



MGT211- INTRODUCTION TO BUSINESS

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MiD Term Short Notes Lec 1- To -22

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Lecture 01

★ Business:

Definition:

- * Any activity to earn profit.
- * The word “business” is derived from the term “busyness.”

★ Entrepreneurship

A phenomenon in which a person searches for an opportunity and try to avail it.

★ Components of business

- * Industry
- * Commerce

★ Industry

- * Conversion of raw material into finished goods.
- * This is a form utility.

★ Types of Industry

★ Primary Industry

- * Extractive Industry _ Extraction of underground resources.
- * Genetics _ People doing business by changing genes.

★ Types of industries

★ Secondary Industry

- * Construction _ Construction of buildings, roads, bridges etc.
- * Manufacturing _ Conversion of raw material into final goods.
- * Services _ Banking, consultancy, accountant, Lawyer, Interior decorator, designer, music composer etc.

★ Commerce

All those activities which start from the warehouse of the manufacturer to the buyer.

★ Types of commerce

★ Trade

★ Trade means buying and selling

★ Aid to trade

★ Institutions that are meant and build to assist and support the trading process.

★ Factors of production

★ Labor _ People working in an organization.

★ Capital _ Amount invested by investor in the business.

★ Entrepreneurship _ Management ability of the people who are running the business.

★ Physical Resources _ Land, labor, building, vehicles, machinery etc.

★ Economic System

★ A system for allocation of resources.

★ Types of Economic Systems

★ Planned Economy

★ Free market Economy

★ Types of environmental forces

★ External Forces

★ Factors found outside an organization.

★ These factors are not controllable by the organization.

★ Types of environmental forces

★ Internal Forces

★ Factors within the organization.

★ These are controllable by the organization.

★ SWOT Analysis

★ Strengths

★ Weaknesses

★ Opportunities

★ Threats

Lecture 02

★ External Factors

★ Economy of the country

★ Per capita income of the country

★ General employment or unemployment

★ Economic Growth

★ Exchange rate

★ Inflation rate

★ Demographic factors

★ Demographic factor is a study of population

- * Population brings customers.
- * Population tells the size of market and nature of customers.
- * Total Population**
- * Population Distribution**
 - * Distribution on the basis of gender
 - * In Pakistan female population is further divided into two categories:
 - * Household Women
 - * Working Women
- * Population growth rate**
 - * The rate at which population of an area increases/decreases.
- * Political and Legal factors**
- * Political Factors**
 - * Preference and priorities of the Government
 - * Attitude of the Government towards Exports
 - * Government taxation policy
- * Legal factors**
 - * Laws related to Health
 - * Laws related to Imports and Exports
 - * Laws related to Taxation
 - * Laws related to Packing
 - * Laws related to Child Labor
 - * Laws related to Labor Union
- * Technological Factors**
 - * Business people have to pace with the technological advancements.
- * Socio cultural Factors**
- * Religion**
 - * Followers of one religion have influence over the buying behavior of the society.
- * Natural Factors**
 - * Act of God
 - * Natural factors are out of our control
 - * Business people will develop product considering natural resources

Lecture 03

*** Sole Proprietorship:**

Definition

Sole Proprietorship is that type of business which is owned by one person.

*** Advantages of Sole Proprietorship**

- * Freedom in formation
- * The easiest to establish
- * Individuals are allowed to decide without interference of any other person.
- * Easier to transfer the ownership of the business
- * People wholly solely enjoy the ownership of the business and profits

- * Individual has unlimited opportunity to expand the size of the business
- * Individual can keep the secrets of the business intact
- * Individual has personal interest in the business
- * Owners can make speedy decisions
- * Easy to dissolve

★ **Disadvantages of Sole Proprietorship**

- * Limited amount of capital
- * Continuity problem
- * Sole Proprietorship has limited life and is dependent on the owner
- * Owner of the business has unlimited liability towards people whom he has to pay

★ **Partnership**

- * A relationship of the people to share investments and profits
- * Partnership act 1932 governs all affairs of the partnership

★ **Advantages of Partnership**

- * More capital
- * Relatively easier to form
- * Sharing of responsibility
- * Light credit standing
- * Business can have more loan from various sources
- * Secrecy
- * Public Confidence
- * Better Decision
- * Easy to dissolve

Lecture 04

★ **Disadvantages of Partnership**

★ **Unlimited Liability**

Partners will have to pay all the debts of the business even from their personal property.

★ **Shorter Life**

Partnership ends when one of the partners dies or becomes insane

★ **Limited Capital**

Partners run the business from their own capital. Sometimes, that capital becomes limited to meet the requirements of the business.

★ **Lack of interest**

Profit is divided among the partners. So, partners do not take keen interest in the business.

★ **Slow Decision Making**

Partners might have different point of view regarding a particular matter. So, decision making is relatively slow.

- * It is difficult to transfer the rights of partnership.
- * There is always a chance of conflict.

★ **Types of Partners**

- ***Active Partner** is one who participates in all the affairs of the business.
- ***Secret Partner** is one who has invested in the business but he/she is not known to general public.
- ***Sleeping Partner** is one who is not very active in the affairs of the business.
- ***Senior Partner** is one who has invested the maximum amount in the business.
- ***Junior Partner** is one who has invested the minimum amount in the business.

* **Types of Partnership**

***Partnership at will**

Life of the partnership depends upon the will of the partners.

***Limited Partnership**

- * That business in which at least one partner has the limited liability.
- * Investor is liable to the amount; he/she has invested in the business only. This is called **Limited Liability**
- * There will be at least one partner who has the unlimited liability.

***Particular Partnership**

- * Partnership formed for a particular purpose.
- * It is dissolved automatically at the achievement of the purpose.

***Termination of Partnership**

***By Notice**

A partner can terminate partnership by giving notice to other partners due to any reason.

***Upon Death**

Partnership will automatically be terminated at the death of any partner.

***Partnership Deed**

A document that contains the terms and conditions of the business.

* **Contents of Partnership Deed**

- * Date on which the agreement was made.
- * Name of the business.
- * Nature of the business.
- * This clause will cover the scope of the business.
- * Names, addresses, telephone Numbers and emails of the partners.
- * Capital of the business.
- * If duration is attached with any business that should clearly be mentioned in the partnership deed.
- * Duties of the partners.
- * Whether any partner is entitled to salary. If yes, how much amount should be given to him as salary.
- * Profit distribution ratio.
- * Whether partners are entitled to withdraw money from the business. If yes, procedure of withdrawals should also be written in the partnership deed.
- * Arbitration
- * In case of a conflict, how that conflict would be resolved before going to the court.
- * The partner should read the partnership deed carefully, add as much clauses as possible and never take anything for granted.

* **Rights of the partners**

***Every partner has the right to:**

- * Participate in all the affairs of the business.
- * Get his/her share of profit from the business.
- * Leave the partnership according to the terms and conditions of the partnership deed.
- * Claim the salary against his/her services.
- * Participate in the management of the business.

Lecture 05

*** Duties of Partners**

- * Partners have to maintain accounts which describe the true picture of the business.
- * Partners should use their powers within limits specified in the partnership deed.
- * Partners are responsible to provide accurate information to Government bodies.
- * Partners are responsible to pay their share in case of loss to the business.
- * It is duty of every partner to obey the decision that has been made in the partnership.
- * Partners should not disclose any secret information about the business to any other person.
- * It is a moral obligation and legal responsibility of the partners not to use firm's forum to take any advantage without intimating to other partners.

*** Joint Stock Companies**

- * Joint Stock Companies are formed under the Companies Ordinance 1984.
- * Joint Stock Company is an association of persons for making profit.

*** Advantages of Joint Stock Companies**

- * We can expand the business
- * Credit facility
- * More capital
- * With more capital and more expertise, companies have more chances to earn more profit.
- * Expansion in the scale of business
- * Responsibility of investor is limited to the face value of shares. This is called **Limited Liability**.
- * If one person dies or leaves the country, it does not have any impact on the business.

- * Life of the joint stock company is longer than sole proprietorship and partnership.
- * It is easy to transfer rights.
- * Company can hire better experts which results in better management.
- * Public place more confidence in companies rather than in any other form of business.
- * Anyone can exit from joint stock company by selling his/her shares.

*** Disadvantages of Joint Stock Companies**

- * Formation of Joint Stock Company is very lengthy, very complicated and very technical job.
- * Lack of interest.
- * There is not much secrecy found in companies.
- * Companies pay double taxation to the Government.
- * Delayed decision making
- * Power is centralized because there are few people who hold major portion of company's shares.

*** Public Limited Company Vs Private Limited Company**

*** Number of members**

- * For a public limited company, minimum numbers of members are seven.
- * For a private limited company, minimum numbers of members are two.

*** Issue of shares**

- * Public limited company is bound to promote issue of shares to general public through media.
- * There is no such provision for private limited company.

*** Name of the company**

- * Public limited companies add the word "Ltd." with their name.
- * Private limited companies add the word "(Pvt) Ltd." with their name.

*** Annual report**

- * Public limited companies have to present their data to general public.
- * There is no such provision for private limited company.

*** Transfer of shares**

- * It is easy to transfer shares in public limited companies.
- * In private limited company, shareholder cannot transfer the shares without the consent of other members.

*** Statutory meeting**

- * It is obligatory for the public limited company to hold statutory meeting.
- * There is no such obligation for private limited company

*** Submission of annual report**

- * It is obligatory for the public limited companies to submit their annual report to registrar Corporate Law Authority.
- * It is not necessary for private limited company.

*** Taxation**

- * Public limited company pays double taxation at different income tax rates.
- * Private limited company pays tax only once at different income tax rates.

★ **Promotion Stage**

- ★ Initiation of idea
- ★ Further discussion with other people
- ★ Collection of further information regarding sales, profitability, availability of machinery, restrictions of the Government etc.

★ **Some other factors**

- ★ Is there a need for a license for this business?
- ★ Is N.O.C required from the Government?
- ★ Promoters have applied for license and permission.
- ★ If copyrights are involved, permission of the principal company is also required.
- ★ People started work for getting their own name and business registered.
- ★ Requirement of funds.

★ **Preparation of Documents**

★ **Memorandum of the company**

A document that contains Name, address, objective and capital of the company.

★ **Articles of association**

A document that contains rules and regulations of the company.

★ **Prospectus**

Prospectus is an initiation for offer.

★ **Incorporation Stage**

- ★ All the documents will be filed to the registrar joint stock companies to seek permission for the business along with the registration fee.
- ★ Experts will examine these documents and make sure that all claims are justified or not.
- ★ If they are satisfied, a certificate of incorporation will be issued to the company.

★ **Collection of Capital**

- ★ Promoters will inform the general public that business is going to be started.
- ★ They will ask the people to invest in the business.
- ★ This is capital subscription stage.
- ★ Share or stock is the smallest unit of investment.
- ★ Stock exchange is a market where people exchange their shares.
- ★ Debenture is a kind of loan which is acquired from the market.
- ★ Certificate of commencement is issued by the Government when commencement of business is allowed.

Clauses of Memorandum of Association

★ **Name of the business**

- ★ We cannot suggest a name that has already been registered.
- ★ We cannot suggest a name after our National Heroes.
- ★ Registered office of the company.
- ★ Objective clause of the business.
- ★ Authorized capital of the company.

★ **Liability clause**

Liability of the investor is limited to the extent of investment in the business.

- ★ Association clause.

★ **Articles of Association**

- * Share capital of the company.
- * Procedure to change the capital.
- * Procedure for meetings.
- * Procedure for voting.

* **Appointment of directors.**

Directors are the officials of the company who are appointed to run the affairs of the business.

- * Duties and authorities of directors.
- * Rights of shareholders.

* **Meetings.**

★ Meeting of shareholders.

★ Meeting of directors.

- * Disqualifications.
- * Seal of the company.

* **Distribution of dividend.**

Profit distributed among shareholders is called dividend.

* **Decision for retained earnings.**

★ Retained earning is a part of the profit retained by the company for future operations.

- * Appointment of auditors.
- * Winding up of companies.

Lecture 07

★ **Shareholders' meetings**

- * Statutory Meeting is the first meeting after commencement of business.
- * Annual General Meeting is the meeting of the company once in a year.
- * Extra Ordinary General Meeting.

★ **Statutory Meeting**

- * Section 77 of The Companies Ordinance 1984 deals with such type of meeting.
- * The company must give 21 days notice to shareholders prior to the meeting.

* **Matters to be Discussed:**

- * Amount of capital acquired.
- * Details of machinery purchased.
- * Details of development in all areas of the business.
 - * Sometimes, issue of share capital does not give minimum amount set by the company.
 - * Underwriters are those organizations which guarantee the company to buy the remaining shares, if minimum requirement is not met.
 - * Statutory report will also tell about the underwriters and commission paid to them.
 - * Information about arrears to be received by the company.

★ **Annual General Meeting**

- * All shareholders will participate in this meeting which is held once in a year.
- * The company must give 21 days notice to shareholders prior to the meeting.
- * **Objectives of Annual General Meeting**
- * Election of directors for the next year.
- * Appointment of auditors.
- * Auditors will review the annual accounts of the company and report on the accuracy of these accounts.
- * Shareholders will elect and approve the appointment of auditors.
- * If auditors are already hired, the shareholders will review their performance and decide whether to continue with current auditors or to change them.
- * Auditors will also be asked whether they are willing to work with the company or not.
- * Declaration of dividend.
- * Decision for directors' remuneration.
- * Auditors will report on the companies accounts in terms of:
 - * Accuracy
 - * No fraud found
 - * Conformity with the Companies Ordinance 1984.

* **Extra Ordinary General Meeting**

* **This meeting will be called when there are:**

- * Some extra ordinary circumstances.
- * Some special type of business.
 - * Decision for debentures.
 - * The company can change its memorandum and articles of association in extra ordinary general meeting.

* **Share Capital**

- * The capital with which the company gets registration is called Authorized Capital of the company.
- * The part of capital that has been offered to general public is called paid up or issued capital.
- * The part which has not yet been issued to general public is called un issued capital.
- * If people have applied for more capital than required, the company will issue the shares by balloting and return the excess money to the general public.
- * If people have applied for less capital than required, whatever amount has been received will be the paid up capital of the company.

* **Winding up of the company**

* **Voluntary winding up**

- * The members of the company decide about winding up of the company.

* **Special Resolution**

- * Members will present special resolution in the extra ordinary general meeting regarding winding up of the company. If approved by the members, the company will be dissolved.

* **Winding up by court**

- * Members have applied to the court for winding up of business.
- * **If court feels that:**
- * Business is not in the benefit of the society.
- * Objective of the business is not in line with the culture of the country.
- * Business is deceiving the general public.
- * The court will order that business should be closed immediately.

Lecture 08

* **Co-operative Societies**

- * Co-operative societies are group of people who form the business to co-operate with each other.
- * The main purpose of co-operative societies is to co-operate with each other through self help.
- * People join these organizations as volunteers.

* **Advantages of Co-operative Societies**

- * This system provides high standard of life due to sharing of resources.
- * Formation is easy because Government support these kind of organizations.
- * People running the business have equal rights in decision making regardless of number of shares or amount invested in the business.

* **Economic Democracy**

- * People sit together and decide about the business of the society.
- * Elimination of middle man results in cheaper products.
- * Government gives financial assistance to these type of businesses.
- * Friendly atmosphere is developed in the society due to close relationship in the people running the business.
- * Employment opportunities are created by such businesses.
- * A sense of mutual co-operation is developed in the society.
- * An opportunity to keep demand and supply in balance.
- * This kind of business requires less expenditure.

* **Disadvantages of Co-operative Societies**

- * People do not have sufficient capital to start such business.
- * **Unavailability to hire professional manager because:**
- * People do not have money in remote areas.

- ★ There are no such people in those areas.
- ★ People do not have experience of such business.
- ★ Lack of secrecy.
- ★ Unavailability of new technology.
- ★ These are not businesses in true sense. People might not have confidence in these businesses.
- ★ Banks might not provide loans to these businesses.
- ★ Interference of the Government.

★ **Entrepreneurship**

Entrepreneurship is that ability in which an individual tries to find the opportunity, take risk and avail these opportunities.

★ **Who are Entrepreneurs?**

★ **People have more entrepreneurial abilities who:**

- ★ Have aspiration.
- ★ Are more strategic.
- ★ Have the vision.

★ **Characteristics of Entrepreneurs**

- ★ Resourcefulness
- ★ Abilities
- ★ Concern of being good.

Lecture 09

★ **Entrepreneurial Characteristics**

★ **Personal Interest**

- ★ Interest for their own development.

★ **Customer Relationship**

- ★ Long term relations with the customers.
- ★ Desire to establish own business.
- ★ Need of control.
- ★ Ability to deal with uncertainties.

★ **Business Plan**

A document which contains the objectives of the business and the ways to achieve these objectives.

★ **Components of Business Plan**

There are two situations:

★ **Buying a business.**

★ **Starting from the scratch.**

- ★ Objectives of the business.
- ★ Marketing Components.
- ★ Financial Components.

★ **Components of Business Plan started from scratch**

★Objectives of the business:

- ★ Name of the business.
- ★ Name should indicate the type of business.
- ★ Name should be simple.
- ★ Uniqueness of name.

★Legal considerations:

- ★ Avoid the names not encouraged by the law. e.g. National Heroes, religious personalities etc.
- ★ Location of the business.

★Marketing Part:

- ★ Who will be the customers of the business?
- ★ Where are they located?
- ★ What would customers like to pay for the product or service?
- ★ What are the benefits, the customers are expecting from the product or service?

★Analysis of competitors:

- ★ What is the nature of competition in the market?
- ★ Who are the competitors of the business?
- ★ How product of the business is different from product of the competitors?

★Promotional Part

- ★ How will the message of the business be promoted in the general public?
- ★ How will the business be launched?

★Financial Part

- ★ What will be the investment of the business and how much should be borrowed?
- ★ What are going to be expected revenues in a given period of time?
- ★ What would be the expected expenses of the business in a given period of time?
- ★ What would be net income or net profit in a given period of time?
- ★ Is the business feasible or not?

★Administrative Part

- ★ What would be the structure to handle the business?

Lecture 10

★ Franchising

- ★ An agreement between two parties in which one party passes on the rights to the other party.

★Rights include:

- ★ Right to use the trade mark.
- ★ Right to use the name.
- ★ Right to use systems, methods and researches.
- ★ Right to use packing material.

★ Parties to Franchise agreement

There are two parties:

★Franchiser

★Franchisee

- ★ Franchiser is one who sells the rights to franchisee.

★ **Advantages of Franchising**

- * Franchiser gets a huge amount of money from franchisee without doing anything.
- * Franchisee gets access to big business.
- * Failure rate of franchise business is lower than any other business.
- * Franchisee uses world wide tested brand and tested procedures that is why failure rate is lower in this type of business.
- * Franchiser provides guidance to franchisee in all affairs of the business.
- * Choice of location
- * Franchiser is always there to support the franchisee in all kinds of matters.

★ **Disadvantages of Franchising**

- * High cost.
- * Proportionate profit is given to franchiser by franchisee every year.
- * There are too many restrictions from franchiser on the franchisee.

★ **New Trends in the Business**

★ **E-Commerce or E-Business**

- * Using internet for marketing products.

★ **Women in business**

- * So many women have come in so many areas of business.
- * Business will be better displayed, well mannered staff, more knowledge of the needs of customers and more market oriented.

★ **Global opportunities**

- * People have the awareness of global market.
- * Internet has played major role in accessing global markets.
- * In Pakistan, people got huge success globally but could not make a brand name in global market.

★ **Factors for lower failure rate**

- * Government's preferences and priorities.
- * Government is convinced to support corporate sector.
- * Businesses are now being set up on more professional grounds.
- * Support from financial institutions.
- * General economy of the country.
- * People are acquiring professional knowledge about business.
- * Government has developed many training centre to train people related to business.
- * Skills development.
- * Institutions to develop man power.

Lecture 11

★ **Causes of Failure in Business**

- * Causes of Failure in People are not capable of handling business.
- * Some people are not capable enough to know markets.
- * People should try to learn the abilities to run the business.
- * People do not have experience required for a business.
- * **We need to have control over:**
 - * Production Process

- * Cost
- * Wastage
- * Complaint handling
- * Quality
- * Insufficient capital
- * Bad Luck
- * National Disaster

★ Reasons for Success in Business

- * Hard work
- * Dedication and Commitment
- * Response of Market
- * Competence – The ability to work
 - * Knowledge of Market
 - * Knowledge of Product
 - * Knowledge of Systems
- * Luck and Act of God
 - * Law of Government
 - * Law related to health
 - * Climate change
 - * Disaster

★ Joint Venture

- * Two or more people or organizations join hands and decide to do a business.

★ Advantage of Joint Venture

- * Combination of skills and abilities.

★ Strategic Alliance

- * Two or more than two organizations collaborate for mutual profit.

★ Decision involved in Strategic Alliance

- * Profit Sharing
- * Client Handling

★ Merger

- * Two or more organizations combine together and form a new organization.

★ Acquisition

- * One business acquires the other business.

★ Advantages of Acquisition

- * Expansion of size
- * To reduce competition

Lecture 12

★ Imports

- * Goods produced somewhere else and sold domestically.
- * Chemicals
- * Technology (Machinery, Software & Hardware, Expertise)

★ Factors to be considered while importing

- * Identification of products to be imported.
- * Procedures, methodologies, technical processes and documents for imports.

*** Exports**

- * Goods produced domestically and sold in some other country.

*** Advantages of Exports**

- * Support of Government.
- * High Profits.
- * Pride for the country.
- * Utilization of production capacity.

*** GATT – General Agreement on Tariff & Trade.**

- * An agreement between the countries that encourages international trade.

*** WTO – World Trade Organization**

- * Scope of WTO
- * WTO insists on removing the artificial barriers to encourage international trade.
- * WTO was organized on January 01, 1995.

*** Per Capita Income**

Per Capita = $\frac{\text{Total income of the country/}}{\text{Total population}}$

*** Tools for measuring economies of the world**

- * World can be divided into three major categories on the basis of per capita income.

*** High income countries**

- * Those countries where people are earning US \$9000 or more.

*** Middle income countries**

- * Those countries where people are earning between US \$765 and \$9000.
- * Tools for measuring economies of the world

*** Lower income countries**

- * Those countries where people are earning below US \$765.

*** Pakistan has a little below than US \$765 income line and is moving towards middle income class countries.**

*** Pakistan is exporting**

- * Sports items
- * Agricultural products (rice)
- * Textile products (Bed Sheets, T-Shirts, Towels etc.)

*** Import and Export Balance**

- * Gap between imports and exports is called surplus and deficit.
- * It varies from country to country.

*** Balance of Payment**

- * Balance of payment = Total receipts - Total payments
- * If receipts are greater, balance of payment is favorable.
- * If payments are greater, balance of payment is unfavorable.

*** Level of involvement in international business**

*** Imports or Exports**

- * We can be importer and exporter.
- * We try to see opportunity in international market to consume surplus products.
- * This is called exports.

*** International Firms**

- * International firms have operations world wide.
- * These firms are also called multinationals.

* Multinationals design products separately for each country.

*** Global Organizations**

* Those organizations which consider the whole country as single market are called global organizations.

* These organizations have standardized products all over the world.

*** International Organizational Structure**

*** Independent Agent**

* A person or an organization that works for an exporter or importer.

* Appointment of representative abroad.

* Licensing agreement,

* Independent Branch Office.

* Strategic Alliance.

* Direct Foreign Investment.

Lecture 13

*** Barriers to International Trade**

* Social and Cultural Changes.

* Different countries have different life styles.

* Religion.

* Every religion has its own set of rules for its followers.

* Religion asks for spending on certain things and stops from spending on certain things.

* Climate

* Laws

* There are different laws in different parts of the world.

* These include laws related to:

* Health

* Safety

* Customer Relationship

* Pricing

* Packing

* Environment

* Economic Differences

* Per Capita Income is different in different countries.

* Different people have different economic systems.

* People preference for a particular product

* Political System

*** Tariff**

* Tax levied on goods entering into a country.

* It is also used as a measure to reduce imports in a country.

*** Quota**

* Limit imposed by one country on importing commodities from another country.

★ **Subsidies**

★ Concessions provided by a country to its producers in order to protect economy.

★ **Business Ethics**

★ Ethics are basic beliefs, a company decides to pursue and implement during a course of action.

★ **Ethical Behavior**

★ A system that confirms the beliefs of the society.

★ Business is being run within that system.

★ Corporate Citizenship is a practice of the company confirmed by the society.

★ Ethical Behavior in Managerial Practices include:

★ Responsibility towards employees.

★ Relationship with other organizations.

★ Interaction with Government.

★ Plans to initiate ethical behavior towards people.

★ To initiate ethical programs.

★ **Corporate Social Responsibilities**

★ To think about benefiting the society and avoid harmful activities for the society is called Corporate Social Responsibilities.

★ These include:

★ Ethical attitude towards customers.

★ Dealing with employees.

★ Ethical communication with Government and local bodies.

★ Ethical behavior towards stake holders.

Lecture 14

★ **Stake Holders**

★ People who are interested in the affairs of the business in one way or the other.

★ Stake holders include:

★ Customers

★ Employees

★ Suppliers

★ Bankers

★ Government

★ Society at large

★ **Rights of Customers**

★ Consumerism

★ Protecting the rights of customers.

★ To get a product which is up to the expectations of the customers.

★ Customer Safety.

★ Right to get information about:

★ Product

★ Supplier

★ System

★ Procedures

★ Standards

- * Ingredients of the product
- * Origin of the company
- * Right to get information about:
 - * Method of manufacturing
 - * Quality standards
 - * Right to be heard
 - * Right to choose
 - * Quality Service

*** Responsibilities of the Organization towards Environment**

- * Reprocessing of waste water.
- * Recycling of waste material.
- * Processing of smoke.
- * Reprocessing of heat.

*** Ethics for Advertising**

- * Truthful or Truth less Communication
- * Objectionable Products
- * Objectionable Appeals
- * Fear Factor
- * Sexual Connotations
- * Objectionable Timings
- * Smoking
- * Selling product to underage customers
- * Legal Commitments
- * Discriminations
- * Health and Safety of Employees

*** Whistle Blowers**

- * People who see irregularities and bring them in the knowledge of the management.

*** Management**

- * Getting things done through others.
- * Manager
- * A person who practices the functions to achieve management's objectives.

*** Functions of Managers**

*** Planning**

- * Thinking for the future.

*** Organizing**

- * Decision about activities performed by the workers.
- * Grouping the activities
- * Delegation of authorities

*** Staffing**

- * Filling out the vacant positions.

*** Coordination**

*** Communication**

- * Receiving information from various sources.
- * Processing of information.
- * Dissemination of information.
- * Distribution of information.

★ **Conflict handling**

★ **Negotiation**

★ **Resource Allocation**

★ **Controlling**

★ To make sure that organization is moving towards the right direction.

Lecture 15

★ **Managerial Skills**

★ **Conceptual Skills**

★ Abilities to think at planning and organizing stage.

★ **Interpersonal Skills**

★ Abilities to deal with others.

★ **Technical Skills**

★ Knowledge of processes and operations.

★ **Goals**

★ Destination where a company wants to reach.

★ **Strategy**

★ Set of plans for long term orientations.

★ **Levels of Strategies**

★ **Corporate Level Strategies**

★ The strategies that cover all the operations, processes and units of organizations.

★ **Strategic Business Unit (SBU)**

★ A part of organization that requires separate planning.

★ **Functional/Operational Level Strategies**

★ The level at which all functions or operations are performed.

★ **Objectives of Goal Setting**

★ Goals give us directions.

★ Resource Allocation.

★ Setting culture of the organization.

★ Assessment of performance.

★ **Mission Statement**

★ The purpose for survival of an organization.

★ Mission Statement describes life time objectives of the organization.

★ Mission statement is a general statement.

★ It is written in terms of:

★ Customer satisfaction

★ Quality of life

★ Service of humanity

★ Mission statement is a long term plan.

★ **Types of Goals**

★ Long Term Goals

★ Medium Term Goals

★ Short Term Goals

★ **Short Term Goals**

* A plan for less than one year.

***Medium Term Goals**

* A plan for one year to three years time.

***Long Term Goals**

* A plan for more than three years.

* Length of plan depends upon type of activities.

* Research shows that people, who plan, have higher rate of success in life.

***Human Resource Management (HRM)**

* Human Resource Management is an area that deals with people who work in organizations.

* HRM deals with the activities of people.

* These Include:

* Attracting people in the organization

* Maintaining them

* Recruitment

* Selection

* HRM deals with the activities of people.

* These Include:

* Training

* Performance appraisals

* Compensation

* Health and Safety

*** Scope of HRM**

* Human Resource Planning

* Type of people required

* When required

* How many people required

* Job Analysis

* Recruitment

* Training

* Compensation

* Health and Safety

* Labor Union

*** Job Analysis**

* Collecting all the information related to a job.

* It is divided into two parts:

***Job Description**

***Job Specification**

* Job description describes the activities of a particular job.

* It includes:

* Job Title

* Job Location

* Working Environment

* Supervision

***Job Specification**

- * Job Specification describes human skills required to perform a job.
- * It includes:
 - * Qualification
 - * Gender
 - * Age
 - * Experience
 - * Special Skills
 - * attitude

Lecture 16

* **Human Resource Planning**

* **HR Planning Includes:**

- * What is the gap between human Resource demand and supply in the market.
- * What is the condition of human resource supply in the market.

* **Sources to find people**

- * Internal Sources
- * External Sources

* **Skills Inventory**

- * A chart that shows skills of workers in the organization.

* **Replacement Chart**

- * A chart that shows turnover in an organization.

* **Turnover Rate**

- * Tendency to leave jobs in an organization.
- * Retention.
- * To retain the people in the organization.
- * Expansion Plans..
- * Replacement on the basis of performance.

* **Recruitment**

- * The process of attracting the people for the job.
- * **Advantage of recruitment within the organization**
- * People are already trained.
- * **Advantages of recruitment outside the organization**
- * Variety of Talent
- * Variety of Abilities
- * Variety of Qualifications
- * **Equal Employment Opportunity**
- * No discrimination on any grounds for hiring people.

★ Sources to find People

★ Informal Search

★ This method is used when reference is also required.

★ Job Posting

★ Putting notices for job on various places in the organization

★ Places can be:

★ Cafeteria

★ Fair Price Shop

★ Sports Field

★ Putting notices for job on various places in the organization

★ Places can be:

★ Reception Desk

★ Notice Board

★ Union Office

★ Educational Institutions

★ Consulting educational institutions for suitable candidates for the job.

★ Educational Institutes are consulted when:

★ Fresh Graduates are required.

★ There are not many institutions for a particular job.

★ Short Listing of institutions.

★ Organizations involve teachers in the selection process.

★ Professional Associations

★ This method is used when people for senior posts are required.

★ Recruitment Agencies

★ These are the organizations which have expertise in selecting people.

★ These agencies are used when:

★ Time span for selection is short.

★ Jobs are highly technical in nature.

★ Employer and employee are at a distant place.

★ Advertisement

★ Giving advertisement in media.

★ Media is used when:

★ Large numbers of jobs are available.

★ Disadvantages of using media

★ Large numbers of applications are received.

★ It is difficult to handle large number of applications.

★ Costly

★ Selection

★ The most important stage in HRM process.

★ It includes:

★ Filling up forms

★ Interviewing people

★ Developing tests

★ Application Blank

★ A form designed by the employer for the prospective employee to fill it out.

★ It records data according to the requirement of the organization.

★ **Test and Interview**

★ Use of test and interview depends upon the nature and level of the job.

★ **Types of Tests**

★ **Achievement Test**

★ Test of knowledge acquired by the candidates in educational institutions.

★ **Psychological Test**

★ To determine the attitude and traits of the candidates.

★ **Skills Test**

★ Aptitude test

★ Test of prior learning

★ Skills test

★ **Medical Test**

★ To keep in record the physical condition of the candidate before joining the organization.

★ To make sure that candidate does not have any transferable disease.

★ **Considerations for Test Development**

★ **Validity**

★ **Reliability**

★ **Validity**

★ **Content Validity**

★ Contents of the test should be relevant to the requirement.

★ **Construct Validity**

★ Sequence of the questions.

★ **Face Validity**

★ Appearance of the test.

Lecture 17

★ **Infrastructure for Test**

★ Space

★ Proper Temperature

★ Enough Quantity of Stationary

★ Evaluation of Test

★ **Interview**

★ Any verbal interaction is called interview.

★ **Job Interview**

★ A method of selection in which we interact with the candidate verbally.

★ **Types of Job Interview**

★ Telephonic Interviews

★ Preliminary Interviews

★ Selection Interviews

★ **Techniques for Final Interviews**

★ **Pattern Interview**

★ Pre-decided questions are asked in a pre-defined sequence.

*** Non Pattern Interview**

- * Questions are asked according to the situation

*** Shortcoming of Pattern Interview**

- * Interviewer can not ask any question other than pre-defined questions.

*** Shortcoming of Non Pattern Interview**

- * Possibility of non-professional and irrelevant questions.

*** Mix Interview**

- * An interview in which some questions are pre-defined and some are situational.

*** Ways to conduct Interview**

- * One person interview

- * Panel Interview

- * A group of people related to the job conduct interview.

*** Arrangements for conducting Interview**

- * Proper place

- * Preparation for questions

- * Read out the resumes of candidates.

- * Human Resource Development

- * Human Resource Development is done through training.

*** Methods for Training**

- * On job Training

- * Learning while working

- * Off job Training

*** Difficulties in On Job Training**

- * In certain jobs, on job training is not possible.

*** Methods for Off Job Training**

- * Lectures

- * Cheaper method of training.

- * For some jobs, it is the most appropriate method.

*** Vestibule training**

- * Artificial situation created for training people.

- * Role Play

- * Business Games

- * Case Studies

*** Performance Appraisals**

- * Evaluation of performance

*** Reasons for performance appraisals**

- * Validation of Human Resource Program

- * Pay for performance

*** Compensation**

- * Compensation can be:

- * Monetary reward

- * Non Monetary reward

*** Incentives**

- * Plans for encouragement of employees in the organization.

*** Types of Incentives**

★ **Organizational Level Incentives**

★ Paid to everyone in the organization.

★ **Individual Incentives**

★ Paid to individual employees who have done good job.

Lecture 18

★ **Individual Incentives**

★ Employees are paid for:

★ Good performance on job.

★ Good performance during training.

★ **Collective Incentives**

★ Incentives are paid to whole department.

★ Incentives for the whole organization can be:

★ Profit Sharing.

★ Benefits other than salaries and wages.

★ **Compensation**

★ Salary is paid for longer period. e.g. for a week, for a fortnight, for a month or for a year.

★ Wages are paid for short term period. e.g. for a day or for an hour or on the basis of units completed.

★ Other ways for compensation can be:

★ Free or cheaper food.

★ Retirement Plans.

★ Pensions.

★ Medical Facilities.

★ Transportation Facilities.

★ Assistance for children education.

★ **Equal Employment Opportunity (E.E.O)**

★ No employee on any base will be discriminated for offering job opportunities.

★ Base can be:

★ Gender

★ Nationality

★ Religion

★ Area

★ Life Style

★ Race

★ In many countries, it is against the law and ethics.

★ Some people are perceived fit for a particular job. This concept is known as Stereotyping.

★ Managers should not evaluate performance on the basis of:

★ Gender

★ Nationality

★ Race

★ Religion

★ **Why do we need Equal Employment Opportunity (E.E.O)?**

- * Job description does not provide any base for discrimination.
- * If law requires, we have to obey the law.
- * Ethics.
- * Research has shown, variety of people can perform better in an organization. This phenomenon is called Work Force Diversity.
- * Managers should encourage different types of people to join organization in order to enhance productivity.
- * **Collective Affairs of Employees**
- * Employees form labor unions in the organization.
- * There could be more than one labor organizations in the company.
- * Collective Bargaining agent (CBA) is a person who has been elected by all the workers in the organization through legal procedures.
- * **Negotiations can be on:**
- * Salary
- * Working Conditions
- * Timings
- * Facilities
- * Benefits
- * Attitudes
- * **Motivation**
- * Motivation is a force that forces people towards a task.
- * **Classical Theory of Motivation**
- * People are motivated because of money or material objects.
- * **Fredrick Taylor's Theory of Scientific Management**
- * Every job should be studied scientifically.
- * Jobs should be divided on the basis of tasks and skills of labor.
- * Pay should be attached with productivity.
- * **Time & Motion Studies**
- * Time spent on jobs should be studied using scientific devices and motions of machines or human motions.
- * **Objection on Fredrick Taylor's Theory of Scientific Management**
- * This theory considers human beings as machines.
- * **Hawthorn Studies**
- * Basic purpose of these studies was "Effect of light on productivity".
- * Productivity depends upon human relations.
- * Shortcoming of this theory was that human moods, human behavior, human liking and disliking and human interest were ignored.
- * Hawthorn Studies became a base for behavioral studies in organizations.

Lecture 19

- * **McGregor Theory - X**
- * Every normal human being dislikes work by nature.
- * People work because of some pressure.
- * Pressure can be:
- * Salary
- * Advancement

- * Respect
- * Some other force
- * **McGregor Theory - Y**
- * People inherently like to work.
- * **McGregor Theory – X & Y**
- * X-Type managers might:
 - * Use punishment and threat to make people work.
 - * Control activities of the work very closely.
- * Y-Type managers will identify the barriers which are causing problems for workers and try to eliminate those barriers.
- * In some situations, managers have to adopt X-type behavior and in some situations, they have to adopt Y-type behavior.
- * Culturally, in societies, managers are moving towards Y-type behavior from X-type behavior.
- * **Why do People work?**
- * Need
- * A state of felt deprivation.
- * **Maslow's Hierarchy Of Needs**



- * **Biological Needs**
- * Biological needs are related to human body's survival. e.g. food, drink, air, sleep etc.
- * **Safety Needs**
- * Safety from:
 - * Cold
 - * Heat
 - * Sand
 - * Storm
 - * Earthquake
 - * Animals

* Enemies

*** Social Needs**

*** Self Esteem**

* Worth attached by human beings to themselves.

* People who have high self esteem are more productive.

*** Self Actualization**

* Fullest utilization of one's potential.

*** Use of Hierarchy in Motivation**

* Biological needs can be fulfilled by:

* Giving salaries.

* Providing free or cheaper food to employees.

* Providing routine items at concessional prices.

*** Safety Needs**

* Organization can provide safety devices to employees. For instance:

* Helmet

* Glasses

* Gloves

*** Safety Needs**

* Organization can provide safety devices to employees. For instance:

* Special purpose shoes

* Medical Facilities

* Houses

* House rent

* Pick & drop service

* Insurance

* Pension plans

* Preventing people from accidents

*** Social Needs**

* Organizations encourage informal organizational activities.

* These include:

* Combined lunch or dinner

* Sports

* Fun fair

* Musical Programs

Lecture 20

*** Use of Hierarchy in Motivation**

*** Self Esteem**

* Worth of human beings.

* These include:

* Designation of Individuals.

* Status in the organization.

* Recognition of employees in the organization.

* Self esteem has direct relationship with productivity.

* Various techniques can be used to make self esteem of employees high. These can be:

- * Finding titles for employees

- * Recognition

- * Awards

- * Cash rewards

- * Increment in the salary

- * Promotion

- * Raising status of employees

- * **Self Actualization**

- * Fullest utilization of one's potential.

- * These include:

- * High Challenges

- * High position in the organization

- * **Criticism on Maslow's hierarchy theory**

- * It is possible that human needs may deviate from the order given by Maslow.

- * There is a question mark whether needs finish after self actualization or not.

- * **Two Factor Theory or Hygiene theory**

- * Herzberg presented this theory by taking the phenomenon of human hygiene.

- * Two factors work in the organization:

- * Hygiene factors

- * Motivators

- * Factors required to keep employees in the organization are called hygiene factors.

- * Factors used to get high productivity from workers are called motivators.

- * Hygiene factors fall with the biological needs, safety needs and partially with social needs of Maslow's hierarchy theory.

- * Motivators are almost similar to social needs, Self esteem needs and self actualization needs of Maslow's hierarchy theory.

- * Both factors should be present in the organization at the same time to get productivity from workers.

- * **Expectancy Theory**

- * People in the organization are motivated with:

- * Expectations about reward.

- * Assurance of getting reward by doing a particular task.

- * **Equity Theory**

- * Equivalence in inputs and outcomes.

- * Inputs of employees in an organization are:

- * Level of education

- * Skills

- * Experience

- * Reputation

- * Hard work

- * Connections

- * Outcomes of employees in an organization are:

- * Salaries

- * Designations

- * Promotions

- * Benefits

- * Social Status
- * Respect in the organization
- * Opportunities
- * **Equity Theory**
- * Individual will also compare his input/outcome with other individual's input/outcome.
- * **How can Equity Theory be implemented?**
- * Managers have to explain reasons for the difference of outcomes of employees in order to keep them motivated.
- * People compare their rewards with the market as well.

Lecture 21

* **Reinforcement Theory**

- * To strengthen desired behavior at work place.
- * To force the workers to adopt that behavior.
- * There are two ways for reinforcement:
- * Positive reinforcement
- * Negative reinforcement
- * Positive reinforcement means to encourage a particular behavior.
- * Negative reinforcement means to discourage a particular behavior.

* **Human Relations**

- * Human Relations can be:
- * Employee to employee
- * Employee to employer
- * Purpose of human relations is to give a feeling of a family.

* **Job Enrichment**

- * This is needed when people are under performing.
- * Job enrichment means adding something into the job.
- * To provide opportunities to employees to apply their talent, knowledge and creativity for performing more in the organization.

* **Job Re-designing**

- * To re-design a task.

* **Job Sharing**

- * People share the work.

* **Management by Objective (MBO)**

- * Idea of MBO is opposite to the traditional management.
- * Decision and planning is made in collaboration with the subordinates.

★ **Difficulties with MBO**

★ People do not understand the philosophy of MBO.

★ **Application of MBO**

★ Subordinates set their goals by themselves with the consultancy of top management.

★ **Psychological Contract**

★ A contract between employee and the organization.

★ With the achievement of psychological contract, workers will have high level of morale and satisfaction.

★ **Leader**

★ A person who influences people for the achievement of pre-defined goals.

★ **Leadership**

★ Ability of an individual to influence others.

★ **Difference between a leader and a manager**

<u>Leader</u>	<u>Manager</u>
Leader is a change agent.	Manager is more concerned with the status co.

★ **Leadership**

★ Powers of leaders

★ Position powers

★ Personal powers

★ All those powers/authorities which are attached to a position are called position powers.

★ Position powers are transferable.

★ Powers attached with some person are called personal powers.

★ These are non transferable.

★ **Types of leaders**

★ **Autocratic leaders**

★ Leaders who take decisions by themselves.

★ This type of leadership is used in those circumstances when there is not much time for decision making.

★ These types of leaders have more centralized powers.

★ Managers take more powers when:

★ Managers do not trust their subordinates.

★ Subordinates might not have enough training.

★ **Democratic Leaders**

★ Democratic leaders share the ideas.

★ In this style, leaders will encourage more communication.

★ **Free-Rein leaders**

★ Managers depend more upon subordinates.

- * Encourage the subordinates to make decisions by themselves.
- * This approach is practiced when:
 - * Staff is highly motivated.
 - * People are working in synergistic environment.
 - * Fully trained people.
- * **Difference of communication in leadership styles**
 - * In autocracy, there will be downward communication but no upward communication. i.e. one way communication.
 - * In democracy, there is both way communications. I.e. upward and downward communication.
 - * In free rein, there will be more communication among subordinates and occasional communication among subordinates and managers.
 - * Method of decision making depends upon the situation.
- * **Contingency approach of Leadership**
 - * Every job has its own uniqueness.
 - * With the change in task, different type of leaders and different leadership style is required.

Lecture 22

Marketing

- * All those activities which make the exchange possible.
- * Exchange includes:
 - * Exchange of goods, services and ideas from one person, organization and place to another person, organization and place.
 - * A system of business activities designed to plan, price, place and promote goods, services and ideas to potential customers.
- * **Potential Customers**
 - * A person, a body, an institution or a firm who has:
 - * Need
 - * Money
 - * Willingness to spend money.
- * **System**
 - * A set of interrelated and interdependent activities.
- * **Planning for marketing**
 - * What should be marketed?
 - * When should be marketed?
 - * Where should be marketed?
 - * Distribution
 - * Pricing
 - * What is going to be the price of the product?
 - * Promotion
 - * Should the product be promoted or not?
- * **Marketing**
 - * Product is:
 - * Anything that is offered for sale in the market.
 - * All those things which are tangible.

- * Services are intangible. i.e. which are not touchable.
- * Marketing of ideas.
- * **Marketing**
- * Marketing ideas can be applied on non business activities. This is called social/societal marketing.
- * This includes:
 - * Asking for donations.
 - * Drive slow.
 - * Say your prayers.
- * Need is a state of felt deprivation.
- * Marketers satisfy the needs through products, services, objects and ideas.
- * Market is a place where people exchange goods, services and ideas.

* **Stages in Marketing**

- * **Production oriented stage**
- * All the efforts are made to produce more and more.
- * **Product oriented stage**
- * Management focuses on quality of product rather than quantity of product.
- * **Sales oriented stage**
- * Sellers feel the need of an organized institution that coordinates all activities related to sales.
- * **Marketing oriented stage**
- * Unsatisfied needs of the customers are satisfied.
- * **Societal Marketing stage**
- * Benefits of society are considered by the organizations.
- * **Value**
- * Difference between cost and benefits of the product.

* **Utility**

- * Ability of any commodity to satisfy the needs.
- * **Forms of Utility**
- * **Time Utility**
- * Customers get the commodity when they want.
- * **Form Utility**
- * Converting the shape of the product from one form to another.
- * **Place Utility**
- * Transportation of product from one place to another.
- * **Ownership Utility**
- * Product owned by the manufacturer is distributed to the end buyers through different steps.

