
MGT 211 Short Notes

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

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- * 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

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- * 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.

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★ **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.

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- * 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**

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- * 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.

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- * 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.

Lecture 06

★ 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.

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* 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.

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- * 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.

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- * 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.

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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.

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- *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.

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- * 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

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*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**

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- * 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

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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 in to 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.)

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★ **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

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-
- ★ 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.

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-
- * 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

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-
- * 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.

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★ **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.

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-
- ★ 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

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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

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* 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.

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★ **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.

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✳ **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

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★ 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.

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* 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.

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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**



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★ **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

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* 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.

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★ **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.

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* 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**

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-
- * 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:

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-
- * 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**

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* 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.

