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INSTITUTE OF SCIENCE AND TECHNOLOGY
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SCHOOL OF COMPUTING

DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING

UNIT – 1 – PRINCIPLES OF MANAGEMENT AND PROFESSIONALETHICS

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.

Definitions of Management

1. Management is an art of getting things done though people – Mary Parker Follet
2. To manage is to forecast and plan, to organize, to command, to co-ordinate and to Control – Henry Fayol
3. Management is the art of knowing exactly what you want your men to do and thenseeing that they do it in the best and the cheapest way. – F.W Taylor
4. Management is the creation and maintenance of an internal environment in an enterprise where individuals working in groups can perform efficiently and effectivelytowards the attainment of group goals, it is an art of getting the work done through and with people in formally organized groups – Koontz and O Donnel
5. Management is a social and technical process which utilized resources influences human action and facilitates changes in order to accomplish organizational goals – Haiman and William G Scott.

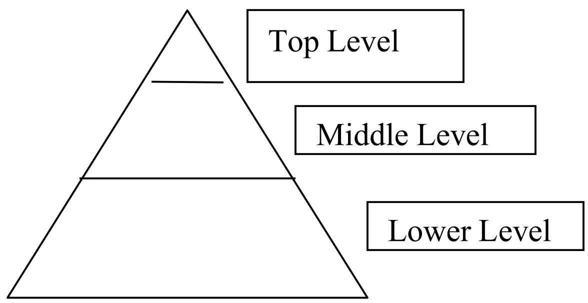
Nature of Management:

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 goal can be attained with maximum efficiently.
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
4. 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.
5. **It is a process**: it is process consisting of various stages/ functions. Planning isthe starting point of management and control is its last stage.
6. **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 demandis not considered. Here the skill of the manager will help to avert the strike then it’s theoretical.
7. **It is a social process**: management deals with the behavior of individuals and groups. 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 Eg.: an individual

worker maybe forced to join a strike program because of the union.

8. **It is an on going activity**: it is a continuous process planning, organizing etc haveunlimited use. Management will exist as long as there are human activities.
9. **It is intangible:** it is invisible cannot be seen. But it can be felt.
10. **Management is a Profession:** like medical, law and engineering, managementhas also come to be recognized as a profession.

Different levels of Management:



Three levels of Management:

A) **Top Level Management**: the top level management derives its powers and authority directly from the owners of the enterprise. They are Board of Directors, Chairman, Managing Directors, COO, CEO etc.

The functions:

1. They are setting out the fundamental objectives of the enterprises.
2. They frame major policies for the business.
3. They design the strategies for the attainment of organizational objectives.
4. They appoint key managerial personnel for the middle management.
5. Develop master plans in areas of finance, human resource, technology, marketing and other functions of organization.
6. To represent the business outside, particularly in discussing business problems with the Government trade association and so on.

B) **Middle Level Management**: they are departmental managers (Head of Department) like Production managers, Marketing managers, Personnel managers, Finance manager, Regional manager and other managers.

The functions

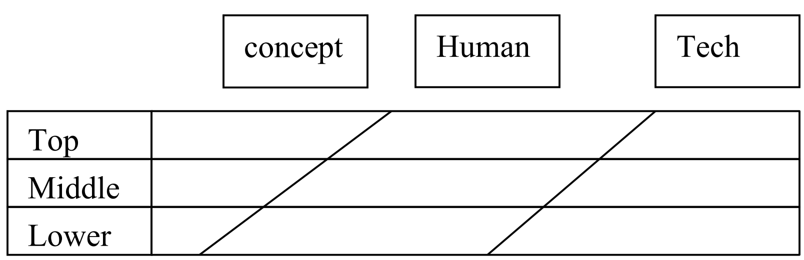
1. They play the role of a linking pin between top level management and the lowerlevel management.
2. They explain the objectives, strategies, policies laid down by the top level management to the low level management.
3. Communicates the problems, suggestions and view points of the lower management to the top management.
4. They prepare the departmental plans.

5. They submit reports on the performance at various departments to the top management.
6. They offer suggestions and recommendations to the top management for the betterment of overall management of the enterprise.

C) **Lower Level of Management**: It is called as operating level management or supervisory level. This is the level where actual operational work for the enterprise in the areas of production, finance, marketing, personnel, etc is performed by workers. This level of management consists of manger like supervisors, the foreman, the sales officers the accountants the sectional officers.
The Functions:

1. They do day to day operational planning in view of the instructions given by the middle level management.
2. They provide necessary instructions to operators for the best performance of their assigned jobs.
3. They supervise the work of operators to ensure that their performance is in accordance with the standards laid down in plans.
4. They submit reports on the performance of operating staffs to the middle management.
5. They operate as a channel of communication between the middle management and the operators.
6. The problems, suggestions and recommendations of operators are informed by them to the middle management.

Managerial Skills



Three skills

1. Technical Skills
2. Human Skills
3. Conceptual Skills

1. **Technical "Skills":** Technical skill is an imperative skill for managers at the lower level of management. These people who guide and supervise work of operators under their subordination. E.g. Production manager must know the type of raw materials to be used, the proportion the production process and the knowledge of handling the various m/c.
2. **Human skill**: the ability to tactfully deal with human beings and mould their behavior at work in the desired manner to help attain the common objectives of

the enterprises most effectively and efficiently. It requires an understanding of human behavior and it is necessary for motivating people.

3. **Conceptual Skills**: It is concerned with concepts or ideas. Conceptual means ability to view the enterprise as whole in totality. To analyze the implications of relevant external environmental factors economic, social, political, technological etc. for the successful functioning of the enterprise.

Importance of Management:

1. **Achievement of Group Goals**: Management enables an enterprise to achieve its desired objectives through proper planning and control. It decides what should be done and how. It lays down the long term and short term goals keeping in mind the resources of the enterprise.
2. **Optimum utilization of resources**: Materials, machines and money are the physical factors of production. The efficient use of these resources depends upon the efficiency and motivation of workers. Management makes the workers efficient and motivate through training, supervision and inspiring leadership. Mgrs guide and motivate workers towards best performance
3. **Fulfillment of social obligations**: Sound mgt monitors the environment of business and makes necessary changes in business policies and practices. So as to keep the customers and workers satisfied.
4. **Stability of Management** it ensures the survival of an orgn in a fast changing environment. It coordinates the activities of different departments in an orgn and monitors team spirit amongst the personnel.
5. **Human development** Management improves the personality and caliber of people to raise their efficiency and productivity. A good mgr serves as a friend and guide to his subordinates. He provides vision and confidence.
6. **Meets the challenge of change** Managers maintain a dynamic equilibrium b/w and enterprise and its development through innovation and creativity.
7. **Integrate various interests** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization
8. **Coordination and team spirit**: All the activities of business are grouped into department wise; mgt coordinates the activities of different departments and establishes team spirit to achieve the objectives.

Functions of Management

Planning: Planning is deciding in advance what should be done in future. It helps to works in a systematic manner. Planning helps to make an optimum use of the available resources. Planning provides the basis against which the actual performance can be measured. Planning eliminates the tendency to work at random. It determines the priorities of the business and tells what should be done first and what is next.

Nature of planning

It is goal oriented

It is an intellectual activity. It is the primary function of management

It is all pervasive i.e. present at all levels

It is a continuous process at all levels

It is forward looking

Organizing: organizing is the process of bringing together the necessary resources for the accomplishment of the objectives of the enterprise. Organizing is concerned with the grouping of the activities of the enterprise into various types. E.g. production, marketing, etc classification of work load into groupings and sub groupings.

Nature of Organizing

1. It divides the total work into different parts for better performance.
2. It provides authority and responsibility
3. Answerability or accountability on the part of a subordinate to his superior
4. Identification of the activities to be performed.
5. Grouping of activities.

Staffing: Orgn must employ the right number and right kind of employees to do various jobs. If there are more number of employees than the required then the cost of operation will be more and the potentials of the employees cannot be fully utilized. If the number of employees is less than the required then it is not possible to cope with the volume of work.

Nature of Staffing:

1. Recruitment and selection of employees
2. Training, Wage and Salary administration
3. Performance Appraisal
4. Employees transfer, promotion, demotion and termination

Directing: Guiding the subordinates towards the attainment of common objectives.

Four Aspects of directing:

1. Leadership, motivation, communication, supervision.

   The manager assuming the role of the leader and activates his followers and influences their performances through motivating them.
2. Undertake supervision
3. Issuing orders and instructions pertaining to work
4. proper communication between management and employees
5. Leadership to guide employees.

Controlling:

Controlling is looking back; control enables a business organization to know whether the plan has been successfully implemented.

Making a comparison between the actual performance and the standard set.

Finding out deviations and taking corrective actions.

What is "POSD CORB"?

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 organization 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.

Administration vs. Management

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.

Administration	Management
1) All the policies are made by the Administration.	1) Management has a main function of implementing the decisions made by the Administration.
2) They are the owners / proprietors of the company.	2) They are the managers of the company.
3) Conceptual, human skills are necessary.	3) Technical and human skills are more important here.
4) The main functions are planning and controlling.	4) The main functions are directing and organizing.
5) Level of authority: Administration mainly comprise of Top level management.	Management mainly carried on by Middle and lower level management.
6) Administration is thus more permanent in nature.	6) While management may change during the course of running the organization.

7) Objective: They are mainly interested in ➢ Profitability ➢ Sales volume	They actually work for remuneration, thus they direct their efforts towards the attainment of goal.
8) They don't take part in the day to day activity of the organization.	8) Managers take part in the day to day activity.
9) Administration is the thinking process.	9) While the management are the doing process.

Who is a Good Manager?

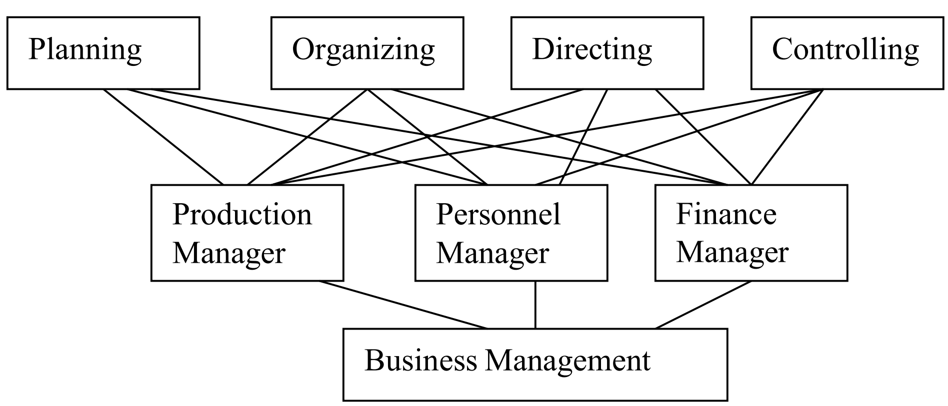
Introduction

Manager is a person who has the ability or strength to coordinate, motivate and guide all the personnel working under him so as to make sure they attain the organizational goal in the most efficient manner possible.

Qualities of a Good manager

1. Good Education
2. Technical Knowledge
3. Personality
4. Communication skills
5. Honesty
6. Positive thinking
7. Control Management
8. Motivation
9. Guide
10. Leadership qualities
11. Coordinate
12. Decision making (planning, forecasting)
13. Innovative
14. Good analysis
15. Risk taking

Scope of Management:



1. Production Management

2. Personnel Management
3. Marketing Management
4. Financial Management

Production Management: Production Management is concerned with the proper planning, organizing, directing, coordinating and controlling the production activities.

1. Creation of the factory building
2. Acquisition of the necessary plant and machinery.
3. Purchase and storage of the raw materials
4. Attaining the targeted levels of production
5. Quality Control

Personnel Management

This is concerned with the management of the human resources of a business organization.

1. Manpower planning
2. Recruitment and selection of employees
3. Employees training
4. Job analysis and evaluation
5. Determination of the correct remuneration
6. Performance appraisal
7. promotion , transfer, demotion and termination

Marketing Management: Marketing is the total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers.

They deal with:

1. Product Planning – important decision in respect of the product
2. Product Mix - whether to manufacture one product or a number of products
3. Product Modification – to alter outdated products.
4. Product Elimination – to drop unsuccessful products.

Financial Management: This deals with fixed capital to acquire fixed assets like land and buildings, plant and machinery, furniture etc and working capital to buy raw materials, pay salaries and wages to meet the routine expenses.

Roles of a Manager:

Mintzberg has identified ten roles of a manager which are grouped into three categories.

1. **Interpersonal Roles**:

   a) Figure head –

   Manager performs symbolic duties required by the status of his office, making speeches, bestowing honors, welcoming official visitors; distributing gifts to retiring employees are Examples of such ceremonial and social duties

   b) Leader –

The manager relationship with his own subordinates. The manager sets an Example legitimizes the power of subordinates and brings their needs in accord with those of his organization.

c) Liaison:

It describes a manager's relationship with the outsiders Eg. Government, industry groups.

2. **Information Roles**:

a) Monitor: Seeks and collects information to obtain thorough understanding of organization and environment Eg. Reading periodicals

b) Disseminator: Transmits information received from outsiders or insiders to other organization members Eg. forwarding mail.

c) Spokes man: Transmits information to outsiders on organization plans, Policies, actions Eg. board meetings , handling mail.

3. **Decisional roles**:

a) Entrepreneur: an initiate change adapting to the environment and supervises Design of organization. Improvement projects as opportunities arise. Prepare strategies

B) Disturbance handler: Responsible for corrective action when organization faces unexpected crisis.

c) **Resources allocater**: responsible for allocation of human monetary and materials resources Eg. scheduling , requests.

D) **Negotiator**: Responsible for representing the organization in bargaining and negotiations with others. Eg. Collective bargaining.

Evolution of management

Pre Scientific Management Era:

1. Robert Owen (1771- 1858) he advocated that workers should be treated as human beings, he has taken efforts to improve working conditions in the factory reduce working hours, increase minimum wages, provide meals to employees, allocate education provision , housing and other labor welfare facilities. His main contribution is that the effective and good personnel management was essential part of manager's job since it pays dividends to the employer.

2. Charles Babbage (1792-1872): he was a professor of math's of Cambridge university from 1828to 1839. He has suggested aspects like division of labor, work measurement, profit sharing and engineering to improve the efficiency of management.

He has invented mechanical calculators which were called as "differential machine".

He has emphasized in improving efficiency through the application of math's and science in the operation of factories.

3. James Watt Jr and Mathew Robinson Boulton (1796-1848) were in charge of organization and administration. **Robinson (1770-1842)** was administering sales.

These two have developed several management techniques such as marketing research, planned machine layout, production planning, standardization, work study, training and development, payment by results, and welfare programme to be administered by a committee.

4. Charles Dupin (1784-1873) he has emphasized systematic education in management. He was French engineer and formally tried to structure the subject matter of management.

These early contributors focused attention on managerial problems.

They have not presented any unified theory of management.

Systematic and scientific study of management started after 1880. Due to the creation of joint stock corporate organizational set up.

Fradrick Winslow Taylor:

He is known as the father of scientific management. He started his career as apprentice (machinist) in a small machine shop in USA in 1875 and by his handwork he could go up to chief engineer in the organization. According to him management "the art of knowing exactly what you want your meant to do and seeing that they do it in the best and the cheapest way"

Principles of Scientific Management:

Science not rule of thumb: scientific management requires scientific study and analysis of each element of a job in order to replace the old rule of thumb method. Decisions should be made on the basis of facts rather than opinions and beliefs. Ex. a school admission.

Scientific selection training and development of workers: - the workers should be selected and trained in accordance with the requirements of the jobs. Placement of workers will be done based on their capacities. Training enables the workers to perform their duties with maximum efficiency.

Harmonious relationship between the workers and the management: Scientific management enables efficient workers to earn more as payment is linked to output. As the management is also benefited as a result of increased output, there exists harmonies relationship between the workers and the management.

Co-operation between (i). The workers and the management & (ii) between workers.

Management can expect higher profits only if the workers work with maximum efficiency than the management comes forward recognizes their efficiency and reward them.

Maximum and not restricted output. More output enables the workers to earn more remuneration this both the management and the workers are interested in maximizing protection under scientific management.

Techniques of Scientific Management:

1. **Work Study** aims at improving efficiency under scientific management (the amount of work an average worker can do under standard working conditions is determined) this is called fair day's work to determine the fair day's work the following are used.

(a) Time Study : the objective of conducting the time study is to determine the standard time needed to perform every job, for this the various elements are associated with the job are identified and the time taken to perform each such elements is recorded.

(b)Motion Study: this is conducted to know the movement of workers from one place to another during working hours to perform their work. The idea is to identify and eliminate unnecessary and wasteful movements.

© **Method study**: aims at determining the most appropriate method of doing any job.

(d)Fatigue study; it determines the amount of physical and mental exhaustion caused to the workers by the performance of the task assigned. The idea is to provide for intervals breaks, when necessary so that the workers would not feel tired.

2. **Scientific Task Planning** : it lays down production targets and ensures their attainment lower costs of production, specialization , optimum use of resources, sales maximization etc are the other objectives of scientific task planning .

   (i) Routing: concerned with the sequence of production operations

   (ii) Scheduling: prescribes deadlines for each work.

   (iii) Dispatching: concerned with issuing orders to carry out the work.

   (iv) Feedback – helps to check whether the work has been done as planned.

3. **Scientific Selection, Placement and training of workers**: the right man to be appointed for the right job in every work place. A number of tests should be conducted to find out whether the candidates possess the required qualities.

4. **Standardization and simplification**:

Under scientific management the product, the materials used for its manufacture, the tools and equipment used, the methods used, quality, time and working condition are all standardized. Standardization ensures uniformly and promotes efficiency.

5. **Mental Revolution**: Taylor contemplated mental revolution on the part of both the management and the workers on two issues.

To work sincerely towards increasing the size of the surplus instead of quarreling over sharing the surplus.

Functional Foremanship: Taylor suggested a system of functional foremanship for a better performance of the factory work.

Under the system there will be eight persons, whom three will work in the production planning dept, four in the factory and one person to secure proper coordination.

Production Planning:

Route clerk: his job is to determine the sequence of operations to be performed in any work.

Instruction card clerk: he will prepare the necessary instructions pertaining to the work and accordingly the workers will perform their duties.

Time and Cost Clerk – he will frame the timetable for doing the various jobs. He will also keep the necessary cost records.

The persons who will work in the factory are as follows.

Gang Boss: his duty is to keep all the materials and tools ready so that the workers can start their work without any delay.

Speed boss: he will ensure that each job is done well in time

Repair Boss: he will keep all the tools and machines in the factory in perfect condition.

Inspector: his duty is to ensure that the work is done in accordance with standard laid down by the planning department.

Disciplinarian: to coordinate the work of all the seven persons mentioned above.

Henry Fayol (1841-1925) General principles of management:

1. Division of work: The total work to be done is divided into small parts, each entrusted to a particular individual. As each individual performs only a particular activity, he becomes specialist in due course.

2. Authority and Responsibility: Authority is the official right of the manager. It comes to him by virtue of his official position. Responsibility is the duty on the part of a subordinate to account for the work done by him.

3. Discipline: Fayol says that employees must follow the discipline by being obedient, by applying themselves fully in the task undertaken by being energetic and leader must be efficient to enforce discipline.

4. Unity of Command: An employee should receive orders from one superior only and is accountable to him alone. If there are two superiors for an employee he will not know whom he should report to and whose orders he should carry out first.

5. Unity of direction: Each group of activities having the same objective should have one head and one plan, the efforts of all the members of departments must be directed towards the attainment of that departmental target.

6. Subordination of Individual interest to common interest: The interest of the individual is should be based on common interest. This should be maintained by constant supervision and fair agreement.

7. Remuneration of Personnel: Remuneration payable to the employees should be fair and should give maximum satisfaction to both the employees and the employers. It should be based on cost of living, financial position of the company etc.

8. Centralization: The authority at a particular place is centralization and dispersal of authority in different places of the organization is known as decentralization. It is based on the size of the organization.,

9. Scalar chain: it is chain of superiors ranging from the highest to the lowest level in the organization. Every communication should follow the prescribed line of authority.

Gang Plank

If E wants to communicate anything to I, it will be route through DCBAFGH and if I wants to convey any information to E, it will pass through HGFABCD. In such an arrangement there is scope for delay. So to avoid delay E and I may establish direct contact with each other after obtaining permission from their respective superior namely D & H.

10. Order: two types to order, material order and social order. Material order means everything in its place, in order to avoid loss of material. Social order means the selection of the right man for the right job.
11. Equity: it ensures fairness, kindness and justice in the treatment of employees by their managers. The managers shall be impartial in their dealings with their subordinates.
12. Stability of Tenure of Personnel: it means that an employee shall not be shifted unnecessarily from one job to another. An employee should be given enough opportunity to learn every aspect of his work only then he will become an expert in his time of work.
13. Initiative: according to him the freedom to think and act is what initiative is. An employee who has the freedom to think and act in an organization will show greater interest in his work and this will lead to a higher level of job satisfaction.
14. Espirit De Corps: Union is strength, team spirit and co-operation among the members of an organization are essential for its success.

Management as a Science

1. Science is a systematized body of knowledge pertaining to a particular field of inquiry.
2. It contains underlying principles and theories developed through continuous observations experimentation and research
3. The principles have universal applicability they can be applied with logic.
4. The organized body of knowledge can be taught and learnt in the classroom and outside, physics, mathematics etc are examples

It is a science because the principles and theories are now available in every area of management.

Management as a profession

Management is considered as a profession as the very medical law and engineering are recognized. A professional need not work for salary under an employer. He can have his own clients and get his remuneration from them directly. A professional can be an employer for many Eg. A doctor may have his won clinic and employ nursing staff and lab technicians.

Management as a Profession.

1. An organized body of knowledge: Management as profession like medicine , law and engineering has well developed concepts, principles , theories and practices
2. Educational Qualification: a person aspiring to be a management professional has to fulfill the educational qualification norms.
3. Regulatory Authority: Indian management association acts as the regulatory authority and prescribes certain obligations for the management professionals.

Management as an Art:

Art involves the practical application of personal skills and knowledge to achieve concrete results. Art is a personalized process and every artist has his own style.
Art is creative and success of an artist is measured by the results he achieves.
Art is practice based over a long period of time Eg. A carpenter making furniture out of wood, goldsmith shaping gold into ornaments are Examples.

The main elements of an art are

1. personal skills
2. practical know how
3. result orientation
4. creativity
5. constant practice aimed at perfection

Management is an art because

1. A Manager applies his knowledge and skills to co-ordinate the efforts of his people like any other artist
2. Management seeks to achieve concrete results Eg. profits, growth, social service etc in a given situation.
3. Every manager adopts his own approach towards problems depending upon his perception and the environmental conditions.
4. Management requires a sufficiently long period of Experience in managing. The managerial art can be refined through continuous practice.

Distinction between an Entrepreneur and a Manager

Particulars	Entrepreneur	Manager
Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise	The main motive of a manager is to render these services in an organization which is already set up.
Status	An entrepreneur is the owner of the enterprise	A manager is an employee of the enterprises owned by the entrepreneur.
Risk Bearing	He bears all risks and uncertainty involved in running the business.	A manager as a servant does not bear any risk involved in the enterprise
Rewards	He gets profit which is highly uncertain	He gets salary which is certain and fixed
Innovation	He thinks an produces goods according to the changing demands. he is innovator	He executes the plan prepared by entrepreneur. he transfers the entrepreneurs idea into practice.
Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, foresight, risk bearing abilities and so on.	A manager needs to possess distinct qualifications in terms of sound knowledge and management theory and practice

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 s ized 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	May be managed by all partners or

	free will.	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 Making	Owner alone takes decision and so it is quick.	All partners must agree to important 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.

HUMAN RELATIONS THEORY

Illumination Experiments, Relay assemble test room Experiments, Interview programme, Bank wiring group observations

The Hawthorne experiments were conducted in four stages. These are given below:

1. Illumination Experiments: the main objective of the illumination experiments was to study the effect of the quality of lighting in the workroom on the efficiency of the workers. For this purpose, the workers were divided into two groups. One group of workers was made to work in a room where lighting remained constant. The other group was made to work in a room where the lighting was varied. The experiments reveals that the production increased in both the rooms and therefore the quality of lighting had no impact on the efficiency level of the workers.

2. Relay Assembly Test room experiments – these experiments were conducted in an assembly department where telephone relay units were assembled. The object of the experiments was to ascertain the relationship between working conditions and productivity. Those employed in the department were all women and the work was repetitive one. A group of six women workers was made to take in a separate room. As they were doing their work a series of changes were introduced during the period of investigation. A new financial incentive plan was introduced to the group that assured additional

remuneration for an each worker depending on the collective performance of the group. The rest periods during week were also gradually increased. The workers were also permitted to leave an hour earlier. They were also given one full day holiday (on Saturdays). The study revealed that output of each individual and also that of the group increased due to the changes introduced.

3. Interview program: a massive interview programmed was conducted covering more than ten thousand workers to find out their views on their jobs, working conditions , supervision etc. The interview programmed revealed that the morale of the workers improved as they had the satisfaction that their views were heard. The complaints of the workers were not objective statements of facts. They were reflections of a workers personal feelings and sentiments.
4. Bank wiring Group observations- the main aim of the study here is to find out the influence of the group on a worker to restrict his output in spite of the existence of incentives for higher output. The working conditions were not altered for the sake of the investigation. The group consisted of fourteen workers and its task was to attach wires to the telephone equipment, soldering and to check the quality of work. The incentives given for the work were attractive. But neither an individual worker not he groups as a whole made an attempt to increase output. The group also did not let any worker exceed his output.

Findings of Hawthorne Experiments: the following are the findings of the Hawthorne Experiments:

1. A social factor such as recognition, sense of belongings etc, influence production more than physical factors.
2. Monetary incentives do not induce a worker, working in a group to increase output. He cares more for the friendship and respect of his co-workers.
3. Workers do not react as individuals but as members of a group. No workers want to incur the ill will or displeasure of his co – workers.
4. An individual in a group is a accepted as its leader by the other members. Such an informal leader is able to guide and influence the co-workers.
5. What encourages worker more is the feeling that his views and suggestions are heard by the Management.

ORGANIZATIONAL CULTURE

Organizational culture is a system of shared assumptions, values, and Beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization A]and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behaviour of the members of the Organization. Let’s explore what elements make up an organization’s Culture.

CHARACTERISTICS OR DIMENSIONS OF ORGANIZATIONAL CULTURE

INNOVATIVE CULTURES

Companies that have innovative cultures are flexible and adaptable And experiment with new ideas. These companies are characterized by a Flat hierarchy in which titles and other status distinctions tend to be downplayed, for example, W. L. Gore & Associates Inc. Is a company with Innovative products such as GORE-TEX® (the breathable fabric that is Windproof and waterproof), Glide dental floss, and Elixir guitar strings, Earning the company the distinction of being elected as the most innovative company in the United States by Fast Company Magazine in 2004.

AGGRESSIVE CULTURES

Companies with aggressive cultures value competitiveness and Outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture.

OUTCOME-ORIENTED CULTURES

Outcome-oriented cultures as those that emphasize achievement, results, and action as Important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and Other relevant figures daily by the department. Employees are trained and mentored to sell Company products effectively, and they learn how much money their department made Every day. The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its Access to scarce resources. The organization needs to properly understand the environment for effective management.

Scholars have divided these environmental factors into two main parts,

1. Internal Environment,
2. External Environment.

Internal Environment

The internal environment consists of the organization’s owners, board of directors, regulators, physical work environment, and culture. In the internal Environment includes strengths and weaknesses of an organization.

Elements of the internal environment are:

a. Trade union
b. Management
c. Current employee
d. Shareholders.

External Environment:

As per the Daft theory (1997) , An organization's environment is defined as all the elements existing outside the boundary of the Organization that have the potential to affect all or part of the Organization Examples include government regulatory agencies, Competitors, customers, suppliers, and pressure from the public. Daft (1997) identified 10 environmental sectors that may have an

Impact on particular organizations:

1) Industry, 2) raw materials, 3) human resources, 4) financial resources, 5) markets, 6) technology, 7) general economy, 8) government/legal, 9) Sociocultural, 10) international.

Each of these sectors may be divided into two basic components. They are:

1) Task (Specific) Environment
2) General Environment.

Task Environment:

The task environment is composed of the specific dimensions of the Organization's surroundings that are very likely to influence of the Organization. It also consists of five dimensions: Competitors, Customers, and Employees, Strategic, Planners, and suppliers.

General Environment:

General environment is composed of the nonspecific elements of The organization's surroundings that might affect its activities. It consists Of five dimensions:

a) Economic Factor

Economic factors refer to the character and direction of the Economic system within which the firm operates. Economic factors include

The balance of payments,

The state of the business cycle,

The distribution of income within the population, and Governmental monetary and fiscal policies.

The impact of economic factors may also differ between industries.

SYSTEM AND CONTIGENCY APPROACH

Systems Approach

Systems approach is a management perspective that advocates that any business problem should be seen as system as a whole which is made up of an hierarchy of sub-systems. So rather than seeing the problem in parts it should be seen as a whole. Systems approach can be applied to all the business domains like administration, insurance, banking, hospitality etc.

Factors in Systems Approach

1. Dependency

   Each part of the system derives inputs and information from other system to achieve the business goal. The parts do not exist in silos but are coupled with one another to work as part of an entire working system.

2. Responsiveness

   The system changes as per the environment and reacts to the changes in the environment. If the external environment changes then systems responds as well by making changes in its parameters to stay relevant and work as per expectations.

3. Results

   Systems approach is focused on producing right results for the overall system. Each part needs to work according to the requirement of the overall system and product expected results.

4. Focus

   The focus of each part of the system should be clearly and well defined. e.g. All the departments in the organization should have their clear responsibilities to make the system or organization work. Overlapping responsibilities can reduce the focus and effectiveness of the entire system.

   Advantages of Systems approach

   The benefits of this approach are:

   1. It helps to see the problem at holistic level and resolves the issues
   2. Systems approach helps understand the problem in a better way and comes up with more efficient solution
   3. It clearly defines the scope or the boundary for systems and problems where in influence of internal and external factors can be seen

   Disadvantages of Systems Approach

   This approach has its disadvantages:

   1. Sometimes problems are too complex and needs focus on the sub-systems rather than keep seeing system as a whole.
   2. While designing from bottom to top, focus on sub-systems is required and important details can be left in case focus is only kept on overall system.

3. Many times while solving a specific issue leads to focusing on a component and not on overall system

Contingency or Situational Approach to Management

The contingency approach, often called the Situational Approach is based upon the premise that all management is essentially situational in nature. All decisions by managers will be affected (if not controlled) by the contingencies of a given situation.

What is Contingency or Situational Approach to Management Theory?

The contingency approach, often called the Situational Approach is based upon the premise that all management is essentially situational in nature. All decisions by managers will be affected (if not controlled) by the contingencies of a given situation.

There is no one good way to address any decision. Contingencies arise from various environmental factors. As such, managers must take into account these contingencies when making decisions that affect the organization.

Contingency theory builds upon accepted elements of System Theory. It recognized that an organization is an open system made up of interrelated sub-units. It adds, however, that the behaviour of individual sub-units is contingent upon internal and external environmental contingencies.

These might include the relationship between two other sub-units or external systems. This is particularly true when these internal or external units/systems have an effect on the desired outcome of a sub-unit.

Contingency theory also proposes structural changes or designs, leadership styles, and control systems in an organization that allow it to react to environmental contingencies.

The primary characteristics of contingency theory include:

- Non-universality of management theory - There is no one best way of doing things.
- Contingency - Management decision making is contingent upon the situation.
- Environment - Managerial policies and practices to be effective, must adjust to changes in the environment.
- Diagnostics - Managers must possess and continue to improve diagnostic skills so as to anticipate and ready for environmental changes.
- Human Relations - Managers should have sufficient human relations skills to accommodate and stabilize change.

- Information and Communication - Managers must develop a communication system adequate to deal with environmental changes.

Advantages and Disadvantages of Contingency Theory

The primary advantages of contingency theory include:

- It provides a realistic view of management and organization.
- It discards the universal validity of principles.
- Managers are situation-oriented and not stereotyped.
- Lends itself to an innovative and creative management style.

The negatives of contingency theory include:

- It does not have a theoretical base.
- Executive is expected to know all the alternative courses of action before taking action in a situation that is not always feasible.
- It does not prescribe a course of action.
- A situation can be influenced by many factors. It is difficult to analyze all these factors.

CURRENT TRENDS AND ISSUES IN MANAGEMENTTRENDS AND CHALLENGES OF MANAGEMENT IN A 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 or organizational 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 with 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 systems.