For example, a major soda brand canset up shop in different countries, but the recipe does not change in the global model. The company uses the same ingredients and manufacturing processes, regardless of local culture. In a global model, the business does not adapt to local norms, but rather, it imposes its existing business model on the country.

- The only exception within the global model is the marketing approach to drive sales in individual countries. The product is consistent but messaging must adapt to work within the cultural norms. Marketing is where the two models aredifficult to distinguish.

Difference:

Global and multinational companies are distinctly different on the management and operational levels. The business models do overlap, however, in their marketing efforts. Both global and multinational companies have a presence in multiple countries. The primary differences lie in how it operates within the bounds of each individual country.

The Benefits of a Global Corporation

The United States Small Business Administration points out that only 4 percent of global consumers reside in the U.S. This means that you stand to benefit, in terms ofsales revenue, by expanding globally. There are also lots of other benefits toglobalizing your corporation:

1. Can increase customer base

When you expand your business into another country, your customer base expands along with it. The market in the United States could be full of products just likeyours. You may find, however, that this is not the case in another country. That could present an expansion opportunity for your company. What's familiar to your consumers in the U.S. could be fresh to consumers in another country.

2. Can reduce operating costs

If the manufacturing or labor costs are lower in another country, expanding to that country enables you to save on operating costs. This can improve bottom line. In fact, reducing operating costs are a key reason why many global companies expand.

3. Don’t need to be bogged down by seasonality

If you sell a seasonal product that experiences fluctuating sales at different times of the year, then you can expand to countries that have seasons opposite to those in base country, enabling you to have high sales figures all year.

4. Can boost the growth rate of company

If company has been growing rapidly in locale, chances are that this growth may eventually stall, because of market saturation. In that instance, you can expand to another country so you can maintain rapid growth.

5. Can create new jobs

Expanding into another country involves a lot, such as hiring representatives and employees of company in the new country, as well as setting up offices and various facilities, and so on. To employ locals and, in the process, you will create new job opportunities in the country where you are expanding. This helps boost the local economy and it also gives company a good reputation.

lobal and Multinational Examples

- Consider the same global soda company example from the section Global Company Distinctions in the first section. The company is global, because the soda does not change. The recipe, product and process for delivering the product to market is the same in each country. If that same company allowed each country arm to alter the recipe and production process to be adaptive within the specific market and culture, they would transform to a multinational model, (which is common in the beverage industry).
- Reducing controls from the central location and distributing the power of the product and process to each arm of the business, makes it a multinational. A global company is capable of altering the business model to transform into a multinational. The models are not entirely static, and both are influenced by their parent company and top-level leadership.

2.6 MANAGING IN GLOBAL ENVIRONMENT Global Business Environment

The global business environment can be defined as the environment in different sovereign countries, with factors exogenous to the home environment ofthe organization, influencing decision making on resource use and capabilities.

Global Environment

The global environment encompasses broad, worldwide environmental factorsthat are beyond the scope or control of any community or nation: Atomic bomb detonation; image

Example:

Imagine that you are in charge of managing an internationally famous chocolate factory, Cadbury. The ability of Cadbury to import essential production items, make sweets, and sell to local and international buyers is dependent on the **globalenvironment**, which consists of the international interactions out of a company's control that influence how a business operates.

For example, the global environment includes trade laws that can influence Cadbury 's ability to import necessary ingredients, like coco from various countries

- Engaging in the global environment can be highly beneficial for a company, andit can also be extremely risky. Because changes that occur in the globalenvironment can both assist and hinder a business's ability to operate, Cadburyand all other companies must be prepared for these changes and willing to altertheir approach in response.
- The risks and benefits associated with the global environment can best be understood by breaking it down into two interconnected environments: the taskenvironment and the general environment. Each aspect of the global environment presents Cadbury with unique challenges that can influence its daily operations.

The Task Environment

- Imagine that Cadbury is trying to buy sugar, but the global supplier has undergone a management change and no longer wants to honour the previously agreed upon price. This interaction is occurring within the task environment, which includes Cadbury 's ability to obtain the items necessary to manufacture its products and its ability to deliver or export its goods.
- A **task environment** is the specific environment in which a company operatesthat affects how that company completes specific tasks essential to buying, selling, and delivering their products and services.

Your task environment is made up of suppliers, customers, distributors, and competitors:

- A **supplier** is someone that provides Cadbury with ingredients or packaging essential to making their treats. Suppliers affect Choco Talk's ability to obtain products necessary for manufacturing their chocolate.
- **Customers** are the companies or persons who buy Cadbury's products and can influence the sale and production of chocolate. Because what Americans like in their chocolate may be different than what Brazilians like, it isimportant for a company like Cadbury to be aware of their customers' needs and interests.
- **Distributors** are in charge of delivering Cadbury`s products to their customers, and thus influence Cadbury's ability to get their goods out. Because a distributor is essential to getting the products where they need to be, changes to a distributor's business and differences between global distribution laws and processes may affect how Cadbury operates.

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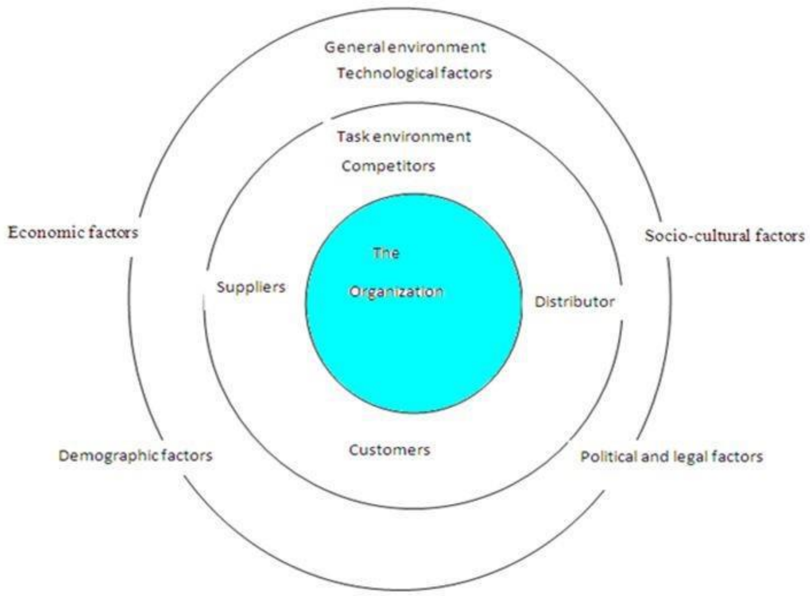


Figure: Forces and factors in global environment

CHALLENGES

1. Lack of clarity. When working with team members who have different native tongues, it's common for key messages to get lost in translation. Add poor phone connections and multitasking team members (i.e. checking email) while on conference calls, and you start to realize why communication doesn't always sink in the first time around.

Remedy: **Put action items and key decisions in writing**.

- Follow up conference calls with clear.
- Written communication of the outcomes of the meeting
- This ensures everyone walked away from the meeting with the same key takeaways.

2. Slow decision making. When there are only a few hours a day of common "awake" time, it can take weeks to get a meeting scheduled that works for everyone's calendar. Add the lack of clarity mentioned above, and decision-making can happen at a snail's pace.

Remedy :Communicate strategy and direction face-to-face wheneverpossible.

- Video conferencing is a great tool for helping teams feels more "present" inmeetings.
- A regular in-person meeting is also a must to boost team morale and increasecollaboration.
- When clarity is provided through "face-to-face" meetings, the speed of businessand execution is much faster.

3. Disjointed conflict resolution. Working predominantly through email makes it difficult to deal with tough issues and get everyone on the same page. Tone and body language play a large role in communication, and without these nuances, delicate situations can be hard to manage correctly.

Remedy: **Pick up the phone**.

- Never communicate "tough messages" via email, as written messages caneasily be misunderstood.
- By speaking live to the individual in a one-on-one conversation.

4. Conflicting corporate culture. Great company culture depends on constant interaction and team bonding among employees. Such camaraderie can be more difficult for global teams to define, implement and ultimately achieve.

Remedy: **Invest in cultural training**.

- Management team for cultural training give a better understanding of howdifferent cultures approach situations.

- Function better as a team.
- Unifying culture that still held respect for the individual perspective.

Management Types and Levels

- Management is essential for an organized life and necessary to run all types of management. Good management is the backbone of successful organizations.
- Management is a set of principles relating to the functions of planning, organizing, directing, and controlling, and the application of these principles in harnessing physical, financial, human, and informational resources efficiently and effectively to achieve organizational goals.

2.7 MANAGEMENT LEVELS AND TYPES

An organization can have many different managers, across many differenttitles, authority levels, and levels of the management hierarchy.

Management Levels: An Overview

- Most organizations have three management levels:
- Low-level managers;
- Middle-level managers; and
- Top-level managers.
- These managers are classified in a hierarchy of authority, and perform differenttasks.

Top-level managers

- The board of directors, president, vice-president, and CEO are all examples of top-level managers.
- These managers are responsible for controlling and overseeing the entire organization. They develop goals, strategic plans, company policies, and make decisions on the direction of the business.
- In addition, top-level managers play a significant role in the mobilization of outside resources.
- Top-level managers are accountable to the shareholders and general public.

Middle-level managers

- General Managers, branch managers, and department managers are all examples of middle-level managers. They are accountable to the top management for their department's function.

- Middle-level managers devote more time to organizational and directional functions than top-level managers. Their roles can be emphasized as:
- Executing organizational plans in conformance with the company's policies and the objectives of the top management;
- Defining and discussing information and policies from top management to lowermanagement; and most importantly
- Inspiring and providing guidance to low-level managers towards better performance.

- Some of their functions are as follows:
- Designing and implementing effective group and intergroup work andinformation systems;
- Defining and monitoring group-level performance indicators;
- Diagnosing and resolving problems within and among work groups;
- Designing and implementing reward systems supporting cooperative behavior.

Low-level managers

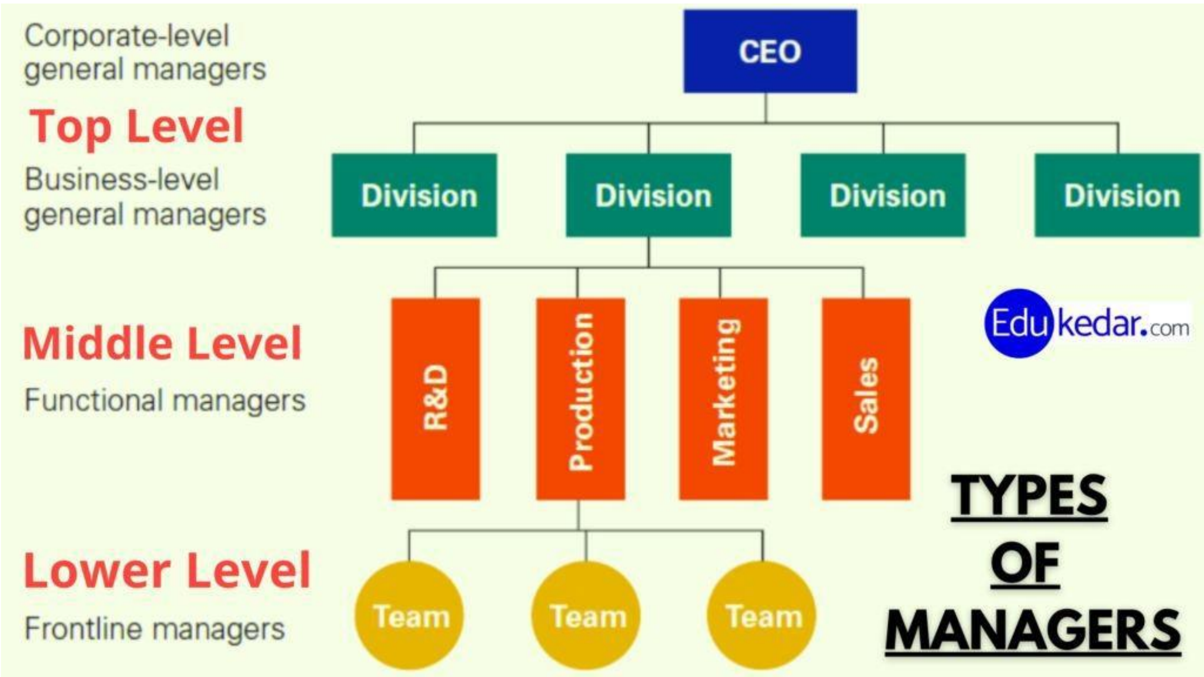
- Supervisors, section leads, and foremen are examples of low-level managementtitles. These managers focus on controlling and directing.
- Low-level managers usually have the responsibility of:
- Assigning employees tasks;
- Guiding and supervising employees on day-to-day activities;
- Ensuring the quality and quantity of production;
- Making recommendations and suggestions; and
- Upchanneling employee problems.

Also referred to as first-level managers, low-level managers are role models for employees. These managers provide:

- Basic supervision;
- Motivation;
- Career planning;
- Performance feedback; and

- Staff supervision.

- Types of Managers (Management Levels)



Managers can be classified in two ways: by their level within the organization and bythe scope of their work and responsibilities.

These Managers are classified according to a hierarchy of authority and perform different tasks. In many organizations, the number of managers at each level gives the organization a pyramid structure.

Most business organizations have three levels of Managers:

- Top-Level Managers (General Managers)

- Middle-level Managers (Functional Managers)
- Lower or first-level Managers (Front Line Managers)

Functional Area of Management

- The number and types of functional areas of management are determined by the nature of the organization and the types of classifications of variousactivities.

According to various Management education reports, functional management areas can be divided into many parts: Production, Finance, Development, Logistics (distribution), Marketing, Transport, Maintenance, Human resource (HR), Office & administration, Information Technology (IT).

Part A – Q & A

Unit - 2

1. What is the Meaning and Features of a Company? CO1,K2

- A company is defined as a voluntary association of people having separate legalexistence, perpetual succession and a common seal.
- The company form of organisation is considered to be most suitable for organising business activities on a large scale.
- Once formed, the company becomes a separate legal entity with a distinctname of its own.

Features:

1. Compulsory registration
2. Distinct legal entity
3. Artificial persons
4. Limited liability
5. Transfer of shares
6. Common seal

2. What do you Mean by a Common Seal of a Company? CO1,K1

The company has no physical existence. Every company has a common seal with its name engraved on it. Anyone acting on behalf of the company must use the common seal to bind the company.

3. State the meaning of middle level of management. Give two examplesof persons working at this level. CO2,K2

- This level of management consists of executives working between top level andsupervisory level.

- They interpret and implement policies, ensure coordination of all activities, ensure availability of resources and implementation of policies framed by top management.
- They also convey suggestions and grievances of the supervisory level to the toplevel for the overall smooth functioning of the organisation.

They consist of:

- Divisional heads and sub-divisional heads.
- Departmental heads like purchase manager, sales manager, finance manager,personnel manager etc.
- Plant superintendent.

4. Your grandfather has retired as the director of a manufacturing company. At what level of management was he working? Different types of functions are performed at this level. State one function performed at this level of management. CO3,K2

Functions of top level management

- To lay down organisational goals, policies and strategy formulation.
- Organising, controlling and monitoring the activities
- Resource allocation
- Approval of budget
- Overall control of work performance

5. Lists any two functions of top level management. CO1,K1(1) To lay down organisational goals and objectives
(2) Approval of budgets.

6. What is meant by a government company? State any two characteristicsof such a company. CO2,K2

Government Company is a company or an organization in which at least 51% of the paid up share capital is held by the central government or the state government or partly by both central and state government. These are many government companies, few of them are, Steel Authority of India Limited, Bharat Heavy Electricals Limited, Coal India Limited, State Trading Corporation of India, etc.

- It is a separate legal entity.
- The Memorandum of Association and Articles of Association govern the appointment of employees.

7. What is meant by limited liability of members in a public company limited by shares? CO2,K2

- A company that is limited by shares is refers to a company that has the liability of the members limited by such an amount that is unpaid on their respectively held shares. The company can enact this liability while the company is in existence or as it is ending.
- Limited by shares refers to the liability of the shareholders to the creditors of the business for the money that was invested originally.

8. What are the advantages of a partnership? CO2,K2

- **Easy Formation –** An agreement can be made oral or printed as an agreement to enter as a partner and establish a firm.
- **Large Resources –** Unlike sole proprietor where every contribution is made byone person, in partnership, partners of the firm can contribute more capital andother resources as required.
- **Flexibility –** The partners can initiate any changes if they think it is required tomeet the desired result or change circumstances.

9. What is the most important element of partnership? CO2,K1

The most important element in a partnership is the mutual agency, which states that every partner must be an agent and principal of himself and other partners. It says that business must be carried on by any or all of the partners.

10. What is the meaning of Partner by Estoppel? CO1,K1

If a person makes it out to be, through their conduct or behaviour, that they are partners in a firm and he does not correct them, then he becomes a partner by estoppel. However, this partner too will have unlimited liability.

11. Explain the term "Multinationals"? CO1,K1

- The term is used in a neutral sense simply to indicate the very large size andparticipation in global markets. A more negative connotation of the term is that:
- Such corporations are effectively beyond the full reach of national laws.
- They have a presence in many locations and,
- Can move money and resources around at will, which can sometimes escapetaxation and thus represent a power beyond public control.

12. What motivates a company to go global? CO2,K2

- The desire to expand its business motivates a company to go global. If a company wants to enjoy the fruits of large-scale production, it needs a bigger market spread over too many countries

13. What is Business Organisation? CO1,K1

Business organisation is defined **as an entity** which is structured for the **purpose of carrying** on the **commercial system of enterprise**. The organisationis governed **under principles and laws** governing contract and **exchange of goods and services.**

14. Why Forming and Closing process is simple compared to other forms oforganization? CO3,K2

- Business organization is formed by the owner himself.
- No legal conventions are obliged to start the sole proprietorship form of organization.
- In some instances, the legal formalities are required or the owner should havea particular license or a certificate to run the business.
- The owner can Wind up the business at his own discretion.
- **Example:** Goldsmith or a person running a medical shop should have a licenseto run this type of business.

15. Give any three limitations of sole proprietorship. CO2,K1

(1) Limited Resources

Resources of a sole proprietor are limited to his savings and borrowings from the relatives. Lack of all these resources results in hindrance in the growth of thesole proprietorship business

(2) Life of a Business Concern

The owner and its business is the same entity and due to lack of successor or heir, the life of the business is limited.

(3) Unlimited Liability

The major demerit of a sole proprietorship is that the owner has unlimited liability.

16. What is meant by Departmental Undertaking? CO1,K1

Departmental Undertakings are the common and more established form of establishing public enterprises. These enterprises are formed, operated, and part of the department of the ministry.

17. How partnership is defined by John, A. Shubin? CO3,K1

A partnership is an **association of two or more persons** to carry on, as co-owners, a business and to **share its profits and losses**.

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

18. What Is a Company? CO3,K1

- A company is defined as a voluntary association of people having separate legalexistence, perpetual succession and a common seal.
- The company form of organisation is considered to be most suitable for organising business activities on a large scale.
- Once formed, the company becomes a separate legal entity with a distinctname of its own.

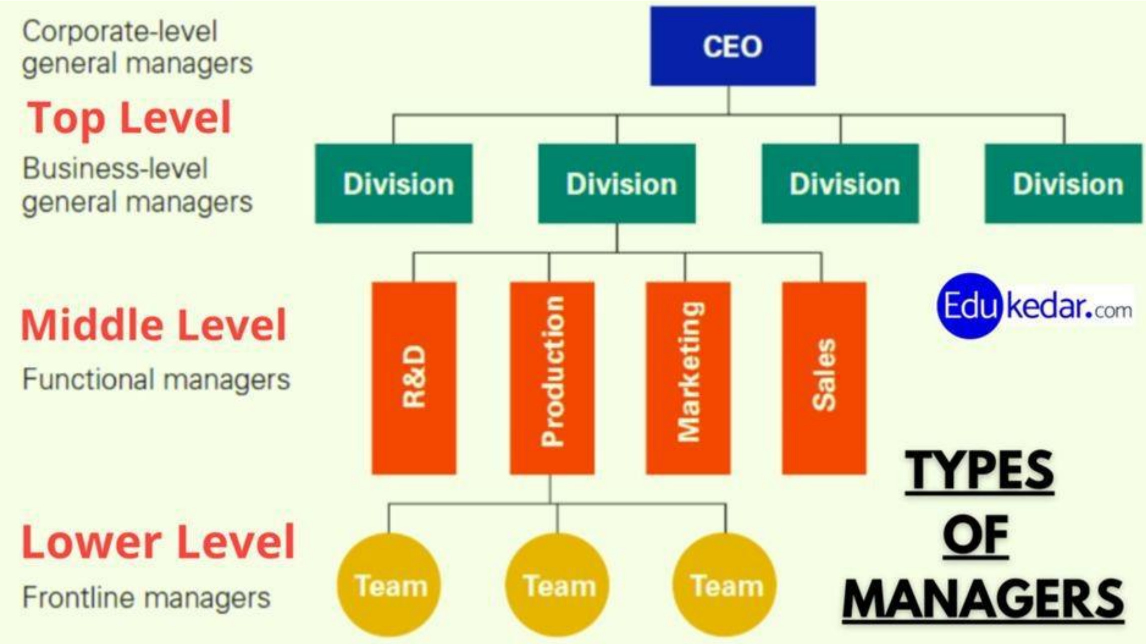
19. Who is dormant partner? What his involved in partnership firm? CO2,K1

Dormant Partner: Also known as a sleeping partner, he will not participate inthe daily functioning of the business. But he will still have to make his share of contribution to the capital. In return, he will have a share in the profits. Hisliability will also be unlimited.

20. Name the level of management at which the managers are responsiblefor implementing and controlling the plan and strategies of the organisation. CO3,K2

- Middle Level Managers -General Managers, branch managers, and department managers are all examples of middle-level managers. They are accountable to the top management for their department's function.
- Middle-level managers devote more time to organizational and directional functions than top-level managers.

21. Represent types of manager in their levels with neat diagram. CO3,K2



22. What are two types of Global Environment? CO2,K1

The risks and benefits associated with the global environment can best be understood by breaking it down into two interconnected environments: the task environment and the general environment. Each aspect of the global environment presents Cadbury with unique challenges that can influence its dailyoperations.

23. Give any two advantage of being a Multinational Company.CO3,K2

1. Efficiency

- In terms of efficiency, multinational companies are able to reach their target markets more easily because they manufacture in the countries where the target markets are. Also, they can easily access raw materials and cheaper labor costs.

2. Development

- In terms of development, multinational corporations pay better than domestic companies, making them more attractive to the local labor force. They are usuallyfavored by the local government because of the substantial amount of local taxes they pay, which helps boost the country's economy.

Part B – Questions

Q. No.	Questions	CO Level	K Level
1.	Explain different types of managers in management levels with relevant diagram.	CO2	K2
2.	i) What is the meaning of Management? ii) Describe Top Level, Middle level and Low level Managers in detail.	CO3	K2
3.	Define levels of management, enumerate them and write the functions to be performed at those levels. (10) Lists any four functions of middle level management.(3)	CO3	K3
4.	Define partnership. Explain its main features, merits and limitation.	CO2	K2
5.	Describe the various kinds of partner in a partnership firm and discuss their rights and obligations.	CO3	K2
6.	A Partnership firm has decided to expand its business which requires more capital and expertise. Should it take more partners or convert it into a private limited company? Give your advice with suitable arguments.	CO3	K3
7.	Explain Merits and Limitation of Partnership in details with relevant example.	CO3	K2
8.	Explain how Task and General environment are managed with real time example. Describe each factor with example of your choice.	CO3	K3
9.	What are the forces and factors in Global environment? Also list the challenges and solutions when managing global or virtual teams.	CO3	K4
10.	How General and Task environment affects the abilityof the Global environment company?	CO3	K3

UNIT III

FUNCTIONS OF BUSINESS

Functions and Objectives – Production, Marketing, Finance, Human Resource, quality control and Research & development.

FUNCTIONS AND OBJECTIVES:

1. A business organization is a system of interconnected parts which must work together smoothly to achieve its business aim.
2. Business functions are the high level groupings of a company's capabilities and processes to describe its work.
3. It also ensures an organization runs properly and does well for its customers, employees, leaders and shareholders.

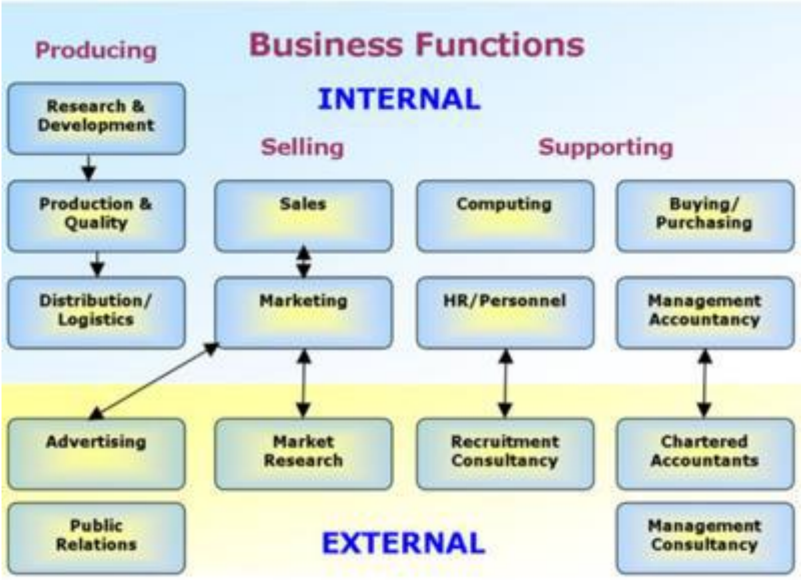
Business Functions can be divided into core functions and support functions.

- **Core business** functions are activities of an enterprise yielding income: the production of final goods or services intended for the market or for third parties. **Support business** functions are ancillary (supporting) activities carried out by the enterprise in order to permit or to facilitate the core business functions, its production activity. The outputs (results) of support business functions are not themselves intended directly for the market or for third parties.

  Support business functions can be further subdivided into:
    - distribution and logistics
    - marketing, sales and after-sales service
    - administrative and management functions:
    - engineering and related technical services:

Types of Business Functions

- Internal functions are those which are part of the company.
- External functions are those which are supplied by an outside agency.



For a business to operate effectively, various tasks are carried out by various functional departments including Human Resources (HR), Finance, Marketing and Production.

Most of the business organizations will have all these four functional areas which are interdependent.

- Production needs information from marketing which products to produce (e.g. size, color, number of products, etc.). Production also needs production workers with certain expertise to be hired by Human Resources.
- Finally Finance needs to provide information about what the maximum cost of production should be in order to make profit. This is interdependency of different business functions.

Level one: Marketing

Level two: Promotions

Level three: Social media advertising and graphic design

Depending on the industry or size of a company, it is possible to have several top-level functions or even dozens or more level three functions.

For example, a graphic design company likely does not need a manufacturing department, though a furniture company does.Some companies set up these business functions within their own businesses as departments, hire specialists within a field or outsource certain responsibilities to other companies to handle them on their behalf.

MARKETING

1. The marketing department is a division of the company with responsibility for the marketing function. This department aims to sell as many products as possible in a

sustainable manner. The team designs marketing strategies and combines the right marketing mix to satisfy customer needs and wants.

2. Marketing is not promotion or *'brainwashing people'* with TV advertisements
3. Marketing's main job is to identify needs and wants of customers, and satisfy them profitably.

The role of the marketing department

The marketing department is responsible for identifying, anticipating, and satisfying customer needs and wants profitably. The end goal is to make more profit. Fostering long-term relationships is also another task; thus, money keeps flowing into the company.

The marketing department is at the forefront because it interacts directly with consumers and determines the success or failure of the company in generating revenue.

Marketing department functions

The marketing department monitors market trends and identifies consumer needs and wants. The team then developed a marketing strategy to create more awareness and purchases by customers. In addition, they perform various tasks and activities such as market research, test marketing, advertising, and branding.

Functions related to the marketing mix

In general, the marketing function can be associated with managing four marketing mix variables: product, price, location, and promotion.

Product. Ensuring that goods and services meet the customer's requirements, such as a product's various sizes, colors, packaging and core functionality. Other roles related to the product include product differentiation to create Unique Selling Point (UPS) and Product Position Mapping to find out customers' perceptions of the product in relation to Price and Quality.

Price. Using various pricing strategies to sell the products of a business. Numerous pricing strategies can be used, depending on factors such as the business objectives, level of demand, the costs of producing the good or service, the number of substitute products available, level of competition, etc.

Promotion. Making sure that customers know about the firm's products. This is often done through very expensive TV and Internet advertising in mass media, or cheaper methods relying on more direct interactions with customers such as direct selling, social media, sales promotions, or guerrilla marketing. Promotional activities will have three functions, i.e.

communicate information about features and functionalities of the product, persuade customers to buy the product and remind them that the product still exists on the market.

Place. Ensuring that goods and services are available in convenient places for consumers to buy. Marketing managers must ensure that they select the appropriate distribution channel – a way to deliver products from the factory to the marketplace, e.g. to physical retail outlets like 7 Eleven or Lawson, online shopping platforms such as Alibaba or Tmall, Coca Cola's vending machines, etc.

Relationship between the marketing department and other departments

Companies must coordinate various business functions to create synergies. It is essential to achieve business success, which contributes to building a competitive advantage.

In carrying out its functions, the marketing department also depends on other departments. Here are some examples:

- **Finance department** – coordinating sales targets to prepare budgets and cash flow forecasts.
- **Human resources department** – coordinating workforce planning, recruiting new staff, and training and developing existing marketing staff.
- **Production department** – coordinating product specifications and product attributes, production capacity, inventory, and logistics of raw materials.
- **Research and development department** – developing new products according to market tastes based on information from the marketing department.
- **Information technology department** – developing databases and information systems to support marketing activities such as customer relationship management software.

FINANCE

- The finance department is responsible for everything related to money – managing the organization's cash and bank accounts, maintaining accurate transaction records and preparing Final Accounts.
- Finance Director must ensure that accurate recording and reporting of financial documentation takes place to comply with all legal requirements set by the government and inform those interested in the financial position of the business.

Production (or Operations)

- The production department is in charge of converting raw materials and/or components (inputs) into finished goods (output) ready for sale and delivery to customers in the production process.
- Production Director manages the entire production process from start to finish.
- Operations Director in charge, applies to the process of providing services to customers as in the case of hairdressers, restaurants or banks providing financial services.

In small businesses like sole traders (owned by just one person), each business function is carried out by the same person – the entrepreneur himself or herself.

In large businesses, the four functional areas are highly interrelated with resources being properly allocated to each department making departmental roles easily identifiable.

For example, the production department relies on the talents of effective marketing staff to sell products while marketers must have a decent product to sell and the necessary financial resources to do so, e.g. to pay for promotional campaign, etc.

Production Process

The production process is the process of turning inputs into outputs. Inputs are resources and outputs are final products: goods and services.

Businesses provide goods and services for consumptions, not only to private individuals, but also to other firms or governments, such as transportation services, security guards or storage services.

Inputs are all the resources that a business uses in the production process, e.g. land, raw materials, components, machinery, equipment, labor, etc.

Outputs are final tangible goods such as cars, clothes or furniture, or intangible services such as education, business consulting and healthcare.

When the inputs are being processed into outputs, the business incurs Fixed Costs (FC) and Variable Costs (VC). Fixed Costs (FC) added to Variable Costs (VC) give Total Costs (TC):

Total Costs (TC) = Fixed Costs (FC) + Variable Costs (VC)

After the outputs are sold out to final customers, the business generates Sales Revenue:

Sales Revenue = Price x Quantity

By subtracting Total Costs (TC) from Sales Revenue, the company generates Profit, the ultimate goal of most of the businesses:

Profit = Sales Revenue – Total Costs (TC)

The success of a business will depend on many factors, but most importantly, whether the business supplies products and services that consumers desire to buy. In the end, businesses must satisfy needs and wants of consumers profitably to be successful. Otherwise, they will get out of business.

Resources required for Production

Businesses require resources for the production of goods and services. The resources used in the production processes are called factors of production. There are four factors of production available to enterprises: land, labor, capital and enterprise.

1. Land

Land includes all natural renewable and non-renewable resources used for production, e.g. wood, water, rivers, fish and seafood, diamonds, hydrogen, crude oil, minerals, metal ores, forests and physical land itself (fertile soil).

2. Labor

Both the physical and mental efforts of people in the production of a good or service. Manual and skilled labor makes up workforce of the business. Labor is also called workforce or personnel. Workforce is paid or wages for their services in a business. Each worker possesses unique knowledge, personality, skills and experience. Quality of personnel is usually achieved through training and education.

Labor is also considered as the number of people available to work.

3. Capital

- The term *'capital'* has several meanings in business. First, it is all non-natural, artificial (manufactured) resources used in the production of other products, e.g. tools, machinery, buildings, offices, factories, computers, equipment, vehicles, etc.
- Second, capital is also finance needed for production of goods and services. Owners of capital receive interest, if others borrow it from them, e.g. leasing a machine, renting an office space or a factory building, etc.

4. Entrepreneurship / Enterprise

Entrepreneur develops a business idea, hires and organizes the other three factors of production to carry out the business activity. Entrepreneurship is the management, organization and planning of the other factors of production.

The success or failure of a business rest on the talents and decisions of the entrepreneur. Entrepreneurs are ready to take the risk of setting up businesses. If a business fails, entrepreneurs may lose some or all of their money and time invested in businesses.

Finance Functions

Finance

Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. There are three main types of finance: (1) personal, (2) corporate, and (3) public/government.

1. Personal Finance

Personal finance is specific to an individual's situation and activity. Therefore, financial strategies depend largely on the person's earnings, living requirements, goals, and desires.

Personal finance includes a range of activities, from purchasing financial products such as credit cards, insurance, mortgages, to various types of investments.

2. Corporate Finance

Corporate finance refers to the financial activities related to running a corporation, usually with a division or department set up to oversee those financial activities.

3. Public Finance

Public finance includes taxing, spending, budgeting, and debt-issuance policies that affect how a government pays for the services it provides to the public. It is a part of fiscal policy.

The finance function uses financial statements to plan for, obtain, and manage the business's money.

Definition

Business finance is one of the functional areas of business, along with marketing, management, human resources, information technology, and production management.

The finance function, which is related to accounting, is responsible for pumping money to the other operational areas of the business.

Accounting is responsible for taking the raw financial data generated by a business firm and developing the financial statements for the business owner.

The business finance function is responsible for the management of the company's money, the process of obtaining funds for the company, and the management of how much risk the company should take in order to return an adequate amount of money to the owner(s).

The major objectives of finance function or financial management are:

1. Procurement of money needed by business;

2. Keeping and increasing the invested money through sound financial policies and programme; and

3. Generating income or profit for the business.

Business finance usually involves the following vital functions:

1. Financial planning, forecasting of cash receipts and disbursements — cash flow statement;
2. Raising of funds, either equity capital or fixed interest capital which includes both preference share capital and loan capital (securing of funds);
3. Use and allocation of funds (administration of funds); and
4. Financial controls (budgets and other controls).

Please note that wise and integrated approach in financial management alone t alone can accomplish both productivity (maximum wealth) and satisfaction.

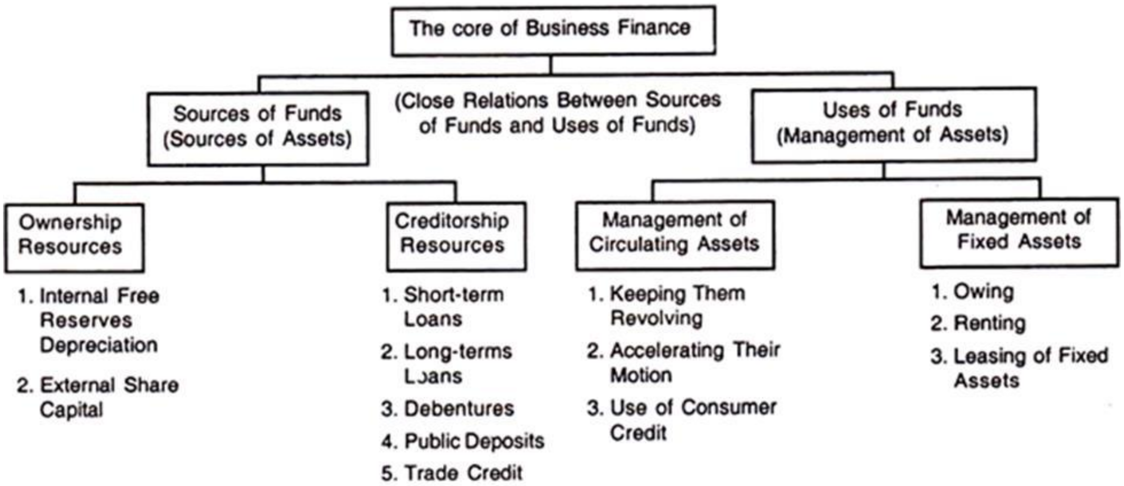


Fig. 1. Finance Functions

Classification of Finance Function:

- **Long-Term Finance**– This includes finance of investment 3 years or more. Sources of long-term finance include owner capital, share capital, long-term loans, debentures, internal funds and so on.
- **Medium Term Finance**– This is financing done between 1 to 3 years, this can be sourced from bank loans and financial institutions.
- **Short Term Finance** – This is finance needed below one year. Funds may be acquired from bank overdrafts, commercial paper, advances from customers, trade credit etc.

Objectives of Finance Functions

Investment Decision

- Finance Manager decides where to put the company funds.
- Investment decisions relating to the management of working capital, capital budgeting decisions, management of mergers, buying or leasing of assets.

- Investment decisions should create revenue, profits and save costs.

Financing Decisions

- Company decides where to raise funds from. They are two main sources to consider mainly equity and borrowed.
- From the two a decision on the appropriate mix of short and long-term financing should be made. The sources of financing best at a given time should also be agreed upon.

Dividend Decisions

These are decisions as to how much, how frequent and in what form to return cash to owners. A balance between profits retained and the amount paid out as dividends should be decided here.

Liquidity Decisions

- Liquidity means that a firm has enough money to pay its bills when they are due and have sufficient cash reserves to meet unforeseen emergencies.
- This decision involves the management of the current assets so you don't become insolvent or fail to make payments.

Importance of Finance Functions

Identify Need of Finance-To starts a business you need to know how much is required to open it. So, the finance function helps you know how much the initial capital is, how much of it you have and how much you need to rise.

Identify Sources of Finance-Once you know what needs to be raised you look at areas you can raise these funds from. You can borrow or get from various shareholders.

Comparison of Various Sources of Finance– After identifying various fund sources compares the cost and risk involved. Then choose the best source of financing that suits your business needs.

Investment-Once the funds are raised it is time to invest them. Investment decisions should be done in a manner that a business gets higher returns. Cost of funds procurement should be lower than the return on investment; this will show a wise investment was made.

HUMAN RESOURCES

HR department is responsible for managing employees within the company, including:

- Identifying the workforce needs within your company.
- Recruiting and selecting employees with the right qualifications for your company.
- Training and developing employees to encourage them to be more productive.

- Developing and design compensation system, employment contract, and set salary for each position
- Establishing a system of rewards and incentives to motivate employees.
- Handling termination or dismissal.
- Managing industrial relations.
- Managing human resource outsourcing strategy.

The human resources department or HR department is the division responsible for and dealing with managing individuals within the company. It handles human resource planning, recruitment, training, appraisals, dismissals and resignations, promotions, occupational safety and health, and industrial relations. This department exists to help a company to create more value.

What do human resource managers do?

The manager or division head oversees the human resources department. They report to the human resources director or chief human resources officer. They plan, coordinate, and direct administrative functions within their department. They play roles such as:

- Liaison between top management and their staff
- Consult with top executives on human resource planning.
- Supervise staff and ensure they do their job properly.
- Oversee the running of human resources functions, such as recruitment, training, employee appraisal, and compensation.

Function of Human Resource Department:

It develops a human resource plan to determine how many employees and qualifications are needed to meet company goals, including the steps to be taken. In addition, it aims to anticipate both current and future staff needs.

The process begins with a workforce audit.

1. The audit examines the existing **human resources** within the organization, including those related to positions, salaries, working hours, skills, and qualifications. It also includes examining existing or implemented human resource management policies, procedures, and activities.
2. It aims to identify areas for improvement and align with company objectives and comply with applicable regulations.
3. The human resources department then identifies gaps and considers ways to address them, including how many employees are needed by considering aspects such as years of service, turnover rate, workload, qualifications, and budget. In addition, this

department also plans matters such as recruitment, training and development, assessment, and promotion.

The roles and functions of the human resources department

The human resources department takes on several key roles in planning business needs for human resources, from hiring, training to firing. It also plays a role in maintaining interpersonal and employee-company relationships and establishing a positive work environment.

1. Recruitment

The HR department is responsible for identifying, finding, and hiring the right individuals according to the company's needs. Recruitment involves several processes such as:

- Identify the company's need for new employees – how many are needed, in what positions, and what qualifications are required. This involves analyzing the job and creating a job description to outline the job title, duties, responsibilities, hours worked, salary, and required qualifications or skills.
- Specify the applicant – what qualities, skills, and qualifications the applicant should have. This will later be used in preparing job advertisements and screening employees.
- Attract suitable candidates – how to inform about job vacancies in the company. It may require a company's intranet or bulletin board for internal recruitment. Meanwhile, external recruitment can be through advertisements in newspapers or the internet.
- Screening applicants and selecting the best – who is the most appropriate to hire. The process involves preliminary screening based on application forms, selection tests, interviews, and negotiations.

2. Training and development

- Training is essential to address employee skills or knowledge gaps with what is required in their current job. So, after attending the training, they can work more effectively in their current role. Development is similar to training, but it usually prepares employees for higher positions.
- Although it costs money, some companies consider this an investment. This is because it doesn't just contribute to increased productivity. But, it is also a way to increase employee satisfaction and morale. As a result, they are more motivated and give their best for the company.
- Training can take various forms, including:

- Induction training to help new staff adapt quickly and efficiently to their new roles.
- Cognitive training to improve abilities such as reasoning and information processing.
- Behavioral training to improve skills such as negotiation, conflict management, and communication skills.

3. Performance appraisal

- Employee appraisal is related to monitoring progress and evaluating employee performance and effectiveness.
- Employees are assessed based on predetermined criteria and compared with predetermined targets.It is also used to identify barriers in a particular job, thus becoming an important component in designing training and development programs.

4. Compensation and promotion

The HR department determines the compensation structure, including the basic salary and benefits, adjusted to the position and sometimes the employee's service period.

For example, an employee is promoted. This department determines his salary and what facilities he gets, considering organizational policies.

5. Dismissal and resignation

- Not only handling recruitment, but the HR department also establishes policies and procedures related to dismissals, resignations, and retirements. For example, an employee is not immediately fired when deemed incompetent.
- Instead, the HR department may issue a warning letter and provide counseling for improvement. If there is no improvement, dismissal is an unavoidable consequence.

6. Occupational health and safety

- Ensuring health and safety is another role for the HR department. It becomes vital because it is often regulated by the government and can affect employee morale.
- Some jobs are high risk, resulting in physical harm, injury, illness, or violence in the workplace. In this case, the HR department strives to create a comfortable environment for employees to do their jobs and prevent or reduce losses or risks.

7. Employee relations

- This function deals with developing and maintaining positive relationships among employees. The HR department establishes policies around fair compensation, beneficial benefits, proper work-life balance, reasonable working hours, dealing with employee violations, and resolving ongoing conflicts.
- Then, we also know industrial relations, which deals with creating a harmonious employer-employee relationship. Each acquires rights and fulfills responsibilities

following the contract. In addition, it seeks to facilitate resolution when complaints, disputes, or conflicts arise, which often involves employer representatives and employee representatives such as labor unions.

QUALITY CONTROL

1. Quality control (QC) is a process through which a business seeks to ensure that product quality is maintained or improved. It involves testing units and determining if they are within the specifications for the final product.
2. Quality control is the process by which products/services are tested and measured to ensure they meet a standard. Through this process, a business can evaluate, maintain, and improve product quality.

Goals of quality control

The quality control used in a business is highly dependent on the product or industry, and several techniques exist for measuring quality.

This is done by training personnel, creating benchmarks for product quality, and testing products to check for statistically significant variations.

There are two crucial goals of quality control:

(1) to ensure that products are as uniform as possible and

(2), to minimize errors and inconsistencies within them.

Types of Quality Control

- **Control Charts:** A graph or chart is used to study how processes are changing over time. Using statistics, the business and manufacturing processes are analyzed for being “in control.”
- **Process Control:** Processes are monitored and adjusted to ensure quality and improve performance. This is typically a technical process using feedback loops, industrial-level controls, and chemical processes to achieve consistency.
- **Acceptance Sampling:** A statistical measure is used to determine if a batch or sample of products meets the overall manufacturing standard.
- **Process Protocol:** A mapping methodology that improves the design and implementation processes by creating evaluative indicators for each step.

Functions of Quality Control

Testing

- The most basic function of quality control involves testing. Quality control specialists test the manufacturing process at the beginning, middle and end to ensure that the production quality remains the same throughout.

- If the specialist discovers an issue at any point in the process, she works with the production team to remedy the issue.
- Quality control specialists perform quality control tests for services provided as well, evaluating the quality of a specific service at specified intervals throughout the time of service. Testing provides quality results as of the date of testing.

Monitoring

- Monitoring consists of on-going testing that the quality control specialist performs on a regular basis. The specialist repeats the testing and records the results of each test. After the specialist has performed several tests, he reviews the results and looks for any trends in quality.
- If the quality declines, he increases the amount of testing performed in that area.
- If the quality maintains or improves, he decreases the amount of testing performed in that area. The quality control specialist continues to monitor the trending of the results.

Auditing

- Quality control specialists also spend time auditing the quality of a process which the specialist doesn't work with. The quality control specialist may be auditing the work of the regular quality control work performed or auditing the quality of a process without any current quality control work.
- When performing the audit, the quality control specialist reviews the results reported by the regular quality control workers to determine if they performed the original tests correctly.

Reporting

- Periodically, the quality control specialist reports the quality results to management. A high number of quality problems mean something is wrong with the process and there may be many unhappy customers for the company.
- Management reviews the number of quality problems and where they occur in the process and take action to address the issue.

Tools For Quality Control

1. Flowchart

- Flowcharts are also used to document work process flows. It determines where the bottlenecks or breakdowns are in work processes.

- Flow-charting the steps of a process provides a picture of what the process looks like and can shed light on issues within the process. It also used to show changes in a process when improvements are made or to show a new workflow process.

2. Check Sheet

- A check sheet is a basic quality tool that is used to collect data. A check sheet might be used to track the number of times a certain incident happens.
- As an example, a **human resource department** may track the number of questions by employees, per category, per day.

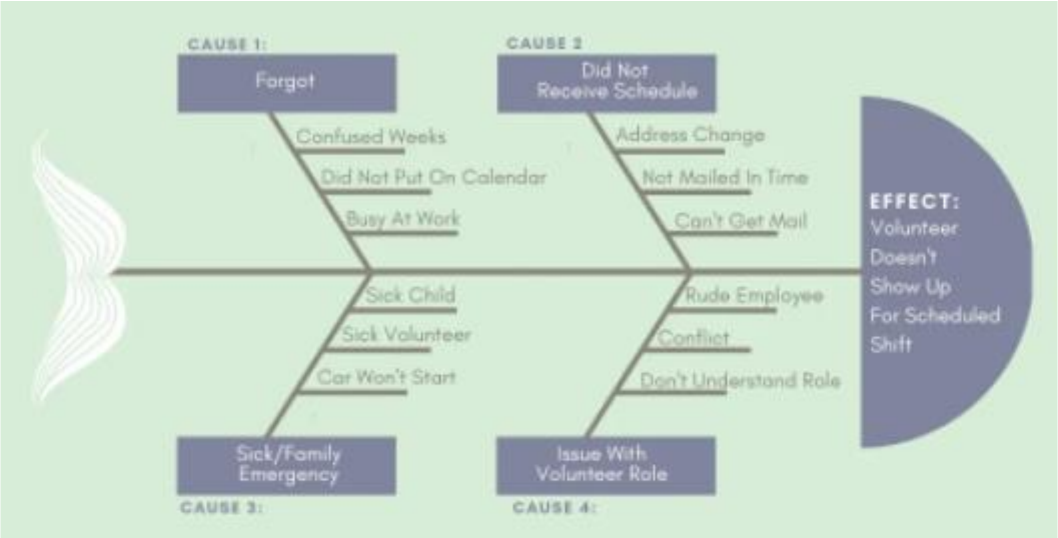
Human Resource Questions						
	Monday	Tuesday	Wednesday	Thursday	Friday	Total
Health Insurance	||||| ||	||||| |||||	||||	|||||		||||| |||	35
Disability Insurance	|||	||||			|||||		||	16
Sick Time	|||||	||||| |||	|||	||||	|||||	25
Paid Time Off	||||| |||||	||||| |||||	||||| ||||	||||| ||||	||||| |||	47
Tuition Reimbursement	|||	||	||||	|||	||||	16
Payroll Error	||			|||			||	9
Total	30	35	25	29	29	148

3. Cause and Effect (fish bone) Diagram

A cause and effect diagram, also known as a fish-bone diagram shows the many possible causes of a problem.

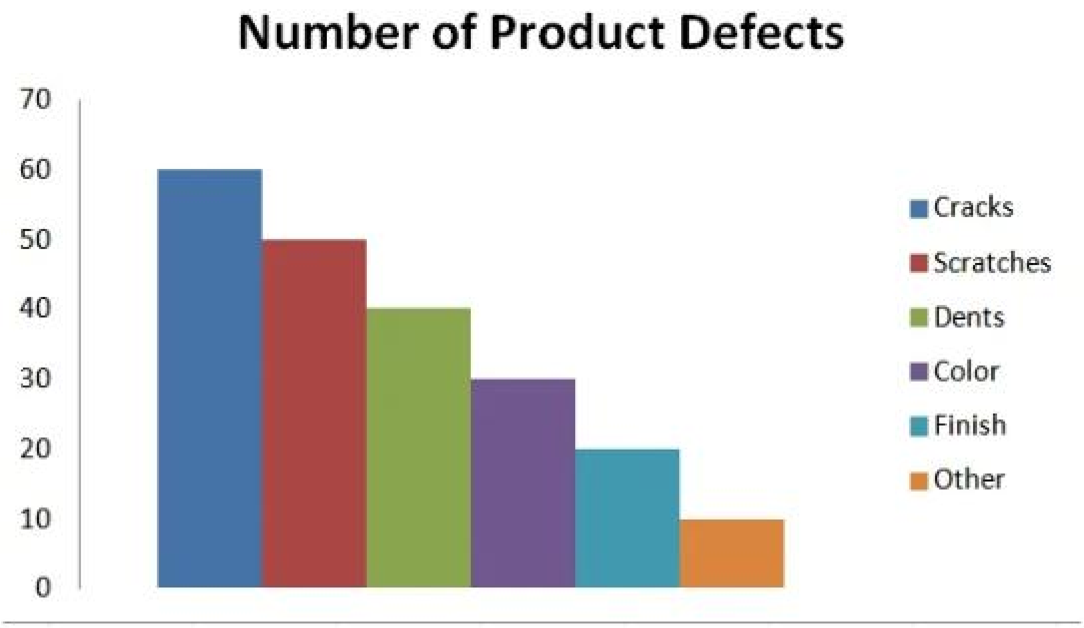
Steps:

- First identify the problem you are trying to solve and simply write it in the box (head of the fish) to the right.
- Next, list the major causes of the problem on the spine of the fish.
- Causes are typically separated into categories of people, process, materials and equipment.
- Causes are then identified through brainstorming with a group familiar with the problem.
- Once all of the possible causes are identified, they can be used to develop an improvement plan to help resolve the identified problem.



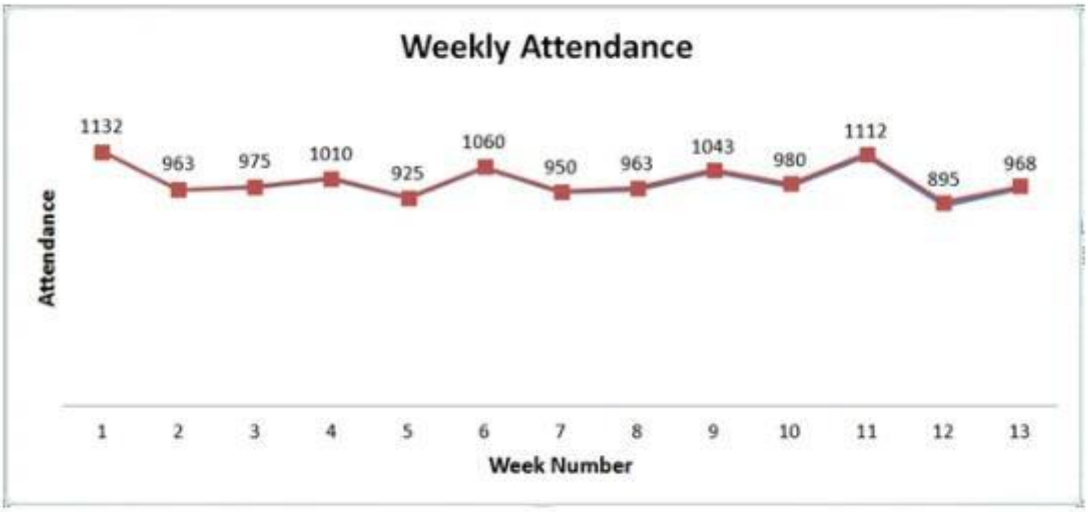
4. Pareto Chart

- A Pareto chart is a bar graph of data showing the largest number of frequencies to the smallest.
- In this example, we are looking at the number of product defects in each of the listed categories.
- When you look at the number of defects from the largest to the smallest occurrences, it is easy to see how to prioritize improvements efforts.The most significant problems stand out and can be targeted first.



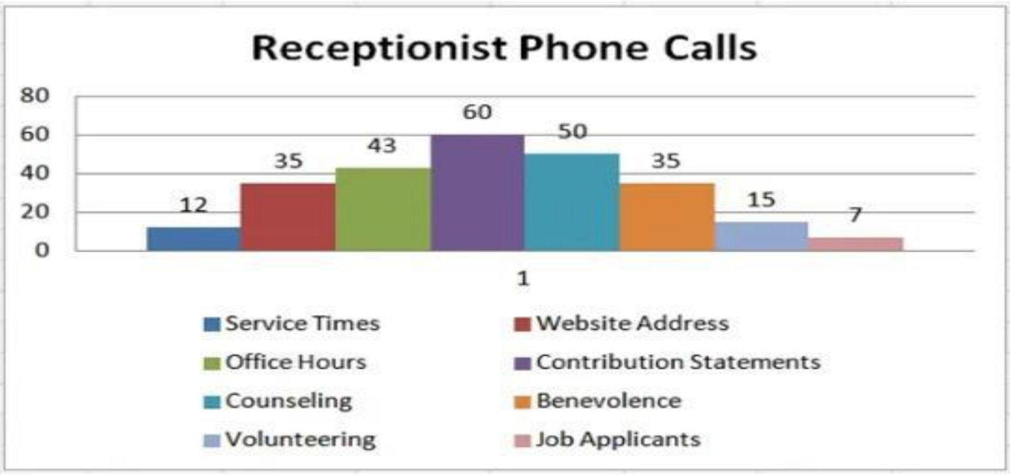
5. Control Charts

- Control charts or run charts are used to plot data points over time and give a picture of the movement of that data.
- These charts demonstrate when data is consistent or when there are high or low outliers in the occurrences of data. It focuses on monitoring performance over time by looking at the variation in data points.



6. Histograms

- Histograms are bar chart pictures of data that shows patterns that fall within typical process conditions.
- Changes in a process should trigger new collection of data. A minimum of 50-75 data points should be gathered to ensure an adequate number of data points have been collected.
- In this example, it shows that the receptionist received the most phone calls about contribution statements for that period.



7. Scatter Diagrams

- Scatter diagrams are graphs that show the relationship between variables. Variables often represent possible causes and effect.
- As an example, a scatter diagram might show the relationship between how satisfied volunteers are that attend orientation training.
- The diagram shows the relationship between volunteer satisfaction scores and volunteer orientation training.

Advantage of Quality Control

- Implementing quality control procedures ensures you are selling the best products to your customers. In addition, practicing quality control has a positive impact on employee conduct. Quality control can inspire employees to create high-quality goods leading to greater customer satisfaction.
- Quality control protocols may help you lower your inspection costs and use your resources in a more cost-effective manner, too.

UNIT - IV

CW8401 INTRODUCTION TO BUSINESS SYSTEMS

KEY PERFORMANCE INDICATORS

- A key performance indicator (KPI) is a metric used to measure and track your progress toward achieving a specific goal. Business KPIs, which can vary by department, may help gauge a company's long-term performance against its own targets and industry standards.
- One thing to remember about KPIs is that they're meant to measure your most impactful indicators.
- For instance, your social media team may have a ton of data points that can serveas KPIs. However, they should only choose the ones that align with the broader business goals. Let's say it's brand awareness. In this case, follower count, post reach, and impressions will likely be the **social media KPI metrics** to measure.
- With that in mind, having KPIs means narrowing your focus on **a few vital metrics** that will influence your business the most.

What is KPI reporting?

- A KPI report is a visual dashboard used to track your metrics and assess how yourteam is performing against the targets. You can display your report using charts, graphics, and tables depending on the data you want to display and the needs of your team.
- As a business, you'll likely have data coming in on a daily basis that may or may not relate to your KPIs. Having a reporting tool does a few things, including:
- Allowing you to track your most impactful metrics and filter out irrelevant data
- Making the data easily accessible to decision-makers and collaborators
- Giving you a quick and digestible snapshot of your team's performance
- Aligning everyone on the goals

Levels of KPI

- Customer-focused KPIs -customer efficiency, customer satisfaction, and customerretention.
- Process-focused KPIs aim to measure and monitor operational performance acrossthe organization.

- High-level KPIs that look at the performance of your business,
- Low-level KPIs that drill down into processes at the individual or departmentallevel, too.

Types of Key Performance Indicators

- KPIs can be set on a team basis. Sales' KPIs will be completely different from HR'sKPIs. Beyond those differences, there are also variations in the types of indicatorsyou can measure.
- Here are a few of the most common types of KPIs:

1. **A quantitative KPI** relies on numbers to gauge progress. E.g., "Sales team togenerate 100 sales-qualified leads every month."
2. **A qualitative KPI** looks at opinion- or feeling-based data. E.g., "Brand sentiment."
3. **A leading KPI** can predict future performance. E.g., "Website traffic." Moretraffic can mean more conversions, more leads, and more revenue.
4. **A lagging KPI** describes a past result. E.g., "Turnover rate."
5. **An input KPI** measures the assets, time, and resources needed to complete acertain action or project. E.g., "Employee count, budget."
6. **A process KPI** assesses efficiency and productivity within the business. E.g.,"Average sales call time."

KPI Examples

7. Your organization's business model and the industry in which you operate will influence the KPIs you choose.
8. For example, a B2B software-as-a-service (SaaS) company might choose to focus on customer acquisition and churn, whereas a brick-and-mortar retail company might focus on sales per square foot or average customer spend.

- Here are a few examples of some industry-standard KPIs.

While you will most certainly want to consider industry standard KPIs, it is more important that you choose the KPIs that are relevant to your specific company andthe goals you are working toward.

Identify both lagging and leading performance indicators.

- The difference between lagging and leading indicators is essentially knowing how you did, versus how you are doing. Leading indicators aren't necessarily better than lagging indicators, or vice versa. You should just be aware of the differences between the two.

SAAS KPIS	PROFESSIONAL SERVICE KPIS
• Monthly recurring revenue (MRR) • Churn • Cost per acquisition (CPA) • Average revenue per retainer • Lifetime value (LTV)	• Bookings • Utilization • Backlog • Revenue leakage (**link**) • Effective billable rate
Online Media / Publishing KPIs	**Retail KPIs**
• Unique visitors • Page views • Share ratio • Social referral growth • Time on site	• Capital expenditure • Customer satisfaction • Sales per square foot • Average customer spend (ACS) • Stock turnover

- Lagging indicators measure the output of something that has already happened. Total sales last month, or the number of new customers or hours of professional services delivered, are examples of lagging indicators. These types of metrics are good for purely measuring results, as they solely focus on outputs.

On the other hand, leading indicators measure your likelihood of achieving a goal in the future. These serve as predictors of what's to come. Conversion rates, salesopportunity age, and sales rep activity are just a few examples of leading indicators

- Traditionally most organizations have solely focused on lagging indicators. One of the main reasons for this is they tend to be easy to measure since the eventshave already happened. For instance, it is very easy to pull a report of the numberof customers acquired last quarter.

But measuring what happened in the past can only be so helpful.

What Is a Good KPI?

- A good KPI has the following attributes:\
- Provides objective and clear information of progress towards an end-goal
- Tracks and measures factors such as efficiency, quality,

- timeliness, andperformance
- Provides a way to measure performance over time
- Helps make more informed decisions
- Employees can be pushed too hard aiming specifically for KPIs

RETURN ON INVESTMENT Limitation

- The long time frame required for KPIs to provide meaningful data
- They require constant monitoring and close follow up to be useful
- They open up the possibility for managers to "game" KPIs
- Quality has a tendency to drop when managers are hyper focused on productivityKPIs

What is ROI?

1. Return on investment (ROI) is a widely used financial metric for measuring the probability of gaining a return from an investment. It is a ratio that compares the gain or loss from an investment relative to its cost.
2. ROI is generally defined as the ratio of net profit over the total cost of the investment.

ROI is most useful to your business goals when it refers to something concrete and measurable, to identify your investment's gains and financial return

Investments

- The term "investments" is often used to refer to buying stock in a company or financing another person's business venture.
- They don't always have to be tangible, like an initial investment in new equipment or higher quality materials.
- An online store owner or app developer, for example, might make investments in more digital goods like cloud-based storage services or a subscription to new content management software, that might have maintenance costs, for which it would be desirable to identify the return of investment or ROI.
- Other examples of common business investments include ad campaigns andleases for brick-and-mortar retail locations.

How to Calculate Return on Investment (ROI)Type 1:

- ROI can be calculated using two different methods.

First method:

$$\text{ROI} = \frac{\text{Net Return on Investment}}{\text{Cost of Investment}} \times 100\%$$

Second method:

$$ROI = \frac{FVI - IVI}{\text{Cost of Investment}} \times 100\%$$

where:

FVI = Final value of investment

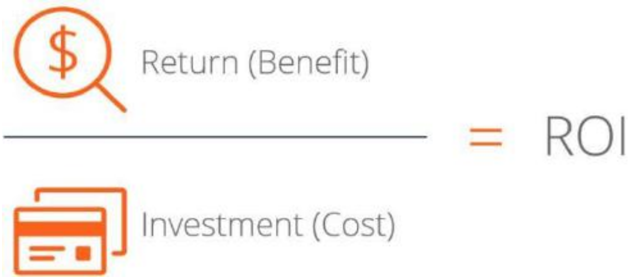
IVI = Initial value of investment

Type 2:

How to calculate ROI

- ROI is calculated as the net profit during a certain time divided by the cost of investment, which is then multiplied by 100 to express the ratio as a percentage. The equation looks like this:

ROI = (Net Profit / Investment) x 100

- The value of net profit should be taken from your company's profit and loss (P&L) statement
- 

Example of the ROI Formula Calculation

- An investor purchases property A, which is valued at $500,000. Two years later,the investor sells the property for $1,000,000.
- Investment gain formula in this case.
- ROI = (1,000,000 – 500,000) / (500,000) = 1 or 100%

Advantages of ROI

- ROI is a relatively uncomplicated metric; it is easy to calculate and intuitively easyto understand.
- ROI's simplicity means that it is often used as a standard, universal measure of profitability. As a measurement, it is not likely to be misunderstood or misinterpreted because it has the same connotations in every context.

Disadvantages of ROI

- 1. First, It does not take into account the holding period of an investment, which can be an issue when comparing investment alternatives. Calculating annualized ROI can overcome this hurdle when comparing investment choices.

For example, assume investment X generates an ROI of 25%, while investment Y produces an ROI of 15%. One cannot assume that X is the superior investment unless the time frame of each investment is also known. It's possible thatthe 25% ROI from investment X was generated over a period of five years, but the 15% ROI from investment Y was generated in only one year.

2. Second, ROI does not adjust for risk. It is common knowledge that investment returns have a direct correlation with risk: the higher the potential returns, the greater the possible risk.

3.Third, ROI figures can be exaggerated if all the expected costs are not includedin the calculation. This can happen either deliberately or inadvertently

For example, in evaluating the ROI on a piece of real estate, all associated expenses should be considered. These include mortgage interest, property taxes, insurance, and all costs of maintenance. These expenses can subtract a large amount from the expected ROI; without including all of them in the calculation, an ROI figure can be grossly overstated.

Finally, like many profitability metrics, ROI only emphasizes financial gains when considering the returns on an investment. It does not consider ancillary benefits, such as social or environmental goods. A relatively new ROI metric, knownas Social Return on Investment (SROI), helps to quantify some of these benefits for investors.

Annualized ROI Formula

As mentioned above, one of the drawbacks of the traditional return on investmentmetric is that it doesn't take into account time periods. For example, a return of 25% over 5 years is expressed the same as a return of 25% over 5 days. But obviously, a return of 25% in 5 days is much better than 5 years!

To overcome this issue we can calculate an annualized ROI formula.ROI Formula:

= [(Ending Value / Beginning Value) ^ (1 / # of Years)] – 1

Where:

# of years = (Ending date – Starting Date) / 365

For example, an investor buys a stock on January 1st, 2017 for $12.50 and sells iton August 24, 2017, for $15.20.

What is the regular and annualized return on investment?

Regular = ($15.20 – $12.50) / $12.50 = **21.6%**

Annualized = [($15.20 / $12.50) ^ (1 / ((Aug 24 – Jan 1)/365))] -1 = **35.5%**

COUSTORMER SATISFACTION

- Customer satisfaction is defined as a measurement that determines how happycustomers are with a company's products, services, and capabilities.
- Customer satisfaction is a measure of how people feel when interacting with yourbrand. It can be influenced by any number of factors, such as:
    - perceived product quality
    - perceived product value
    - convenience
    - customer expectations
    - communication
    - complaint handling
- There are two important questions to ask when establishing customer satisfaction:

Who are the customers?

- Customers include anyone the organization supplies with products or services. Thetable below illustrates some supplier-customer relationships.

What does it take to satisfy them?

- Organizations should not assume they know what the customer wants. Instead, it is important to understand the voice of the customer, using tools such as customer surveys, focus groups, and polling.
- Using these tools, organizations can gain detailed insights as to what theircustomers want and better tailor their services or products to meet or exceed customer expectations.

Measuring Customer Satisfaction

- Customer Satisfaction can be scored by conducting CSAT surveys, for example. These are typically short, one- to two-question surveys offered at the end of a business transaction. A classic question is "How satisfied are you with the product?" with answers ranging from "very satisfied" to "very unsatisfied."

Although CSAT is one part of customer satisfaction, it is far from the onlymeasure. Businesses also use Net Promoter Score (NPS) surveys to determine whether their customers are promoters, detractors, or passives

Importance of Customer Satisfaction

- Customer satisfaction leads to greater customer retention, higher lifetime valueand a stronger brand reputation.

- Customer loyalty
- Customer satisfaction measurement
- Repeat purchases
- Customer lifetime value
- New customer acquisition

1. It drives customer loyalty

- Satisfied customers tend to share their positive experiences with friends and family. But the opposite is also true: An unhappy customer tells more peopleabout their negative experiences than a happy customer does.
- Social media makes social proof more powerful than ever before. Today, acustomer can easily share feedback on a bad experience with millions of people with a single. To gain positive referrals use customer feedback to prioritisetop-of-the-line service.

For example, report found that 89 percent of people think quick responses areimportant when deciding which company to buy from. If you want to improve your company's response time to support that data, you might incorporate AI technology,like our AI-powered Answer Bot, to send prompt responses.

2. Customer satisfaction metrics reflect your support team's performance

- Customer satisfaction benchmarks and metrics do not just help to gauge how happy audience is—they also tell how support team is doing. Use a variety ofteam metrics to understand customer satisfaction levels:

Support team's initial response time: In our customer experience report, the #1 most frustrating part of bad service was long wait times. Faster support team response times not only lower customer frustration, but also give you a measure of your team's speed and efficiency

- **The Length of time it takes your team to resolve a customer issue:** If it is taking team hours to resolve issues that could be dealt with quickly, it might be time to tweak internal processes. Do not just strive to respond quickly—resolve quickly, too.
- **How many times a ticket or call required a transfer to find a resolution:** Few things are more frustrating than having to wait to be transferred to a new agent and repeat issue to get your request completed. If transfer occurrence drops, customer satisfaction should

rise.

3. It encourages repeat purchases

- A satisfied customer is a loyal customer, who will stick with your company yearafter year. How do you know if your customer service is driving customer loyalty?
- The first is to directly **poll customers** using a net promoter score survey, or toask questions like:
- "Would you speak to your friend about our brand?"
- "How often do you speak to your friends about our brand?"
- The second method is to **observe customer behavior**.

For example, you can track repeat purchases with loyalty programs andreferral posts for your business on social media.

4. It increases customer lifetime value

- Satisfied customers are not only more likely to remain loyal and less likely tochurn; they are also more likely to spend more money with your business.

5. It boosts new customer acquisition

- Customer service is not just important for supporting existing customers, it is also key to bringing in potential customers and supporting them when they reach out. To position themselves for success, businesses must integrate service into the journey at every interaction point.

How to improve Customer Satisfaction

- Customer feedback
- Convenience
- Speed.
- Build a customer-focused culture
- Empathy

1. Become obsessed with customer feedback

- Become a student of customer feedback.
- Do not just collect it:
    - Analyse it and apply it to what customers are saying.
    - Commit to learning about buyers' pain points and then make a plan toalleviate them in ways that set you apart from competitors.

2. Create a sense of convenience

- The most successful physical stores are all about buyer convenience. Customers enjoy places with flexible hours that fit their schedules.

- Offering support via messaging apps (like WhatsApp, Twitter and Facebook) helps businesses create that same sense of 24-hour availability. These are the same channels customers use to interact with friends and family, so it gives you a chance to meet them where they already are.

3. Deliver fast responses

- In a constantly connected world, customers don't want to have to wait a day or even more than a few hours, for a response. Here are some tips for delivering faster responses:
- Pre-written responses ensure agents do not have to write common answers repeatedly
- Messaging channels enable agents to help more customers at once because they are asynchronous.
- AI-powered bots can intercept would-be tickets when agents are off the clock
- Bots can also gather details upfront, such as city or account type, before an agenttakes over

4. Make customer satisfaction a company-wide focus

- To improve overall customer satisfaction, one have to put time and effort into a business strategy that puts customers first.
- Using a tool like the balanced scorecard is a great first step. The balanced scorecard guides companies in thinking about their operations from four different perspectives:

- Financial
- Internal business
- Customer
- Innovation and learning

5. Lead with empathy

- If there is one thing the pandemic taught us, it's that empathy is an essential skill for support professionals— it is even more valuable than customer service experience.

Customer satisfaction tools and software

- Customer satisfaction requires a mix of both customer service skills and the rightsoftware. Here is a list of customer satisfaction tools and software:
- Customer service software that makes it easy for customers to reach on thechannels of their choice

- A ticketing system that makes it easy to manage customer requests and respondto customers quickly and effectively
- CSAT surveys: With customer service software these can be sent automaticallyafter every customer service interaction
- Survey tools that integrate with your customer service software, such asSurveyMonkey
- Robust customer analytics tools that track customer engagement and supportperformance across channels.

CUSTOMER RETENTION

Definition

- Customer retention refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor. It indicates whether product and the quality of service please existing customers.
- Customer retention strategies are the processes and initiatives businesses put in place to build customer loyalty and improve customer lifetime value.
- **Customer Retention Metrics**
- Customer retention rate
- Customer churn rate
- Customer lifetime value

Customer retention rate

- The customer retention rate is the percentage of previous customers who remained loyal to business over a period of time. To calculate it, pick a period of time to measure and then identify the following:
- Number of customers at the start of a given time period (S)
- Number of customers at the end of that period (E)
- Number of new customers added over the duration of that period (N)

- Then, calculate customer retention rate (X) with the following formula:

$$((E - N) / S) * 100 = X$$

Customer attrition rate

A less direct indicator of customer retention is your attrition rate—the percentage of customers lost during a period of time. Companies that struggle with customer retention usually have a high attrition rate.

$$(Y/X) *100 = Z$$

Low retention rates or high attrition rates could be bad signs. They may signal that something about customer experience is not going well. But do not panic—there are several changes can make to turn the attrition around.

Customer lifetime value

- Customer lifetime value measures the total revenue that can be expected from a customer, during their lifetime. It helps a business discover its most loyal customers.

Customer retention strategies

- **Offer personalized service.** Personalizing services to the customer can improve a customer's experience and lead them to become repeat customers.
- **Use data to provide personalized support interactions.** Data gathered about customers can help aid organizations in knowing their preferences, enablingthem to build more personalized services.
- **Build trust.** Building relationships with customers will help increase brand loyalty and trust.
- **Use social media.** Social media sites such as Twitter, LinkedIn and Facebook canhelp an organization reach out to its customers, build relationships and trust, and even respond to customer support queries.
- Incentivize **loyalty.** This can be done through customer loyalty programs or by offering discounts or credit.
- **Gather customer feedback.** Gathering feedback from customers enables an organization to further personalize experiences.
- **Improve customer support services.** Implementing a live chat or help desk tool, putting an emphasis on responding to customer support queries quickly and encouraging customers to create accounts can all help increase customer retention.
- **Benefits Customer retention**
- **Cost savings**: Customer retention is generally more cost-effective than acquiringfirst-time customers
- **Positive word of mouth marketing**: Loyal customers are more likely to telltheir friends and family about your brand
- A better bottom line: Increasing retention rates by just 5 percent can increaserevenue by 25 percent to 95 percent

PART A QUESTINS

1. List the techniques of Financial Statement Analysis. (K3,CO2)
2. Distinguish between Vertical and Horizontal Analysis of financial data (K3,CO2)
3. State the importance of financial Analysis. (K1,CO1)
4. What is Key Performance Indictors? (K1,CO1)
5. Difference between Lagging and Leading in KPI. (K3,CO3)
6. Give any two types of KPI and explain. (K3,CO2)
7. What is Good KPI? (K3,CO2)
8. What is KPI and Metrics? (K3,CO2)
9. Define Customer Satisfaction. (K1,CO1)
10. What are the two important questions to be asked when establishing customersatisfaction? (K3,CO2)
11. Comment on "Customer satisfaction metrics reflect your support team'sperformance" (K4,CO4)
12. How do you know if your customer service is driving customer loyalty? (K3,CO2)
13. What is Robust customer analytics tools ?where it is used? Explain
14. What are Customer Retention Metrics? (K3,CO2)
15. Explain Customer Retention rate. (K3,CO)
16. List the benefits of customer acquisition
17. Difference between Customer Retention and employee retention. (K3,CO2)
18. What is Benchmarking? (K1,CO1)
19. How to calculate Employee Performance? (K3,CO3)
20. What is Budgetary? List its control measure (K3,CO3)
21. Find ROI, the initial cost of investment for a house you bought was $200,000, butyou spend $50,000 renovating it. If you sell the house for $350,000. (K4,CO4)
22. How to calculate Return on Investment? (K3,CO2)
23. Difference between Horizontal and vertical analysis. (K3,CO2)
24. How drawback of regular ROI is overcome? (K3,CO3)
25. Explain the term investment. (K1,CO1)

PART – B

Describe the different techniques of financial statementanalysis and explain the limitations of financial analysis.
What is CFS? Give the format for Direct and Indirect methodwith example
How you can identify Good KPI? List its levels and limitationwith suitable example.
What are improvementsrequirement can be made to fulfil the of customer?
Explain the term Customer Retention with its strategies andbenefits in detail.

UNIT 5

INTRODUCTION TO BUSINESS SOFTWARES

Business software (or a **business application**) is any software or set of computer programs used by business users to perform various business functions. These business applications are used to increase productivity, to measure productivity, and to perform other business functions accurately.

ENTERPRISE APPLICATION

- An enterprise application (EA) is a business software system that orchestrates a specific operation. There are many different types of EA, each containing its own unique set of tools and functions to perform a task.
- With EA, businesses can minimize human intervention, boost productivity, and optimize operational efficiency through automation.

Examples of Enterprise Application

1. **Accounting and Billing**
   - Accounting and billing software handles cash flow, from incoming customer payments to outgoing supplier invoices.
   - These solutions are what keep track of enterprises' monetary value and budgets.
   - Without an accounting or billing system, businesses could not efficiently track and record their expenses or profitability.
2. **Business Intelligence**
   - Business intelligence (BI) is the platform of integrated software that defines, combines, and aggregates large volumes of data. Enterprises typically use their BI to develop actionable insights, improve decision-making, and create predictive models.
   - When companies use their BI correctly, they can identify their weaknesses, strengths, risks, and opportunities.

3. Enterprise Content Management

- Enterprise content management (ECM) software can include one or multiple applications that handle digital content.
- ECM software stores, manages, and distributes digital content across programmed platforms, from its creation to its deletion.
- Enterprises typically use ECM to fill out product sites, blogs, articles, and newsletters to generate new leads.

4. Customer Relationship Management

- Customer relationship management (CRM) systems allow companies to collect and manage incoming client information so they can secure leads and retention.
- CRM has a range of functions, from facilitating sales to making business information accessible to customers.
- Without CRM, enterprises are unable to maintain their most important asset.

5. Enterprise Resource Planning

- Enterprise resource planning (ERP) solutions manage a company's internal processes to improve resource allocation and budgeting.
- ERP software typically includes the finance, inventory, human resources, and marketing departments to collaborate all relevant data.
- With integrated information, ERP systems can automate various parts of the planning process.

6. Point-of-Sale Software

- Point-of-sale (POS) software is what orchestrates and records customer transactions so businesses can monitor their income and front-end inventory.
- POS software also enables companies to accept credit cards, checks, and cash payments.

7. Supply Chain Management

- Supply chain management (SCM) solutions enable enterprises to handle internal processes and third-party partners throughout their supply chain.
- Therefore, businesses can establish a direct connection between vendors, manufacturers, distributors, and retailers.
- This eliminates miscommunication between companies and improves supply chain visibility.

BUSINESS APPLICATIONS

- A business application is a software solution or a set of programs that provide business functionality. They're also used to enhance and monitor productivity throughout the organization. Business applications can be used externally, internally, or with other business apps.
- They can be built in-house or be purchased as off-the-shelf solutions. Which type of software a business chooses depends on their specific needs and budget.

Types of Business Apps

- **B2B applications**: Apps used between business partners (e.g. resellers, suppliers, etc.). These can be accessed using dedicated lines, for example, bulk order submission web service.
- **B2C applications**: Apps used for general applications. These are mostly web/browser-based such as dynamic content websites e.g. customer loyalty apps, e-Commerce apps, etc.
- **Internal applications**: Apps used inside the enterprise. These are core apps for business functionality, such as Internal ERP system, HR system etc.

Business Application Subcategories

- **Front-end applications**: Users directly interact with these apps, usually through a Graphic User Interface.
- **Background applications**: These back-end apps function behind the scenes and manage background processes.

- **Services-based applications**: These apps serve as an integration point for other apps or systems.

The problems happen when business starts growing...
When suddenly forced to ensure the efficiency of operations. Otherwise, you'll end up tripping over business systems and stalling success. And that’s where business applications come in handy.

Benefits of Business Apps

Every growing business needs application development. While there's an initial investment upfront for the creation of these critical applications, they can provide a lot of benefits for growing organizations. Here are a few:

1. Business apps increase employee productivity by optimizing business processes to improve efficiency.
2. Business apps empower field workers, allowing them to stay connected to the office and get real-time insights into the process.
3. Business apps increase customer engagement, boosting loyalty and sales.
4. Business apps that are powered by intuitive analytics tools that help provide actionable insights to help you grow your business using more informed decisions.
5. With low code, developing custom business apps has never been easier, meaning you can get exactly what you need without the hefty price or time found in custom builds.

How to Create a Business Application Development Plan

- The most common issue with the implementation of a business app is that the end-users may find them too difficult to use. They may also encounter problems with integration or reporting.
- To avoid such problems, one need to focus on creating a detailed plan before the actual app development. This ensures that business application is simple but powerful in use.

5 essential steps to ensure the successful planning of future project

1. Gather the necessary information
   - Conduct surveys or start with interviews with the key decision-makers and employees. This will help to get a better idea of what kind of custom app actually need to streamline your business process.
2. Suggest the improvements
   - Use the information gathered to get a better understanding of specific business needs. Next, use a mapping technique to identify new opportunities to improve business processes and customer relationships.
3. Define the scope of app development project
   - Brainstorm to identify the potential goals that future business app should be capable of achieving. For example, looking to improve efficiency, increase productivity, or leverage big data?
   - Use this set of strategic goals to outline the technical requirements necessary for their implementation. Think about the technology stack, specific development environment, and processes that will be used to complete each task.
4. Build a business plan
   - To understand the potential return on the investment from business app development.
   - The average cost to build a custom business app may vary greatly and depends on the complexity, urgency, and customization.

What to consider when estimating the final price of your development project:

- Software development costs
- Infrastructure
- Approximate number of users
- Ongoing maintenance and support
- Additional training for your employees

Business case should include the following information:

- Details about resources and required costs
- The duration of the entire project (and the time needed to complete each of the tasks you have outlined)
- Options to perform each part of the app development project by internal team or by external developers

5. Develop the strategy

- Develop a cost-effective strategy for the rollout of app's key features. Prioritize the tasks and estimate how long each phase of custom business app development project may last.

<u>TYPES OF BUSINESS SOFTWARE</u>

There are many different types of business software. Deciding which one is best for business is not always easy and will often depend on:

- the size of your business
- the particular needs of your business
- the tasks that need to be automated

Common types of business software

- word processing programs
- accounts software
- billing software
- payroll software
- database software
- asset management software
- desktop publishing programs

<u>BUSINESS INTELLIGENCE</u>

- Business intelligence (BI) refers to the procedural and technical infrastructure that collects, stores, and analyzes the data produced by a company's activities.
- BI is a broad term that encompasses data mining, process analysis, performance benchmarking, and descriptive analytics.

- BI tools and software come in a wide variety of forms such as spreadsheets, reporting/query software, data visualization software, data mining tools, and online analytical processing (OLAP).
- Self-service BI is an approach to analytics that allows individuals without a technical background to access and explore data.

Types of BI Tools and Software

BI tools and software come in a wide variety of forms. Let's take a quick look at some common types of BI solutions.

- **Spreadsheets:** Spreadsheets like Microsoft Excel and Google Docs are some of the most widely used BI tools.
- **Reporting software:** Reporting software is used to report, organize, filter, and display data.
- **Data visualization software:** Data visualization software translates datasets into easy-to-read, visually appealing graphical representations to quickly gain insights.
- **Data mining tools:** Data mining tools "mine" large amounts of data for patterns using things like artificial intelligence, machine learning, and statistics.
- **Online analytical processing (OLAP):** OLAP tools allow users to analyze datasets from a wide variety of angles based on different business perspectives.

Value of BI

Businesses can leverage BI to improve business performances using quality data accessed from various avenues. Here’s how:

- Tracks business performance in various areas
- Analyses customer behaviour
- Identifies market trends
- Identifies issues or challenges within the business
- Notes ways to optimise operations
- Seeks avenues for increased profit

How is this done?

BI is able to achieve all the afore-mentioned benefits through several processes including:

- Data preparation
- Data visualisation
- Data mining
- Reporting and querying
- Descriptive analytics
- Visual analysis

Benefits of Business Intelligence

- There are many reasons why companies adopt BI. Many use it to support functions as diverse as hiring, compliance, production, and marketing. BI is a core business value; it is difficult to find a business area that does not benefit from better information to work with.
- Some of the many benefits companies can experience after adopting BI into their business models include faster, more accurate reporting and analysis, improved data quality, better employee satisfaction, reduced costs, and increased revenues, and the ability to make better business decisions.

ENTERPRISE RESOURCE PLANNING (ERP)

ERP software applications allow companies to integrate all processes that run a company through a single system. It will integrate processes such as planning, purchasing inventory, sales, marketing, finance, human resources, customer relationship management, and more.

Value of ERP

ERP is a dominant integration tool in business that streamlines operations and enhances day-to-day working in a number of ways:

- **Time saving** – ERP co-ordinates all transactions and workflow, allowing easy access to essential business-decision information.
- **Better customer relations** – ERP systems provide insights into customer interactions and communications, ensuring the customer is effectively attended to at all times.
- **Cost savings** – ERP systems will lower costs through more efficient supply chain management and distribution, as well as shortened development times.
- **Improved performance** – Through its significant business support tools, ERP systems will improve overall performance.
- **Better profits** – Because of the time and cost savings as well as improved performance, your business will benefit from increased profits.

How can ERP assist your BI?

- The ERP and BI systems can work together to convert business data into useful information that can keep company forward. ERP software can organise business data which BI software will then mine and present into usable visuals.
- Effectively, BI requires ERP to function fully and, in fact, some ERP systems will have a built-in BI functionality.

Benefits of BI in ERP

- Enhanced business predictions

Bi will provide with a complete overview of ERP data through easy-to-understand dashboards.

- Increased employee time

Where businesses used to have dedicated teams of employees committed to data analysis, BI will generate accurate reports without such input, freeing up staff to work on other critical business operations.

- Accurate reporting

The automation of data analytics also diminishes the risk of human error that could have disastrous effects. It also prevents the creation of multiple reports and multiple headaches.

- Predictive and prescriptive analytics

ERP systems with BI functionalities allow for effective historical data analysis and future trend predictions. BI can also provide prescriptive analytics for future business decisions.

- Historical insights

Through ERP and BI, one can analyse company's previous data such as sales' performance as a way to analyse numbers and identify areas of growth.

- Better data analysis

Using both BI and ERP, one can better analyse and use business data, determining what is effective and what isn't. Core business processes that can be improved include:

Better forecasting

- Preventative maintenance
- Identifying areas of waste
- Access to updates
- Better visibility

Key Differences Between ERP and BI

- ERP and BI overlap in many ways, but they have different strengths. An ERP system primarily serves as a process management software that manages and integrates important business processes like manufacturing, inventory management, financials, supply chain, etc.
- As a unified process system, centralized data breaks down silos and promotes greater efficiency across the organization. BI takes this data further, enabling businesses to organize, analyze and contextualize information from around the company to generate actionable insights.

Integration of Business Intelligence and ERP

1. Data and analysis have always been at the core of sound business decision-making. But these days the vast amounts of data, structured and unstructured, that companies collect mean they require a way to organize, store and analyze this information at scale.
2. The integration of ERP and BI brings everything together, helping users consolidate millions of data points into clear, actionable insights.
3. Forward-looking businesses want to shift from historical reporting to predictive modeling, that has also driven the rising popularity of ERP-BI integration.
4. The ability to spot trends and patterns, anticipate shifts in the market and proactively adjust plans are all competitive advantages in today's digital economy.

Benefits of Business Intelligence in ERP

BI enhances ERP systems in a number of ways besides turning data into visual analyses that inform decision-making across the organization. Here's a closer look at seven key benefits of ERP-BI integration:

1. **Data aggregation and analysis:** ERP systems generate enormous volumes of raw data, and there is always more value to be unlocked from

this information. With BI integrated in their ERPs, businesses can draw in-depth insights from their data directly within their ERP platforms.

2. **Customization:** Even when every team in a business is working toward a common goal, individual stakeholders may have their own data analysis mandates and requirements. An integrated BI-ERP system allows each team to generate the reports and dashboards they need to meet their objectives.
3. **Predictive capabilities:** Historical ERP data offers insights into past performance, while BI opens the door to predictive analysis and modeling. Together, they offer companies an end-to-end view of their past, present and possible future.
4. **Real-time decisions:** Traditional reporting is retrospective, but, as noted above, businesses need to get more predictive to stay competitive. That is where BI comes in, delivering data and analyses in real time to fuel better, faster decision-making.
5. **Comprehensive insights:** When BI and ERP are integrated, businesses don't have to go back and forth between technologies to assess their performance. All the necessary data is in one place, ready to be used for simple reporting, predictive modeling or to answer specific queries.
6. **Efficiency:** BI integrated within ERP allows companies to consolidate, organize and analyze large data sets from multiple sources in real time. This added speed removes a significant barrier that has traditionally hampered business agility.
7. **Reporting:** BI enhances reporting by allowing teams to incorporate larger datasets for deeper analyses, all while speeding up the report-generation process. Moreover, simple dashboards make reports accessible to authorized users across the organization, no matter their level of technical expertise.

E-Commerce

- E-Commerce stands for electronic commerce and is a process through which an individual can buy, sell, deal, order and pay for the products and services over the internet.
- In this kind of transaction, the seller does not have to face the buyer to communicate. Few examples of e-commerce are online shopping, online ticket booking, online banking, social networking, etc.
- The essential requirement to operate e-commerce is a website. After that, selling, marketing, advertising, and conducting transaction are done through the internet.

Types of E-Commerce

- **Business-to-Business (B2B)** – When the selling and buying of goods and services are between businesses. Manufacturer and wholesalers operate with this kind of electronic commerce. Example: Oracle, Alibaba, Qualcomm, etc.
- **Business-to-Consumer (B2C**) – Here, the goods are commercially traded by the business to customer. Such as Intel, Dell etc.
- **Consumer-to-Consumer (C2C)** – The commercial business is done between customer to customer. Example: OLX, Quickr etc.
- **Consumer-to-Business (C2B)** – The business transaction happens between customer to the business.

Examples of E-Commerce

- Amazon
- Flipkart
- eBay
- Fiverr
- Upwork
- Olx
- Quikr

Advantages of E-Commerce

- E-commerce provides the sellers with a global reach. They remove the barrier of place (geography). Now sellers and buyers can meet in the virtual world, without the hindrance of location.
- Electronic commerce will substantially lower the transaction cost. It eliminates many fixed costs of maintaining brick and mortar shops. This allows the companies to enjoy a much higher margin of profit.
- It provides quick delivery of goods with very little effort on part of the customer. Customer complaints are also addressed quickly. It also saves time, energy and effort for both the consumers and the company.
- One other great advantage is the convenience it offers. A customer can shop 24×7. The website is functional at all times, it does not have working hours like a shop.
- Electronic commerce also allows the customer and the business to be in touch directly, without any intermediaries. This allows for quick communication and transactions. It also gives a valuable personal touch.

Disadvantages of E-Commerce

- The start-up costs of the e-commerce portal are very high. The setup of the hardware and the software, the training cost of employees, the constant maintenance and upkeep are all quite expensive.
- Although it may seem like a sure thing, the e-commerce industry has a high risk of failure. Many companies riding the dot-com wave of the 2000s have failed miserably. The high risk of failure remains even today.
- At times, e-commerce can feel impersonal. So it lacks the warmth of an interpersonal relationship which is important for many brands and products. This lack of a personal touch can be a disadvantage for many types of services and products like interior designing or the jewelry business.

- Security is another area of concern. Only recently, we have witnessed many security breaches where the information of the customers was stolen. Credit card theft, identity theft etc. remain big concerns with the customers.
- Then there are also fulfillment problems. Even after the order is placed there can be problems with shipping, delivery, mix-ups etc. This leaves the customers unhappy and dissatisfied.

Merits

- Easy to form and lower investment is required
- Convenience
- Speed
- Global reach
- Cost saving
- Movement towards a paperless society

Limitations

- Low personal touch
- (ii) Delay in delivery
- (iii) Requirement of hardware
- (iv) Risk
- (v) Low ethics

e-Governance

Electronic governance or e-governance implies government functioning with the application of ICT (Information and Communications Technology). Hence e-Governance is basically a move towards SMART governance implying: simple, moral, accountable, responsive and transparent governance.

- **S**imple — implies simplification of rules and regulations of the government and avoiding complex processes with the application of ICTs and therefore, providing a user-friendly government.
- **M**oral — meaning the emergence of a new system in the administrative and political machinery with technology interventions to improve the efficiency of various government agencies.
- **A**ccountable — develop effective information management systems and other performance measurement mechanisms to ensure the accountability of public service functionaries.
- **R**esponsive — Speed up processes by streamlining them, hence making the system more responsive.
- **T**ransparent — providing information in the public domain like websites or various portals hence making functions and processes of the government transparent.

Objectives of E Governance

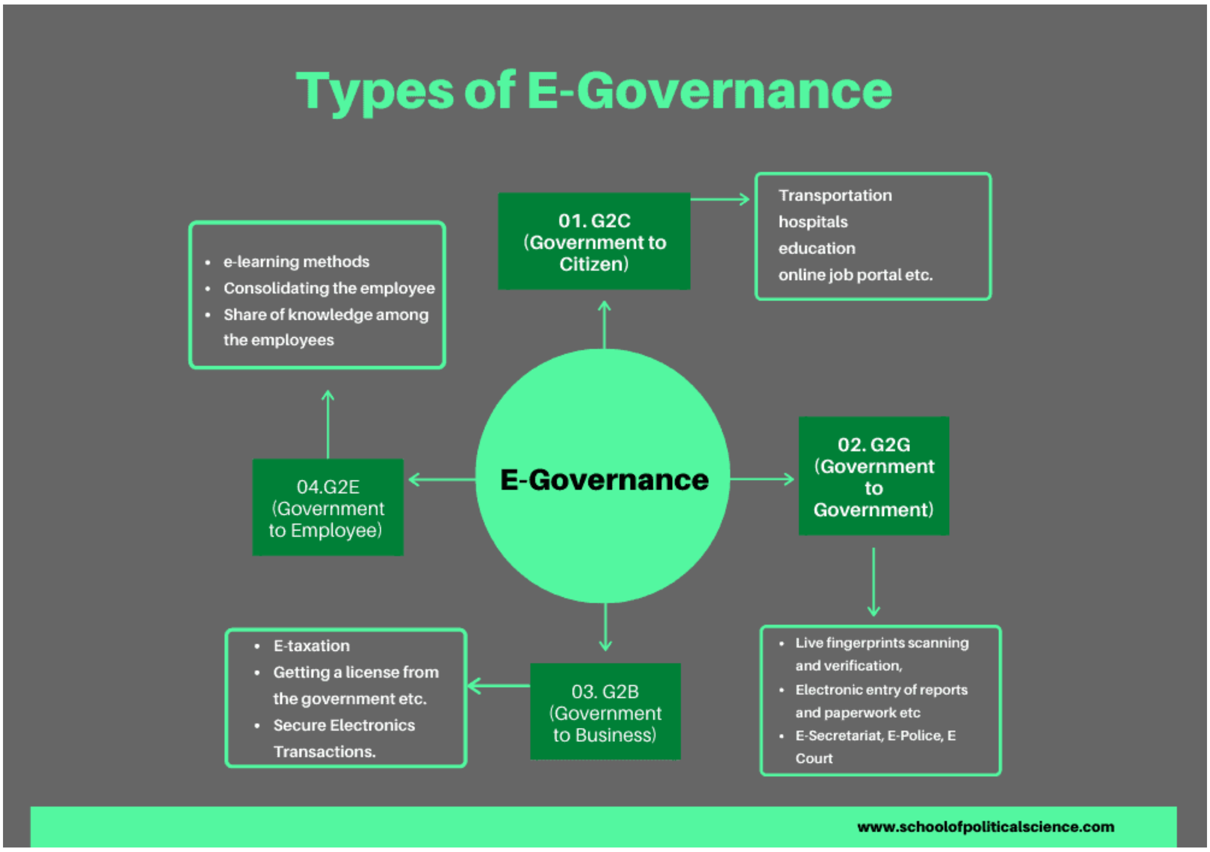
The objectives of e governance are as follows-

1. One of the basic **objectives of e-governance** is to make every information of the government available to all in the public interest.
2. One of its goals is to create a cooperative structure between the government and the people and to seek help and advice from the people, to make the government aware of the problems of the people.
3. To increase and encourage people's participation in the governance process.
4. e-Governance improves the country's information and communication technology and electronic media, with the aim of strengthening the country's economy by keeping governments, people and businesses in tune with the modern world.
5. One of its main objectives is to establish transparency and accountability in the governance process.
6. To reduce government spending on information and services.

Features of E Governance

It has been proven from the concept of e-governance that it is a powerful means of public service in the present era. Some of its features can be found by observing the functioning of e-governance.

1. **De bureaucratization**: Due to e-governance, the gap between the people and the government in all the services of the government is narrowing and the dependence of the people on the bureaucracy is also greatly reduced.
2. **E-Services:** Its main feature is the provision of services through the Internet. As a result, we get G2C, G2B, G2E, etc. services. This is already discussed in the section of 'types of governance'.
3. **International Services**: through e-governance, all the essential services can be delivered to the citizens who are living outside of their country for job purposes or any other reasons.
4. It enhances the **right to express** to the citizens. Using the means of e-governance anyone can share their views with the government on any bill or act or decision taken by the government.
5. **Economic Development**: With the introduction of e-governance, various information like import-export, registration of companies, investment situations, etc. are available through the internet. As a result, time is saved, procrastination decreases, and economic dynamism increases.
6. **Reduce inequality**: using e-governance tools everyone can gather information and empower themselves. In this globalized world, knowledge is power, and means of e-governance empower us by providing relevant information at minimal cost, effort, and time.



Interactions in e-Governance

There are 4 kinds of interactions in e-governance, namely:

1. G2C (Government to Citizens) — Interaction between the government and the citizens.
   - This enables citizens to benefit from the efficient delivery of a large range of public services.
   - Expands the accessibility and availability of government services and also improves the quality of services
   - The primary aim is to make the government citizen-friendly.
2. G2B (Government to Business):
   - It enables the business community to interact with the government by using e-governance tools.
   - The objective is to cut red-tapism which will save time and reduce operational costs. This will also create a more transparent business environment when dealing with the government.
   - The G2B initiatives help in services such as licensing, procurement, permits and revenue collection.

3. G2G (Government to Government)
    - Enables seamless interaction between various government entities.
    - This kind of interaction can be between various departments and agencies within government or between two governments like the union and state governments or between state governments.
    - The primary aim is to increase efficiency, performance and output.
    - Read about government to government initiatives in the linked article.
4. G2E (Government to Employees)
    - This kind of interaction is between the government and its employees.
    - ICT tools help in making these interactions fast and efficient and thus increases the satisfaction levels of employees.

Advantages of e-Governance (Any 6)

- Improves delivery and efficiency of government services
- Improved government interactions with business and industry
- Citizen empowerment through access to information
- More efficient government management
- Less corruption in the administration
- Increased transparency in administration
- Greater convenience to citizens and businesses
- Cost reductions and revenue growth
- Flattens organisational structure (less hierarchic)
- Reduces paperwork and red-tapism in the administrative process which results in better planning and coordination between different levels of government
- Improved relations between the public authorities and civil society
- Re-structuring of administrative processes

Benefits of E-governance

- Reduced corruption

- High transparency
- Increased convenience
- Growth in GDP
- Direct participation of constituents
- Reduction in overall cost.
- Expanded reach of government