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SCHOOL OF ELECTRICAL AND ELECTRONICS

DEPARTMENT OF ELECTRICAL AND ELECTRONICS ENGINEERING

UNIT I – PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS – SBAA4002

UNIT – 1 MANAGEMENT THEORIES

Definition of management, science or art, manager vs entrepreneur; Types of managers - managerial roles and skills; Evolution of management-scientific, human relations, system and contingency approaches; Types of Business Organizations, sole proprietorship, partnership, company, public and private enterprises; Organization culture and environment; Current trends and issues in management.

INTRODUCTION TO MANAGEMENT

In today's volatile economies, every organization needs strong managers to lead its people towards achieving the business objectives. A manager's primary challenge is to solve problems creatively and plan effectively. Managers thus fulfill many roles and have different responsibilities within the various levels of an organization.

Management began to materialize as a practice during the Industrial Revolution, as large corporations began to emerge in the late 19th century and developed and expanded in to the early 20th century. Management is regarded as the most important of all human activities. It may be called the practice of consciously and continually shaping organizations.

What is Management?

Management is a universal phenomenon. Every individual or entity requires setting objectives, making plans, handling people, coordinating and controlling activities, achieving goals and evaluating performance directed towards organizational goals. These activities relate to the utilization of variables or resources from the environment − human, monetary, physical, and informational.

Human resources refer to managerial talent, labor (managerial talent, labor, and services provided by them), monetary resources (the monetary investment the organization uses to finance its current and long-term operations), physical resources (raw materials physical and production facilities and equipment) and information resources (data and other kinds of information).

Management is essentially the bringing together these resources within an organization towards reaching objectives of an organization.

Management Defined

Management has been defined by various authors/authorities in various ways. Following are few often-quoted definitions:

Management guru, Peter Drucker, says the basic task of management includes both marketing and innovation. According to him, "Management is a multipurpose organ that manages a business and manages managers, and manages workers and work."

Harold Koontz defined management as “the art of getting things done through and with people in formally organized groups.”
All these definitions place an emphasis on the attainment of organizational goals/objectives through deployment of the management process (planning, organizing, directing, etc.) for the best use of organization’s resources. Management makes human effort more fruitful thus effecting enhancements and development.

Management is the process of planning, organizing, leading, and controlling an organization’s human, financial, physical, and information resources to achieve organizational goals in an efficient and effective manner.

The principles of management are the means by which a manager actually manages, that is, get things done through others—individually, in groups, or in organizations. Formally defined, the principles of management are the activities that “plan, organize, and control the operations of the basic elements of [people], materials, machines, methods, money and markets, providing direction and coordination, and giving leadership to human efforts, so as to achieve the sought objectives of the enterprise.”

Is Management an Art or a Science?

Like any other discipline such as law, medicine or engineering, managing is an art – at least that is what most people assume. Management concepts need to be artistically approached and practiced for its success. It is understood that managing is doing things artistically in the light of the realities of a situation.

If we take a closer look at it, Management, when practiced, is definitely an art but its underlying applications, methods and principles are a science. It is also opined that management is an art struggling to become a science.

Management as an Art

The personal ingenious and imaginative power of the manager lends management the approach of an art. This creative power of the manager enriches his performance skill. In fact, the art of managing involves the conception of a vision of an orderly whole, created from chaotic parts and the communication and achievement of this vision. Managing can be called "art of arts" because it organizes and uses human talent, which is the basis of every artistic activity.

Management as a Science

Management is a body of systematized knowledge accumulated and established with reference to the practice and understanding of general truth concerning management. It is true that the science underlying managing is not as accurate or comprehensive as physical sciences (such as chemistry or biology) which deal with non-human entities. The involvement of the human angle makes management not only complex but also controversial as pure science. Nevertheless, the study of the scientific elements in management methodologies can certainly improve the practice of management. **Management as a Science and Art**

Science urges us to observe and experiment a phenomenon, while art teaches us the application of human skill and imagination to the same. In order to be successful, every manager needs do things effectively and efficiently. This requires a unique combination of both science and art. We can say that the art of managing begins where the science of managing stops. As the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

Entrepreneurs vs Managers

The main difference between Entrepreneur and Manager is their role in the organization. An entrepreneur is the owner of the company whereas a Manager is the employee of the company. Entrepreneur is a risk taker, they take financial risk for their enterprise. The entrepreneur has a vision and focuses on achievements and profit.

Who is an Entrepreneur?

Very basically speaking, an entrepreneur is a one-man show that runs entrepreneurship. However, such a person usually has some unique attributes that allow him to be successful in his endeavors. He is essentially an initiator and a leader. He brings business ideas to fruition thus starting off his venture.

A successful entrepreneur is usually a responsible person. He is accountable for the success or the failure of his venture, and he takes this responsibility very seriously. And since he is the only person in-charge he is automatically the leader. In fact, leadership qualities are one of the main aspects of an entrepreneur.

Benefits of Entrepreneur

As we have seen previously, entrepreneurship is a very important form of business organization. Entrepreneurs are often considered the building blocks of an economy. They take risks to fulfil customer needs and expectations.

And so entrepreneurship is beneficial in many ways to the entrepreneur, the organization and the economy as a whole. Let us take a look at some of the benefits of entrepreneurship.

1. The growth of Managerial Abilities
One of the biggest and most significant benefits of entrepreneurship is that it helps in the identification and development of managerial talent.

A successful entrepreneur has to learn a lot of skills to run his business. One such very important skill is the art of decision making. So an entrepreneur weighs his options, analysis his choices and chooses the best alternative. This is the crux of decision making. Along the way, an entrepreneur may even learn new managerial functions and techniques. This really helps in the overall development of managerial capabilities in an economy.

2. Creation of Businesses/Organisation
Entrepreneurship is essentially a business owned entirely by one person. And the majority of these businesses are actually single handly run by the entrepreneurs themselves. So they assemble and coordinate their factors of production. They create their organizations from the ground up. They even learn some managerial skills along the way.

3] Promotes Better Standard of Living
One very important factor of entrepreneurship is that they help fulfil all the customer needs and luxuries in society.

An entrepreneur will launch products and services to meet customer requirements, even if it is not a mainstream good/service. Even niche requirements are fulfilled by entrepreneurs.

So this results in a better standard of living for the members of the public. The boom we have seen in high tech electronics, personal shopping experiences, luxury cars, and other products are all a result of this rise in our standard of living thanks to the entrepreneurs.

4] Economic Development
Entrepreneurs play a very important role in the national economy of any country. They are the spark that ignites the flames of economic development in a country.

They not only invest their own capital but also attract capital from the market. Entrepreneurs make productive use of these savings, they mobilize them and turn them into a productive resource.

This pooled financial resource or capital is the basis of wealth creation in the economy. There is another of the benefits of entrepreneurship is that they also create jobs in the market. Again this contributes majorly to the economic development of a country.

Traits and Characteristics of an Entrepreneur
As we look back in history we see the success stories of many accomplished and well-known entrepreneurs. If you read about them, you will realize no two stories are the same.

Everybody has their own path to success. However, there are a few common traits and characteristics that all successful entrepreneurs have in common. Let us take a look at a few such traits.

1. Vision and Passion
An entrepreneur must have a very clear vision of his business. So he must have the ability to plan out his long term and short term goals and objectives. He has to be able to map out his future plans in an articulate and efficient manner.

Another very important trait necessary in an entrepreneur is that he must be passionate about his work. Entrepreneurship is hard work and long hours, so he must be passionate about what he is doing. Such passion can translate into hard work and success.

2. Innovative
One of the main characteristics of entrepreneurship is innovation. The entrepreneur looks for the opportunity in the market and capitalizes on it.

He is the one who introduces new products and services in the market trying to fulfil customer needs. The innovation can also be in a production process, new marketing strategy, innovative advertising etc.

3. Risk Taker
A risk is an integral part of any new business. But it is an especially important factor in entrepreneurship because here the entrepreneur bears the entire risk of the business. So it is necessary that the entrepreneur has an adventurous and risk-taking personality.

4. Leader
One of the other important qualities of a successful entrepreneur is leadership. All good entrepreneur are good leaders.

They have the ability to motivate and lead their employees to success. They also have the tenacity, knowledge, and skill to pull their businesses from a tight corner like good leaders.

5. Persistent
A good entrepreneur is always persistent by nature. A business is never an overnight success. It takes immense hard work and also a little bit of luck.

But a persistent entrepreneur makes his own luck. He can create opportunities if they are not presented to him. So a persistent entrepreneur that works tirelessly always has a greater chance of success.

6. Ethical
Ethics and integrity are the cornerstones of any successful business in the long term. A sustainable business cannot be run by someone with compromised morals.

So any credible business must have at its head an ethical entrepreneur who upholds the letter of the law and the integrity of the business.

7. Competitive Spirit
The business world is a very cut-throat space. Thousands of new businesses born and die every day. So the competition is always going to be fierce and intense.

Such an environment is better suited to someone who is already competitive by nature and thrives in such situations of pressure.

8. Resilient
And finally one of the most important traits in a successful entrepreneur is resilience. There is no smooth straightforward path to success.

There will always be some failures and roadblocks in the way. So the entrepreneur has to be resilient and steadfast in his pursuit of success.

Four Key Elements of Entrepreneurship

After having studied the concept of entrepreneurship, now let us look at some key elements that are necessary for entrepreneurship. We will be looking at four of the most important elements.

Innovation
An entrepreneur is the key source of innovation and variation in an economy. It is actually one of the most important tools of an entrepreneurs success. They use innovation to exploit opportunities available in the market and overcome any threats.

So this innovation can be a new product, service, technology, production technique, marketing strategy, etc. Or innovation can involve doing something better and more economically. Either way in the concept of entrepreneurship, it is a key factor.

Risk-Taking
Entrepreneurship and risk-taking go hand in hand. One of the most important features of entrepreneurship is that the whole business is run and managed by one person. So there is no one to share the risks with.

Not taking any risks can stagnate a business and excessive impulsive risk-taking can cause losses. So a good entrepreneur knows how to take and manage the risks of his business. But the willingness of an entrepreneur to take risks gives them a competitive edge in the economy. It helps them exploit the opportunities the economy provides.

Vision
Vision or foresight is one of the main driving forces behind any entrepreneur. It is the energy that drives the business forward by using the foresight of the entrepreneur. It is what gives the business an outline for the future – the tasks to complete, the risks to take, the culture to establish, etc.

All great entrepreneurs of the world that started with an entrepreneurship business are known to have great vision. This helps them set out short term and long term goals for their business and also plan ways to achieve these objectives.

Organization
In entrepreneurship, it is essentially a one-man show. The entrepreneur bears all the risks and enjoys all the rewards. And sure he has the help of employees and middle-level management, yet he must be the one in ultimate control. This requires a lot of organization and impeccable organizational skills.

An entrepreneur must be able to manage and organize his finances, his employees, his resources, etc. So his organizational abilities are one of the most important elements of entrepreneurship.

Types of Entrepreneurs
Starting a business all on your own is a very difficult task. An entrepreneur needs to have a lot of skills and knowledge to get the business off the ground. But if the kind of business the entrepreneur is setting up matches with his personality his nature, then the job becomes somewhat easier.

So identifying your skills, characteristics and personality traits can help an entrepreneur also identify the type of business he should start. Each of these types of entrepreneurs will enjoy success if they remain true to their characters. Let us see some of the most common types of entrepreneurs.

1. Idealist
An idealist is one of the most common types of entrepreneurs. He is generally innovative and creative by nature. His idealistic nature usually guides his innovative spirit to pursue his entrepreneurship dreams. And such idealist entrepreneurs are also optimistic by nature.
2. Optimizer
These are the entrepreneurs that see the glass as half full. They have a very positive outlook on life and this optimistic nature of their reflects in their business as well. They are also usually content with owning a business, they derive personal satisfaction from it.

3. Hard Workers
While all types of entrepreneurs work hard for their respective business, this is a special kind of hard worker. As the name suggests, these are the entrepreneurs that put maximum effort to ensure their business succeeds.

They do not mind the long hours and the toil involved with building a business. They constantly challenge themselves and work endlessly to ensure the growth of their business.

4. Improver
These types of entrepreneurs have a noble cause to start their business – to improve or better the world in some way. They wish to run a moral and ethical business. Such entrepreneurs are very ethical. They will not adopt means that harm the cause in the search for higher profits.

5. Visionary
These are the entrepreneurs that are the founding members of the business. It was their vision and objectives that were followed to build the business. These people have the ability to accurately gauge the future and are also generally curious by nature. They are the original thinkers of the business.

6. Analyst
And finally the analysts. These are the problem solvers. They analyze the problems and complications and find the most suitable and cheap solutions. They are critical thinkers and logical people by nature. Also, complicated businesses suit them since they are not bothered by too many complications.

7. Jugglers
A juggler is an entrepreneur that likes to handle everything by himself. They are energetic and enthusiastic entrepreneurs who do not believe in having too many employees or help. So they handle everything from ensuring project finance to paying the daily bills.

Description of the following types of entrepreneurs:

Sustainer: Entrepreneurs that manage to keep the work-life balance healthy
Superstar: An entrepreneur with a strong personality and a lot of charisma. They build their business around their personal brand
Artiste: The creatively inclined entrepreneurs.
Fireball: These entrepreneurs have a very energetic presence. This translates to their business as well which is very lively and optimistic.

Intrapreneurship

Intrapreneurship is actually a clever combination of two words. It is the combination of 'intra' meaning within the company or corporate and 'preneur'.

Essentially an intrapreneur is a person who works within the company but has taken on an individual project by himself. So an intrapreneur is responsible for turning an idea or vision into a successful finished product.

So an intrapreneurship is basically a combination of entrepreneurship and management skills. The key difference is that in an intrapreneurship the intrapreneur is not the lone risk taker, but he is an employee of the firm.

But he still requires to have all the skill and knowledge of an entrepreneur, even some assertive risk-taking.

In recent years everyone with the skills and ability of an entrepreneur chooses to start their own business. This left a dearth of talent in management.

So with the evolution of intrapreneurship, the manager was made the head of the business unit and asked to run it like an entrepreneur. This helped in bridging the gap.

Features of an Intrapreneurship

Promotes innovation or creativity in the intrapreneur. It also forces him to take more risks and responsibilities. This is an important step in developing future talents and leaders.

These intrapreneurship projects do not require a capital contribution from the intrapreneur. The organizations fund the projects themselves. And usually, there is a profit sharing agreement with the manager.

It also helps cultivate entrepreneurial skills and culture in a corporate setting. This merging of cultures is beneficial to both,

In an intrapreneurial project, the chances of failure are fairly lesser than a start-up. This is because the financing of the project is by large organizations.

Another feature is that it enriches life on the intrapreneur. He receives training to hone his managerial skills and techniques and also enhances his knowledge about business.

Intrapreneurship results in wealth creation. The organization earns a healthy return on their investment, and the intrapreneur also earns wealth (part of the profits)

Also, it helps in portfolio diversification for the organization.

Intrapreneur vs Entrepreneur

Intrapreneur	Entrepreneur
He is an employee of the organisation that is put completely in charge of a business division or a particular	He is an independent individual who owns

product	and runs his business single handly
Intrapreneur uses the capital and the resources of his employer, i.e. the organization where he works	However, an entrepreneur has to come up with the capital himself and use his own resources.
While an intrapreneur is given responsibility and authority to run his division, he is not completely independent.	An entrepreneur is completely independent of all his business decisions.
An intrapreneur begins his work in an already existing organization. He only sets up his new division.	An entrepreneur has to set up his entire business from the ground up.

Who is a Manager?

A manager, on the other hand, is not an owner of an enterprise. Instead, he is the one that is responsible for the management and administration of a group of people or a department of the organization. His day to day job is to manage his employees and ensure the organization runs smoothly.

A manager must possess some of the same qualities as an entrepreneur, like leadership, accountability, decisiveness etc. He must also be a good manager of people. So qualities such as warmth and empathy are also very important in a manager. Now that we have a brief idea about their qualities and roles, let us take a look at the difference between them

Entrepreneur vs Manager	
Entrepreneur	**Manager**
Entrepreneur is visonary and bears all financial risks.	Manager works for salary, and does not have to bear any risks.
Focuses on starrting and expanding the business ideas	Focus on daily smooth functioning of business
Key motivation for Entrepreneur is achievments	Mangers motivation comes from the power that comes with their position
Reward for all the efforts is profit he earns from the enterprise	Remuneration is the salary he draws from the company
Entrepreneur can be informal and casual	Manager's approach to every problem is very formal

Difference between Entrepreneur and Manager

- The key **difference between an entrepreneur and a manager** is their standing in the company. An entrepreneur is a visionary that converts an idea into a business. He is the owner of the business, so he bears all the financial and other risks. A manager, on the other hand, is an employee, he works for a salary. So he does not have to bear any risks.
- The focus of an entrepreneur lies in starting the business and later expanding the business. A manager will focus on the daily smooth functioning of the business.
- For an entrepreneur the key motivation is achievements. But for the managers, the motivation comes from the power that comes with their position.
- The reward for all the efforts of an entrepreneur is the profit he earns from the enterprise. The manager is an employee, so his remuneration is the salary he draws from the company.
- The entrepreneur can be informal and casual in his role. However, a manager's approach to every problem is very formal.
- The entrepreneur by nature is a risk taker. His has to take calculated risks to drive the company further. A manager, on the other hand, is risk-averse. His job is to maintain the status quo of the company. So he cannot afford risks.

Management – Role of Managers

Every organization has 'Managers' who are entrusted with the responsibility of guiding and directing the organization to achieve its goals.
Managers administer and coordinate resources effectively and efficiently to channelize their energy towards successful accomplishment of the goals of the organization. Managers are required in all the activities of organizations. Their expertise is vital across departments throughout the organization.

Role of Managers

Managers are the primary force in an organization's growth and expansion. Larger -organizations are particularly complex due to their size, process, people and nature of business. However, organizations need to be a cohesive whole encompassing every employee and their talent, directing them towards achieving the set business goals. This is an extremely challenging endeavor, and requires highly effective managers having evolved people management and communication skills.

The Top Management

The top level executives direct the organization to achieve its objectives and are instrumental in creating the vision and mission of the organization. They are the strategic think-tank of the organization.

Senior Management

The General Manager is responsible for all aspects of a company. He is accountable for managing the P&L (Profit & Loss) statement of the company. General managers usually report to the company board or top executives and take directions from them to direct the business.

The Functional Manager is responsible for a single organizational unit or department within a company or organization. He in turn is assisted by a Supervisor or groups of managers within his unit/department. He is responsible for the department’s profitability and success.

Line and Staff Managers

Line Managers are directly responsible for managing a single employee or a group of employees. They are also directly accountable for the service or product line of the company. For example, a line manager at Toyota is responsible for the manufacturing, stocking, marketing, and profitability of the Corolla product line.

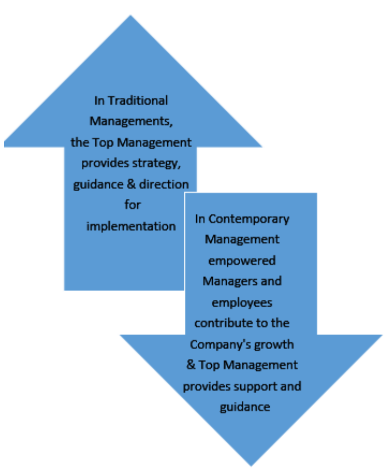
Staff Managers often oversee other employees or subordinates in an organization and generally head revenue consuming or support departments to provide the line managers with information and advice.

Project Managers

Every organization has multiple projects running simultaneously through its life cycle. A project manager is primarily accountable for leading a project from its inception to completion. He plans and organizes the resources required to complete the project. He will also define the project goals and objectives and decide how and at what intervals the project deliverables will be completed.

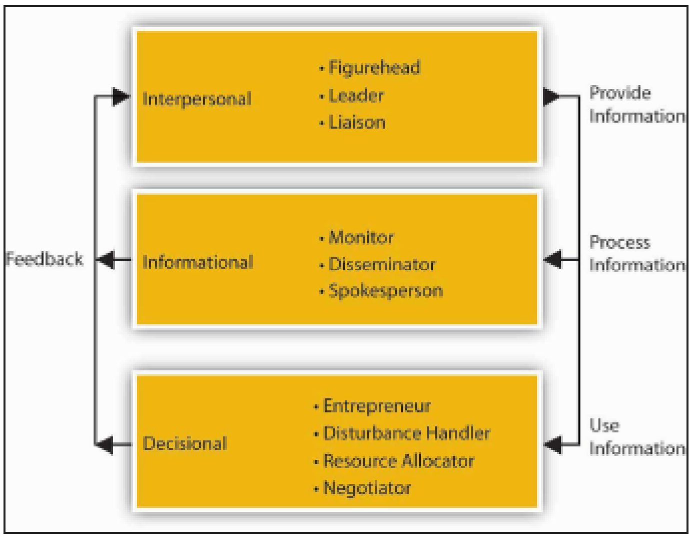
The Changing Roles of Management and Managers

Every organization has three primary interpersonal roles that are concerned with interpersonal relationships. The manager in the figurehead role represents the organization in all matters of formality. The top-level manager represents the company legally and socially to the outside world that the organization interacts with. In the supervisory role, the manager represents his team to the higher management. He acts as a liaison between the higher management and his team. He also maintains contact with his peers outside the organization.



Mintzberg's Set of Ten Roles

Professor Henry Mintzberg, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles. He propounded that the role is an organized set of behaviors. He identified the following ten roles common to the work of all managers. These roles have been split into three groups as illustrated in the following figure.



Interpersonal Role

• Figurehead – Has social, ceremonial and legal responsibilities.

• Leader – Provides leadership and direction.

• Liaison – Networks and communicates with internal and external contacts.

Informational Role

• Monitor – Seeks out information related to your organization and industry, and monitors internal teams in terms of both their productivity and well-being.

• Disseminator – Communicates potentially useful information internally.

• Spokesperson – Represents and speaks for the organization and transmits information about the organization and its goals to the people outside it.

Decisional Role

• Entrepreneur – Creates and controls change within the organization - solving problems, generating new ideas, and implementing them.

• Disturbance Handler – Resolves and manages unexpected roadblocks.

• Resource Allocator – Allocates funds, assigning staff and other organizational resources.

• Negotiator – Involved in direct important negotiations within the team, department, or organization.

Managerial Skills

Henri Fayol, a famous management theorist also called as the Father of Modern Management, identified three basic managerial skills - technical skill, human skill and conceptual skill.

Technical Skill

• Knowledge and skills used to perform specific tasks. Accountants, engineers, surgeons all have their specialized technical skills necessary for their respective professions. Managers, especially at the lower and middle levels, need technical skills for effective task performance.

• Technical skills are important especially for first line managers, who spend much of their time training subordinates and supervising their work-related problems.

Human Skill

• Ability to work with, understand, and motivate other people as individuals or in groups. According to Management theorist Mintzberg, the top (and middle) managers spend their time: 59 percent in meetings, 6 percent on the phone, and 3 percent on tours.

• Ability to work with others and get co-operation from people in the work group. For example, knowing what to do and being able to communicate ideas and beliefs to others and understanding what thoughts others are trying to convey to the manager.

Conceptual Skill

• Ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole.

Creativity, broad knowledge and ability to conceive abstract ideas. For example, the managing director of a telecom company visualizes the importance of better service for its clients which ultimately helps attract a vast number of clients and an unexpected increase in its subscriber base and profits.

Other Managerial Skills

Besides the skills discussed above, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

Diagnostic Skill: Diagnose a problem in the organization by studying its symptoms. For example, a particular division may be suffering from high turnover. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill in dealing with employees. This problem might then be solved by transferring or training the supervisor.

Analytical Skill: Ability to identify the vital or basic elements in a given situation, evaluate their interdependence, and decide which ones should receive the most attention. This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation. For example, when adding a new product to the existing product line, a manager may analyze the advantages and risks in doing so and make a recommendation to the board of directors, who make the final decision.

Diagnostic skill enables managers to understand a situation, whereas analytical skill helps determine what to do in a given situation.

towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups.

RESOURCES – 5 M'S

1) Men
2) Machine
3) Material
4) Money
5) Methods

FUNCTIONS OF MANAGEMENT

Planning

•Look ahead and chart out future course of operation

•Formulation of Objectives, Policies, Procedure, Rules, Programmes and Budgets

Organizing

•Bringing people together and tying them together in the pursuit of common objectives.

•Enumeration of activities, classification of activities, fittingindividuals into functions, assignment of authority for action.

Directing

•Act of guiding, overseeing and leading people.

•Motivation, leadership, decision making.

Controlling

• Laying standards, comparing actuals and correcting deviation-achieve objectives according to plans.

Co-ordination

•Synchronizing and unifying the actions of a group of people.

'POSDCORB' FUNCTIONS OF MANAGEMENT:

1) Planning: Planning means forecasting or predicting the future activity in a specific manner or structure. It is the basic function and essential for all the organization.

2) Organizing: It is collection or joining of all the resources available within the organizational and outside, in order to achieve the organizational goal with efficiency.

3) Staffing: It involves appointing the right man for the right job at the right time. The management is to analyze the human resource, see if he is suitable for the job and accordingly allocate the work in the organization.

4) Directing: It is showing the correct path or correct way to achieve the organizational goal within the stipulated time.

5) Controlling: Controlling as a function involves regulating the person or examining the person whether he is working in the right way or not. In order to achieve the common goal as efficient as possible.

6) Coordinating: It is a type of support function. It involves accumulating the work to achieve the task.

7) Budgeting: It means allocation of the resources. It involves financial planning for the future activities.

8) Reporting: It is a statement showing the various activities to the top management. It shows the status of the work done.

NATURE/CHARACTERISTICS OF MANAGEMENT

1. **It is a Universal Activity:** Management is relevant in every sphere of activity. It is relevant in army, government, private household work etc. the work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the foal can be attained with maximum efficiently. Ex. a student study at random and systematic manner. Later is best one.

2. **It is goal oriented**: Management focuses attention on the attainment of specific objectives. For Ex a business may aim for a particular level of sales. This can be achieved by proper forecast of sales by planning production by fixing the targets.

3. **It is an Intellectual activity**: The practice of management requires application of mind and intelligence. Every work needs to be properly planned and execute work has to be assigned to different Individuals and responsible have to be fixed on them. Ex in a manufacturing unit production finance and marketing are the important activities performed. It has to work in proper co-ordination with the other

departments. Then only objectives of the firm can be achieved.

4. **It is a process**: It is process consisting of various stages/ functions such as Planning, Organising, Directing, Controlling and Co-ordination. Planning is the starting point of management and control is its last stage.

5. **Management is both Art and Science:** The practice of science needs knowledge of theory and formulae. But the practice of art requires skill management is social science. It focuses attention on the behavior of individuals and groups. The theoretical knowledge may not help always that time they require skill ex if the workers in a factory demand more pay and threaten to go on strike if their demand is not considered. Here the skill of the manager will help to avert the strike then its theoretical.

6. **It is a Social Process**: Management deals with the behavior of individuals and group. In a work place individuals work as a team. The behavior of an individual is bound to be different while he is part of a group ex: an individual worker may be forced to join a strike program because of the union.

7. **It is an on-going Activity**: It is a continuous process planning, organizing etc have unlimited use. Management will exist as long as there are human activities.

8. **It is Intangible**: It is invisible cannot be seen, but it can be felt.

9. **Management is a Profession**: Like medical, law and engineering, management has also come to be recognized as a profession

ROLE AND IMPORTANCE OF MANAGEMENT

- Achievement of group goals
- Optimum utilization of resources
- Minimum Cost
- Survival and growth
- Generation of employment
- Development of nation

MANAGEMENT VS ADMINISTRATION

Meaning

Administration as a function is concerned with determination of corporate policies, coordination of the various departments (production, finance, distribution etc.) of the organization under the control of the executives.

Management is concerned with execution of the policy within the limits setup by administration and employment of the organization for the particular objective before it. In other words Management is the doing process and administration is the thinking process.

Points		Administration	Management
1.	Nature of work	It is concerned about the determination of objectives and major policies of an organization.	It puts into action the policies and plans laid down by the administration.
2.	Type of function	Determinative	Executive
3.	Scope	Takes major decisions of an enterprise as a whole	Takes decisions within the framework set by the administration.
4.	Level of authority	Top-level activity.	A middle level activity.
5.	Nature of status	Consists of owners who invest capital in and receive profits from an enterprise.	It is a group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.
6.	Nature of usage	It is popular with government, military, educational, and religious organizations.	It is used in business enterprises.
7.	Decision making	Its decisions are influenced by public opinion, government policies, social, and religious factors	Its decisions are influenced by the values, opinions, and beliefs of the managers.
8.	Main functions	Planning and organizing	Motivating and controlling
		functions are involved in it	functions are involved in it

9.	Abilities	It needs administrative rather	It needs administrative rather
10.	Focus	Handles the business aspects	Handles the employers.

LEVELS OF MANAGEMENT

FUNCTIONS OF TOP LEVEL MANAGEMENT

• To provide a basic sense of direction to the activities of the company by setting its long range mission and translating into clear set of objectives

• To design the organization structure of the company in terms of differentiated and integrated activities, role of various positions, authority & responsibility between them.

• Top management must ensure the quality of personnel in terms of their skills, orientations and commitment

• To ensure that the resource conversion and exchange systems are designed and operated efficiently.

• Periodic review of objectives for necessary modifications is a part of this function

FUNCTIONS OF MIDDLE LEVEL MANAGEMENT

- To interpret and explain the plans and policies formulated by top management
- To monitor & control the operating performance
- To cooperate among themselves so as to integrate the various activities of a department
- To train, motivate and develop supervisory personnel; and
- To lay down rules & regulations to be followed by supervisory personnel.

FUNCTIONS OF LOWER LEVEL MANAGEMENT

- To plan day to day production within the goal laid down by higher authorities
- To assign jobs to workers and to make arrangements for their training and development
- To issue orders & instructions
- To supervise & control workers" operations and to maintain personal contact with them
- To arrange materials and tools and to maintain machinery
- To advise & assist workers by explaining work procedures, solving their problems etc.
- To maintain discipline and good human relations among workers
- To report feedback information and workers" problems to the higher authorities.

THREE LEVELS OF MANAGEMENT

Management thought has a long history. It is as old as human civilization itself. Management in one form or the other has been a significant feature of economic life of mankind throughout ages. Management thought is an evolutionary concept It has develop along with and in line with the growth of social, political, economic and scientific institutions. Management thought has its origin in the ancient times. It developed gradually along with other socioeconomic developments. The contributor‘s to management though are many. They include Management philosophers, management practitioners and scholars. Modem management is based on the solid foundations laid down by management thinkers from the early historical period.

Historical background of management

The recorded use of organised management dates back to 5000 B.C. when the agricultural revolution had taken place. These agricultural civilizations existed in India, China and Egypt According to Peter Drucker these irrigation civilizations "were not only one of the great ages of technology, but it represented also mankind‘s most productive age of social and political innovation". As the villages grew and civilizations evolved, the managers too grew and evolved. They became the priests, the kings, the ministers holding power and wealth in the society. Written documents found in the Sumerian civilization which flourished some 5000 years ago, contains evidence of management control practices.

As early as 4000 B.C., the Egyptians were aware of the importance of planning, organising and controlling. The huge pyramids of Egypt stand a mute testimony to the managerial and organizational abilities of the ancient Egyptian civilization. One pyramid required 1,00,000 men working for 20 years, covering 13 acres, using 2.3 million blocks, each weighing an average of 2.5 tons. To produce such a monument required proper planning, work allocation, organising, directing, controlling and decision making.

In the Grecian civilization we find the origin of the Scientific Method in the famous Socratic discourses. The Romans who built a vast empire extending from Britain in the west to Syria in the east ruled it for many years only because of their superior and advanced managerial abilities.

In ancient India Kautilya wrote his Arthashastra in about 321 B.C. the major theme of which was political, social and economic management of the State. The study of administration of the cities of Mohenjodaro and Harappa of the ancient Aryans in 2000 B. C., Buddha's order and the Sangha in 530 B. C., provide evidence about the use of the principles of management.

During the 13th and 14th centuries AD the large trading houses of Italy needed a means of keeping records of their business transactions. To satisfy their needs Luca Pacioli published a treatise in 1494 describing the Double Entry System of Book-keeping for the first time.

Management thought is an evolutionary concept. New theories and principles were suggested along with new developments in the business field. The new thoughts supplemented the existing thoughts and theories. This is how developments are taking place continuously in regard to management thoughts/theories. Management thinkers and thinkers from other fields such as economics, psychology, sociology and mathematics have also made their contribution in the evolution of management thought.

Evolution Of Management Thought

This evolution of management thought can be studied in the following broad stages:
The Classical Theory of Management (Classical Approach):
It includes the following three streams of thought:
(i) Bureaucracy, (ii) Scientific Management; and (iii) Administrative Management
A. The Neo-classical theory of Management:

It includes the following two streams: (i) Human Relations Approach (ii) Behavioral Sciences Approach.
B. The Modern Theory of Management:
It includes the following three streams of thought: (i) Quantitative Approach to Management (Operations Research); (ii) Systems Approach to Management and (iii) Contingency Approach to Management.

It is rather difficult to state the exact period of each stage in the evolution of management thought. Experts, in general, agree with the following period for each thought/school.
a. Classical School/thought: 1900 to 1930.
b. Neo-classical School/thought: 1930 to 1960.
c. Modern School/thought: 1960 onwards.

The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology.

Principles of Scientific Management
According to Taylor, scientific management in its essence consists of a philosophy which results in a combination of four important underlying principles of management. First, the development of a true science, second, the scientific selection of the workers, third, their scientific education and development, Froth, intimate co-operation between management and their men. The basic principles of Taylor philosophy of scientific management are as noted below. These principles of scientific management are most crucial aspects of scientific management. The development of 'One best way" of doing a job. This suggests the task of finding out the best method for achieving the objectives of a given job. The standards are decided scientifically for Jobs and incentive wages were paid for all production above this standard. Here, job analysis and standardization of tools, equipment, machinery, etc. are required
1. Scientific selection of workers and their development through proper training.
2. Scientific approach by management. The management has to develop a true science in all fields of work activity through scientific investigation and experiments.
3. Close co-operation of managers and workers (labour management relations) for better results and understandings.
4. Elimination of conflict between methods and men. The workers are likely to resist to new methods. This can be avoided by providing them an opportunity to earn more wages
Features of Scientific Management
1. Scientific task setting: F. W. Taylor suggested the introduction of standard task which every worker is expected to complete within one day (working hours) the task is to be calculated through careful scientific investigation. For this, work study (i.e. method study and work measurement study) is essential. Taylor suggested time study, motion study, fatigue study and rate-setting for the introduction of scientific task. Time study is the art of observing and recording the time required to do each detailed element in an industrial operation. Motion study refers to the study and analysis of the movements of an operator while performing a job so that attempts can be made to remove useless/unwanted movements from the process. Both the studies together help in determining the best method of performing a job and the standard time allowed for it. This replaces the old rule-of-thumb knowledge of the workers. The workload, the best method of performing the same and the time within which it must be performed are suggested in this feature of scientific management by Taylor.
2. Planning the task: For performing the task by every worker, Taylor suggested the need of planning the production activity accurately. This idea of planning is Taylor's gift to the science of management. Planning of task gives answers to the following questions. What has to be done, how it is to be done, where the work shall be done and when the work shall be done.
3. Scientific selection and training of workers: Taylor suggested the need of scientific selection of workers

for the plant/production activities. The procedure of selection must be systematic so as to select the best and the most suitable persons for different types of jobs. Correct placement of workers is equally important He also suggested the need of training of workers so as to raise their ability or efficiency. Training is to be integrated with the promotion policy. He also suggested differential piece wage plan for compensation payment to workers. He also suggested the importance of cordial relations between management and workers.

4. Standardization: Taylor suggested the importance of standardization of tools and equipment, materials, conditions of work and speed of machines. This brings co-ordination in different activities and all workers will be able to perform the task assigned easily. The workers will have satisfactory working conditions for work due to such standardization.

5. Specialization: Taylor suggested specialization in the administrative and organizational setup of the plant He suggested functional foremanship. Taylor recommended eight functional foremen for different activities and functions. The foremen suggested by him are like route clerk, instruction card clerk, speed boss etc. Such specialization is useful for raising efficiency of the whole organization.

6. Mental revolution: The techniques suggested by F. W. Taylor in his scientific management are different as compared to traditional techniques and methods. Naturally, these techniques can be used only when workers supervisors and managers accept them in theory and also in practice For this, Mental revolution on their part is essential The success of scientific management rests basically on the attitude of management and workers. They must give up their old ideas and methods and must accept new scientific methods. For this, mental revolution on the part of both is essential. Cooperation from workers and management for the introduction of scientific management depends on this mental revolution.

Benefits / Advantages of Scientific Management

1. Application and use of scientific methods.
2. Wide scope for specialization and accurate planning.
3. Minimum wastages of materials, time and money.
4. Cordial relations between workers and management.
5. Benefits to workers (higher wages and less burden of work), management (cost reduction, better quality productions) and consumers (superior goods at lower prices)

Scientific management not only developed a rational approach to solving organisational problems but also contributed a great deal to the professionalisation of management. Time and motion studies, scientific selection of workers, work design and one best way to doing a job are some new ideals suggested by Taylor and are responsible for the introduction of Many positive changes in the field of industrial/ production management.

F.W.Taylor's Contribution to the Development of Management Thought / Science

The contribution of F. W. Taylor to management thought is as explained below:

1. Emphasis on rational thinking: Taylor suggested rational thinking on the part of management for raising efficiency and productivity. He wanted managements to replace old methods and techniques by Modern methods which will raise productivity and offer benefits to all concerned parties. He was in favour of progressive, scientific and rational thinking on the part of management on all managerial problems. Such progressive outlook is essential for the introduction of new techniques and methods in the Management.

2. Introduction of better methods and techniques of production: F. W. Taylor suggested the importance of improved methods and techniques of production. Work-study techniques are his contribution to management thought. He suggested new methods after systematic study and research. Taylor recommended the use of new methods for raising overall efficiency and productivity.

3. Emphasis on planning and control of production: Taylor suggested the importance of production planning and control for high production, superior quality production and also for low cost production. He introduced the concept of production management in a systematic way.

4. Importance of personnel and personnel department: Taylor suggested the importance of manpower in management. He was in favour of progressive personnel policies for the creation of efficient and satisfied labour force. He suggested the need of personnel department and its importance. He favored incentive wage payment to workers.

5. Industrial fatigue and rest pauses: Taylor noted the nature of industrial fatigue and suggested the introduction of suitable rest pauses for removing such fatigue of workers. He wanted to reduce the burden of work on workers through the use of scientific methods.

6. Time and motion study: Taylor introduced new concepts like time study, motion study and work study in the field of industrial management such concepts are for the introduction of new methods which will be more quick, scientific and less troublesome to workers. The positive view of scientific management was described by Taylor as "Science, not rule of thumb; Harmony, not discord; Co-operation, not individualism; maximum output in place of restricted output. The development of each man to his greatest efficiency and prosperity".

F.W. Taylor a rightly treated as father of scientific management. In fact, through his concept of scientific management, Taylor actually developed a new science of management which is applicable not only to management of industrial units but also to the management of all other business units. He suggested certain techniques which can be applied purposefully to all aspects of management of business activities. This is treated as Taylor‘s unique contribution to management thought. The fundamental principles suggested by F. W. Taylor in his scientific management can be treated as his contribution to management thought. In fact, Taylor suggested scientific attitude and a new philosophy for discarding old and outdated ideas and techniques. He was instrumental for the introduction of new ideas and techniques in the science of management. These ideas aid techniques are now accepted in theory as well as in practice.

Criticism of Scientific Management or Opposition to Scientific Management

Scientific management has wider economic and social significance. It has succeeded in revolutionalising the very concept of management by offering a novel approach to the managers in managing men, materials and methods. In spite of several benefits, Taylor's scientific management concept has widely been criticized by employers, workers, trade unions and also by theorists. They oppose Taylor's scientific management on different grounds. The points of criticism we as explained below:

Criticism from Employers

1. Huge investment required: Heavy investment is necessary for reorganization of preliminary standardization of tools, machines and equipment and conduct of time and motion studies and other research activities for the introduction of scientific management. Such investment may not be possible in small and medium size enterprises.

2. Sudden change may disturb existing working arrangements: Sudden change due to the introduction of scientific management may paralyze the existing arrangement of work and will bring the entire Organization in difficulties. There will be loss due to reorganization, if scientific management is to be introduced.

3. Unsuitable to small units: Small manufacturers argue that the concept of scientific management is not suitable to their units due to financial and other difficulties.

4. Benefits after a long period: The benefit of scientific management will be available only after a long period and the business unit may come in financial and other difficulties during the process of introduction of new changes as suggested in the scientific management.

5. Huge overhead expenses required: Introduction of scientific management involves huge overhead

expenses which may erode profitability.
Criticism from Workers and Trade Unions: Why did Trade Unions Oppose Scientific Management?
1. Heavy burden on workers: Workers feel that they will have to share more burden of work as a result of introduction of scientific management. They also fear that the benefits will he shared by the employer alone and that they will be at a loss from all sides. Workers and their unions feel that it will lead to their exploitation and they oppose scientific management on this ground.
2. Reduces initiative among workers: Workers and trade unions argue that scientific management will destroy their initiative and they will be converted into machines in the production process with no freedom, initiative and choice. Similarity, over-specialization (excessive specialization) will lead to monotony and mental fatigue. Hence, they oppose Taylor's scientific management.
3. Possibility of unemployment: Workers and their unions also feel that scientific management will lead to unemployment and that workers will be removed due to the use of labour-saving devices. This will lead to loss of employment and income to workers. This is likely to make trade unions weak and hence they oppose scientific management.
4. Exploitation of workers: Workers argue that they will be exploited under scientific management as they will have to share more burden of work without corresponding increase in the wage rate. Trade unions also oppose to scientific management as it is likely to put more burden of work on the workers without corresponding monetary benefit.
5. Possible adverse effects on workers unity: Trade unions also oppose scientific management as they fear that the unity among workers will be adversely affected. Workers will be divided into efficient and inefficient categories. In addition, different piece rate plans will be introduced in place of uniform wage rate. As a result, workers will be divided. Workers getting high salary will not be interested in the union activities and this will make their union week and ineffective. Even more unions and rival unions will be formed. In brief, trade unions strongly criticize scientific management as it breaks solidarity of workers The criticism of scientific management by employers and workers/trade unions is not based on sound reasoning. Their arguments are not based on realities. It is possible to give counter-arguments to every point of criticism noted by them. For example, employers object scientific management on the ground of huge investment for its introduction. It is true that huge investment will be necessary but it is likely to give greater return in due course. In addition, scientific management will bring down the cost and thereby enhance the profits.

Contribution of Henry Fayol to Management Thought

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management has been built on it.

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organizations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organizations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. In fact, these principles are the outcome of his long experience as a practicing manager. These basic principals are useful for effective management of business activities. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him. The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organizations such as colleges, hospitals, charitable institutions and government departments. Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought.

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyality, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book ―General and Industrial Management.

The functions of management according to Fayol are,

1. Planning
2. Organising
3. Staffing
4. Commanding
5. Coordinating
6. Controlling

The fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted. Fayol has given adequate details of every principle suggested by him. He also made them easily acceptable by others. According to Henry Fayol, managers should be flexible in the application of these principles.

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Fayol divided general and industrial management into following six groups:-

a. Technical activities (production, manufacture, adaptation).
b. Commercial activities (buying, selling and exchange).
c. Financial activities (search for and optimum use of capital).
d. Security activities (protection of property and persons).
e. Accounting activities (stock taking, balance sheet, cost, and statistics).
f. Managerial activities (planning, organising, command, coordination and control).

Henry Fayol also suggested 14 principles of management. These principles are:-

1. Division of work,
2. Authority and responsibility,
3. Discipline,
4. Unity of command,
5. Unity of direction,
6. Subordination of personal interest to organizational interests,
7. Remuneration,
8. Centralization,
9. Scalar chain,
10. Order,
11. Equity,
12. Stability of tenure,
13. Initiative
14.Espirit De Corps

Henry Fayol's contribution to management theory is certainly remarkable. He gave overall concepts of general management and suggested the basic functions of management. He recommended the selection and training of workers and managers. He also advocated the use of organisation charts. He suggested certain qualities of manager's winch include physical, mental, moral, educational technical and experience. Fayol's theory of management was the first complete theory of management as we understand today. It incorporated proven principles, elements, procedures and techniques based on his practical experience

GENERAL PRINCIPLES OF MANAGEMENT (14 principles of Management)

1. **DIVISION OF WORK:** According to him," specialization belongs to natural order. The workers always work on the same part, the managers concerned always with the same zmatters; acquire an ability, sureness, and accuracy which increase their output.

2. **AUTHORITY AND RESPONSIBILITY:** The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors.

3. **DISCIPLINE:** Discipline is obedience, application, energy, behavior, and outward mark of respect shown by employees.

4. **UNITY OF COMMAND:** Unity of command means that a person should get orders and instructions from only one superior..

5. **UNITY OF DIRECTION:** Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organization in respect of its grouping of activities or planning Unity of direction provides better coordination among various activities to be undertaken by an organization.

6. **SUBORDINATION OF INDIVIDUAL TO GENERAL INTEREST:** Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two.

7. **REMUNERATION OF PERSONNEL:** Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers.

8. **CENTRALISATION:** In small firms, centralization is the natural order, but in large firms, a series of intermediaries is required. Since both absolute and relative values of the managers and employees are constantly changing, it is desirable that the degree of centralization or decentralization may itself vary constantly.

9. **SCALAR CHAIN:** There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action.

10. **ORDER:** This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place.

11. **EQUITY:** Equity is the combination of justice and kindness. Equity in treatment and behavior is liked by everyone and it brings loyalty in the organization

12. **STABILITY OF TENURE:** No employee should be removed within short time. There should be reasonable security of jobs.

13. **INITIATIVE:** Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan.

14. **ESPIRIT DE CORPS:** This is the principle of 'union is strength' and extension of unity of command for establishing team work.

Contribution of Elton Mayo to the Development of Management Thought

Elton Mayo (1880-1949) is recommended as the Father of Human Relations School. He introduced human relations approach to management thought. His contribution to the development of management thought is unique and is also treated as human relations approach to management. It was Mayo who led the team for conducting the study at Western Electric's Hawthorne Plant (1927-1932) to evaluate the attributes and psychological reactions of workers in on-the-job situations. His associates included John Dewery, Kurt Lewin and others. Mayo and his associates came to the following conclusions from their famous Hawthorne experiments:

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms.

2. Non-economic rewards play a significant role in influencing the behavior of the workers.

3. Generally the workers de not reacts as individuals, but as members of group.

4. Informal leaders play an important part in setting and enforcing the group norms.

Mayo discussed the factors that cause a change in human behavior. He concluded that the cause of increase in the productivity of the workers is not a single factor like rest pauses or changing working hours but a combination thease and several other factors such as less restrictive supervision, giving autonomy to workers, allowing the formation of small cohesive groups of workers and so on. Today, as a result of the efforts of Mayo and his associates, the managers in different organisations recognize that workers' performance is related to psychological, sociological and physical factors. Thus, Hawthorne Study was an important landmark to study the behavior of worker and his relationship to the job, his fellow workers and the organisation. It proved that informal work groups and the opportunity to be heard and participate in decision making have an important impact on the productivity of the workers. Mayo is one leading management thinker and also a leading advocate of neo-classical theory. The concept of participative management style was suggested in the neo-classical theory. The human relations approach suggested by Mayo has special importance in the present period. He rightly suggested the importance of democratic leadership and participative management style for running business activities efficiently. The role of people (workers) is clearly suggested by Mayo. He rightly suggested that management is not a mechanical process but a study of people involved in the production activities. Management will get positive response from its employees when their actions, sentiments and expectations are given due attention.

Mayo is best known for his work on the project commonly referred to as the Hawthorne Studies. They were conducted in the Hawthorne plant of Western Electric Company in the USA between 1927 and 1932. It is said that Mayo applied psychological approach to management for the first time. He used clinical and diagnostic methods. Mayo has drawn various conclusions from these studies. The Hawthorne Studies have had a shattering impact on management thinking. Mayo is regarded as revolutionary thinker because of his contribution to the management thought in the recent period. The credit of humanization of management with a view to achieve common interest of management and workers goes to Elton Mayo. Some of the major findings of Hawthorne Studies we as noted below:

1. Employee's behavior is influenced by mental attitudes and emotions including prejudices.

2. The workers in a group develop a common psychological bond uniting them as a group in the form of informal organization.

3. In managing and motivating employee groups, human and social motivation plays greater role then financial incentives.

4. Management must understand that a typical group behavior can dominate or even supersede individual propensities and preferences.

5. When workers are given special attention by management, the productivity is likely to increase

irrespective of actual changes in the working conditions.

Hawthorne Studies are primarily responsible for consideration of non financial incentives in improving productivity. Mayo pointed out that the organization is a social system and informal organisation is a reality. The knowledge of human nature can solve many problems of management. He emphasized that successful human relations approach can easily create harmony in an organization, higher employee satisfaction and great operational efficiency. Central to this approach was an increased understanding of the individual worker with emphasis on motivation, needs, interpersonal relationships and group dynamics Mayo believed that a factory is not only a workplace but also a social environment in which the employees interact with each other. This gave rise to the concept of the 'social man' whose interaction with others would determine the quality and quantity of the work produced.

Mayo developed his Human Relations Theory of Management on his Hawthorne experiments. He introduced human relations approach to management and is rightly considered as one of the pioneers of the Human Relations Theory of Management. Features of Human Relations Approach

1. A business organisation is not merely a techno-economic system but also a social system and involves human element.

2. An individual employee is motivated not merely by economic incentives but also by non economic incentives, psychological and social interests, needs and aspirations.

3. The informal groups in the organisation are more important than individuals and play an important role in raising productivity.

4. In place of task-centered leadership, the employee-centered, humanistic, democratic and participative style of leadership should be introduced as it is more effective / productive.

5. Employees are not necessarily inefficient or negative in their approach. They are capable of self-direction and control.

6. Employees performance can be raised by meeting their social and psychological needs. Cordial atmosphere at work place is also useful for raising productivity.

7. Management needs social skills along with technical skills in order to create a feeling (among the employees) that they are a part and parcel of the organisation and not outsiders.

8. Employees need respect and positive feeling from the management. For this, employees should be encouraged to participate and communicate freely their views and suggestions in the concerned areas of decisionmaking.

9. The management has to secure willing cooperation of employees. The objective before the management should be to secure cooperative effort of its employees. For this, employees should be made happy and satisfied. The features of human relations school (noted above) are important as they were introduced in the management theory for the first time. At present, these features are well recognised but were unique when suggested by 1930. Human relations approach is a progressive development as compared to classical approach. Here, productivity is not treated merely as an engineering problem. Cooperation of employees, team spirit and their satisfaction are treated as factors useful for raising productivity. The human relations approach has put special stress on social needs and the role of management in meeting such needs.

Limitations of Human Relations Approach

1. Too much importance to employees, and social needs: Human relations approach to management has given too much importance to employees, their needs and satisfaction. It has given undue stress on the social side of management as compared to technical side. It is another extreme as compared to classical theory where employees were neglected considerably. Human relations approach has also neglected many other aspects such as organizational issues, environment at the work place, labour unions, structure of the organisation and so on.

2. Employee-oriented approach to a limited extent: It is argued that human relations approach is apparently employee-oriented but in reality it is organisation-oriented. Many measures are suggested for the happiness and satisfaction of employees. Measures are suggested to satisfy employees in order to achieve organizational objectives and not for meeting the real needs of workers. Their participation in management or upward communication with the management, etc. is outwardly employee-oriented and gives them a false sense of happiness. In brief, the human relations approach is employee-oriented but only to a limited extent.

3. Faulty assumption in the theory: The human relations approach is based on a wrong assumption that satisfied workers are more productive. After 1950s, it was proved that productivity improvement, as a result of better working conditions and the human relations skills of manager‘s did not result in productivity improvement as expected. Thus, workers satisfaction is one but not the only factor which raises industrial productivity.

4. Limited importance to economic incentives: The human relations approach has given limited importance to economic incentives in motivating employees. They prefer informal groups and cordial relations among them. However, their interest and loyalty to the organisation largely depends on monetary incentives. Low wages lead to Labour turnover even when the good

treatment is given to employees. The human relations movement is based on the experiments conducted in the Hawthorne Plant in Cicero (USA). The major conclusion (of Hawthorne Experiments) was that the workers respond to their work situation as a whole and their attitudes and social relations constitute an important part of the total situation. In addition, the attitudes of workers and their relations with each other and with the management would play a role in forming their attitudes towards the total work situation. Elton Mayo conducted a series of pioneering studies at the Hawthorne plant they proved to be of much use in associating employees with the management for achieving organizational objectives. It is rightly pointed out that F. W. Taylor in his contribution to management .

Mayo recommended/ advocated humanism work for enhanced efficiency and personal satisfaction. The basic purposes of both the approaches are identical. However; the approaches of Taylor and Mayo are different. Taylor's approach was purely engineering while may referred to social needs of employees and their satisfaction. Taylor's approach to scientific management lacks human elements in the production process. He treated employee as a cog in the wheel emphasizing on efficiency at all costs as if there is no difference between workers and machines. Mayo applied psychological approach to management. He recommended humanization of management for better results in terms of production and productivity. He rightly suggested that workers are human beings and not machines. They should be treated with dignity and honour while on job. Both the approaches (of Taylor and Mayo) are supplementary in the present management thought. At present, stress is on scientific management principles as well as on human approach to management. Efforts are being made to create favorable organisation climate for achieving organizational goals. Taylor's approach is comparatively old and was popular in the early decades of 19th century the human relations approach (suggested by Elton Mayo) is comparatively new and got popularity by 1930s.

Systems Approach to Management Thought

Contributions to management thought/theory after 1960s are covered by modem management theories. Modem theories are based on classical and neoclassical theories but consider the management problems as they developed in the recent years. There are three streams under modern management theory. These are:-

a. Quantitative / Mathematical Approach to Management,

b. Systems Approach to Management, and

c. Contingency Approach to Management.

Systems Management School

A system is an organised entity i.e. a company or a business enterprise made up of parts connected and directed to some purpose. Each system has an input, a process and an output. It acts as a self sufficient unit. Every system is interlinked with its subsystems. Any organisation is looked upon as an artificial system, the internal parts of which work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result. The system serves as the media through which the manager operates. An integrated system can be used purposefully for the conduct of production, marketing, distribution and other activities relating to business in an orderly manner. A manager can conduct various activities in an orderly manner with the help of the systems established. A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Almost anything can be viewed as a system.

As per systems management school, an organisation is looked upon as an artificial system. Its internal parts work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result. In this way, the systems management school helps in achieving the established goals of the organisation.

It is possible to establish such systems management organisation in a business enterprise. For this authorities, departments, etc. will be created. The work will be properly distributed and various departments (sub-systems) will operate as per the work assigned under the project. The computer can be used extensively for the execution of systems management Data processing work will become easy and quick. Systems management enables a manager to work more efficiently because of easy availability of information in different aspects of business.

Features Of Systems Approach to Management

1. Open or Closed Systems: Systems may be either open or dosed. An open system is one that is dependent on the outside environment for survival e.g., human body as a system is composed of many subsystems. This is an open system and it must depend on outside input and energy for survival. A system is considered closed if it does not interact with the environment. Physical and mechanical Systems are closed system because they are insulted from their external environment.

Traditional organization theorists regarded organizations as closed systems while according to the modern view organizations are open systems, always interacting with the environment.

2. Interdependent parts: A system is a set of interdependent parts which together form a unitary whole that perform some function. An organization is also a system which consists of four interdependent parts viz., task, structure, people and technology.

3. Consideration of whole system: No part of the system can be precisely analyzed and understood apart from the whole system. Conversely, the whole system cannot be exactly evaluated without understanding all its parts. Each part is related to every other part. It means rather than dealing separately with the various parts of one organization, the systems approach attempts to give the manager a way of looking at the organization as a whole. For example, in order to understand the operations of the finance or production or marketing departments, he must understand the company as a whole. It is because activity of any one part of the company affects the activity of every other part.

4. Information, energy and material: Generally, there are three basic inputs that enter the processor of the system viz., information (technology), energy (motive power) and materials to be transformed into goods. If the output is service, materials are not included in the inputs. If we have manufacturing company, output is goods or materials. If we have a consultancy firm, output is information or advice. if we have a power generating company, output is energy.

5. Defined boundaries: Each system including an organisation has its own boundaries which separate it from other system in the environment. For open systems the boundaries are penetrable whereas for closed systems, they are not. The boundaries for closed systems are rigid. In a business organisation, it has many boundary contacts or 'interfaces' with many external system like creditors, suppliers, customers, government agencies etc. The system is inside the boundary, the environment is outside the boundary'.

6. Synergy: Output of a system is always more than the combined output of its parts. This is called 'synergy'. In organizational terms, synergy means when separate departments within an organisation cooperate and interact, they become more productive than if they had acted in isolation e.g., it is certainly more efficient for each department to deal with one secretarial department than for each department to have a separate secretarial department of its own.

7. Feedback mechanism: A system can adopt and adjust itself to the changing environment through the feedback mechanism. As operations of the system proceed information in feedback to the appropriate people. This helps to assess the work and if need be, to get it corrected.

8. Multidisciplinary approach: Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis etc.

Important contributors to systems school of management include Chester Barnard, Ludwig Von Bertalanffy, Russell Ackoff, Kenneth Boulding and William Scott.

From 1960s onwards, the management theorists and practitioners are referring management concepts in a systems phraseology. A system means to bring together or to combine. When viewed from the systems angle, the organisation is seen as operating in an open system constantly interacting with its environment. It receives external inputs in a continuous manner and transforms them into outputs. Suitable adjustments and rectifications are also made as per the feedback available.

An organization which is not adaptive and responsive to its environment will not survive or grow. An organization will have individuals, groups, formal structures, goals and resources. A manager has to see that all these parts work in co-ordination in order to achieve organizational goals. Absence of coordination will hamper the performance of the organisation. The systems approach suggests that the total performance of the organisation will be effective only when the different systems/units/activities are coordinated and integrated in an efficient manner. For example, efficient manufacturing division needs the support of efficient marketing division for achieving organizational objectives. If not, the total performance of the organisation will be jeopardized. The managers, as decision-making entities, have to regulate the sub-systems of the Organization. They should not work in isolation but operate in co-ordination with others.

This will avoid shortfalls in different components and bring success to the organization. The emphasis of systems approach is on interrelatedness of the parts of an organization. The introduction of integrated approach is treated as major contribution of systems theory.

The systems approach developed only after 1950 and is the recent contribution to management thought. It stresses the interrelatedness and interdependence of all activities within an organization. The systems theory considers organization as an open, adaptive system which has to adjust changes in its environment. It defines organization as a structured process in which individuals interact for attaining objectives.

Merits of Systems Approach

Systems approach to management is comparatively new to the management thought. This approach represents a refreshingly new thinking on organisation and management. It stresses that managers should avoid analyzing problems in isolation but should develop the skills for integrated thinking on management problems. The systems approach provides a unified focus to organizational efforts. It provides a strong conceptual framework for meaningful analysis and understanding of organisations. Systems approach provides clues to the complex behavior of organisation.

The systems theory suggests to practicing manager to study/analyze a particular element by taking into consideration its interacting consequences with other elements. A variety of systems concepts and perspectives have been developed for managers.

The systems approach rightly points out the role of 'synergy' in management. Each subsystem derives strength by its association and interaction with other sub-systems. As a result, the overall outcome is more than the sum total of individual contributions. The other contribution of systems theory is its treatment of organization as an open system. The Organization exhibits a 'holistic' character.

Limitations of Systems Approach

1. The systems approach is criticized on the ground that it is too abstract and vague. It is difficult to apply it to practical problems directly and easily.

2. The systems theory/approach fails to provide specific tools and techniques for the practicing executives/managers.

3. The systems approach does not recognize differences in systems. It fails to clearly identify the nature of interactions and interdependencies between an Organisation and its external environment it also fails to offer a unified body of knowledge.

Contingency Management School / Contingency Approach to Management / Situational Approach

A common deficiency of the classical, behavioral and quantitative schools is that they have stress one aspect of the organisation at the cost of others. The classical approach emphasizes on 'task' while behavioral approach emphasizes on 'people‘. The stress of quantitative approach is on 'mathematical decisionmaking‘. However, it is difficult to understand precisely which aspect is most useful and appropriate in a given practical situation.This brings the need to develop me broad conceptual framework that can help a manager diagnose a problem and decide which tool or tools will best do the job. The systems approach as well as contingency approach provide one integrated approach to management problems. The contingency/situational approach is the second approach (the first being the systems approach) whichattempts to integrate the various schools of management thought in an orderly manner. The contingency management approach is similar to known leadership theory called situational leadership theory. The contingency approach is applicable to leadership as well as to business management. This situational management approach is relatively a new approach to management and is an extension of systems approach. The basic theme of contingency approach is that organisations have to deal with different situations in different ways. There is no single best way of managing applicable to all situations. In order to be effective, the internal functioning of the organisation must be consistent with the needs and demands of the external environment. In other words internal organisation should have the capacity to face any type of external situation with confidence.

Features of the Contingency / Situational Approach

1. Management is entirely situational. The management has to use the measures/techniques as per the situation from time to time.

2. Management should match its approach as per the requirements of the situation. The policies and practices used should be suitable to environmental changes.

3. The success of management depends on its ability to cope up with its environment. Naturally, it has to make special efforts to anticipate and comprehend the possible environmental changes. Managers should realize that there is no one best way to manage. They have to use management techniques as per the situation which they face.

According to contingency approach, management principles and concepts of different schools have no universal/general applicability under all situations. This means these schools have not suggested one best method of doing things under all situations and at all times. The contingency approach has provided a solution to this situation.

As per the contingency approach, the task of managers is to try to identify which technique or method will be most suitable for achieving the management objectives under the available situation. Managers have to develop a sort of situational sensitivity and practical selectivity in order to deal with their managerial problems as they develop from time to time.

Contingency approach views are applicable in designing organizational structure and in deciding the degree of decentralization in establishing communication and control systems and also in deciding motivational and leadership approaches. In brief, the contingency approach is applicable to different areas of organisation and management it is an attempt to integrate various viewpoints and to synthesize various fragmented approaches to management. The contingency approach is the outcome of the research studies conducted by Tom Burns and G. W. Stalker, James Thompson and others.

Merits of Contingency Approach

1. Contingency approach is pragmatic and open minded It discounts preconceived notions, and universal validity of principles.

2. Theory relieves managers from dogmas and set principles. It provides freedom/choice to manage to judge the external environment and use the most suitable management techniques. Here, importance is given to the judgment of the situation and not the use of specific principles.

3. The contingency approach has a wide-ranging applicability and practical utility in, organisation and management. It advocates comparative analysis of organisations to bring suitable adjustment between organisation structure and situational peculiarities.

4.The contingency approach focuses attention on situational factors that affect the management strategy. The theory combines the mechanistic and humanistic approaches to fit particular/specific situation. It is superior to systems theory as it not only examines the relationships between subsystems of an organisation but also the relationship between the organisation and its external environment.

Limitations of Contingency Approach

1. It is argued that the contingency approach lacks a theoretical base.

2. Under contingency approach, a manager is supposed to think through all possible alternatives as he has no dried principles to act upon. This brings the need of more qualities and skills on the part of managers. The responsibility of a manager increases as he has to analyze the situation, examine the validity of different principles and techniques to the situation at hand, make right choice by matching the technique to the situation and finally execute his choice. The areas of operation of a manager are quite extensive under this theory.

Contingency approach/theory is the latest addition to existing management theories. It was observed that different theories developed earlier are not applicable to all real world situations developed since 1970. An open and adaptable systems approach (also called contingency approach) is more convenient to deal with complex management problems. Contingency/ situational approach appears to be better suited to lead management out of the present management theory jungle.

Contingency theories do not give special importance to any specific theory. It suggests that there is no one best way to management. In the Contingency approach, what is best for a particular business unit or organisation or under the available situation is given special attention. Each situation (before the management) is different and calls for a Contingency / situational approach. A manager has to study the complexity under each situation. He has to adjust his policies/decisions as per his awareness. He has to decide what is best under the available total situation and act accordingly. He (manager) has to identify the technique which will be most effective for achieving organisation objectives under particular situation/ circumstances and act accordingly. This is the practical aspect of contingency approach. What constitutes best/effective management varies with the organisations internal and external environment and the make-up of the organizational sub-systems. The best management pattern depends on a number of interrelated internal and external variable factors around the specific organisation/business unit. The contingency approach falls somewhere in between the classical theory and systems theory. It provides a synthesis that brings together the best of aft segments of what Koontz has termed "management theory jungle". Contingency approach is practical progressive and action oriented. It considers each organisation as unique and gives special attention to situation around it. Finally, it integrates theory with practice in a systems framework. The other theories (classical or systems) are not rejected in the, contingency approach. However, they are viewed as incomplete, vague and unsuitable to all organisations and situations.

Business Organisation - Introduction

Meaning

Business: Business means the state of being busy, in other words those activities which involve production of wealth. A business is an enterprise which means distributes or provides an article or services which other members of the community need and are able and willing to pay for it.

Business organisation refers to all necessary arrangements required to conduct a business. It refers to all those steps that need to be undertaken for establishing relationship between men, material, and machinery to carry on business efficiently for earning profits. This may be called the process of organizing. The arrangement which follows this process of organizing is called a business undertaking or organisation. A business undertaking can be better understood by analyzing its characteristics.

Characteristics

1. **Distinct Ownership**: The term ownership refers to the right of an individual or a group of individuals to

acquire legal title to assets or properties for the purpose of running the business. A business firm may be owned by one individual or a group of individuals jointly.

2. **Lawful Business**: Every business enterprise must undertake such business which is lawful, that is, the business must not involve activities which are illegal.

3. **Separate Status and Management**: Every business undertaking is an independent entity. It has its own assets and liabilities. It has its own way of functioning. The profits earned or losses incurred by one firm cannot be accounted for by any other firm.

4. **Dealing in goods and services**: Every business undertaking is engaged in the production and/or distribution of goods or services in exchange of money.

5. **Continuity of business operations**: All business enterprise engage in operation on a continuous basis. Any unit having just one single operationor transaction is not a business unit.

6. **Risk involvement**: Business undertakings are always exposed to risk and uncertainty. Business is influenced by future conditions which are unpredictable and uncertain. This makes business decisions risky, thereby increasing the chances of loss arising out of business.

Forms of Business

The most important forms of business organisation are as follows:

A. Sole Proprietorship

B. Partnership

C. Joint Stock Company

D. Private Limited Company

E. Co-operative Society

A. Sole proprietorship

A sole proprietorship is the oldest and the most common form of business. It is a one-man organisation where a single individual owns, manages and controls the business.

Characteristics:

1. **Ownership**: The business enterprise is owned by one single individual that is the individual has got legal title to the assets and properties of the business. The entire profit arising out of business goes to the sole proprietor. Similarly, he also bears the entire risk or loss of the firm.

2. **Management**: The owner of the enterprise is generally the manager of the business. He has got absolute right to plan for the business and execute them without any interference from anywhere. He is the sole decision maker.

3. **Source of Capital**: The entire capital of the business is provided by the owner. In addition to his own capital he may raise more funds from outside through borrowings from close relatives or friends, and through loans from banks or other financial institutions.

4. **Legal Status**: The proprietor and the business enterprise are one and the same in the eyes of law. There is no difference between the business assets and the private assets of the sole proprietor. The business ceases to exist in the absence of the owner.

5. **Liability**: The liability of the sole proprietor is unlimited. This means that, in case the sole proprietor fails to pay for the business obligations and debts arising out of business activities, his personal property can be used to meet those liabilities.

6. **Stability**: The stability and continuity of the firm depend upon the capacity, competence and the life span of the proprietor.

7. **Legal Formalities**: In the setting up, functioning and dissolution of a sole proprietorship business no legal formalities are necessary. However, a few legal restrictions may be there in setting up a particular type of business. For example, to open a restaurant, the sole proprietor needs a license from the local municipality; to open a chemist shop, the individual must have a license from the government.

Advantages of Sole Proprietorship:

1. **Easy Formation**: The biggest advantage of a sole tradership business is its easy formation. Anybody wishing to start such a business can do so in many cases without any legal formalities.

2. **Better Control**: The owner has full control over his business. He plans, organises, co-ordinates the various activities. Since he has all authority, there is always effective control.

3. **Prompt Decision Making**: As the sole trader takes all the decisions himself the decision making becomes quick, which enables the owner to take care of available opportunities immediately and provide immediate solutions to problems.

4. **Flexibility in Operations**: One man ownership and control makes it possible for change in operations to be brought about as and when necessary.

5. **Retention of Business Secrets**: Another important advantage of a sole proprietorship business is that the owner is in a position to maintain absolute secrecy regarding his business activities.

6. **Direct Motivation:** The owner is directly motivated to put his best efforts as he alone is the beneficiary of the profits earned.

7. **Personal Attention to Consumer Needs**: In a sole tradership business, one generally finds the proprietor taking personal care of consumer needs as he normally functions within a small geographical area.

8. **Creation of Employment**: A sole tradership business facilitates self-employment and also employment

for many others. It promotes entrepreneurial skill among the individuals.

9. **Social Benefits**: A sole proprietor is the master of his own business. He has absolute freedom in taking decisions, using his skill and capability. This gives him high self-esteem and dignity in the society and gradually he acquires several social virtues like self- reliance, self-determination, independent thought and action, initiative, hard work etc,. Thus, he sets an example for others to follow.

10. **Equitable Distribution of Wealth**: A sole proprietorship business is generally a small scale business. Hence there is opportunity for many individuals to own and manage small business units. This enables widespread dispersion of economic wealth and diffuses concentration of business in the hands of a few.

Disadvantages of Sole Proprietorship:

1. **Unlimited Liability:** In sole proprietorship, the liability of business is recovered from the personal assets of the owner. It restricts the sole trader to take more risk and increases the volume of his business.

2. **Limited Financial Resources:** The ability to raise and borrow money by one individual is always limited. The inadequacy of finance is a major handicap for the growth of sole proprietorship.

3. **Limited Capacity of Individual:** An individual has limited knowledge and skill. Thus his capacities to undertake responsibilities, his capacity to manage, to take decisions and to bear the risks of business are also limited.

4. **Uncertainty of duration:** The existence of a sole tradership business is linked with the life of the proprietor. Illness, death or insolvency of the owner brings an end to the business. The continuity of business operation is, therefore, uncertain.

Suitability of Sole Proprietorship Form

From the discussion of the advantages and disadvantages of sole proprietorship above, it is clear that this form of business organization is most suited where:

1. The amount of capital is small
2. The nature of business is simple in character requiring quick decisions to be taken
3. Direct contact with the customer is essential and
4. The size of demand is not very large.

These types of conditions are satisfied by various types of small business such as retail shops, legal or medical or accounting profession, tailoring, service like dry cleaning or vehicle repair etc. hence sole proprietor form of organization is mostly suitable for these lines of businesses. This form of organization also suits those individuals who have a strong drive for independent thinking and highly venturous some in their attitude.

B. Partnership

Meaning

A partnership form of organisation is one where two or more persons are associated to run a business with a view to earn profit. Persons from similar background or persons of different ability and skills, may join together to carry on a business. Each member of such a group is individually known as '**partner**' and collectively the members are known as a '**partnership firm**'. These firms are governed by the Indian Partnership Act, 1932.

Characteristics:

1. **Number of Partners:** A minimum of two persons are required to start a partnership business. The maximum membership limit is 10 in case of banking business and 20 in case of all other types of business.
2. **Contractual Relationship:** The relation between the partners of a partnership firm is created by contract. The partners enter into partnership through an agreement which may be verbal, written or implied. If the agreement is in writing it is known as a '**Partnership Deed**'.
3. **Competence of Partners:** Since individuals have to enter into a contract to become partners, they must be competent enough to do so. Thus, minors, lunatics and insolvent persons are not eligible to become partners.
However, a minor can be admitted to the benefits of partnership i.e. he can have a share in the profits.
4. **Sharing of Profit and Loss:** The partners can share profit in any ratio as agreed. In the absence of an agreement, they share it equally.
5. **Unlimited Liability:** The partners are liable jointly and severally for the debts and obligations of the firm. Creditors can lay claim on the personal properties of any individual partner or all the partners jointly. The liability of a minor is, however, limited to the extent of his share in the profits, in case of dissolution of a firm.
6. **Principal-Agent Relationship**: The business in a partnership firm may be carried on by all the partners or any one of them acting for all. This means that every partner is an agent when he is acting on behalf of others and he is a principal when others act on his behalf. It is, therefore, essential that there should be mutual trust and faith among the partners in the interest of the firm.
7. **Transfer of Interest**: No partner can sell or transfer his interest in the firm to anyone without the consent of other partners.
8. **Legal Status**: A partnership firm is just a name for the business as a whole. **The firm means partners and the partners mean the firm**. Law does not recognise the firm as a separate entity distinct from the

partners.

9. **Voluntary Registration**: Registration of partnership is not compulsory. But since registration entitles the firm to several benefits, it is considered desirable. For example, if it is registered, any partner can file a case against other partners, or a firm can file a suit against outsiders in case of disputes, claims, disagreements, etc.

10. **Dissolution of Partnership**: Dissolution of partnership implies not only a complete closure or termination of partnership business, but it also includes any change in the existing agreement among the partners due to a change in the number of partners.

Advantages of Partnership Firm:

1. **Easy Formation**: A partnership can be formed without many legal formality and expenses. Every partnership firm need not be registered.

2. **Larger Resources**: As compared to sole proprietorship, a partnership firm can pool larger financial resources. Thus it can enter into bigger operations and can have more credit facilities. It can also have better managerial talent.

3. **Flexibility in operation**: Flexibility is due to a limited number of partners. These partners can change their operations and amend objectives if necessary by mutual consent.

4. **Better Management**: Partners take more interest in the affairs of business as there is a direct relationship between ownership, control and profit. They often meet to discuss the affairs of business and can take prompt decision.

5. **Sharing of Risk**: In partnership, risk of loss is easier to bear by individual partners as it is shared by all the partners.

6. **Protection of minority interest**: Every partner has an equal say in decision making. A partner can prevent a decision being taken if it adversely affects his interests. In extreme cases a dissenting partner may withdraw from partnership and can dissolve it.

7. **Better Public Relations**: In a partnership firm the group managing the affairs of the firm is generally small. It facilitates cordial relationship with the public.

Disadvantages of partnership Firm:

1. **Instability**: A partnership firm does not continue to exist indefinitely. The death, insolvency or lunacy of a partner may bring about an unexpected end to partnership.

2. **Unlimited Liability:** As the liability of partners is joint and several to an unlimited extent, any one of the partners can be called upon to pay all the debts even from his personal properties. Further, as every partner has a right to take part in the management of the firm, any wrong decision by a single partner may lead to

heavy liabilities for others.

3. **Lack of Harmony:** Since every partner has equal right, there are greater possibilities of friction and quarrel among the partners. Differences of opinion may lead to mistrust and disharmony which may ultimately result in disruption and closure of the firm.

4. **Limited Capital:** As there is a restriction on the maximum number of partners, the capital which can be raised is limited.

Suitability of Partnership Firm:

In a partnership firm, persons from different walk of life having ability, managerial talent and skill join together to carry on a business. This increases the administrative strength of the organisation, the financial resources, the skill and expertise, and reduces risk. Such firms are most suitable for comparatively small business such as retail and wholesale trade, professional services, medium sized mercantile houses and small manufacturing units. Generally it is seen that many organizations are initially started as partnership firms and later, when it is economically viable and financially attractive for the investors, it is converted into a company.

C. Joint Stock Company/ Public Limited Company:

A public limited company is a voluntary association of members which is incorporated and, therefore has a separate legal existence and the liability of whose members is limited.

Characteristics:

1. **Artificial Person**: A Joint Stock Company is an artificial person in the sense that it is created by law and does not possess physical attributes of a natural person. However, it has a legal status.

2. **Separate Legal Entity**: Being an artificial person, a company has an existence independent of its members. It can own property, enter into contract and conduct any lawful business in its own name. It can sue and can be sued in the court of law. A shareholder cannot be held responsible for the acts of the company.

3. **Common Seal**: Every company has a common seal by which it is represented while dealing with outsiders. Any document with the common seal and duly signed by an officer of the company is binding on the company.

4. **Perpetual Existence**: A company once formed continues to exist as long as it fulfils the requirements of law. It is not affected by the death, lunacy, insolvency or retirement of any of its members.

5. **Limited Liability**: The liability of a member of a Joint Stock Company is limited by guarantee or the shares he owns. In other words, in case of payment of debts by the company, a shareholder is held liable only to the extent of his share.

6. **Transferability of Shares**: The members of a company are free to transfer the shares held by them to anyone else.

7. **Formation**: A company comes into existence only when it has been registered after completing the formalities prescribed under the Indian Companies Act 1956. A company is formed by the initiative of a group of persons known as **promoters**

8. **Membership**: A company having a minimum membership of **two** persons and maximum **fifty** is known as a **Private Limited Company**. But in case of a Public Limited Company, the minimum is **seven** and the maximum membership is **unlimited**.

9. **Management**: Joint Stock Companies have democratic management and control. Even though the shareholders are the owners of the company, all of the them cannot participate in the management process. The company is managed by the elected representatives of shareholders known as **Directors**.

10. **Capital**: A Joint Stock Company generally raises a large amount of capital through issue of shares.

Advantages of Joint Stock Company:

1. **Limited Liability**: In a Joint Stock Company the liability of its members is limited to the extent of shares held by them. This attracts a large number of small investors to invest in the company. It helps the company to raise huge capital. Because of limited liability, a company is also able to take larger risks.

2. **Continuity of existence**: A company is an artificial person created by law and possesses independent legal status. It is not affected by the death, insolvency etc. of its members. Thus it has a **perpetual existence**.

3. **Benefits of large scale operation**: It is only the company form of organisation which can provide capital for large scale operations. It results in large scale production consequently leading to increase in efficiency and reduction in the cost of operation. It further opens the scope for expansion.

4. **Professional Management**: Companies, because of complex nature of activities and operations and large volume of business, require professional managers at every level of organisation. And because of their financial strength they can afford to appoint such managers. This leads to efficiency.

5. **Social Benefit**: A joint stock company offers employment to a large number of people. It facilitates promotion of various ancillary industries, trade and auxiliaries to trade. Sometimes it also donates money for education, health, community service and renders help to charitable and social institutions.

6. **Research and Development**: A company generally invests a lot of money on research and development for improved processes of production, designing and innovating new products, improving quality of product, new ways of training its staff, etc.

Disadvantages of Joint Stock Company:

1. **Formation is not easy**: The formation of a company involves compliance with a number of legal formalities under the companies Act and compliance with several other Laws.
2. **Control by a Group**: Companies are controlled by a group of persons known as the **Board of Directors**. This may be due to lack of interest on the part of the shareholders who are widely dispersed; ignorance, indifference and lack of proper and timely information. Thus, the democratic virtues of a company do not really exist in practice.
3. **Speculation and Manipulation**: The shares of a company are purchased and sold on the stock exchanges. The value or price of a share is determined in terms of the dividend expected and the reputation of the company. These can be manipulated. Besides, there is excessive speculation which is regarded as a social evil.
4. **Excessive government control**: A company is expected to comply with the provisions of several Acts. Non-compliance of these invites heavy penalty. This affects the smooth functioning of the companies.
5. **Delay in Policy Decisions**: A company has to fulfill certain procedural formalities before making a policy decision. These formalities are time consuming and, therefore, policy decisions may be delayed.
6. **Social abuses**: A joint stock company is a large scale business organisation having huge resources. This provides a lot of power to them. Any misuse of such power creates unhealthy conditions in the society e.g. having monopoly of a particular business, industry or product; influencing politicians and government in getting their work done; exploiting workers, consumers and investors.

Suitability of Joint Stock Company:

A joint stock company is suitable where the volume of business is quite large, the area of operation is widespread, the risk involved is heavy and there is a need for huge financial resources and manpower. It is also preferred when there is need for professional management and flexibility of operations. In certain businesses like banking and insurance, business can only be undertaken by joint stock companies.

D. Private Limited Company:

A private limited company is a voluntary association of not less than two and not more than fifty members, whose liability is limited, the transfer of whose shares is limited to its members and who is not allowed to invite the general public to subscribe to its shares or debentures.

A private company is preferred by those who wish to take the advantage of limited liability but at the same time desire to keep control over the business within a limited circle and maintain the privacy of their business.

Advantages

- Limited Liability: It means that if the company experience financial distress because of normal business activity, the personal assets of shareholders will not be at risk of being seized by creditors.
- Continuity of existence: business not affected by the status of the owner.
- Minimum number of shareholders need to start the business are only2.
- More capital can be raised as the maximum number of shareholders allowed is 50.
- Scope of expansion is higher because easy to raise capital from financial institutions and the advantage of limited liability

Disadvantages

- The shares in a private limited company cannot be sold or transferred to anyone else without the agreement of other shareholders (not freely transferable)
- Not allowed to invite public to subscribe to its shares
- Scope for promotional frauds
- Undemocratic control

Difference between Sole Proprietorship and Partnership firm:

Basis	**Sole Proprietorship**	**Partnership**
1. **Membership**	Only one member	Minimum membership is two, maximum membership is ten incase of banking business twenty
2. Functioning	A sole trader manages his business at his free will.	May be managed by all partners or any one on behalf of all others.
3. Formation	Easy and can be formed at any time the owner decides.	An agreement is required between the partners to start a business.
4. Secrecy	Business secrets are not open to anyone other than the proprietor	Business secrets are open to every partner.
5. Finance	Scope for raising capital is limited	Scope for raising capital is relatively more.
6. Continuity of business	Comes to an end with the death of the sole trader.	The business of a firm does not come to an end if a partner leaves the firm.
7. Decision	Owner alone takes decision and so it is	All partners must agree to important

Making	quick.	decisions and so decision making may take time.
8. Liability	Unlimited and burden is heavy	Unlimited but less burdensome as it is shared by partners.

Partnership and Joint Stock Company

Basis	**Partnership**	**Joint Stock Company**
1. Formation	It is easy to form as registration is not compulsory	It requires many legal formalities to be completed before the company comes into existence
2. Operation	Governed by the Partnership Act, 1932	Governed by the companies Act, 1956
3. Membership	Minimum is two, maximum is 10 in banking business and 20 in other business.	In case of Private Company minimum is 2, maximum is 50; in case of Public company minimum is 7 and maximum unlimited.
4. Legal Status	No separate legal entity	Separate legal entity from that of its members
5. Liability	Joint and several to an unlimited extent	Limited to the value of shares held for limited companies
6. Management	All or any one on behalf of all partners is are entitled	Only the Board of directors authorized
7. Transfer of shares	Consent of all partners required	Shares are freely transferable
8. Existence	Dissolves with the death, retirement or insanity of a partner etc.	Perpetual existence, unaffected by death, retirement, insolvency of the shareholders
9. Finance	Relatively limited scope for raising finance	Vast and unlimited scope for raising finance

Distinction Between A Public Company And a Private Company Following are the main points of difference between a Public Company and a Private Company:

1. Minimum Paid-up Capital: A company to be Incorporated as a Private Company must have a minimum paid-up capital of Rs. 1,00,000, whereas a Public Company must have a minimum paid-up capital of Rs. 5,00,000.

2. Minimum number of members: Minimum number of members required to form a private company is 2, whereas a Public Company requires atleast 7 members.

3. Maximum number of members: Maximum number of members in a Private Company is restricted to 50, there is no restriction of maximum number of members in a Public Company.

4. Transferability of shares: There is complete restriction on the transferability of the shares of a Private Company through its Articles of Association, whereas there is no restriction on the transferability of the shares of a Public company.

5. Issue of Prospectus: A Private Company is prohibited from inviting the public for subscription of its shares, i.e. a Private Company cannot issue Prospectus, whereas a Public Company is free to invite public for subscription i.e., a Public Company can issue a Prospectus.

6. Number of Directors: A Private Company may have 2 directors to manage the affairs of the company, whereas a Public Company must have atleast 3 directors.

7. Consent of the directors: There is no need to give the consent by the directors of a Private Company, whereas the Directors of a Public Company must have file with the Registrar consent to act as Director of the company.

8. Qualification shares: The Directors of a Private Company need not sign an undertaking to acquire the qualification shares, whereas the Directors of a Public Company are required to sign an undertaking to acquire the qualification shares of the public Company.

9. Commencement of Business: A Private Company can commence its business immediately after its incorporation, whereas a Public Company cannot start its business until a Certificate to commencement of business is issued to it.

10. Shares Warrants: A Private Company cannot issue Share Warrants against its fully paid shares, whereas a Public Company can issue Share Warrants against its fully paid up shares.

11. Further issue of shares: A Private Company need not offer the further issue of shares to its existing share holders, whereas a Public Company has to offer the further issue of shares to its existing share holders as right shares. Further issue of shares can only be offer to the general public with the approval of the existing share holders in the general meeting of the share holders only.

12. Statutory meeting: A Private Company has no obligation to call the Statutory Meeting of the member, whereas of Public Company must call its statutory Meeting and file Statutory Report with the Register of

Companies.

13. Quorum: The quorum in the case of a Private Company is TWO members present personally, whereas in the case of a Public Company FIVE members must be present personally to constitute quorum. However, the Articles of Association may provide and number of members more than the required under the Act.

14. Managerial remuneration: Total managerial remuneration in the case of a Public Company cannot exceed 11% of the net profits, and in case of inadequate profits a maximum of Rs. 87,500 can be paid, whereas these restrictions do not apply on a Private Company.

15. Special privileges: A Private Company enjoys some special privileges, which are not available to a Public Company

E. **Co-Operatives**:

A co-operative society is a voluntary association started with the aim of service of its members. It is a form of business where individuals belonging to the same class join their hands for the promotion of their common goals. These are generally formed by the poor people or weaker section people in the society. It reflects the desire of the poor people to stand on their own legs or own merit. The philosophy of the formation of co-operative society is "all for each and each for all". It is voluntary association of persons for mutual benefit and its aims are accomplished through self help and collective effort.

Advantages:

1. Easy Formation:

Any ten adult persons can voluntarily form themselves into an association and get it registered with the Registrar of Co-operatives. Formation of a cooperative society also does not involve long and complicated legal formalities.

2. Limited Liability:

Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative societies.

3. Perpetual Existence:

A cooperative society has a separate legal entity. Hence, the death, insolvency, retirement, lunacy, etc., of the members do not affect the perpetual existence of a cooperative society.

4. Social Service:

The basic philosophy of cooperatives is self-help and mutual help. Thus, cooperatives foster fellow feeling among their members and inculcate moral values in them for a better living.

5. Open Membership:

The membership of cooperative societies is open to all irrespective of caste, colour, creed and economic status. There is no limit on maximum members.

6. Tax Advantage:

A cooperative society is exempted from income-tax and surcharge on its earnings up to a certain limit. Besides, it is also exempted from stamp duty and registration fee.

7. State Assistance:

Government has adopted cooperatives as an effective instrument of socio-economic change. Hence, the Government offers a number of grants, loans and financial assistance to the cooperative societies – to make their working more effective.

8. Democratic Management:

The management of cooperative society is entrusted to the managing committee duly elected by the members on the basis of 'one-member one -vote' irrespective of the number of shares held by them. The proxy is not allowed in cooperative societies. Thus, the management in cooperatives is democratic.

Disadvantages:

In spite of its numerous advantages, the cooperative also has some disadvantages which must be seriously considered before opting for this form of business ownership. The important among the disadvantages are:

1. Lack of Secrecy:

A cooperative society has to submit its annual reports and accounts with the Registrar of Cooperative Societies. Hence, it becomes quite difficult for it to maintain secrecy of its business affairs.

2. Lack of Business Acumen:

The member of cooperative societies generally lack business acumen. When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently. These also cannot employ the professional managers because it is neither compatible with their avowed ends nor the limited resources allow for the same.

3. Lack of Interest:

The paid office-bearers of cooperative societies do not take interest in the functioning of societies due to the absence of profit motive. Business success requires sustained efforts over a period of time which, however, does not exist in many cooperatives. As a result, the cooperatives become inactive and come to a grinding halt.

4. Corruption:

In a way, lack of profit motive breeds fraud and corruption in management. This is reflected in misappropriations of funds by the officials for their personal gains.

5. Lack of Mutual Interest:

The success of a cooperative society depends upon its members' utmost trust to each other. However, all members are not found imbued with a spirit of co-operation. Absence of such spirit breeds mutual rivalries among the members. Influential members tend to dominate in the society's affairs.

WHAT IS ORGANIZATIONAL CULTURE?

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization.

ORGANIZATIONAL CULTURE DEFINITION AND CHARACTERISTICS

Organizational culture includes an organization's expectations, experiences, philosophy, as well as the values that guide member behavior, and is expressed in member self-image, inner workings, interactions with the outside world, and future expectations. Culture is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid (The Business Dictionary).

Culture also includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits (Needle, 2004). Simply stated, organizational culture is "the way things are done around here" (Deal & Kennedy, 2000).

While the above definitions of culture express how the construct plays out in the workplace, other definitions stress employee behavioral components, and how organizational culture directly influences the behaviors of employees within an organization.

Under this set of definitions, organizational culture is a set of shared assumptions that guide what happens in organizations by defining appropriate behavior for various situations (Ravasi & Schultz, 2006). Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. Also, organizational culture may influence how much employees identify with their organization (Schrodt, 2002).

In business terms, other phrases are often used interchangeably, including "corporate culture," "workplace culture," and "business culture."

HOW IS ORGANIZATIONAL CULTURE CREATED AND COMMUNICATED?

Business leaders are vital to the creation and communication of their workplace culture. However, the relationship between leadership and culture is not one-sided. While leaders are the principal architects of culture, an established culture influences what kind of leadership is possible (Schein, 2010).

Leaders must appreciate their role in maintaining or evolving an organization's culture. A deeply embedded and established culture illustrates how people should behave, which can help employees achieve their goals. This behavioral framework, in turn, ensures higher job satisfaction when an employee feels a leader is helping him or her complete a goal (Tsai, 2011). From this perspective, organizational culture, leadership, and job satisfaction are all inextricably linked.

Leaders can create, and also be created or influenced by, many different workplace cultures. These differences can manifest themselves is a variety of ways including, but not limited to:

WORKPLACE CULTURE DIFFERENCES

Person Culture and Market Culture: How members of an organization conduct business, treat employees, customers, and the wider community are strong aspects of person culture and market culture. Person culture is a culture in which horizontal structures are most applicable. Each individual is seen as more valuable than the organization itself. This can be difficult to sustain, as the organization may suffer due to competing people and priorities (Boundless, 2015). Market cultures are results-oriented, with a focus on competition, achievement, and "getting the job done" (ArtsFWD, 2013).

Adaptive Culture and Adhocracy Culture: The extent to which freedom is allowed in decision making, developing new ideas and personal expression are vital parts of adaptive cultures and adhocracy cultures. Adaptive cultures value change and are action-oriented, increasing the likelihood of survival through time (Costanza et al., 2015). Adhocracy cultures are dynamic and entrepreneurial, with a focus on risk-taking, innovation, and doing things first (ArtsFWD, 2013).

Power Culture, Role Culture, and Hierarchy Culture: How power and information flow through the organizational hierarchy and system are aspects of power cultures, role cultures, and hierarchy cultures. Power cultures have one leader who makes rapid decisions and controls the strategy. This type of culture requires a strong deference to the leader in charge (Boundless, 2015). Role cultures are where functional structures are created, where individuals know their jobs, report to their superiors, and value efficiency and accuracy above all else (Boundless, 2015). Hierarchy cultures are similar to role cultures, in that they are highly structured. They focus on efficiency, stability, and doing things right (ArtsFWD, 2013).

Task Culture and Clan Culture: How committed employees are towards collective objectives are parts of task cultures and clan cultures. In a task culture, teams are formed with expert members to solve particular problems. A matrix structure is common in this type of culture, due to task importance and the number of small teams in play (Boundless, 2015). Clan cultures are family-like, with a focus on mentoring, nurturing, and doing things together (ArtsFWD, 2013).

CUMMINGS & WORLEY SIX GUIDELINES FOR CULTURE CHANGE

1.Formulate a clear strategic vision.
This vision gives the intention and direction for the future culture change.

2.Display top-management commitment.
The top of the organization must favor the culture change in order to actually implement the change in the rest of the organization.

3.Model culture change at the highest level.
The behavior of the management needs to symbolize the kinds of values and behaviors that should be realized in the rest of the company. Change agents are keys to the success of this cultural change process and important communicators of new values.

4.Modify the organization to support organizational change.
This includes identifying what current systems, policies, procedures and rules need to be changed so alignment with the new values and desired culture can be achieved.

5.Select and socialize newcomers and terminate deviants.
Encouraging employee motivation and loyalty to the company will create a healthy culture. Training should be provided to all employees to help them understand the new processes, expectations, and systems.

6.Develop ethical and legal sensitivity.
This step can identify obstacles of change and resistant employees, and acknowledge and reward employee improvement, encouraging continued change and involvement.

WHAT ARE ORGANIZATIONAL SUBCULTURES?
Rather than changing an entire organization's culture, an organization can be adaptable and agile by allowing certain types of subcultures to emerge. Organizational subcultures are groups whose common characteristic is a shared norm or belief (Boisnier & Chatman, 2002).

Subcultures are classified as enhancing, orthogonal, or counterculture, each exemplifying a different level of congruence with the dominant culture's values (Martin & Siehl, 1983). Members of enhancing subcultures adhere to dominant organizational culture values even more enthusiastically than members of the rest of the organization. Members of orthogonal subcultures both embrace the dominant culture's values and hold their own set of distinct, but not conflicting, values. Finally, members of a counterculture disagree with the core values of the dominant culture and hold values that directly conflict with core organizational values.

While having a deeply embedded organizational culture is usually associated with higher performance, these organizations may not be adaptive enough to ensure their long-term survival. Organizations may, therefore, become more agile by allowing subcultures to emerge.
The components of culture

Organizational culture can be described in terms of values, norms, artefacts and management style.

Values

Values are beliefs in what is best or good for the organization and what should or ought to happen. The 'value set' of an organization may only be recognized at top level, or it may be shared throughout the business, in which case it could be described as 'value-driven'. The stronger the values the more they will influence behaviour. This does not depend upon their having been articulated. Implicit values that are deeply embedded in the culture of an organization and are reinforced by the behaviour of management can be highly influential, while espoused values that are idealistic and are not refl ected in managerial behaviour may have little or no effect. When values are acted on they are called 'values in use'. Areas in which values may be expressed – explicitly or implicitly

• Care and consideration for people.
• Competence.
• Competitiveness.
• Customer service.
• Innovation.
• Performance.
• Quality.
• Teamwork

Values are translated into reality through norms and artefacts, as described below. They may also be expressed through the media of language (organizational jargon), rituals, stories and myths.

Norms

Norms are the unwritten rules of behaviour, the 'rules of the game' that provide informal guidelines on how to behave. Norms tell people what they are supposed to be doing, saying, believing, even wearing. They are never expressed in writing – if they were, they would be policies or procedures. They are passed on by word of mouth or behaviour and can be enforced by the reactions of people if they are violated. They can exert very powerful pressure on behaviour because of these reactions – we control others by the way we react to them.

Typical norms

• How managers treat the members of their teams (management style) and how the latter relate to their managers.
• The prevailing work ethic, eg 'work hard, play hard', 'come in early, stay late', 'if you cannot finish your work during business hours you are obviously inefficient', 'look busy at all times', 'look relaxed at all times'.
• Status – how much importance is attached to it; the existence or lack of obvious status symbols.
• Ambition – naked ambition is expected and approved of, or a more subtle approach is the norm.
• Performance – exacting performance standards are general; the highest praise that can be given in the organization is to be referred to as 'very professional'.
• Power – recognized as a way of life; executed by political means, dependent on expertise and ability rather than position; concentrated at the top; shared at different levels in different parts of the organization.

• Politics – rife throughout the organization and treated as normal behaviour; not accepted as overt behaviour.

• Loyalty – expected, a cradle to grave approach to careers; discounted, the emphasis is on results and contribution in the short term.

• Anger – openly expressed; hidden, but expressed through other, possibly political, means.

Artefacts

Artefacts are the visible and tangible aspects of an organization that people hear, see or feel and which contribute to their understanding of the organization's culture. Artefacts can include such things as the working environment, the tone and language used in e-mails, letters or memoranda, the manner in which people address each other at meetings, in e-mails or over the telephone, the welcome (or lack of welcome) given to visitors and the way in which telephonists deal with outside calls. Artefacts can be very revealing.

Management style

Management style is the approach managers use to deal with people. It is also called 'leadership style', As defined there, it consists of the following extremes:

• Charismatic/non-charismatic.

• Autocratic/democratic.

• Enabler/controller.

• Transactional/transformational.

Most managers adopt an approach somewhere between the extremes. Some will vary it according to the situation or their feelings at the time; others will stick to the same style whatever happens. A good case can be made for using an appropriate style according to the situation but it is undesirable to be inconsistent in the style used in similar situations. Every manager has his or her own style but this will be influenced by the organizational culture, which may produce a prevailing management style that represents the behavioural norm for managers that is generally expected and adopted.

The term 'management style' can also refer to the overall approach an organization adopts to the conduct of employee relations. Purcell and Sisson (1983) identifi ed fi ve typical styles:

authoritarian, paternalistic, consultative, constitutional and opportunist.

• Approachability – managers are expected to be approachable and visible; everything happens behind closed doors.

• Formality – a cool, formal approach is the norm; forenames are/are not used at all levels; there are unwritten but clearly understood rules about dress.

CLASSIFICATION OF ENVIRONMENTAL FACTORS

On the basis of the extent of intimacy with the firm, the environmental factors may be classified into different types namely internal and external.

1) INTERNAL ENVIRONMENTAL FACTORS

The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors. It can alter or modify these factors. The internal environmental factors are resources, capabilities and culture.

i) Resources: A good starting point to identify company resources is to look at tangible, intangible and human resources. Tangible resources are the easiest to identify and evaluate: financial resources and physical assets are identifies and valued in the firm's financial statements. Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible recourses include reputational assets (brands, image, etc.) and technological assets (proprietary technology and know-how). Human resources or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.

ii) Capabilities: Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm's capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal functional areas.

iii) Culture: It is the specific collection of values and norms that are shared by people and groups in an organization and that helps in achieving the organizational goals.

2) EXTERNAL ENVIRONMENT FACTORS

It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

a) MICRO ENVIRONMENTAL FACTORS

The micro environment or task environment encompasses those forces in the close surrounding area of an organization that influence it's functioning. Even if it is external to an organization, micro factors need not affect all the firms in a particular industry in an equivalent manner. Some of the micro factors may be unique to a firm. It embraces the following factors:

1. Suppliers

Suppliers of raw materials, components and semi finished goods are very prominent for a firm. They operate as an important force within the micro environment of the firm.

2. Marketing intermediaries

It includes the firms that assist the company in promoting, selling and distributing its goods to final buyers. They are operating in the micro environment.

3. Customers

As far as any business firm is concerned, creation and maintenance of customers are of utmost importance.

Triumph of a business principally depends on realising the needs, desire and tastes of customers.

4. Competitors

Every organization has a competitive environment. Activities of a business should be adjusted according to the actions and reactions of competitors. An enterprise will be facing direct and indirect competition from many rivalries. A firm should monitor the activities of the competitors in its micro environment and should counteract accordingly.

5. Public

Public refers to any cluster that has actual or potential interest in the business activities. Such clusters can exert influence on the business. e.g., growth of consumer groups may affect the working of newly developed businesses.

6. Financiers

The term financiers include commercial banks, money lending institutions, private persons etc who have lent money for business operations. In addition to the financing capabilities, their policies and strategies, attitudes, ability to provide non-financial assistance etc are vital.

MACRO ENVIRONMENT

A company along with its micro environment situate in a bigger macro environment. This micro environment provides opportunities and poses threats to a firm. The macro forces are generally more uncontrollable and the success of a company depends on its adaptability to the environment. A firm cannot exercise effective control on the factors of macro environment and only the degree of adaptability it has to that particular environment can direct it to success. The macro environment of a firm consists of the following:

1. Economic environment

The Economic environment includes broad factors like structure and nature of the economy, the stage of development of the economy, economic resources, the level of income of the economy, the distribution of income and assets among citizens, linkages with global economy, economic policies etc. Important economic factors are:

a) Degree of economic development.

b) Structure of the economy.

c) Economic policies.

d) Economic conditions

2. Political Environment

It primarily comprises of the country's government's actions which may influence the operations of a company or business. These actions can be on different levels like local, regional, national or international. The decision makers should observe the movements of the government keenly, so that they can make quick decisions.

3. Technological environment

Along with determining the destiny of an organization, technology can contribute to the economic and social development of a nation. Factors like the type of technology in use, the level of technological developments, the speed with which new technologies are adopted and diffused, the type of technologies that are appropriate, the technology policy etc has deep implications on the prospects of the business.

4. Social Environment

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc.

5. Cultural environment

Culture of a particular region includes activities such as dance, drama, music and festivals. In its exact sense culture is understood as that composite whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by individual as a member of a society

TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO

The management functions are planning and decision making, organizing. leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe.The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds . Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not Like-wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information system