

Department of Distance and Continuing Education University of Delhi



B.Com. (Programme)

Semester-I

Course Credit - 4

DSC-1

BUSINESS ORGANIZATION AND MANAGEMENT

As per the UGCF - 2022 and National Education Policy 2020



————— *Editorial Board* —————

***Dr. Sneh Chawla, Dr. Virender Kaushal,
Ms. Ritika Sharma***

————— *Content Writers* —————

Ms. Amanpreet Kaur, Dr. Virender Kaushal

————— *Course Coordinator* —————

Dr. Sneh Chawla

© Department of Distance and Continuing Education

1st edition: 2022

E-mail: ddceprinting@col.du.ac.in
commerce@col.du.ac.in

Published by:

Department of Distance and Continuing Education under
the aegis of Campus of Open Learning, University of Delhi

Printed by:

School of Open Learning, University of Delhi



TABLE OF CONTENTS

UNIT I : Introduction

Lesson 1 – Management: An Overview

Dr. Virender Kaushal

Lesson 2 – Organization

UNIT II : Business Environment and Entrepreneurship

Lesson 3 – Business Environment

Lesson 4 – Entrepreneurship

UNIT III : Planning and Organizing

Lesson 5 – Planning

Lesson 6 – Organizing

UNIT IV : Directing and Controlling

Lesson 7 – Motivation

Lesson 8 – Leadership, Communication and Control

UNIT V : Indian Ethos and Contemporary Issues in Management

Lesson 9 – Indian Ethos in Management

Dr. Virender Kaushal

Lesson 10 – Business Organization and Management: Recent Developments

Dr. Virender Kaushal

Lesson 11 – Business Organization and Management: emerging Concepts



LESSON 1

MANAGEMENT: AN OVERVIEW

Dr. Virender Kaushal

STRUCTURE

- 1.1 Learning Objectives
- 1.2 Introduction
- 1.3 Evolution of Management
 - 1.3.1 Using Theories to Trace Management Evolution
 - 1.3.1.1 Classical Theory of Management
 - 1.3.1.2 Management Theory based on Neoclassicism
 - 1.3.1.3 Management Theory in the Modern Era
- 1.4 Principles of Management
- 1.5 Nature of Management
- 1.6 Characteristics of Management
- 1.7 Levels of Management
- 1.8 Purpose of Management
- 1.9 Significance of Management
- 1.10 Functions of Management
- 1.11 Saint Kabir's Model of Managerial Competencies
- 1.12 Summary
- 1.13 Glossary
- 1.14 Answers to In-Text Questions
- 1.15 Self-Assessment Questions
- 1.16 References
- 1.17 Suggested Readings



1.1 LEARNING OBJECTIVES

After studying this chapter students may able to understand: -

- The basic concepts of management necessary to run a business organisation.
- An overview related to management
- To create the awareness about the principles of management.
- The significance and functions of management important for the modern day business persons.

1.2 INTRODUCTION

Management is a worldwide phenomenon. It is a well-known and widely used phrase. Management is involved in all organisations, whether business, political, cultural, or social, because management aids and directs various efforts toward a common goal.

"Management is an art of getting things done through and with people in formally organised groups," writes Harold Koontz. It is the art of creating an environment in which people can perform as individuals and collaborate to achieve group goals."

"Management is an art of knowing what to do, when to do it, and seeing that it is done in the best and cheapest way," says F.W. Taylor.

Management is a goal-oriented activity. It is something that directs group efforts toward achieving predetermined goals. "Management" is the process of working with and through others to effectively achieve the organization's goals while using limited resources efficiently in a changing world. Of course, these objectives will differ from one business to the next. For example, one enterprise may be launching new products through market research, while another may be profit maximisation through cost reduction.

Management entails creating an internal environment because it employs the various production factors. As a result, it is the responsibility of management to create conditions that encourage maximum effort so that people can perform their tasks efficiently and effectively. It is the duty of management to ensure the availability of raw materials, determining wages and salaries, developing rules and regulations, and so on. As a result, we can say that good management entails both effectiveness and efficiency.

1.3 EVOLUTION OF MANAGEMENT

Teamwork and leadership serve as catalysts for business success in any organisation. The way someone manages their team or entire workforce has a direct impact on the growth and profitability of the organisation. Different management theories emerged at different points in



time can be used to study the evolution of management. Different management theories emerged, evolved, and are still used in a variety of business settings today. Understanding the evolution of management thought is critical because it helps you determine which management principles and practices are best for your team and workplace. We need to go back in time to understand this. Industrial Revolution gave birth to management theories and concepts that evolved over time and remain relevant today. Management theorists studied the operations and workforce present on factory floors because factories were the primary source of employment. There were times when demand was high, but workplaces were hampered by a lack of productivity and efficiency.

1.3.1 Using Theories to Trace Management Evolution:

In business, management theories are used to examine how a business works or operates by studying the impact of internal and external business environments. Management theories are classified into three types: classical theories, neoclassical theories, and modern management theories. These theories provide a lens to address critical questions about how businesses work or operate. Let's take a closer look at the individual theories:-

1.3.1.1 Classical Theory of Management:

The following theories emerged during the classical evolution of management thought:

- a) **Scientific Administration:** In business, management theories are used to examine how a business works or operates by studying the impact of internal and external business environments. Management theories are classified into three types: classical, neoclassical theories, and modern management theories. These theories provide a lens to address critical questions about how businesses work or operate.
- b) **Administrative Management:** Fayolism is a management theory developed by Henry Fayol, a French mining engineer. It outlines five functions and 14 management principles that managers are free to use however they see fit. This paved the way for the administrative management school (AMS) in London.

1.3.1.2 Management Theory based on Neoclassicism:

The following theories emerged as a result of the neoclassical evolution of management practices: -

- a) **Management of Human Relations:** The Human Relations Theory of Management was developed by Elton Mayo, a psychologist, after a series of experiments known as Hawthorne Studies or Hawthorne Experiments. This theory arose in response to criticism levelled at classical management theories, which failed to recognise the importance of social factors such as human behaviour and attitudes.



- b) **Management of Behaviour:** According to the theory, human relations and behaviour are critical in driving team efficiency and successfully managing the workforce. Abraham Maslow, an American psychologist, proposed the hierarchy of needs, which prioritized employee needs and expectations.

1.3.1.3 Management Theory in the Modern Era:

The following theories have emerged as a result of the modern evolution of management requirements: -

- a) **Systemic Approach:** Organizational Systems Theory has its roots in biology and systems science. This concept moved away from traditional management theory, which saw organisations as machines and toward a more holistic view of organisations as networks of people, procedures, and activities. Understanding the connections between various parts of the organisation and how they interact with one another is made possible by Systems Theory.
- b) **Contingency Approach:** The emphasis has shifted from structure and authority to the people behind the scenes. Many of these principles are still applicable in modern workplaces, even as society evolves. Putting the principles of various management theories into practise will not only lead to organisational success, but will also improve relationships with the team.

1.4 PRINCIPLES OF MANAGEMENT

Henry Fayol is known as the "Father of Modern Management Theory". He developed a theory that can be applied to all levels of management and departments. Managers use the Fayol theory to organise and regulate an organization's internal activities. Henri Fayol's fourteen management principles are described as under: -

- i. **Division of Work:** Henri believed that separating work in the workforce among workers would improve product quality. Similarly, he concluded that work division improves worker productivity, efficiency, accuracy, and speed. This principle is applicable to both managerial and technical work levels.
- **Authority and Responsibility:** These are the two most important aspects of management. Authority allows management to work more efficiently, while responsibility holds them accountable for the work done under their supervision or leadership.
 - **Discipline:** Nothing can be accomplished without discipline. It is the foundation of any project or management. Good performance and sensible interdependence make management's job easier and more comprehensive. Employees' good behaviour also aids in the smooth development and advancement of their professional careers.



- **Unity of Command:** This means that an employee should have only one boss and obey his orders. When an employee is required to report to more than one boss, a conflict of interest arises, which can lead to confusion.
- **Unity of Direction:** Everyone involved in the same activity should have a common goal. This means that everyone in a company should have the same goal and motivation, which will make the work easier and allow them to easily achieve the set goal.
- **Subordination of Individual Interest:** This indicates that a company should work together for the benefit of the company rather than for personal gain. Be subordinate to an organization's goals. This refers to a company's entire chain of command.
- **Remuneration:** This is very important in motivating a company's employees. Payment can be monetary or non-monetary. However, it should be determined by an individual's efforts.
- **Centralization:** Any company's management or any authority in charge of decision-making should be objective. This, however, is dependent on the size of the organisation. Henri Fayol emphasised the importance of maintaining a balance between hierarchy and power division.
- **Scalar Chain:** On this principle, Fayol emphasises that the hierarchy steps should be from top to bottom. This is necessary so that every employee knows who their immediate supervisor is and can contact them if necessary.
- **Order:** To have a positive work culture, a company should maintain a well-defined work order. Positive workplace atmosphere will increase positive productivity.
- **Equity:** All employees should be treated fairly and with respect. A manager is responsible for ensuring that no employees face discrimination.
- **Stability:** Employees perform best when they are confident in their position. It is the responsibility of management to provide job security to their employees.
- **Initiative:** In an organisation, management should support and encourage employees to take initiative. It will assist them in increasing their interest and increasing their worth.
- **Esprit de-Corps:** It is the responsibility of management to motivate and support their employees on a regular basis. Building trust and mutual understanding will result in a successful outcome and work environment.



These management principles have been used to manage an organisation and are useful for prediction, planning, decision-making, organisational and process management, control, and coordination.

ACTIVITY

Organise a class seminar on the topic, “Need of Studying and Analysing the Evolution of Management and Management Theories to understand the present day competitive scenario.” During the seminar discuss and note down the contribution of different management thinkers and prepare an assignment on the same and submit it with the class teacher.

IN-TEXT QUESTIONS

1. Which of the following statements about management principles is correct?
 - a) Management principles are in a constant state of evolution.
 - b) Management principles have evolved.
 - c) Management principles have not evolved.
 - d) None of the preceding
2. The Principles of Management are useful in understanding the relationship between human and material resources in achieving organisational goals. Which of the following Management Principles is described in the statement?
 - a) Relationships between causes and effects
 - b) Behavioural
 - c) Administration and resource utilisation
 - d) All of the Above
3. The Management Principles emphasise logical decision making and the avoidance of bias or prejudice at all costs. The preceding statement indicates that knowledge of these principles aids in_____.



4. Which Scientific Management Principle states that employees should be rewarded when they make suggestions that result in cost savings for the company?
 - a) Collaboration rather than individualism
 - b) Not discord, but harmony
 - c) Science, not a generalisation
 - d) None of the Above
5. 'The Practices of Management' book was written by.
 - a) Peter F. Drucker.
 - b) Terry.
 - c) Allan, Louis
 - d) Fayol, Henry
6. Who said that, "a manager's job is to manage?"
 - a) Drucker, Peter F.
 - b) Louis Allan
 - c) Terry
 - d) All of the Above
7. The definition, "Management is the art of getting things done through and with an informally organised" is given by_____.
8. Management functions have been classified as _____ by Luther Gullik.
 - a) POSDCORB.
 - b) POSTCARD.
 - c) POSDCORB.
 - d) POSDORBC.
9. Human Relations pioneer is _____
 - a) Parkett, Mary
 - b) Gilbert, Lillian
 - c) Fayol, Henry
 - d) Mayo, Elton
10. Henry Fayol established_____.
 - a) 12 guiding principles
 - b) 13 guiding principles
 - c) 15 guiding principles
 - d) 14 guiding principles



1.5 NATURE OF MANAGEMENT

The nature of management is described as under: -

- a) **Management as a Process:** It is the process by which creates, operates, and directs a specific organisation using systematic, coordinated, and collaborative human efforts. Management is a distinct process consisting of planning, organising, actuating, and controlling. It determines and accomplishes stated objectives by the use of human beings and other resources. Management as a process has three components:-
- **Social Process:** Because the human factor is the most important among the other factors, management is concerned with developing interpersonal relationships. It is the responsibility of management to make human interaction productive and useful for achieving organisational goals.
 - **Integrating Process:** Management is responsible for bringing together human, physical, and financial resources in order to achieve the organisational goal. As a result, is an important function for bringing various factors into harmony?
 - **Never-Ending Process:** It is a never-ending process of continuous improvement. It is concerned with identifying problems and resolving them by taking appropriate steps. It is a continuous process.
- b) **Management as an Activity:** Management, like many other human activities such as writing, playing, eating, and cooking, is an activity because a manager is someone who achieves goals by directing the efforts of others. "Management is what a manager does," says Koontz. Management as an activity entails the following: -
- **Informational:** In order for a business to function, the manager must constantly receive and give information, either orally or in writing. A communication link must be maintained with both subordinates and superiors for an enterprise to function properly.
 - **Decisional:** Managers are constantly involved in various types of decisions because the decision made by one manager becomes the basis for action to be taken by other managers. For example, the Sales Manager decides on the medium and content of advertising or the size and scope of a marketing campaign.
 - **Interpersonal:** It entails achieving goals through the use of people. As a result, managers must interact with both superiors and subordinates. They must maintain positive relationships with them. Interpersonal activities include interacting with subordinates and dealing with problems. For example, bonuses given for subordinates.



- c) **Management as Discipline:** As a discipline it refers to the body of knowledge associated with the study of basic administration principles and practices. It specifies a code of conduct for managers and suggests various methods of managing a business. A person can obtain employment as a manager after completing a prescribed course or by obtaining a degree or diploma in management. Discipline is defined as any branch of knowledge that meets the following two criteria: -
- Scholars and thinkers must communicate relevant knowledge through research and publications.
 - Education and training programmes should formally impart knowledge.

Management qualifies as a discipline because it solves both of these problems. Though it is a relatively new discipline, it is expanding at a rapid pace.

- d) **Management As a Group:** Management as a group refers to all of the people who are in charge of running a business. When we say that YASHASVI & Co.'s management is good, we are referring to a group of people who manage. Technically, management will include all managers, from the chief executive to the front-line managers. However, in most cases, management only refers to top management, such as the Chief Executive. Management as a group can be approached in two ways:-
- All managers are grouped together.
 - Only the highest levels of management

The meaning of these terms is determined by the context in which they are used. In general, there are three types of managers: -

- **Patrimonial/Family:** Those who have become managers because they are owners or relatives of the company's owners.
- **Professional:** Those appointed due to their specialised knowledge and degree.
- **Political/Civil Servants:** Those in charge of public-sector projects.

Managers have joined the elite group of society because they enjoy a higher standard of living.

- e) **Management as a Science:** A scientific body of knowledge is a systematic body of information that contains general facts that explain a phenomenon. It establishes a cause-and-effect relationship between two or more variables and emphasises the principles that govern their interaction. These principles are created through scientific observation and verification through testing. The following characteristics define science: -



- **Universally Applicable Principles:** A scientific body of knowledge is a systematic body of information that contains general facts that explain a phenomenon. It establishes a cause-and-effect relationship between two or more variables and emphasises the principles that govern their interaction. These principles are created through scientific observation and verification through testing.
- **Experimentation and Observation:** Scientific principles are derived from scientific investigation and research, i.e. they are logical. For example, the principle that the earth revolves around the sun has been scientifically proven. Management principles are founded on scientific inquiry and observation, not just Henry Fayol's opinion.
- **Cause and Effect Relationship:** A lack of parity (balance) between authority and responsibility will result in ineffectiveness. If employees are given bonuses and fair wages, they will work hard; but if they are not treated fairly and justly, their productivity suffers. The same is true for management as it is for other human activities.
- **Validity and Predictability Tests:** Using scientific principles, future events can be predicted with reasonable accuracy. For example, performance is determined by one's abilities, opportunities, and motivations. The absence of any one factor has a direct impact on an individual's performance. Management principles can also be tested for validity.

Management has a systematic body of knowledge, but it is not as precise as that of other physical sciences such as biology or physics. The main reason for management science's imprecision is that it deals with humans and it is extremely difficult to accurately predict their behaviour. Because it is a social process, it belongs to the social sciences.

f) **Management as an Art:** Art entails applying knowledge and skill to achieve desired results. An art can be defined as the personalised application of general theoretical principles to achieve the best results possible. Art is made up of the following characters:-

- **Knowledge:** To become a good painter, for example, a person must understand not only different colours and brushes, but also different designs, dimensions, situations, and so on. A manager cannot be successful simply by obtaining a degree or diploma in management; he must also understand how to apply various principles in real-world situations.
- **Skill:** Every manager has his or her own style and approach to management. For example, there are several world renowned painters, but M.F. Hussain is



known for his unique style of painting. Some managers are known as good managers as no one is as good as them.

- **Innovation and Creativity:** Every artist has a creative element in their work. That is why he aspires to create something that has never existed before. Management, like any other art form, is creative in nature. It effectively combines human and non-human resources to achieve the desired results.
 - **Practice:** Practice makes a man perfect. Through consistent practise, every artist improves their skills. Similarly, managers learn through trial and error at first, but applying management principles over time makes them perfect at their job.
 - **Goal-Oriented:** Every art is goal-oriented because it seeks to achieve concrete results. Managers promote an organization's growth by utilising various resources such as men, money, materials, machinery, and methods. Management is an art of the highest order because it deals with shaping the attitude and behaviour of people at work toward desired goals.
- g) **Management Both as an Art or Science:** Managing is an art as well as a science because managing requires certain skills that managers must have. Science provides knowledge, whereas art is concerned with the application of knowledge and skills. Management is thus a wise blend of science and art because it proves the principles and manner in which these principles are applied is a matter of art. Science teaches 'knowing,' while art teaches 'doing'. Managers are aptly described as the oldest of arts and the youngest of sciences. To summaries, science is the root, while art is the fruit. Science and art are not mutually exclusive, but rather complementary to one another.
- h) **Management as Profession:** Over the last few decades, factors such as increasing business unit size, separation of ownership from management, increased competition, and others have resulted in an increased demand for professionally qualified managers. As a result of these developments, management has arrived at a point where everything must be handled professionally. The following are the essentials of a profession: -
- **Specialized Knowledge:** A profession requires a systematic body of knowledge that can be used for professional development. A manager must be dedicated and involved in order to gain expertise in the science of management. Factors such as increasing business unit size, separation of ownership from management, increased competition, and have resulted in an increased demand for professionally qualified managers.
 - **Education and Training:** A profession requires a systematic body of knowledge that can be used for professional development. A manager must be



dedicated and involved in order to gain expertise in the science of management. Factors such as increasing business unit size, separation of ownership from management, increased competition, and have resulted in an increased demand for managers.

- **Social Responsibility:** Although profession is a source of income, professionals are primarily motivated by a desire to serve society. Social norms and values influence their actions. Similarly, a manager is accountable not only to his or her owners, but also to society, and as such; he is expected to provide quality goods at reasonable prices to society.
- **Rules and Regulations:** A representative association enforces a code of conduct to ensure self-discipline among its members. Any member who violates the code may be punished and his membership may be revoked. The AIMA has established a code for managers, but it has no legal authority to prosecute any manager who violates it.
- **Representative Association:** The existence of a representative body is required for the regulation of professions. For example, the Institute of Chartered Accountants of India (AIMA) establishes and administers standards of competence for auditors, but the AIMA lacks legislative authority to regulate the activities of managers. Managers are accountable to a variety of stakeholders, including shareholders, employees, and society. They are judged on their performance rather than their degrees. As a result, Haymes is correct when he says, "The slogan for management is becoming - 'He who serves best, also profits most'".

1.6 CHARACTERISTICS OF MANAGEEMNT

Management is the activity of directing human and physical resources in order to achieve organisational goals. The following characteristics of management can be highlighted: -

- **Goal-Oriented:** An enterprise's goal may be to maximise consumer satisfaction by producing high-quality goods at reasonable prices. This can be achieved by hiring efficient workers and making better use of limited resources. Management is a deliberate activity that aids in the use of human and physical resources to achieve predetermined goals.
- **Integration of 5 M's:** The Men, Money, Machine, Materials and Minute are an organisation's concept of working with non-human resources such as machines to achieve the objectives by management. It promotes balance among human, physical, and financial resources for the smooth functioning of an organisation. The men, money, machine, materials and minute are integrated so that they can reach their full potential.

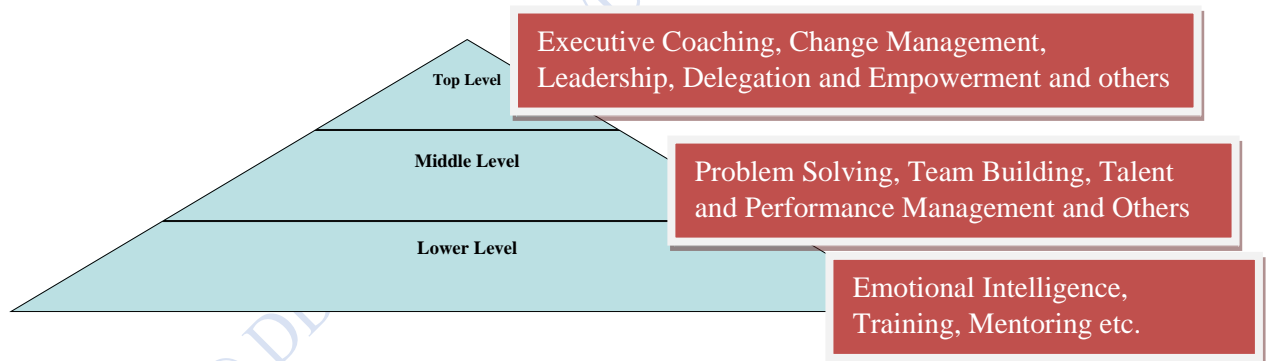


- **Ongoing Process:** Management is concerned with identifying problems and taking the necessary steps to resolve them. For example, a company's goal is to maximise production, but this is not the end of the process. Marketing and advertising will also be carried out, and policies must be rewritten to reflect this.
- **Pervasive Function:** When more than one person is working toward a common goal, management is required. It is required everywhere, regardless of size or type of activity, whether it is a small business firm such confectionary shop engaged in trading or a large firm such as Tata Group.
- **Team Work/Group Effort:** Management is far less concerned with the efforts of individuals. It is more focused on groups. It entails the use of group effort to achieve a predetermined goal of management of Yashasvi & Co. is good refers to a group of people in charge of the business.

1.7 LEVELS OF MANAGEMENT

The number of management levels in a company grows as the size of the business and workforce increases. Management levels can be divided into three categories:-

Figure: Levels of Management



Source: Prepared by Content Writer

a) **Highest Level/Top Level Management**

The board of directors is the ultimate source of authority for an enterprise. It devotes more time to function planning and coordination us managerial positions in a company. The chain of command, the amount of authority, and any managerial position are all determined by the level of management.



Role: The top management's role can be as follows:

- Top management establishes the enterprise's goals and broad policies.
- It issues the necessary instructions for the preparation of department budgets, procedures, and schedules, among other things.
- It creates strategic plans and policies for the company.
- It appoints the executive for middle-level positions, such as departmental managers.
- It supervises and coordinates the activities of all departments.
- It is also in charge of keeping in touch with the outside world.
- It provides direction and guidance.
- The top management is also accountable to the shareholders for the enterprise's performance.

b) **Middle Level:** There is only one layer of middle management in small organisations, but there may be two or more in large firms.

Role: The role of middle level is as under: -

- They carry out the organization's plans in accordance with top management's policies and directives.
- They make plans for the organization's sub-units.
- They are involved in the hiring and training of lower-level management.
- They interpret and explain policies from top management to lower level management.
- They are in charge of coordinating the activities of the division or department.
- It also sends important reports and data to top-level management.
- They assess junior managers' performance.
- They are also in charge of motivating lower-level managers to perform better.

c) **Ground/Bottom/Floor/Lower Level:** Lower management is also known as supervisory / operational management. It is made up of supervisors, foremen, section officers, a superintendent, and so on. Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees.

Activities:

- Assigning jobs and tasks to different workers.
- They direct and instruct employees in their daily activities.



- They are in charge of both the quantity and the quality of production.
- They are also tasked with maintaining positive relationships within the organisation.
- They communicate worker problems, suggestions, and recommendatory appeals, among other things, to higher level goals and objectives.
- They aid in the resolution of worker grievances.
- They supervise and direct their subordinates.
- They are in charge of providing workers with training.
- They organise the necessary materials, machines, and tools to complete the tasks.
- They prepare periodic reports on the workers' performance.
- They maintain enterprise discipline.
- They inspire employees.
- They are the enterprise's image builders because they have direct contact with the workers.

1.8 PURPOSE OF MANAGEMENT

The purposes of management are as under: -

- **Cost Saving:** A management is concerned with thinking about and utilising human, material, and financial resources in order to achieve the best possible combination. The primary goal of management is to obtain maximum outputs with minimal effort and resources. This combination results in cost savings across the board.
- **Optimum Utilization of Resources:** This reduces spoilage, wastage, and breakage of all kinds, which in turn leads to time, effort, and money savings.
- **Long Term Survival:** Management ensures that the enterprise runs smoothly and efficiently. This, in turn, contributes to providing maximum benefits to employees in the form of good working conditions, a suitable wage system, and incentive plans on the one hand, and higher profits to the employer on the other.
- **Growth and Social Justice:** Management is a tool for the upliftment and improvement of society. Management ensures a higher standard of living for society by increasing productivity and employment. It ensures justice through its consistent policies.



1.9 SIGNIFICANCE OF MANAGEMENT

Managers organise dis-organised resources such as men, machines, and money into productive enterprise. These resources are coordinated, directed, and controlled in such a way that the enterprise works toward achieving its objectives. There would be no waste of time, money, or effort if the organization's objectives were clearly defined. The management is essential because of the following facts: -

- **Optimal Resource Utilization:** Management maximises the utilisation of scarce resources by selecting the best possible alternate use in industry. When employees and machines are working to their full potential, there is no underutilization of resources. It employs experts and professionals, and these services result in the use of their skills, knowledge, and proper utilisation.
- **Cost Reduction:** It achieves maximum results with minimal input by properly planning and using minimal input to achieve maximum output. Management allocates physical, human, and financial resources in the most efficient way possible. This contributes to cost savings.
- **Sound Organisation Structure:** There should be no overlapping efforts, smooth and coordinated functions, and effective authority and responsibility relationships. There should be a sound organisational structure, i.e. who is accountable to whom, who can give instructions to whom and who are superiors and subordinates. Every job should be made available to everyone.
- **Adaptability to Changes:** The organisation is in charge of the organization's growth and survival. The initial coordination of the organisation must be changed as the external environment changes. As a result, it adapts the organisation to changing market demand/changing societal needs. Equilibrium is the state of mind that maintains contact with the changing environment.
- **Societal Well-Being:** A good manager makes a difficult task easier by preventing the waste of scarce resources. Efficient management leads to better economic production, which helps to increase people's well-being. Society will obtain maximum output at the lowest possible cost by creating employment opportunities that generate income in the hands.

1.10 FUNCTIONS OF MANAGEMENT

Management has been defined as a social process involving responsibility for the economical and effective planning and regulation of an enterprise's operation. These activities are distinct from operational functions such as marketing, finance, and purchasing. Rather, these activities are shared by all managers, regardless of their level or status.



The management functions described by KOONTZ and O'DONNEL are the most widely accepted, namely planning, organising, staffing, directing, and controlling. Luther Gullick has assigned the keyword 'POSDCORB,' where P stands for Planning, O stands for Organizing, S stands for Staffing, D stands for Directing, Co stands for Co-ordination, R stands for Reporting, and B stands for Budgeting.

Figure: Functions of Management



Source: Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.

- a) **Planning:** It is the fundamental function of management. It is concerned with planning a future course of action and determining the most appropriate course of action for achieving pre-determined goals. "Planning is deciding ahead of time what to do, when to do it, and how to do it," says KOONTZ. It bridges the gap between where we are and where we want to go." A plan is a set of actions for the future. It is a problem-solving and decision-making exercise. The determination of courses of action to achieve desired goals is known as planning. Thus, planning is the systematic consideration of methods and means for achieving pre-determined goals. Planning is required to ensure that human and non-human resources are used effectively. It is all-encompassing, it is an intellectual activity, and it also aids in the avoidance of confusion, uncertainties, risks, and waste, among other things.
- b) **Organising:** It is the process of gathering physical, financial, and human resources and fostering productive relationships among them in order to achieve organisational goals. According to Henry Fayol, "organising a business means providing it with everything necessary for its operation, such as raw materials, tools, capital, and personnel." Organizing a business entails identifying and allocating human and non-human resources to the organisational structure. Organizing as a process entails the following steps: -



- Activities must be identified.
 - Activity grouping classification.
 - Duties are assigned.
 - Delegation of authority and establishment of accountability
 - Relationships of authority and responsibility must be coordinated.
- c) **Staffing:** It is the function of staffing and maintaining the organisational structure. Staffing has become more important in recent years as technology has advanced, business sizes have grown, human behaviour has become more complex, and so on. The primary goal of staffing is to place the right person in the right job, i.e. square pegs in square holes and round pegs in round holes. "The managerial function of staffing involves manning the organisation structure through proper and effective selection, appraisal, and development of personnel to fill the roles designed in the structure," write Kootz and O'Donell. Staffing entails:-
- Planning for Human Resources (estimating man power in terms of searching, choose the person and giving the right place).
 - Selection, recruitment, and placement
 - Development and training.
 - Remuneration.
 - Performance Evaluation.
 - Transfers and promotions
- d) **Directing:** It is the part of the managerial function that causes organisational methods to work efficiently in order to achieve organisational goals. It is regarded as the enterprise's life-spark, causing people to act, because planning, organising, and staffing are merely preparations for doing the work. The inert-personnel aspect of management that deals directly with influencing, guiding, supervising, and motivating subordinates to achieve organisational goals is known as direction. The following elements comprise direction:-
- Supervision entails superiors overseeing the work of subordinates. It is the act of observing and directing work and workers.
 - Motivation is defined as inspiring, stimulating, or encouraging subordinates to work hard. For this purpose, positive, negative, monetary, and non-monetary incentives may be used.
 - Leadership is a process by which a manager guides and influences the work of subordinates in the desired direction.



- The process of passing information, experience, opinions, and so on from one person to another is known as communication. It is a bridge of comprehension.
- e) **Controlling:** It entails measuring accomplishments against standards and correcting deviations, if any, to ensure that organisational goals are met. The goal of controlling is to ensure that everything happens in accordance with the standards. An effective control system aids in the prediction of deviations before they occur. According to Theo Haimann, "controlling is the process of determining whether or not proper progress toward objectives and goals is being made and, if necessary, acting to correct any deviation." According to Koontz and O'Donnell, "controlling is the measurement and correction of subordinates' performance activities in order to ensure that the enterprise objectives and plans desired to achieve them are being accomplished." As a result, controlling consists of the following steps:-
- Standardization of performance.
 - Actual performance evaluation.
 - Actual performance is compared to standards, and any deviations are identified.
 - Corrective action is required.

1.11 SAINT KABIR'S MODEL OF MANAGEMENT

According to Saint Kabir's Model developed by Dr. Virender Kaushal, Dr. Balbir Singh, Dr. Kuldeep Attri and Sunita Devi, the following competencies must be possessed by a manager to achieve the objectives of the organisation: -

- **Action Oriented:** "Kaal Kare so aaj kar, Aaj kare so ab, Pal mein parlay hoyegi, Bahuri karega kab," says the narrator. i.e. it is critical to complete one's task rather than postponing it indefinitely. What if the world were to end tomorrow? Be prepared, and act now.
- **Faith and Patience:** "Dukh mein sumiran sab kare, sukh mein kare na koye, Jo sukh main sumiran kare, toh dukh kahe ko hoye," says the poet. That is, if one maintains faith during times of peace, nothing bad will ever happen. Have faith that the manager will achieve the objectives.
- **Communication:** "Aisee vani boliye, Mann ka aapa khoye, Apna tan sheetal kare, Auran ko sukh hoye," says the speaker. In other words, instead of being arrogant, be humble and courteous to others. What matters most is spreading joy through words.



- **Will-Power:** “Chinta aisee dakini, Kaat kaleja khaye, Vaid bichara kya kare, Kahan tak dawa lagaye,” says the poet. Worry, for example, is a disease that no doctor can cure with his medicines. After all, it is ultimately heartbreaking.
- **Self-Analysis:** “Bura jo dekhani main chala, buran aa milya koye, mann khoja aapna, toh mujhse buran aa koye, mann khoja aapna, toh mujhse buran aa koye, mann khoja aapna,” In other words, I couldn't find any flaws in others. But when I looked within, I couldn't find anyone who was as flawed as I was. Thus, before passing judgement on anyone, one must first examine oneself.
- **Well-Wisher:** “Kabira khara bazaar mein, Mange sabki khair, Na kahu se dosti, Na kahu se bair,” i.e. instead of seeking friends and enemies, Kabira seeks wisdom and well wishes while blessing others. Make yourself a well-wisher.
- **Positive Attitude:** “Jab tu aaya jagat mein, Log hanse tu roye, Aisi karni na kari, Pache hanse sab koye,” i.e. Live your life so well that when you die, others will miss you.
- **Selflessness:** “Chaah miti, chinta miti, Manwa beparwah,” says the Buddha. Who Shahenshah, i.e. He who desires nothing, is the true king. There will be no room for worries when there are no desires.
- **Time Management:** “Raat gawai soyeke, Diwas gawayi khaay,” says the timekeeper. Kodi badle jaye', Hira janam anmol tha.” That is, you were born to shine like a diamond. However, if the nights are spent sleeping and the days are spent eating, it will lead to worthlessness.
- **Humbleness:** “Uncha dekh aavas, Kabira garv na keejiye. Uper jansi ghaas', Kaal pairon punyah letna.” i.e Never be proud of your wealth, because in the end, you will be buried beneath the earth, and all that will remain is the growing grass above you. Be modest and humble to all.

ACTIVITY

Discuss in the class that, “Whether Management is a Science or an Art or a Profession.” Also ask your subject teacher about the need, importance, features of management and discuss the competencies needed to be a good manager.



IN-TEXT QUESTIONS

11. Management does not imply: -
 - a) A scientific discipline
 - b) A work of art.
 - c) Both art and science.
 - d) A practical science.
12. Management is a ____ directed process that aims to achieve specific objectives.
 - a) In the future
 - b) Goal
 - c) On purpose
 - d) Constantly
13. In a large corporation, the position of Managing Director is at the ____ level of management.
 - a) Management at the middle level.
 - b) Management at a lower level.
 - c) Management at the middle and lower levels.
 - d) Senior or Top management.
14. Which of the following is not essential to management?
 - a) Growing society.
 - b) Disciplining Employees.
 - c) Fostering creativity.
 - d) Bringing together various interest groups.
15. Which of the following statements is false?
 - a) Management is an ongoing process.
 - b) Management is an ever-changing process.
 - c) Management is a strict procedure.
 - d) Management is a process that is goal-oriented.
16. Which category does management belong to?
 - a) A semi-professional occupation.
 - b) A new profession.
 - c) A marginal occupation.
 - d) A well-known profession.



17. The formulation of _____ is a priority for top management.
 - a) Short-term objectives.
 - b) Long-term objectives.
 - c) Supervisory guidelines.
 - d) Only finance related policies
18. Management's personal goal is to meet the social and financial needs of_____.
19. "They report to top management and are superior to first-line managers." The statement emphasises the _____level of management.
20. Supervisors and foremen are included in the _____level of management.

1.12 SUMMARY

Management is the art of getting things done through and with people in formally organised groups. Management is involved in all organisations, whether business, political, cultural, or social, because it aids and directs efforts toward a common goal. It is an art of knowing what to do, when to do it, and seeing that it is done in the best and cheapest way. Management is the art of getting things done through and with people in formally organised groups. It is something that directs group efforts toward achieving predetermined goals. For example, one enterprise may be launching new products through market research, while another may be profit maximization through cost reduction. It is the responsibility of management to create conditions that encourage maximum effort so that people can perform their tasks efficiently and effectively. Art is a wise blend of science and art - it proves the principles and manner in which these principles are applied is a matter of art. The way someone manages their team or entire workforce has a direct impact on the growth and profitability of the organisation. Understanding the evolution of management can help you determine which management practices are best for your team and organisation.

1.13 GLOSSARY

- **Controlling:** It is the process of comparing actual performance to the standards established by the company to ensure that all activities are carried out as planned, and if any deviations are discovered, corrective action must be taken. the social and informal sources of influence that you use to motivate others to take action Managers



who are effective leaders will inspire their subordinates to work hard to achieve organisational goals.

- **Directing:** A method or technique of instructing, guiding, inspiring, counselling, supervising, and leading people to achieve organisational goals. It is a continuous managerial process that occurs throughout the organization's lifespan.
- **Management:** It is the act of accomplishing things through others and having them do so willingly.
- **Manager:** A manager is someone who is in charge of supervising and motivating employees as well as directing an organization's progress. A manager is someone who is in charge of customer service, handles customer complaints, and oversees and supervises customer service representatives.
- **Leading:** Leading entails using social and informal sources of influence to motivate others to take action. Managers who are effective leaders will inspire their subordinates to work hard to achieve organisational goals.
- **Organisation:** It is a person, company, institution, or association that consists of one or more people and serves a specific purpose.
- **Organising:** Organizing is the process of dividing work into sections and departments, or the establishment of effective authority relationships among selected works, people, and work places in order for the group to work together efficiently.
- **Planning:** What steps you need to take to achieve the goal, what changes and obstacles to expect, and how to use human resources and opportunities to achieve the desired outcome.
- **Staffing:** The ongoing process of locating, selecting, evaluating, and developing working relationships with current or prospective employees

1.14 ANSWER TO IN-TEXT QUESTIONS

1. (a), Management principles are in a constant state of evolution.	11. (a), A Scientific Discipline
2. (b), Behavioural	12. (b), Goal
3. Marketing Scientific Decisions	13. (d), Senior or Top Management
4. (a), Collaboration rather than individualism	14. (b), Disciplining Employees
	15. (c), Management is a Strict Procedure
	16. (b), A New Profession



5. (a), Peter, F. Drucker	17. (b), Long-Term Objectives
6. (c), Louis Allan	18. Employees
7. Harold Koontz	19. Middle Level Management
8. (c), POSDCORB	20. Bottom Level Management
9. (d), Mayo, Elton	
10. (d), 14 Guiding Principles	

1.15 SELF-ASSESSMENT QUESTIONS

1. What do you understand by management? Discuss the evolution process of management theories.
2. How classical approach of management is different from neo-classical approach? Elaborate.
3. Henry Fayol is known as the father of management. Enumerate the principles of management given by him. State the benefit of these principles for the modern day organisations.
4. Define the term, 'Management'. Discuss its characteristics, needs and role.
5. "In the absence of manager, it is not possible to manage the organisation." Is it true? Discuss.
6. Explain the meaning of following statement with the help of suitable example, "Can You Man a Man?"
7. What competencies should be possessed by a manager? Discuss
8. What are the managerial functions needed to run an organisation? Elaborate each one with the help of suitable examples.

1.16 REFERENCES

- Aswathappa, K. (2014). *Organisational Behaviour*. Himalaya Publishing House. Pp. 29-55
- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 3-21.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill, Pp. 103-162.



- Gupta, C. B. *Business Organisation and Management*. Sultan Chand & Sons. 1-38
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 1-12, 17-38.
- Kaushal, V., Attri, K.K., Singh, B., & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Prasad, L. M. (2008). *Principles and Practices of Management*. Sultan Chand & Sons. Pp. 3-30.
- Prasad, L. M. (2008). *Principles and Practices of Management*. Sultan Chand & Sons. Pp. 43-72.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. Pp. 1-38.
- Robbins, Judge & Vohra (2013). *Organisational Behavior*. Pearson Education. Pp. 103-162
- Singh, R. N. (2002). *Management Thought and Thinkers*. Sultan Chand & Sons. Pp. 1-25, 145-208.

1.17 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B., & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.



- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasishth, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.



LESSON 2

ORGANISATIONS

Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal

STRUCTURE

- 2.1 Learning Objectives
- 2.2 Introduction: Organisation
- 2.3 Stakeholder's Outlook about Organisation
 - 2.3.1 Outlook of Entrepreneur about Organisation
 - 2.3.2 Outlook of Employees about Organisation
 - 2.3.3 Outlook of Community about Organisation
 - 2.3.4 Outlook of Consumers about Organisation
- 2.4 Scope of Organisation
- 2.5 Forms of Organisation
- 2.6 Business Formats
 - 2.6.1 Brick and Mortar Organisation
 - 2.6.2 Brick and Click Organisation
 - 2.6.3 Click Organisation
- 2.7 Difference between Brick & Mortar, Brick & Click and Click Organisation
- 2.8 E-Commerce
 - 2.8.1 Types of E-Commerce
 - 2.8.2 Benefits of E-Commerce
 - 2.8.3 Drawbacks of E-Commerce
- 2.9 Franchising
 - 2.9.1 Channels of Franchising
 - 2.9.2 Levels of Franchising
 - 2.9.3 Location of Franchising
 - 2.9.4 Benefits of Franchising
 - 2.9.5 Drawbacks of Franchising



- 2.10 Outsourcing
 - 2.10.1 Classification of Outsourcing
 - 2.10.2 Benefits of Outsourcing
 - 2.10.3 Disadvantages of Outsourcing
- 2.11 Difference between Organisation and Management
- 2.12 Summary
- 2.13 Glossary
- 2.14 Answers to In-Text Questions
- 2.15 Self-Assessment Questions
- 2.16 References
- 2.17 Suggested Readings

2.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-

- The concept, meaning and significance of organisations.
- The concept, meaning and significance of brick and mortar organisation, brick and click organization, click organisation.
- The concept, meaning and importance of e-commerce, franchising and outsourcing respectively.
- This chapter helps in easily identifying the benefits and drawbacks of such type of business formats and their contribution in the growth and development of economy.

2.2 INTRODUCTION: ORGANISATION

Management can be defined as the executive process of getting things done in order to achieve a company's goals and objectives. It is the sum of all administrative, executive, and other smaller functions to achieve the desired result for the predetermined target for desired results. One of the main functions of management, in addition to planning, staffing, directing, and controlling, is organisation, which literally means organising the various tasks, responsibilities, duties, and authorities in a business to create a proper line of functions. This line of functions creates a functional structure, also known as organisation that governs how various elements of an organisation interact. This organisational structure is critical for business productivity and success. As a result, organisation is only one component of a larger picture known as management.



2.3 STAKEHOLDERS' OUTLOOK ABOUT ORGANISATION

There are different perspectives on an organisation. Because an organisation is a model with a large number of constituents, multiple points of view are bound to emerge. An organisation is the sum of its constituents, which include entrepreneurs, customers, employees, and the community. These components offer a variety of perspectives on the existence and operation of organisations in their surroundings. The following are both positive and negative views on the organisation.

2.3.1 Outlook of Entrepreneur about Organisation:

Entrepreneur's point of view see organisation as a tool for carrying out their innovative ideas and plans. Organizational structures assist them in securing resources and transforming them into entrepreneurial ideas. Thus, entrepreneurial laboratories exist.

a) **Positive Outlook of Entrepreneur:** The following is a positive business outlook:

- **Stability and Accountability:** An organisational structure ensures enterprise stability without becoming rigid. The organisational structure dictates responsibility and accountability. As a result, organisation is extremely important in the eyes of an entrepreneur.
- **Group Functioning:** Entrepreneurship necessitates collaboration among members in order to reap the three benefits of additive efforts. The organisation provides the necessary mechanism and control to carry out teamwork.
- **Skill Integration:** the organisation provided a structure for placing people in positions of authority and their subordinates. A chain of command provides stability from experienced workers and working talent from newcomers, both of which are important for a business.
- **Credibility:** An organisational structure lends credibility to a business venture. When there are organised functioning, investors, stakeholders, and members of society gain confidence in entrepreneurial performance.
- **Specialization:** Organization, if not rigid, provides the necessary operational stability, which leads to specialised functioning. Entrepreneurs recognise the value of specialisation in increasing operational scales, which increases efficiency and lowers costs.

b) **Negative Outlook of Entrepreneur:** The entrepreneurs' negative perspective on organisation is as follows:



- **Rigidity:** Entrepreneurs see traditional organisations as rigid structures that limit talent to lines of authority. Talents, in their opinion, should be channelled in unrestricted directions free of organisational constraints.
- **Repetitive:** Entrepreneurs look forward to breaking through ideas in order to put their innovative thinking into action. This requires a courageous and empowered workforce that is not constrained by their job title or status. As a result, entrepreneurs perceive traditional organisations to be monotonous.
- **Delayed Output-** Organizations are hubs for the existence of red tape. Some characteristics of a typical organisation include defined rules and procedures, set lines of communication and authority, and unnecessary paperwork. An entrepreneur desires freedom of thought and quick decision making, both of which are restricted in an organisation.

2.3.2 Outlook of Employees about Organisation:

Employees are an integral part of the organisation that allows it to function; an organisation without employees is a tree without roots.

a) **Positive Outlook of Employees:** The following is a positive viewpoint:

- **Socialization:** Organizations are important places of socialization because they meet the social and esteem needs of a person's personal development and growth. As a result, organisations play an essential role in an employee's psychological needs.
- **Utilization of Human Resources:** The use of human resources and human talent in an organisational setting to develop leadership skills, mental abilities, and interpersonal relationships. Through delegation, an organisational structure instils responsibility and accountability. It promotes teamwork by allowing for group decision making.
- **Employment Opportunities:** Companies and organisations are job creators in society, employing educated, skilled, and semi-skilled workers. Workforce employment reduces an economy's liability and promotes economic development.
- **Skill Development:** Organizations assist in the development of leadership qualities in their workforce at all levels of management, thereby laying the groundwork for a strong political leadership of a society and a country. A model political arena that can provide political exposure is an organisation.

b) **Negative Outlook of Employees:** The following is a negative viewpoint: -

- **Worker Exploitation:** Organizations are notorious for exploiting their workers by overburdening and pressuring them with exaggerated targets. This



trend is having a negative impact on employees' personal lives and health. The restrictions on labour unions exacerbate the situation.

- **Monotony and Lack of Innovation:** repetitive tasks create specialisation but also limit an employee's skill and mental development. Employee talent deteriorates as a result.
- **Unethical Behaviour:** Organizations serve as breeding grounds for malpractices related to workplace politics and the presence of opportunists.
- **Frustrated Employees:** Obsolete or traditional organisational structures result in employee overburdening and frustration.

2.3.3 Outlook of Community about Organisation:

Community is the environment in which an organisation functions, draws its supplies from, and provides its terminal products to, is an essential part of the overall picture.

a) **Positive Outlook of Community:** The following are the benefits: -

- **Economic advancement:** Communities perceive organisations as job creators who engage people and resources in the best way possible, resulting in an income boost that leads to economic development.
- **Resource utilization:** Without organisations, the resources in our society and world remain idle and abundant. For the best value, these resources must be corrected in the right direction.
- **Human skill development:** For a community to function properly, courageous, initiators, and enlightened individuals are required.

b) **Negative Outlook of Community:** The negative viewpoints are as under: -

- **Unethical Business:** Organizations may become self-serving hubs. This quandary may be caused by a conflict of interest between the organisation and societal needs.
- **Unethical Conduct:** Organizations may become harmful and hurtful to society if their functions do not conform to societal cultures and ideas.

2.3.4 Outlook of Consumers about Organisation:

Consumers are the final users of a company's offerings.

a) **Positive Perspectives of Consumers:** The following are their positive perspectives on the organization's existence, as enumerated below:



- **Resource Management:** Consumers see organisations as a transformation mechanism for underutilized resources, reducing waste of valuable resources through resource management.
 - **Initiators:** Organizations are viewed as risk takers who initiate the transformation process while also supervising, managing, and financing it.
 - **Satisfaction of Needs:** Organizations meet the needs of customers by researching their wants and preferences. Organizations are essential for converting unused resources into products that meet the needs of consumers.
 - **Feedback:** Consumer feedback is used to achieve competitiveness. Consumers provide valuable feedback to organisations, which leads to innovation.
 - **Economic Loss:** Customers contribute to the reduction of deadweight loss by paying a premium for their needs. This, in turn, lowers economic costs and aids development. The deadweight loss is an economic and consumer loss that does not benefit consumers.
- b) **Negative Perspective of Customers’:** Customers' negative perspectives are listed below:
- **Consumerism:** With ever-changing trends offered by organisations, unconscious commerce and consumerism are becoming more prevalent by the day, resulting in the waste of scarce resources and an increased carbon footprint.
 - **Unethical Practices Followed by Corporate:** Businesses may offer goods and services that do not meet societal preferences and needs. This could result in the waste of valuable and scarce resources.

2.4 SCOPE OF ORGANIZATION

Several aspects of organisation and organisational behaviour emerge when studied from the perspective of a student or researcher. This persuades a researcher to investigate an organisation as a whole and perceive it in relation to its constituents. An organisational analysis reveals underlying subjects of study that are prevalent in all organisational functions.

Organization is an interdisciplinary concept that exists alongside various fields of study. Organization takes inspiration from all of these fields and borrows concepts, theories, models, and practices from both physical and social sciences. This is due to the fact that an organisation is a complex body in which various elements of society mix. Psychology, sociology, political science, anthropology, economics, science, technology, and environmental sciences can all be studied in relation to the organisation.



- **Finance:** Finance and organisation go hand in hand, and each is inextricably linked. Finances cannot be studied without the presence of organisations, and the structure of business organisations derives finances from the economy in which they operate. The output in the form of finance is reinvested back into society for its development.
- **Psychology:** Because organisations are made up of people from all walks of life, the psychology of the people is a major concern. Psychology aids in the study of human behaviour in organisational settings in order to maximise resource utilisation. Psychology assesses, explains, and recommends appropriate human behaviour in organisations, which is influenced by perception, learning, and personality. It assesses people's job satisfaction, particularly under different working conditions, stress, conflicts, and other employee-related behaviour.
- **Sociology:** Organizations are social structures. Sociology is a major underlying subject in organisational studies. Sociology employs scientific methods to gain knowledge about group social behaviour, how groups are formed and how members move within such organisational groups, and group dynamics of leadership and communication. Organization is a significant social system studied in psychology, and its constituents are influenced by other social groups such as family, occupational class, or residential status. Organization, as a socialisation system, can be used to change individuals' behaviour in order for them to learn and respond to organisational systems, values, and norms to the best of their abilities.
- **Anthropology:** Anthropology is concerned with the interactions between people and their cultural surroundings. Culture has a significant impact on organisational structure as well as employee behaviour within organisations. Concerns such as workforce diversity and inclusion derive from the anthropology of an organization's workers, the study of which will help align employee background to organisational objectives.
- **Political Science:** With rising political opinions and notions among employees, political science finds special relevance in organisations. These political ideas, in turn, influence the employees' mentality. People politics has also influenced concepts such as leadership and employee unionisation. Workforce democracy and sociocracy are two new approaches to incorporating politics into organisations. It aids in understanding how and why people acquire power, political behaviour, decision making, conflict, interest group behaviour, and coalition formation.



- **Economics:** The economics/ finance division of the organisation studies the production, distribution, and consumption of goods and services, as well as the finances of various departments. Organizational economics are shared in areas such as labour market dynamics, productivity, human resource planning and forecasting, cost benefit analysis, and budgeting. The economic conditions of a country have long-term consequences for the organisation. Employees are satisfied and become high performers when their economic expectations are met. Economics and organisation are inextricably linked.
- **Technology:** Another underlying area of study for students and researchers is technology in orientation. Technology has a significant impact on an organization's ability to compete as well as its level of development. An organisation that does not use cutting-edge technology to produce goods and services efficiently and effectively loses its competitive advantage, burdens its employees, and is subject to legal scrutiny. Employees must be trained and updated to keep up with technological advancements. Organizational technology should be accountable and development-oriented. Unskilled or irresponsible people will have no place in today's innovative world. Thus, technological advancement leads to improved organisational culture and a more conformed work environment.
- **Engineering:** Engineering influences the study of organisational behaviour. Some topics are common to both engineering and organisational studies, such as work measurement, productivity measurement, work design, job design, and labour relations. In fact, for these technical jobs, organisational behaviour is dependent on engineering.
- **Medicine:** With rising lifestyle and job-related health problems, medicine has also become associated with the study of human health at organisations. Work-life balance and other modern concepts have found a new home in organisations as a means of dealing with organisational stress. Thus, it is important to study human health in relation to the beginnings of employment in organisations.

2.5 FORMS OF ORGANISATION

In the business world, there are many forms, but the most common forms of business organisation are as under: -

- **Sole Proprietorship:** This is the most common and traditional type of business organisation. Its formation is simple, and the owner controls all aspects of the business and is personally liable for all financial obligations and debts. They have the right to operate any type of business as long as they are the sole owner. These



operations of businesses include such as Shop or retail establishment; Home-based business; and Individual consulting company.

- **Partnership:** A partnership is formed when two or more people join forces to start a business. Each individual contributes capital, property, employment, or experience to the business and anticipates profits or losses. Even if the percentage is not distributed, all partners must report it on their tax returns. Because partners in a partnership are not considered employees, no taxes are withheld from distributions.
- **Corporation:** Corporations are the most complicated business structures because they introduce new laws and tax claims. Corporations are formed under the laws of each state and are subject to the corporate income tax in its entirety. All profits distributed to shareholders as dividends are taxed at the individual tax rates specified on their personal annual tax returns. The corporation is depicted in this structure as an entity that manages the duties of a business. The corporation, like a person, is taxed and held accountable if the company is liable for any legal action. In simple terms, if a business is registered as a corporation, the owner is not personally liable for its debts; however, this situation varies depending on state law.
- **'S' Corporation:** An 'S' Corporation is a type of corporation. Profits and losses may be transferred to individual tax returns by the 'S' corporation. For federal tax purposes, S corporations elect to pass through corporate income, losses, deductions, and credits to their shareholders. S corporation shareholders report the flow-through of income and losses on their personal tax returns and are taxed at their individual income tax rates. This allows S corporations to avoid paying double taxes on corporate income. S corporations are taxed at the entity level on certain built-in gains and passive income. For example, Assume Yashasvi Transport Company is a S corporation that is 60% owned by Ram and 40% owned by Shyam. If the company earns a net profit of Rs. 10 million in a fiscal year, Ram will report Rs. 6 million and Shyam will report Rs. 4 million in personal tax returns.
- **Limited Liability Company (LLC):** This is a new type of business structure that has gained popularity in the short term due to the owner's limited individual liability for the LLC's debts and actions. It shared characteristics with a partnership, such as administrative flexibility and the advantage of passing taxation. Members are the proprietors of an LLC, and they can include many corporations, additional LLCs, and foreign entities.



ACTIVITY

Discuss in the class about the need and importance of different perspectives of the stakeholders' regarding organisation. Also ask your subject teacher about the process of formation of organisation.

IN-TEXT QUESTIONS

1. _____ is the structure that establishes a coordinated and cooperative inter-relationship between workers, management, and their work.
2. What are the Managers' responsibilities in management?
 - a) Driver
 - b) Component
 - c) Architect
 - d) All of the Above
3. Which of the following organisational characteristics are perceived by entrepreneurs?
 - a) Accountability and stability
 - b) Group dynamics
 - c) Skill integration
 - d) All of the Above
4. Which of the following is a common by-product of consumerism?
 - a) Organization
 - b) Hospitals
 - c) Schools
 - d) Governments
5. Which of the following societal objectives does an Organization serve?
 - a) Optimum resource utilisation
 - b) Initiators
 - b) Meets requirements
 - d) All of the Above
6. The scope of management extends beyond the scope of an organisation. (True/False).
7. Management and organisation have a symbiotic relationship.(True/False)
8. Management and organisation have a ____ and ____ relationship.
9. Management is a process that involves ____ and ____.
10. Organization is the process of establishing ____ lines.



2.6 BUSINESS FORMATS

Organizations can be divided into different types and such businesses include the following:

2.6.1 Brick and Mortar Organisation:

Brick and mortar businesses operate through standalone structures in shopping malls or at a physical location or store and serve customers face to face. Thus, brick and mortar companies are businesses that operate in physical stores at specific locations, such as a store or mall complex, to serve customers.

a) **Benefits:** The Benefits of a Brick and Mortar Organization are as under: -

Brick and mortar stores provide customers with a personal selling experience. They are still a popular mode of operation for many businesses.

- **Provide Buying Experience:** Brick and mortar stores provide a buying experience that appeals to the buyer's five senses, which include touch, sight, smell, taste, and sound. These are popular among those who are less computer and electronics savvy and still rely on traditional methods for inspecting goods before purchasing.
- **Foster Customer Credibility:** Fixed shops for operations foster customer credibility because customers trust the collective experience of their senses. Furthermore, fixed stores demonstrate consistency of operations, dispelling any customer suspicions and doubts.
- **Customer Relationship Building:** Fixed stores are run by managers, storekeepers, or employees who strive to develop relationships with customers in order to provide them with a personalised shopping experience. These stores typically have repeat customers who seek assistance before and after making a purchase.
- **Credit and Flexible Payment Facility:** Stores and shops allow repeat and regular customers to pay flexibly and sometimes even on credit, for purchases made in this manner, not only maintaining customer relationships but also increasing sales volumes.
- **Purchase Support:** Shop employees and workers are the best people to ask about quality, effectiveness, and variety. They also promote spontaneous purchases and may provide after-sales assistance.
- **Communication:** Stores and locations can help communicate and provide an experience of a brand's vision and values through ambience. As a result, a store aids in the communication of brand image.



b) **Disadvantages:** The disadvantages of a Brick and Mortar Business are given as under: -

- **Higher Running Costs:** Stores necessitate a significant investment in the rental or ownership of a place of business. This also necessitates a significant investment in acquiring and maintaining product stock, as well as preventing it from spoiling. Electricity costs are in addition to the fixed costs, totalling a colossal outlay for running a store.
- **Higher Employee Costs:** Stores require employees to run them, from cleaning and sanitation to stock maintenance and sales, all functions recruitment of employees and their welfare needs.
- **Limited Offerings:** The variety of products on offer is limited by the store's space, limiting the store's business.

2.6.2 Brick and Click Organisation:

Brick and click organisations are those that have physical stores in specific locations as well as online sales and services via their websites and social networks. Thus, brick and click organisations are businesses that operate both online and in physical stores at specific locations to serve their customers.

a) **Advantages:** The following are some advantages:

- **Accessibility:** Organizations that have both online and physical operations have coverage that caters to both traditional and modern buyers. This helps to broaden the circumference to a wide range of target consumers.
- **Brand and Goodwill Creation:** Customers who find a physical presence of their online shopping places, and vice versa, become more loyal to a brand because its extensive operations and coverage add to the psychological value associated with a brand.
- **Online and Physical Presence:** From personal customer service to brand image communication, brick and click organisations achieve the best of both worlds. While consumers' five senses are served in physical stores, the online experience allows them to choose from a greater variety at the comfort of their own home.
- **Customer Retention:** Customers of a brick and click organisation don't have to switch between physical and online shopping because they can simply use one brand for both experiences. Customers appreciate the convenience, which helps businesses increase sales and retain customers.



b) **Disadvantages:** The following are some disadvantages: -

- **Higher Operation Costs:** Operation costs include not only fixed and overhead costs of the store, but also the creation, operation, and maintenance of the website/online store operations. This **significantly** increases company costs, which can only be handled if the company earns enough revenue to cover them.
- **Lack of Brand Image Communication Unification:** It is critical that the brand image communicated through physical stores matches the image indicated online. A conflicting image or set of values can deter customers from aligning their preferences and choices, causing the business to suffer.

2.6.3 Click Organisation:

Click organisations are those that operate solely on global web platforms via websites or social media, with no physical presence or operational store. Click only companies are those that only provide their services through their websites; for this purpose, they have their own websites that make it easy for the user to take advantage of it. Thus, click organisations are businesses that only operate online or through apps and have no physical location. The internet and the World Wide Web network are used for sales, purchases, and other functions.

a) **Benefits:** The following are the benefits of Click type organisations: -

- **Scale Economies: Physical** stores have stocking and storage limitations due to their functional location. Online stores do not have this limitation, so they can offer a wider range and variety of products and services to their customers. This also lowers the costs of holding, maintaining, and protecting the stock from deterioration.
- **Global Coverage:** apps, websites, and online stores have global coverage and can be **accessed** from anywhere in the world. These result in a massive reach for products and services, as well as brand image communication. Furthermore, because of the convenience of online operations, organisations can provide round-the-clock services without interruptions caused by employee strikes and leaves.
- **Cost Cutting:** cost cutting is beneficial in business operations. Organizations with click-only businesses operate at very competitive prices because they have no fixed overhead expenses, employee salaries, or middlemen costs, and the benefits are transferred to the buyer. These buyers value the added value that lower prices provide over the frills of buying assistance.
- **24 Hour Service:** Online stores make it easier to buy goods and services by saving time and money on travel. The **operations** run continuously, without a



day or time break. This greatly increases the share of business because there is no set time or place for shopping.

- **Payment Options:** Online store platforms offer a variety of payment options to their customers. Enticing payment schemes and offers entice customers and help the organisation get more business. Traditional stores may have limited payment options, which discourage potential sales.
- **Lower Overhead Costs:** Fixed and overhead costs of operations, as well as additional costs of recruiting and training store operators and staff are reduced, raising business margins and assisting in business development. Margin can be transferred to **customers** or used for business expansion.

b) **Disadvantages:** The following are the disadvantages of Click type organisations: -

- **Lack of Access for the Technologically Illiterate:** Purchasing websites and apps is still not a popular option for many traditional buyers who prefer to use their five senses to make purchasing decisions. Older generations or less tech-savvy customers may not find such online platforms user-friendly; everything from finding the required product to making the final payment for the product may **become** a task for the customers. Even at a higher price, this customer may switch to other brands that provide personal selling and purchasing assistance in physical locations.
- **Privacy Concerns:** Physical stores instil a sense of trustworthiness in consumers that online platforms may **lack**. Concerns about quality, payment, delivery, and return or exchange may deter customers from returning to online shopping.
- **Personal Touch:** While shopping, store **operators** can easily address concerns and questions about quality, price, and variety. They may also persuade you to make unplanned and spontaneous sales, increasing their sales turnover. This feature is absent in online shopping because no relationships are formed.
- **Internet Connectivity and Access:** For global reach, **online** shopping necessitates a constant and uninterrupted internet connection. In India, internet connectivity is a concern, with the majority of households lacking access to 24/7 uninterrupted electricity supply, which can severely impede business growth and development.

**2.7 DIFFERENCE BETWEEN BRICK & MORTAR, BRICK & CLICK AND CLICK ORGANISATIONS**

Basis	Brick and mortar	Brick and click	Click
Location	Physical store	Physical and online	Online
Mode of payment	May or may not have online cashless modes of payment	Both online and cash payments	May or may not have cash payments
Omnipresence	Only physically present	Omnipresence for larger coverage	Only online presence which curbs coverage
Marketing	Can market only through physical channels	Marketing can be done through multiple online and offline channels	Marketing can happen online only
Expenses	Fixed and operational expenses	Fixed and operational expenses along with website generation expenses	Fixed and operational expenses are curbed
Customer Attention	Customer can be Attended to and relationship can be built	Customer can be Attended to and relationship can be built	Little scope for customer attention



ACTIVITY

Plan a visit in the surrounding of your educational institution to search the Brick and Mortar, Brick and Click and Click Organisation. Make a list of these organisations. Ask questions related to management functions followed by the owners of these organisations to run their businesses. Analyse their style of management and the strategies they are using to capture the market share in order to be the king of the market.

IN-TEXT QUESTIONS

11. Which of the following organisational structures has a problem with high overhead costs?
 - a) Click
 - b) Brick and Mortar
 - c) Brick and Click
 - d) B and C both
12. Click organisations are more trustworthy than traditional organisations. (True/False).
13. Personal touch and relationship sales are provided by the Click organisation. (True/False)
14. _____ offer limited product lines with extensive assortments within those lines.
 - a) Retail chains
 - b) Specialty retailers
 - c) Convenience stores
 - d) Low-cost stores
 - e) Discount store
15. _____ encompasses all activities associated with selling products or services directly to final consumers for their personal, non-commercial use.
16. _____retailers are expected to grow faster than other retail types in terms of online retailing.



17. Which of the following is not a retail service?
 - a) Automobile Rentals
 - b) Dining establishments
 - c) Finance
 - d) Brick and Mortar
18. The most common type of business organisation is
 - a) Sole-Proprietor
 - b) Joint Venture
 - c) Partnership
 - d) Hindu Undivided Family
19. What is the name of the company with a single taxation?
 - a) S-Type
 - b) LLP
 - c) Limited Liability Company
 - d) Joint Venture
20. What is the name of a large organisation with its own legal status?
 - a) Sole Proprietor
 - b) Joint Stock Company
 - c) Both a and b
 - d) None of the a and b

2.8 E-COMMERCE

E-commerce, also known as electronic commerce, refers to the purchase and sale of goods, products, or services over the internet. Electronic commerce or internet commerce is other terms for e-commerce. These services are delivered through the internet network. E-commerce also includes the transfer of money, funds, and data. Business to Business (B2B), Business to Customer (B2C), Customer to Customer (C2C), and Customer to Business (C2B) transactions are the four types of business transactions (C2B). E-commerce is commonly defined as any commercial transaction that occurs over the internet. E-commerce websites include Amazon, Flipkart, Shopify, Myntra, eBay, Quikr, and Olx.

Electronic commerce, or even internet commerce, is commonly referred to as e-commerce. The name is self-explanatory; it is the online meeting of buyers and sellers. This includes the exchange of goods and services, the transfer of funds, and the transmission of data. For Example, when you log into Amazon and buy a book, you are engaging in an e-commerce transaction. You interact with the seller (Amazon), exchange data in the form of pictures, text, delivery addresses, and so on, and then make the payment. E-commerce is currently one of the world's fastest growing industries. According to one estimate, it grows by nearly 23% per year. By the end of this decade, it is expected to be a \$27 trillion industry.



2.8.1 Types of E-Commerce:

Electronic commerce is divided into four major categories. The parties involved in the transactions serve as the foundation for this straightforward classification. As a result, the four fundamental electronic commerce types are as follows:

- **Business to Business:** This is a transaction between businesses. Companies here do business with one another. There is no involvement of the final consumer. As a result, online transactions only involve manufacturers, wholesalers, retailers, and so on.
- **Business to Consumer:** In this the company will sell its goods and/or services to the consumer directly. Customers can visit their websites to view products, photos, and reviews. Then they place their order, and the company ships the goods to them directly. Popular examples include Amazon, Flipkart, and Jabong.
- **Consumer to Consumer:** In which consumers come into direct contact with one another. There is no company involved. It enables people to sell their personal goods and assets directly to a buyer. Cars, bikes, electronics, and other items are commonly traded. This model is followed by OLX, Quikr, and others.
- **Consumer to Business:** This is the inverse of B2C; it is a consumer to business transaction. As a result, the consumer provides the company with a product or service. Consider an IT freelancer who demos and sells software to a company. This is a C2B transaction.

2.8.2 Benefits of E-Commerce:

The Benefits of E-Commerce are as follows: -

- **Global Reach:** E-commerce allows sellers to reach a global audience. They remove the geographical barrier. Sellers and buyers can now meet in the virtual world, free of the constraints of geography.
- **Higher Profit Margin:** Electronic commerce will drastically reduce transaction costs. It eliminates many of the fixed costs associated with maintaining brick-and-mortar stores. This allows the companies to enjoy a much higher profit margin.
- **Time Saving:** It ensures that goods are delivered quickly and with minimal effort on the part of the customer. Customer complaints are also handled quickly. It also saves time, energy, and effort for both the consumers and the company.
- **Convenience:** Another significant advantage is the convenience it provides. A customer can shop 24 hours a day, seven days a week. The website is always operational; it does not have working hours like a store.
- **Direct Communication:** Electronic commerce also allows the customer and the business to communicate directly, without the need for an intermediary. This enables fast communication and transactions. It also adds an important personal touch.



2.8.3 Drawbacks of E-Commerce:

The following are the drawbacks of e-commerce: -

- **Costly:** The e-commerce portal's start-up costs are extremely high. The installation of hardware and software, employee training, and ongoing maintenance and upkeep are all costly.
- **Risk of Failure:** Although it may appear to be a sure thing, the e-commerce industry is fraught with risk. Many businesses that rode the dot-com wave of the 2000s failed miserably. Even today, there is a high risk of failure.
- **Impersonal:** E-commerce can feel impersonal at times. As a result, it lacks the warmth of a personal relationship, which is essential for many brands and products. This lack of a personal touch can be detrimental to many types of services and products, such as interior design or the jewellery industry.
- **Security Breach:** Another source of concern is security. We have recently witnessed numerous security breaches in which customer information was stolen. Customers are still concerned about credit card theft, identity theft, and other issues.
- **Dissatisfaction:** There are also issues with fulfilment. Even after the order has been placed, there may be issues with shipping, delivery, mix-ups, and so on. Customers are unhappy and dissatisfied as a result.

2.9 FRANCHISING

A franchise is an exclusive right granted or authorization granted by the parent company to another business entity to use the parent's business model. It is a business relationship or an arrangement in which the parent grants the other entity the right to distribute and sell their goods and services and authorises the permitted use of their own brand, product, business model, and business practices in exchange for monetary consideration. The franchisor is the parent/owner of the business who grants the right to use the name, goods and services, and processes. The franchisee is the person who receives the parent's brand name, logo, and trade secrets, as well as the product/service.

2.9.1 Channels of Franchising:

The following are some of franchising relationships: -

- **Manufacturer to Retailer:** A manufacturer-to-retailer arrangement is one in which the manufacturer provides a franchise to the retailer, which is most common in the automobile industry and car dealerships. The franchisor (for example, Maruti Suzuki) provides vehicles to the dealership (local retailers).



- **Manufacturer to Wholesaler:** This arrangement is most common in beverage companies, where the franchisor grants the franchisee a licence to manufacture and distribute the company's drink and beverages according to a recipe. For example, Coca-Cola uses this type of franchise when operating in another country.
- **Wholesaler to Retailer:** A wholesaler-to-retailer arrangement in which the franchisor, in this case the wholesaler, sells products to the franchisee (retailer), who packs and markets them to the general public.
- **Retailer to Retailer:** Under this retailer-to-retailer relationship for greater reach, the franchisor markets a product (or service) through a network of franchisee retailers in this franchise format.

2.9.2 Levels of Franchising:

Franchising is available at different levels such as at the local level; on a national scale; and Global scale respectively. One by one it has been described as follows: -

- **Local Level Franchising:** Local level franchising can be defined as the process of expanding a business and distributing goods and services within the boundaries of a district, city, or state. It enables the franchisee to meet increased consumer demand within the state's local boundaries. As a result, franchisees can expand their operations from one or two locations to a state-wide presence.
- **National Level Franchising:** A franchiser with a national brand can use the relationship between the brand owner and multiple local operators at the state level to skilfully and successfully extend an established business system. The franchisee benefits from being associated with a national level business, which attracts a larger customer base.
- **Global Level Franchising:** It franchising refers to a franchiser who has operations in more than one country and tailors their operations to the preferences of the country's natives. The franchiser delegated the operations to local operators, who performed franchisee functions modified according to the respective region of operation, while also adhering to franchiser codes of process uniformity.

2.9.3 Location of Franchising:

Factors or decision taken into consideration while selecting a franchise location, keep the following points in mind: -

- **Cost of Expansion:** The feasibility of expanding operations at the local, national, or global levels is dependent on the costs of expansion, which should be evaluated in accordance with various financial and non-financial governmental operational norms. This helps determine whether or not to expand in a market area.



- **Competent Franchisee:** franchisees must ensure competence a tried-and-true franchisee operating system that yields predictable results. Competent franchisees and lenient labour laws, stable government, operational safety, and the stable economic condition of the proposed area for expanding operations all contribute to a profitable franchisee system.
- **Franchise Expertise and Support:** This includes both the initial and subsequent support required by the franchisee, which assists in establishing the business and getting it moving in the right direction. It is preferable for the area to have enough technicians, mechanics, and specialists in franchiser's machines and software to ensure smooth business operations. This includes any and all forms of ongoing support to provide franchisees with whatever assistance they require to run their business in the long run.
- **Brand Reach:** The franchise system's brand and trademarks should have value in the eyes of customers at all levels of operation. If the brand is already established in the market area where the operations will take place, the best value exists. This brand perception determines the level to which the franchiser should expand operations.

2.9.4 Benefits of Franchising:

There are several benefits to franchising for franchise which includes the following: -

- **Assistance with Business:** A franchisee may receive essentially a turnkey business operation from the franchisor. They may be given the brand, the equipment, the supplies, and the advertising strategy they need to run the business. The business assistance provided by the franchisor is one of the advantages of franchising.
- **Recognized Brand:** Brand recognition is a big factor when you are opening a franchise. Franchises are well-known businesses with built-in customer bases. People will automatically know what your business is, what you provide, and what they can expect if you are a franchise owner rather than an owner-operator.
- **Reduced Failure Rate:** Franchises, on average, have a lower failure rate than sole proprietorships. When a franchisee invests in a franchise, they are joining a successful brand as well as a network that will provide them with support and advice, making it less likely that they will fail.
- **Purchasing Power:** The sheer size of the network is another advantage of franchising. The parent company can leverage the network's size to negotiate deals that benefit every franchisee. A lower cost of goods reduces the franchise's overall operating costs. Franchisees can purchase goods at a significant discount by purchasing in bulk.



- **Return on Investment:** Franchises tend to have well-known brands that attract a large number of customers. Even franchises with a large initial investment for the franchise fee see a high return on investment.
- **Reduced Risk:** Whether you are starting a business as an independent entrepreneur or purchase a franchise, the risk is lower. Most franchises are owned by established corporations that have tested and proven the business model in multiple markets. This lower risk may also make it easier to obtain loans, including the best SBA franchise loans.
- **Existing Customer Base:** Finding customers is one of the most difficult challenges for any new business. Franchises provide immediate brand recognition and a loyal customer base. Even if you're opening the first franchise location in a small town, potential customers are already familiar with the brand due to exposure.
- **Be Your Own Boss:** Starting a franchise business allows you to be your own boss. You can set your own hours, have control over your career and work from home. Franchising is a great way to start a business without taking on the risk of owning your own independent company.

2.9.5 Drawbacks of Franchising:

While there are numerous benefits to franchising, it would be naive to believe that there aren't also drawbacks and these are as under: -

- **Restrictions of Regulations:** A franchise allows the franchisee to be their own boss, but they do not have complete control over their business. The most frustrating disadvantage that most franchisees face is that they must adhere to the restrictions outlined in a franchise agreement. Franchisor has some control over the majority of the franchise business.
- **Initial Cost:** Even if you choose a low-cost franchise, you will most likely have to invest a few thousand dollars. Remember that there are franchises financing options available to assist you with this initial cost.
- **Consistent Investment:** In addition to the initial investment required to launch a franchise, there are ongoing costs that are unique to each franchise. These include royalties, advertising, and a fee for training services. When deciding whether or not to start a restaurant franchise, keep these ongoing fees in mind.
- **Possibility of Conflict:** As a franchisee, you have little power to enforce the franchise agreement without a costly legal battle. The closeness of the business relationship between franchisor and franchisee is ripe for conflict. Franchisor should screen all potential franchisees before doing business with them.



- **Lack of Financial Secrecy:** The franchisor will almost certainly state that they have complete control over the franchise's financial ecosystem. This lack of financial privacy may be viewed as a disadvantage by franchisees. However, it may be less of an issue if you value financial guidance from the franchisee.

2.10 OUTSOURCING

Outsourcing is the rental of skills and knowledge. It involves two companies entering into an agreement in which one performs tasks, handles operations, and provides services, both core and non-core, for the other. Since the Second World War, it has been a trading trend. Commercial entities began contracting out business processes (such as payroll processing and claim processing), core and non-core functions such as manufacturing and call centre support at that time.

A company can hire either a foreign or a domestic firm. As Eminenture provides business process outsourcing solutions, hiring a virtual assistant in another country is formally referred to as off shoring outsourcing or near shoring outsourcing. It determines whether a business practise should be relocated to a distant land or a nearby geographic location. In general, all businesses only conduct a variety of operations within their own infrastructure.

2.10.1 Classification of Outsourcing:

The following are the important classifications of outsourcing: -

- **Print and Mail Outsourcing:** Print and mail outsourcing is the contracting of back office services for the execution of printing and mailing services directly from a desktop or web interface.
- **Marketing Outsourcing:** Using remote assistance to increase lead generation and conversion.
- **Knowledge Process Outsourcing:** The provision of business intelligence based on real-time data analysis of a niche by professionals and experienced players.
- **Business Process Outsourcing:** It means the use of another organisation to manage non-core competencies such as customer support.

2.10.2 Benefits of Outsourcing:

The benefits of outsourcing are as under: -

- **Assistance:** You are left with free resources such as personnel and facilities after receiving assistance from a third party. You can redirect them to core competencies or new gold-mining projects.



- **Innovation and Creativity:** Rapid turnaround allows you to streamline production. As a result, you have more time to devote to expansion plans, value enhancement, and innovation.
- **Focus on Core Competencies:** You learn about current and emerging trends that you can incorporate into your core competencies.
- **Knowledge about Customer Behaviour:** Customer service, a non-core activity, can create thousands of upselling and cross-selling opportunities. Despite being blindfolded, an entrepreneur can gain insight into his customers' behaviour through helpdesk report analysis.

2.10.3 Disadvantages of Outsourcing:

The following are the disadvantages: -

- **Loss of Information:** You could lose a lot of your proprietary data or sensitive information. It certainly occurs when an outsourcing agreement is reached while ignoring confidentiality and privacy clauses.
- **Competitor's Benefit:** The loss of data leads from your side may be a gain for your competitors. Your virtual assistant might sell them to a competitor. As a result, your dreams of attaining leadership and competitiveness are dashed.
- **Performance Degradation:** Quality may suffer if you fail to monitor your outsourcer's performance. It causes irreversible damage to your company's performance.
- **Harm to Company Image:** Ineffective and inconsistent coordination can have a negative impact on quality, which can harm your company's reputation.
- **Job Insecurity:** It put in danger the in-house workforce's job security. Even in-house teams are underpaid as a result of BPOs and KPOs.

2.11 DIFFERENCE BETWEEN ORGANISATION AND MANAGEMENT

Following is the difference between them based on key factors: -

Basis	Organisation	Management
Concept	Organization' is the structure by which a coordinated and cooperative inter-relation is established between the workers, the management and their work.	'Management' is the planned organizational executive process of getting work done and goals accomplished by the subordinates.



Emphasis	Organization is one of the various functions of management. As a part of management, organization helps it to execute its other functions.	Management is the integrated summation of several activities—making plans, setting up organization, finding the right staff at the right time for the right job and leading them, motivating employees, coordinating and controlling various functions of the enterprise.
Behaviour of Activity	Through organization structure, lines of authority are created and responsibilities are delegated. These are organizational activities to achieve organizational goals.	The functions of management are administrative activities including planning and estimation and paperwork.
Functions	Organization aims at performing the planned activities through creating proper work environment.	The objective of management is to direct and supervise the completion of the delegated work by the subordinate employees and to give necessary direction for getting the desired result for achieving the predetermined target according to the organizational goals.
Scope	Scope Of organization is narrow. Organization is subordinate to management but is the backbone of management.	Scope of management is broader and superior to organization as organization needs management skills to run.
Interconnectedness	The setting up of effective and efficient organization structure depends on efficient and competent management.	Efficient management largely depends on strong organization.
Composition	Managers are the architects or makers of organizational structure self participation and whose components are the workers.	Managers are components of management who are the drivers also.

The relationship between organisation and management is essential and inextricably linked. One cannot be studied without the other, and both are mutually inclusive. While management



can be defined as the functional body of a business, organisation can be referred to as the hands of management because organisation is only a part of the overall management.

ACTIVITY

Plan a visit to the campus of organisations which are into the business of e-commerce, franchising and outsourcing. Ask the owner about the benefits and drawbacks of running this type of business. Analyse the Government policies framed for such businesses and find out the limitations on the part of the Government of India.

IN-TEXT QUESTIONS

21. Which of the following best describes electronic commerce?
 - a) Business via electronic platform
 - b) Conducting business
 - c) Goods sales
 - d) All of the preceding
22. Which of the following is NOT one of the four primary types of ecommerce?
 - a) B2B
 - b) B2C
 - c) C2B
 - d) M2M
23. By utilising e-commerce, a new environment for business transactions has been created.
 - a) Digital information
 - b) The Internet
 - c) Electronic technologies
 - d) Communication services
24. is always accomplished with the assistance of the internet.
 - a) Electronic commerce
 - b) E-commerce
 - c) Electronic distribution
 - d) None of the above.
25. When a company enters into a legal agreement to allow others to use its product, services, or business format for a fee, this is referred to as:
 - a) Franchisee.
 - b) Franchising.
 - c) Franchisor.
 - d) Unrealistic.



26. A company or individual that pays for the legal right to use another's product, service, or format is referred to as a:
- a) Franchisee. b) Franchisor.
c) Franchising. d) All of the Above
27. Which of the following factors should be considered when deciding which franchise to purchase?
- a) Potential business expansion
b) Business profitability
c) Whether or not you enjoy that line of work
d) All of the Above

2.12 SUMMARY

An organisation is the sum of its constituents, which include entrepreneurs, customers, employees, and the community. An organisational analysis reveals underlying subjects of study that are prevalent in all functions. Psychology, sociology, anthropology, economics, science, technology, and environmental sciences can all be studied in relation to the organisation. A franchise is an exclusive right granted or authorization granted by the parent company to another business entity to use its business model. E-commerce refers to the purchase and sale of goods, products, or services over the internet. It also includes the transfer of money, funds, and data.

2.13 GLOSSARY

- **Brick and Click:** It is a business model in which merchants operate both an online and physical retail outlet.
- **Brick and Mortar:** A traditional street-side business that provides products and services to customers in person in an office or store that the company owns or rents. Brick-and-mortar businesses include the local grocery store and the corner bank.
- **Business:** A business or organisation that engages in commercial, industrial, or professional activities.
- **Click:** It is founded on the investment of both a physical and an online presence.
- **Community:** It is a social unit or a group of living things who share characteristics such as location, norms, religion, values, customs, or identity.



- **Consumer:** He is the recipient of a final purchased product or service
- **E-Commerce:** The buying and selling of goods and services, as well as the transmission of funds or data, over an electronic network, most notably the internet.
- **Employee:** He is a person who is compensated for working for a company or organisation.
- **Entrepreneur:** He is an individual who starts a new business, bearing the majority of the risks and reaping the majority of the rewards.
- **Franchising:** A franchise or franchising is a method of distributing goods or services that involves a franchisor, who establishes the brand's trademark or trade name and a business system, and a franchisee, which pays a royalty and, in some cases, an initial fee for the right to do business under the franchisor's name and system.
- **Organisation:** It is an entity consisting of one or more people and serving a specific purpose, such as a company, institution, or association.
- **Outsourcing:** A business practise in which a company hires a third party to perform tasks, manages operations, or provides services on its behalf.
- **Stakeholder:** A stakeholder is a party who has an interest in a company and can either influence or be influenced by it. A typical corporation's primary stakeholders are its investors, employees, customers, and suppliers.

2.14 ANSWERS TO IN-TEXT QUESTIONS

1. Organisation	16. Click and Brick
2. (d), All of the Above	17. (d), Brick and Mortar
3. (d), All of the Above	18. (a), Sole Proprietor
4. (a), Organisation	19. (a), S-Type
5. (d), All of the Above	20. (b), Joint Stock Company
6. True	21. (a) Business via electronic platform
7. True	22. (d), M2M
8. Indispensable and Intertwined	23. (b), The Internet
9. Continuous and Intertwined	24. (b), E-Commerce
10. Authority	25. (b) Franchising
11. (d), Both B & C	26. (a), Franchisee



12. True	27. (d), All of the Above
13. False	28. (c), A Company having someone else does a portion of what previously did.
14. (b), Speciality Retailers	29. Cost Reduction
15. Retailing	30. Non-Core Business

2.15 SELF-ASSESSMENT QUESTIONS

1. What do you mean by organisation? How it is different from management? Discuss with the help of example.
2. Elaborate the scope of organisation with the help taking into consideration the Indian business scenario.
3. Is there any similarity between management and organisation? Discuss
4. Do you agree that Brick and Click organisations are the best forms of organisations? Comment.
5. Differentiate between Brick and Click, Brick and Mortar and Click Organisations.
6. Discuss the different forms of business. Also explain the benefits and drawbacks of these.
7. E-commerce helps in enhancing the goodwill and image of a business firm. Do you agree? Comment.
8. E-commerce acts an important channel to reach out to the end-users. Discuss.
9. Elaborate the different levels of franchising. What decisions have been taken into consideration while deciding about the location of franchise?
10. Do you agree that outsourcing helps in reducing the burden of an organisation to achieve the objective of organisational effectiveness? Comment
11. What do you mean by outsourcing? Is it beneficial for a business firm or not? Discuss

2.16 REFERENCES

- Amin, S. Kansana, K. and Majid, J. (2016). *A Review Paper on E-Commerce*. Paper presented in international conference: TIMS 2016-International conference at Gwalior. Pp. 1-13.



- Aswathappa, K. (2014). *Organisational Behaviour*. Himalaya Publishing House. Pp. 575-686
- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 489-569
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill, Pp. 3-34
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 477-486.
- Ken Taylor. (1983). *Heads and the Freedom to Manage*. School Organization 3:3, pages 273-286.
- Khan, G. A. (2016). *Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy*. Global Journal of Management and Business Research: Economics and Commerce. 16(1): 18-22.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons. Pp. 247-419.
- Prasad, L. M. (2008). *Organisational Behaviour*. Sultan Chand & Sons. Pp. 461-544.
- Prasad, L. M. (2011). *Organisational Behaviour*. Sultan Chand & Sons. Pp. 527-591.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. Pp. 1-38.
- Robbins, Judge & Vohra (2013). *Organizational behaviour*. Pearson Education. Pp. 515-543
- Shettar, R. M. (2016). *Emerging Trends of E-Commerce in India: An Empirical Study*. International Journal of Business and Management Innovation. 5 (9): 25-31.

2.17 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Strauss, Ansary and Frost (2007). *E-Marketing*. Prentice Hall of India, New Delhi
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.



- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B., & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasishth, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.



LESSON 3

BUSINESS ENVIRONMENT

Written by : Ms. Amanpreet Kaur

Revised by : Dr. Virender Kaushal

STRUCTURE

- 3.1 Learning Objectives
- 3.2 Introduction: Business Environment
- 3.3 Characteristics of Business Environment
- 3.4 Components of Business Environment
- 3.5 Business Friendly Environment
- 3.6 Elements of Business Friendly Environment
- 3.7 Ethics in Business
- 3.8 The Importance of Business Ethics
- 3.9 Principles of Business Ethics
- 3.10 Steps to Develop Business Ethics in a Company
- 3.11 Social Responsibility in Business
- 3.12 Reasons for Corporate Social Responsibility
- 3.13 Companies Act 2013: The Corporate Social Responsibility Legislations
- 3.14 Properties of Corporate Social Responsibility
- 3.15 Social Responsibility Components
- 3.16 Summary
- 3.17 Glossary
- 3.18 Answers to In-Text Questions
- 3.19 Self Assessment Questions
- 3.20 References
- 3.21 Suggested Readings



3.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-

- The concepts, meaning and other important aspects of business environment.
- The concept, meaning and significance of ethics in business.
- The concept, meaning and importance of social responsibility of business respectively.
- The legislations of companies act 2013.
- In the end students will get clarity about the significance and other important aspects of these concepts used while running an organisation and managing the same.

3.2 INTRODUCTION: BUSINESS ENVIRONMENT

The term "business environment" refers to all external forces that influence how a business operates. According to Barry M. Richman and Melvyn Copen, the business environment is made up of external factors that are beyond the control and supervision of the company and its management.

According to William F. Glueck, the business environment is the process by which management monitors and analyses the implications of financial, governmental, commercial, technological, market, and social factors in order to determine the firm's strengths, weaknesses, opportunities, and threats. As a result, the business environment is multidimensional, complex, and dynamic in nature, and it has a long-term impact on the business's survival and growth.

3.3 CHARACTERISTICS OF BUSINESS ENVIRONMENT

The characteristics of the business environment are as under: -

- a) **Combination of Internal and External Forces:** The business environment is the sum of all the factors/forces that exist outside of the business and are beyond the business's control. Because it is a collection of many such forces, its nature is total. The forces work in tandem, and all of the variables complement one another. There is a thin layer of difference between these factors, and the lines can become blurry at times. The outside forces can be classified into three categories given as follows:
- **Micro:** Micro forces and factors affect a single firm, which consists of its employees, management, and investors. Their interests should be aligned with



the firm's objectives, as they have an impact on the firm's day-to-day operations as well as its strategic decisions.

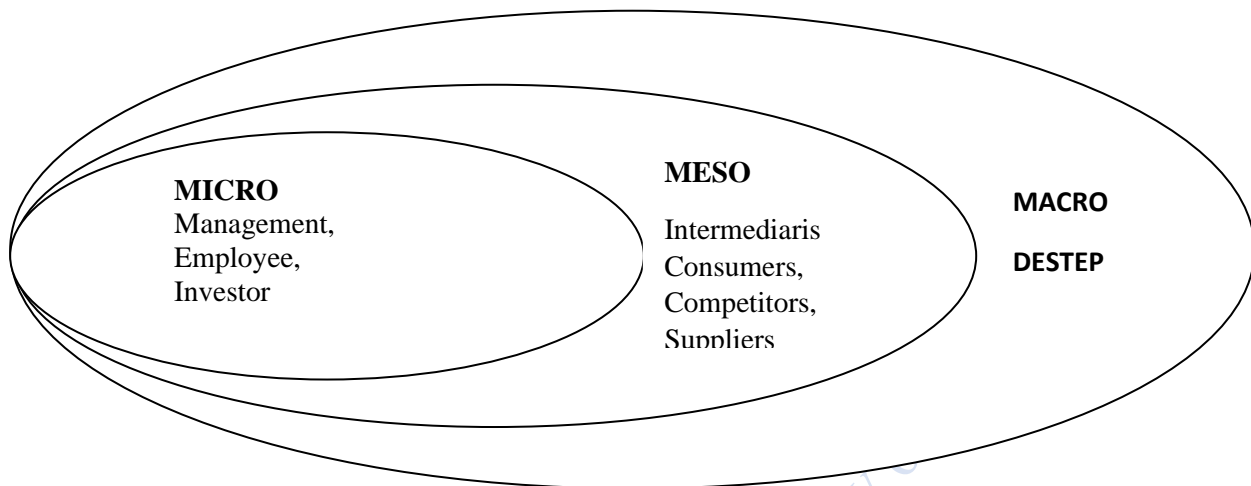
- **Meso Factors:** These forces affect all firms in an industry, such as customers, suppliers, competitors, investors, and so on. While the firm has little control over these, strategic planning can mitigate their impact.
 - **Macro:** These factors have an impact on all industries in an economy. For instance, political, social, economic, technological, and legal factors. The majority of the insecurity in the business environment is caused by these factors over which no firm has any control.
- b) **Interconnected and Coordinated:** The various business environment factors are interconnected, coordinated, and correlated. A change in interest rates, for example, has an impact on the level of inflation, employment, and output.
- c) **Dynamic Nature:** Because the environment is a combination of many factors. Because of the large constituency, changes in some form or another occur at all times. These changes have an impact on all of the interconnected factors, resulting in a constantly changing business environment. As a result, the business environment is said to be dynamic.
- d) **Uncertainty:** The business environment is defined by volatile and dynamic conditions, preferences, and choices. As a result, the system is uncertain and unpredictable, and it cannot be accurately predicted. Although historical and technical analysis can help forecast some aspects of market trends, they cannot guarantee accuracy. Businesses must have a backup plan to combat these uncertain situations, which range from changing global trends and technological advancements to customer preferences and political policies.
- e) **Complicated:** The environment is made up of numerous factors. Because these factors are interconnected, their individual impact and cumulative impact on the business cannot be accurately recognised or measured. As a result of the complex network of business environment elements, confronting them with certainty becomes even more difficult.
- f) **Relative:** Elements of the business environment have a different impact on each firm in an industry/region. As a result, their impact is not uniform, but rather relative to each firm that faces it. Furthermore, the elements are related to local conditions, which explain why the business environment differs in different regions and countries.

3.4 COMPONENTS OF BUSINESS ENVIRONMENT

The components of business environment are as under: -



Figure: Components of Business Environment



Source: Prepared by Content Writer

- a) **The Internal/Micro Environment:** This is about your own organisation and looking at your organization's and its people's systems, resources, knowledge, skills, and activities. Taking a strategic approach to this environment entails considering how all of these factors can be controlled and deployed to meet market opportunities, as well as shape and lead that market, because this is the one environment over which the organisation as a whole has the most control. It includes the following: -
- **Management:** A firm's management is in the hands of managers, at whose discretion shareholder funds are invested. The firm's management composition and internal relationships have an impact. A well-managed company is more profitable than a poorly managed one. Consensual management provides concrete plans for execution and dealing with the external environment. A skilled and competent management team with strong mutual bonds ensures the firm's growth. Management's rational decisions give the company a competitive advantage and a larger market share.
 - **Employees:** Employees are the constituents and wheels of an organisation. Employees are a critical resource for any organisation, and their well-being and development ultimately benefit the organization's performance. Employees, who are motivated, competent and skilled, they assist in dealing with the uncertainties of the business environment. A conflict of interests and objectives between the organisation and its employees can halt its growth. Employee acquisition, retention, and training are critical for the firm.



Employee movements and unions should be made aware of the need for continuous operations during changing times.

- **Shareholders/Investor:** Shareholders are a corporation's owners. Companies sell stock as part of their ownership in exchange for equity investment to operate the business. Shareholders and investors are directly impacted by company decisions, and the company should maximise their wealth. Shareholders exercise their voting rights, and the firm bears the burden of accountability for their investments.
- b) **MESO Environment:** These forces affect all firms in an industry, including customers, suppliers, competitors, investors, and so on. While the firm has little control over these, strategic planning can help to balance their impact. Because the firm has only limited control over these factors, they have a significant impact on the prevalence of uncertainty in the business environment.
- **Suppliers:** Suppliers of raw materials and other plant and machinery, services, and consulting are critical in a business environment, as are those who cause frequent changes in it. A business firm's smooth operation necessitates a consistent supply of inputs such as raw materials. If the supply of raw materials is uncertain, a company must keep a large stock of raw materials on hand to ensure uninterrupted operations. The cost of holding will thus have to be borne by the organisation, reducing margins. To mitigate the risk of uncertainty, the organisation should maintain good relationships with its suppliers and maintain connections with multiple suppliers.
 - **Customers:** These are essential to any organisation because they provide cues on what they like and feedback on their preferences. Customers are both the receiving end of all firm operations and signal hubs for changes. Customer engagement entails anticipating their needs and preferences, as well as constantly innovating products to keep the competition at bay. Organizations must increase their market share while retaining their existing customer base, which can be accomplished by maintaining quality and standards. Agents and merchants such as distribution firms, wholesalers, and retailers are examples of marketing intermediaries.
 - **Intermediaries:** Marketing intermediaries are in charge of stocking and transporting goods from their manufacturing site to their final destination, which is the ultimate buyer. Intermediaries are dependable during changing times because they track changing trends and assist makeup with them. They provide an essential link between organisations and customers by providing market insights. These insights can thus be used to develop competitive advantage based on a company's strengths and weaknesses.



- **Competitors:** An analysis of competitors' actions warns firms about the threat of new market entrants as well as substitute products in the market. Competitors are an essential component of the business environment, guiding the firm to meet the needs of its customers. This assessment of threats and opportunities provides a solid competitive advantage upon which to build and serve the customer base. Companies must be aware of both local and foreign and larger competitors in order to maintain market share through innovation and customer satisfaction.
 - **Stakeholders:** Stakeholders are members of the general public who are affected by an organization's operations. Taking care of stakeholders is critical because the organization's inputs are derived from society and its output is directed towards society. A company expects the public to respond with goodwill, favourable responses, donations, and retained buyers, to name a few.
- c) **Macro Environment:** The macro-environment refers to the outermost layer of business industry environments. Another critical activity in strategic management is analysing and questioning the Macroenvironment. It aids in analysing current situations and answering questions about the economy's health, level of allotment, and the status of socio-cultural and legal-political factors. This is the environment over which the company has the least control, and it usually affects all companies in the same industry/region/sector/country. The DESTEP framework is made up of the following components: -
- **Demographic:** Factors derived from and related to people. This includes factors such as size, density, age, gender, occupation, and so on. People are the driving force behind market development. Businesses face both opportunities and challenges as a result of the large and diverse demographics. For example, as a country's income changes, so do its people's purchasing power and lifestyle standards. This may have an impact on their purchasing decisions, and consumers may eventually shift from requiring and purchasing desert coolers to air conditioners. Thus, demography, income, constituency, and constituency preferences comprise the macro environment, which has a significant impact on businesses operating in that environment.
 - **Economic:** Macroeconomic factors like exchange rates, business cycles, and differential economic growth rates, GDP, and so on. For example, the Indian economy's slowdown caused the automobile industry to shut down for a few days. As a result, the economic shutdown has an impact on the business environment by affecting the company's finances.



- **Socio-Cultural Aspects:** Cultures, demographics, religions, and other factors all have an impact on firm decisions. In India, for example, McDonald's and other international food chains offer spicier and vegetarian versions of their products.
- **Technological:** The Internet is revolutionizing a number of industries, including retailing and financial services. For example, .Pay TM wallet revolutionized payments in India.
- **Environmental Concerns:** Pollution, waste, climate change, and other environmental issues are requiring more and stricter regulations, which promote and/or limit industry investment and development. For example, a single-use plastic ban discouraged businesses from using plastic packaging and encouraged them to innovate.
- **Politico-Legal:** The influence of the state and political forces on business decisions and performance, policies, regulations, or regulatory guidance that may have an impact on market rescue. For example, the demonetization and GST policies altered traditional business practices and created new opportunities for investment and business in India.

3.5 BUSINESS FRIENDLY ENVIRONMENT

A business-friendly environment is one that encourages new businesses to open and allows them to thrive and grow. It is distinguished by operational certainty, enormous demand and opportunities, transaction security, enterprise growth, ease of access to resources, and dependable judiciary and legal systems. The following are some of the ways and factors that can be used to make an economy more business friendly.

3.6 ELEMENTS OF A BUSINESS-FRIENDLY ENVIRONMENT

- **Taxes and Compliances:** The ease of understanding and compliance with local tax laws, as well as other judicial compliances, are factors that encourage business development. Economies that have a fair share of taxes for transparent corporate and consistent tax structure can better forecast firm expenses and revenues and, as a result, increase corporate participation in the market.
- **Registration and Certification:** Simple and infallible licencing formalities at a single level of government allow for faster and more efficient firm registration. Licensing requirements should be friendly, simple, and quick.
- **Special Economic Zones (SEZs):** SEZs are subject to different economic regulations than other areas of the same country. SEZs are intended to promote rapid economic growth by leveraging tax breaks to attract foreign investment and spur technological advancement.



- **Infrastructure:** Providing programmes and policies to support affordable housing, improve public facilities, renovate buildings, and create economic opportunities for workers. Capital improvements help to maintain infrastructure, which serves as the foundation for economic development. Adequate clean water, wastewater processing capacity, natural gas availability, comparable electric utility fees, and adequate broadband internet speeds are required for businesses to be attracted to and operate in a city.
- **Regulation:** In a business-friendly environment, regulations should be consistent and conformable while also being foolproof. Changes in regulations cause confusion and discourage businesses. At the same time, regulations should not necessitate the use of specialised skills or equipment in order to be followed. Regulations will be successful only if they have the authority to impose their implementation, which ensures a safe and secure environment. Policies and practices that promote a business-friendly environment and create and retain employment opportunities can be developed and implemented. Furthermore, lengthy, costly, and unpredictable land use regulations can stifle firm development.
- **Training Programs and Workshops:** Governments that take steps to invite business incorporation must launch flagship entrepreneurship and skill development programmes. Government training and counselling sessions for growing and mature businesses help them overcome obstacles to smooth operation.
- **Subsidies and Government Incentives:** A subsidy or government incentive is a type of financial aid or support given to an economic sector (or institution, business, or individual) with the goal of promoting economic and social policy. Subsidies from the government help an industry by allowing producers to produce more goods and services. This increases the overall supply of those goods or services, increases the demand for those goods or services, and lowers the overall price of those goods or services.

ACTIVITY

Organise a quiz session of 3 hours on the topic, “Need, Importance and Significance of Business Environment” in your class in the presence of subject teacher and co-coordinator. In the end conclude the outcomes of quiz session and gather the feedback from the participants.



IN-TEXT QUESTIONS

1. Which of the following is a part of the microenvironment?
a) Investors b) Management
c) Employees d) All of the Above
2. A business environment does not include any of the following.
a) Coordinated and interconnected b) Nature Motion
c) Mutually Exclusive d) Uncertainty
3. The business environment has operational certainty, massive demand and opportunities, transaction security, enterprise growth, ease of access to resources, and dependable judiciary and legal systems.
(True/False)
4. _____ is multidimensional, complex, and dynamic in nature, and it has a long-term impact on the business's survival and growth.
5. Which of the following is made up of Special Economic Zones, Infrastructure, and Regulation?
a) A conducive business environment
b) A commercial setting
c) Corporate ethics
d) The macro-environment

3.7 ETHICS IN BUSINESS

Ethics literally means an entity's appropriate and moral behaviour, which is generally supported by a code of conduct. Business ethics is the appropriate conduct of enterprises through business practices in order to maximise wealth. It is the study of appropriate corporate culture, employee behaviour, business policies, and practices pertaining to corporate business subjects such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The set of rules or principles that the organisation should follow is referred to as its ethics. In business, ethics refers to a code of conduct that companies are expected to follow when conducting business.



3.8 THE IMPORTANCE OF BUSINESS ETHICS

Business ethics is frequently guided by the law, but at times it provides a basic guideline, known as the code of conduct guidelines that businesses can choose to follow in order to gain public approval. A standard for the organization's behaviour is established through an ethical code of conduct. This assists them in distinguishing between the wrong and the right in day-to-day business decisions as well as special decision making. All of these values are combined in ethics to guide a business by providing standards. Businesses should be forced to make a choice and strike a balance between the needs of their stakeholders and their desire to maximise profits.

Businesses frequently have to make tradeoffs while performing this balancing act. To combat such scenarios, the organisation develops rules and principles known as ethics. These ethics ensure that businesses benefit without negatively impacting individuals or society as a whole. The ethics involved in businesses reflect the organization's vision.

3.9 PRINCIPLES OF BUSINESS ETHICS

Essentially, any business in India follows these ethical principles. The following are the business ethics pillars: -

- **Integrity:** This principle is put to the test whenever there is a strong incentive to do the right thing rather than maximise profits. The executives must show courage and personal integrity by doing what they believe is right. These are the principles that, if followed, are honoured.
- **Loyalty:** Without trust, no ethical behaviour can be promoted. Executives must be worthy of this trust while remaining loyal to their companies and individuals. In times of adversity, there should be devotion and loyalty to duty. Secrecy should be prioritized over personal interest, and organisational interest should take precedence over personal interest. Personal information should not be used or disclosed by them. This increases trust in the organisation.
- **Honesty:** When it comes to their regular work, ethical executives are truthful. They must also be truthful and not intentionally deceive or mislead others with their information. Partial truths, overstatements, misrepresentations, and so on should be avoided. As a result, they should avoid any form of selective omission.
- **Concern and Esteem:** When a CEO is ethical, he is compassionate, kind, and caring to that in need. Executives must also respect their colleagues' dignity, privacy, autonomy, and rights. Ethics requires people to be courteous and to treat everyone equally and fairly.



- **Fairness:** Fair people are more inclined to justice and ensure that people are treated equally. They must be tolerant, open-minded, and willing to admit their own errors. The executives should also be able to adjust their beliefs and positions in response to changing circumstances. An ethical person in a firm should avoid abusing power, position, or subordinates and should treat them with respect.
- **Leadership:** Employees are motivated and instilled with leadership qualities when they adhere to ethical standards. They must be capable of handling the responsibilities. They should be aware of the opportunities available to them as a result of their position. Proper leadership qualities also serve as a role model for others.

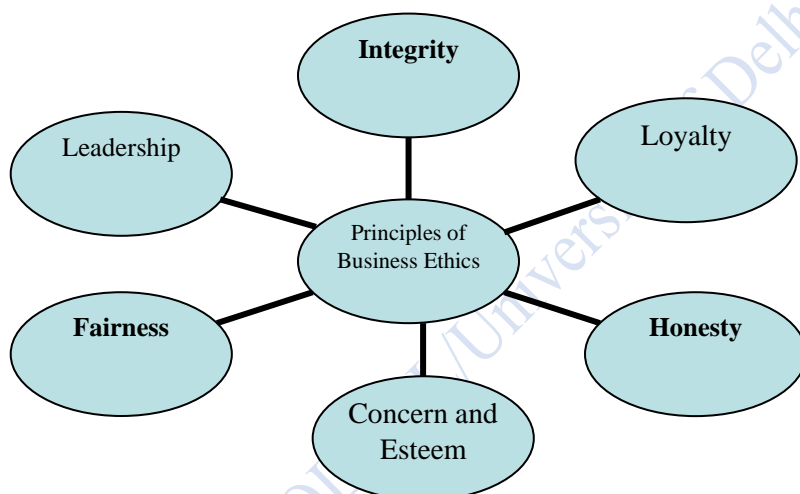


Figure: Ethical Principles in Business

3.10 STEPS TO DEVELOP BUSINESS ETHICS IN A COMPANY

Ethics can be developed in an organisation by following the following steps: -

- **Training and Awareness:** When the ethics built into the organisation are not understood or practiced, it is only worth the paper or storage space it occupies. Companies must have their own in-house training departments to make ethics relevant in the day-to-day operations of the organisation. These departments should provide the necessary training required by employees as well as organisational leaders. A trainer has been hired to provide ethics training. He should be well-equipped and have enough experience in the field of ethics to be more effective.
- **Ethics Code:** Ethics are the foundation of any organisation. That is why it is critical for the organisation to have a strong code of ethics. The Companies Act of 2013 requires businesses to have an ethics code of conduct in place. This means that there



should be a written code that all employees can follow and strive to achieve. Codes of Ethics are most effective when they are implemented and enforced on the organization's members.

- **Reporting Mechanism:** A whistleblower policy and a secure reporting system encourage employees to report any workplace misconduct without fear of retaliation. Furthermore, this discourages people from participating in such acts. A strong reporting system increases employee loyalty. Furthermore, if the misconducts are resolved sooner, the company may be able to save a significant amount of money in the future.
- **Ethical Councillor:** Just as employees need ethics training, there should be an ethical supervisor to enforce ethics and resolve any ethical issues. He should be a confidential resource for employee issues.

In the event that the organisation encounters a dilemma, this supervisor should assist in determining an ethical solution. He must be aware of ethical laws, policies, and concepts in order to make the necessary decisions.

ACTIVITY

Consult your subject teacher and request him to arrange for a special lecture on the topic, “Need of Ethics for Business Owners” and invite the different business owner of your area to be the part of the same. In the end collect the feedback of all the entrepreneurs and discuss with the classmates about the feedback provided by these entrepreneurs.

IN-TEXT QUESTIONS

6. Which of the following is a component of respect and concern, fairness, and leadership?
 - a) A conducive business environment
 - b) A commercial setting
 - c) The Macro-Environment
 - d) Corporate/Business ethics
 - e) All of the Above



7. Codes of ethics and codes of conduct: -
 - a) Are only required after a company has been in legal trouble.
 - b) Are intended for top executives and managers rather than regular employees.
 - c) Formal statements describing what an organisation expects of its employees
 - d) Are rarely an effective part of the ethics and compliance programme?
8. What does ethics have to do with it?
 - a) Correct or Incorrect
 - b) Neighbourhood
 - c) Commercial
 - d) None

3.11 SOCIAL RESPONSIBILITY IN BUSINESS

Social responsibility in business, also known as corporate social responsibility (CSR), refers to organisations that conduct their operations in accordance with ethical principles. Ethical behaviour entails being sensitive to and considering legal, social, cultural, economic, and environmental issues while adhering to governmental legislation on these issues. These activities include refraining from dealing in harmful products, donating profits to environmental and social causes, and implementing programmes to aid in the development of society. Participation in social responsibility activities assists organisations in developing goodwill and projecting a positive image while adhering to legal rules and regulations. Compliance with governmental and social norms benefits development, business, and society.

3.12 REASONS FOR CORPORATE SOCIAL RESPONSIBILITY

CSR has grown in importance as a result of its importance to businesses. The growing importance of sustainability and energy conservation in the world explains the rationale for engaging in CSR activities. Sustainable operations increase goodwill and damage the image of businesses. Sustainable activities are also compliant with a country's legal and judicial systems, protecting a business from negative externalities. It contributes to the development of committed and loyal customers who are willing to support responsible businesses. Stakeholders, investors, and the media also approve, acknowledge, and appreciate the organisations' CSR efforts, which help the business, survive and prosper.



3.13 COMPANIES ACT 2013: THE CSR LEGISLATIONS

The Companies Act of 2013 requires businesses to include CSR. It is a landmark piece of legislation that established India as the first country to mandate CSR spending and quantify CSR efforts. The inclusion of CSR represents the government's attempt to engage businesses in the national agenda of sustainability. The Act went into effect on April 1, 2014, and included the following CSR provisions: -

- Every private or public limited company with a net worth of Rs 500 crores, a turnover of Rs 1,000 crores, or a net profit of Rs 5 crores is required by law to spend at least 2% of its average net profit over the previous three fiscal years on CSR activities.
- The law also requires corporations to form a CSR committee.
- Another provision vests authority in the CSR committee and requires it to develop a CSR policy.
- This policy covers all of the CSR activities that the corporation intends to undertake. It will also oversee and monitor the plans.
- The Board of Directors of the companies is given the authority to approve the SR policy and to disclose the contents of such Policy in its report. A digital copy of the same must be posted on the company's website. The board of directors has the authority to ensure that the company's CSR policy and expenditures are followed.
- The act also provides for criminal penalties for corporations and individuals who fail to comply with any of the act's provisions.

3.14 PROPERTIES OF CORPORATE SOCIAL RESPONSIBILITY

A good business does not measure only its financial performance, but also its overall performance, health, impact, and goodwill. The following are the essential properties: -

- **Voluntary or Mandatory:** CSR can be voluntary or mandatory for entrepreneurs and management. In some countries, such as India, large organisations are required to contribute 2% of their revenue as CSR.
- **Theoretical and Practical:** CSR is founded on ethical, sustainable, and moral principles. These practices help organisations implement CSR in a practical and measurable way.
- **Social and Economic Alignment:** CSR requires businesses to align their economic goals with social objectives while not endanger the organization's financial health.



- **International Trends:** Companies must keep up with international trends, norms, and principles in order to maintain an effective global presence. This is heavily dependent on an organization's ability to integrate social responsibility efforts. International organisations such as UNPRI, UNCTAD, GRI, and UNGC provide guidance on how to incorporate social responsibility into corporations.
- **Management of Externalities:** CSR necessitates consideration of extremity management, which results in extremity management.
- **Long-Term Interest:** It is in the business's long-term interest to fulfil its social obligations by serving various interest groups such as employees, consumers, government, and citizens. By taking on social responsibility, organisations can combat the uncertainties and negative externalities associated with business operations, which benefits them in the long run. Working for society, stakeholders, and the government assists a business in developing a positive public image. A business organisation dedicated to selfish interests, on the other hand, may be ignored by society.
- **Obligation to Society:** A business is obligated to society because it derives production resources from society. As a result, businesses should give back to society in exchange for the resources they extract. They should attend to the needs of society by utilising some of its resources for community welfare. This gains the confidence and trust of those who are willing to contribute more resources to the company in the future.
- **Social Power:** Given the company's economic position and social standing, management can use this power to change the standard of living and address more pressing regional, economic or psychological issues in a society. People are endowed with a great deal of social power. Given the potential of this social power, businesses should begin to engage in corporate social responsibility.
- **Goodwill:** Companies that practise corporate social responsibility project a positive image of their operations. Members of society are thus motivated to save more and more scarce and valuable resources at low cost for the development of such businesses that care about the well-being of society. This goodwill can be monetized further in the company's valuation. All stakeholders, including investors, employees, suppliers, customers, and the government, benefit from a positive public image.
- **Social Awareness:** Because of stricter legal norms, procedures, and legislation, organisations are subject to public scrutiny. Customers are better informed about their rights when a company's stakeholders are transparent, clear, and aware. It has become mandatory for organisations to cater to the needs of all stakeholders, including consumers, workers, society, and the government. These interest groups are constantly scrutinizing businesses and threatening to withdraw supplies of resources and materials if their needs and desires are not met prudently.



- **Avoiding Government Intervention:** If a business does not follow social norms or judicial laws, its operations are doomed. The combination of public awareness and legislation strengthens the interest group's ability to take action against underperforming or harming businesses, depriving them of societal power and standing. Companies should strive to comply with societal and governmental norms in order to avoid public punishment.
- **Law and Order:** A business that does not follow societal and governmental laws is constantly scrutinized and may find itself defending its actions in public courts. Companies should take steps to ensure the welfare of their stakeholders to avoid law and order non-alignment.
- **Moral Justification:** A business has resources such as finance and a talent pool to assist troubled masses in overcoming social issues such as poverty, dowry, unemployment, and illiteracy through special campaigns and programmes. Furthermore, business houses can assist the government in resolving a variety of other issues, such as a lack of foreign exchange. Furthermore, businesses contribute to pollution by discharging untreated sewage into the environment. As a result, it is the business's moral obligation to assist in addressing these issues.
- **Socio-Cultural Norms:** India has a rich legacy of business values passed down through the generations by legendary and morally upright business owners such as Rattan Tata and Azim Premji, among others. Only those businesspeople that sincerely follow the canons of business will be honoured by the citizens and the government. To carve a niche for itself as an honest enterprise, the business should aim to promote equal opportunity and maintain healthy interpersonal relationships with all stakeholders such as customers and employees.
- **Trusteeship:** The great socio-political leader Mahatma Gandhi advocated for wealth and property owners to hold and use their wealth for the benefit of society. As a result, business owners should run their companies not only for their own benefit, but also for the good of society. According to Keith Davis, because business has the resources to address the growing social issues, it should try to take on social responsibilities.

3..15 SOCIAL RESPONSIBILITY COMPONENTS

The following are the components of the social responsibility: -

- **Governance Responsibility:** A business's operations are doomed if it does not follow social norms or judicial laws. To avoid public repercussions, businesses should strive to adhere to societal and governmental norms. For example, it is a business's responsibility to pay taxes to the government and keep its account books clean.



- **Economic Responsibility:** A failing business is a liability to society because limited resources are not used effectively and efficiently. Understanding consumer preferences and meeting their needs and demand to earn a profit is a business's economic responsibility. A company's economic growth trickles down to society as a whole.
- **Voluntary/Philanthropic Responsibility:** If a company profits from societal resources, it is the company's responsibility to give back to society through donation, service, or higher living standards. Businesses should be philanthropic to society by donating funds, assisting in the resolution of societal issues, or donating goods and services.
- **Ethical Responsibility:** Ethical responsibility is the commitment of a company to conduct business in a manner that upholds human rights principles such as fair treatment of all stakeholders. Many businesses will speak out in the name of common forms of human rights injustice, such as child labour and racial or gender discrimination, to champion ethical responsibility.

ACTIVITY

Plan a visit to Industrial Area situated in your state and ask the CSR managers of the companies visited by you about the activities undertaken by them in the name of CSR for the growth and development of the areas in the vicinity of organisation in the last three years. Note down all the important points and prepare an assignment on the topic, "Is CSR a myth or reality?" and submit it with the course coordinator.

IN-TEXT QUESTIONS

9. What exactly does the term CSR mean?
- a) Societal Responsibility of Corporations
 - b) Company Social Responsibilities
 - c) Success Responsibility of Corporations
 - d) Corporate Social Responsibility



10. What, according to Milton Friedman, is the sole responsibility of business?
 - a) A company's only social responsibility is to its shareholders.
 - b) Managers should act in ways that balance societal and shareholder interests.
 - c) Organizations' primary responsibility is to their employees.
 - d) Organizations' primary responsibility is to their stakeholders.
11. A company's social responsibility includes its responsibilities to: -
 - a) Clients
 - b) Employees
 - c) Stakeholders
 - d) All of the Above
12. There is a need for social responsibility: -
 - a) To further the interests of society
 - b) To obtain assistance in addressing legal, ethical, and commercial issues effectively
 - c) To gain moral comprehension
 - d) None of the Above
13. Which responsibilities fall under the purview of social responsibility?
 - a) Financial accountability
 - b) Legal accountability
 - c) Shareholder accountability
 - d) Ethical responsibility

3.16 SUMMARY

The business environment is defined by volatile and dynamic conditions, preferences, and choices. A change in interest rates, for example, has an impact on the level of inflation, employment, and output. As a result, the system is uncertain and unpredictable, and cannot be accurately predicted. The business environment is made up of external factors that are beyond the control and supervision of the company. Management monitors and analyses the implications of financial, governmental, commercial, technological, market, and social factors in order to determine the firm's strengths, weaknesses, opportunities, and threats. The business environment is defined by volatile and dynamic conditions, preferences, and choices. Elements of the business environment have a different impact on each firm in an



industry/region. Although historical and technical analysis can help forecast some aspects of market trends, businesses must have a backup plan to combat uncertain situations.

CSR refers to organisations that conduct their operations in accordance with ethical principles. Ethical behaviour entails being sensitive to and considering legal, social, cultural, economic, and environmental issues. CSR contributes to the development of loyal customers who are willing to support responsible businesses. A good business does not measure only its financial performance, but also its overall performance, health, impact, and goodwill. CSR is founded on ethical, sustainable, and moral principles. It requires businesses to align their economic goals with social objectives while not endanger the organization's financial health. People are endowed with a great deal of social power. Businesses should begin to engage in corporate social responsibility. All stakeholders, including investors, employees, suppliers and customers, benefit from a positive public image. Customers are better informed about their rights when a company's stakeholders are transparent, clear, and aware. The combination of public awareness and legislation strengthens the interest group's ability to take action against underperforming or harming businesses. If a business does not follow social norms or judicial laws, its operations are doomed. Companies should strive to comply with societal and governmental norms in order to avoid public punishment.

3.17 GLOSSARY

- **Business:** A business or organisation that engages in commercial, industrial, or professional activities.
- **Business Ethics:** Putting in place appropriate business policies and practices in relation to potentially contentious issues.
- **Business Environment:** It is the sum of all external factors affecting the organisation and operation of firms and industries.
- **Company:** It is a legal entity formed by a group of individuals to engage in and operate a commercial or industrial business enterprise. The business line of a company is determined by its structure, which can range from a partnership to a sole proprietorship or even a corporation.
- **Corporate Social Responsibility:** It is the notion that a company should play a positive role in the community and take into account the environmental and social impact of business decisions.
- **Ethics:** An ethical system is a set of moral principles. They have an impact on how people make decisions and live their lives. Ethics, also known as moral philosophy, is concerned with what is good for individuals and society.
- **Social Responsibility:** Companies that practise social responsibility include those that promote environmental preservation, ethical labour practices, philanthropy, and



volunteering. A company, for example, may alter its manufacturing process to reduce carbon emissions.

- **Society:** A society is defined as a group of people who live together as a community or an organised group of people who work together for a common goal.

3.18 ANSWERS TO IN-TEXT QUESTIONS

1. (d), All of the Above	9. (d), Corporate Social Responsibility
2. (c), Mutually Exclusive	10. (a), A company's only social responsibility to its stakeholders
3. True	11. (d), All of the above
4. Business Environment	12. (c), To gain moral comprehension
5. (a), A Conducive Business Environment	13. (d), Ethical responsibility
6. (d), Corporate/ Business Ethics	
7. (c), Formal statements describing what an organisation expects of its employees	
8. (a), Correct or incorrect	

3.19 SELF-ASSESSMENT QUESTIONS

1. What do you mean by business environment? Discuss the impact of environment on the functioning of a business organisation.
2. Do you agree that SWOT analysis is important before entering into market? Comment
3. Describe the elements of business environment in detail and their impact on the corporate houses.
4. Define ethics. How the ethics helps in improving the goodwill and profit margin of an organisation? Discuss
5. What do you understand by business ethics? Discuss its need, significance and impact on the working of an organisation.
6. Define CSR. Discuss its features, need and significance.
7. Enumerate the compulsory legislations of the companies act 2013 regarding CSR by taking into consideration the cement industry of India.



8. Define the terms, “Business Ethics” and “Corporate Social Responsibility”. Also differentiate between these terms.
9. Explain the different components of the business environment.
10. “CSR is a myth or reality.” Elaborate this statement with the help of suitable example.

3.20 REFERENCES

- Aswathappa, K. (2014). *Organisation Behaviour*. Himalaya Publishing House. Pp. 45-52
- Fernando, A. C. (2011). *Business Environment*. Pearson Education. Pp. 33-48.
- Bhatia, S.K. (2004). *Business Ethics & Corporate Governance*. Deep & Deep Publications. Pp. 3038, 181-203, 305-320, 327-380.
- DeGeorge, R. T. (2011). *Business Ethics*. Pearson Education. Pp. 1-20, 185-201
- Garg, K. (2014). *Corporate Social Responsibility*. Bharat. Pp. 1-69.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. McGraw Hill, pp 53-80
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 58-123
- Gupta, C. B. *Business Organization and Management*. Sultan Chand & Sons. Pp. 1.18-1.36
- Singh, R. K. (2017). *Business Ethics & CSR*. Kalyani Publishers. 3-50, 153-195.
- Singh, R. K. (2019). *Business Ethics & CSR*. Kalyani Publishers. 3-49, 155-197.
- Stanwick & Stanwick (2011). *Understanding Business Ethics*. Pearson Education. Pp. 1-57, 81-89, 140-158, 179-221.

3.21 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.



- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B., & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasisht, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.



LESSON 4

ENTREPRENEURSHIP

Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal

STRUCTURE

- 4.1 Learning Objectives
- 4.2 Introduction: Entrepreneurship
- 4.3 The Role of Entrepreneurs
- 4.4 Competencies for Entrepreneurs
- 4.5 Functions of an Entrepreneur
- 4.6 Types of Entrepreneurship
- 4.7 The Importance of Entrepreneurship
- 4.8 Entrepreneurship Process
- 4.9 Social Entrepreneurship
- 4.10 Features of Social Entrepreneurship
- 4.11 Qualities of Social Entrepreneurship
- 4.12 Social Entrepreneurship Process
- 4.13 Micro, Small and Medium Enterprises (MSMEs)
- 4.14 India's MSME Industry
- 4.15 Investments in the MSMEs
- 4.16 Major MSME Support Strategies
- 4.17 Summary
- 4.18 Glossary
- 4.19 Answers to In-Text Questions
- 4.20 Self-Assessment Questions
- 4.21 References
- 4.22 Suggested Readings



4.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-

- The concepts, meaning, significance, types and other essential aspects of entrepreneurship.
- The concepts, meaning and importance of social entrepreneur.
- The meaning, role and Governments strategies to support MSMEs.
- This lesson helps in knowing about the significance and need of these concepts in the growth and development of an economy.

4.2 INTRODUCTION: ENTREPRENEURSHIP

The French term "Entreprendre," which means "to undertake," is the root of the English word "entrepreneur." A person who possesses the aptitude and motivation to launch, manage, and be successful in a start-up enterprise, coupled with the risk necessary to do so, is referred to as an entrepreneur. The launch of a new company venture is the best illustration of entrepreneurship. The market is opened up to new ideas by entrepreneurs, who are frequently credited as innovators or sources of fresh concepts. From small, home-based businesses to international corporations, it can be categorised. In terms of economics, an entrepreneur's profits are derived from a combination of land, natural resources, labour, and capital.

The term "entrepreneur" dates back to the middle Ages. Entrepreneurs are highly motivated, action-oriented people who take risks to accomplish goals. An entrepreneur is someone who develops a novel production combination. Starting a firm, growing it, and turning a profit are all part of entrepreneurship. Although simple, this term is rather constrictive. The modern notion of entrepreneurship entails changing the world by identifying and resolving significant issues. Entrepreneurship is implied when a person starts a business to implement their idea. This raises the issue of labour and capital used to create goods and services for profit. In this activity, an entrepreneur makes decisions that are meant to transform the world. Although it requires taking a lot of risks, becoming an entrepreneur can be quite rewarding. It contributes to economic prosperity, expansion, and innovation. In terms of economics, entrepreneurship involving land, labour, raw materials, and capital can be profitable. The entrepreneurial vision is characterised by exploration and taking risks, and it is a crucial component of a country's ability to prevail in a world market that is always evolving and becoming more competitive.



4.3 THE ROLE OF ENTREPRENEURS

The role played by an entrepreneur is very important because of following reasons:

Figure: Entrepreneur



Source: dreamstime.com

- **Employment Generation:** Jobs occur as a result of entrepreneurs. They are necessary for jobs to exist. They take up the danger of working for themselves in order to maintain the expansion of their companies. In essence, new jobs are being created as a result. More jobs are created for the unemployed as their company continues to expand.
- **Innovation:** Businesses are mostly responsible for the majority of the most important technology in today's society. These technological developments are the result of efforts to solve issues, increase productivity, or better the world. Entrepreneurs are extremely inventive, and if technology improves rapidly, an entrepreneur is typically to blame.
- **Change:** Entrepreneurs has very high aspirations, as a result, some of these concepts inevitably result in change on a global scale. Most of the time, they can develop new goods that address pressing issues or take on the task of developing something that have never existed before. Many targets use their services, concepts, or enterprises to enhance the world.
- **Contribution to Society:** Businesspeople are more charitable than the average person because they contribute more to society. They contribute more taxes when they earn more money, which helps pay for social programmes. Some people want to put money into developing programmes that will help disadvantaged communities, such as providing clean water and adequate healthcare.

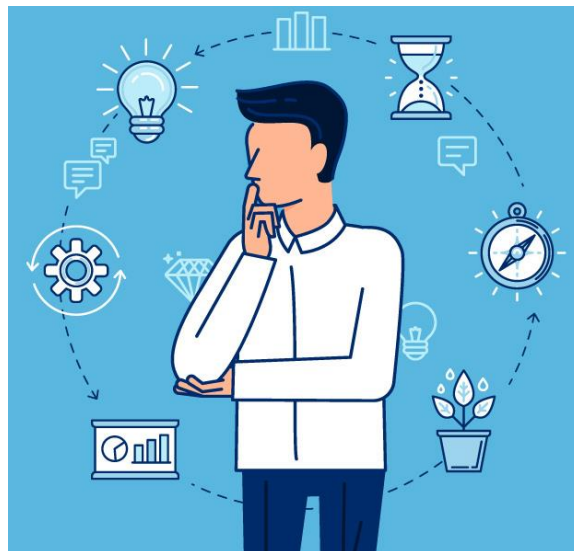


- **Higher National Income:** The national revenue of a nation is increased by entrepreneurship (GDP). They help an economy create new wealth. New markets will expand and wealth will increase as a result of better products, services, and new ideas.

4.4. COMPETENCIES FOR ENTREPRENEURS

Entrepreneurs require intuition, innovative skills, and creative thinking. Entrepreneurs are not born; rather, they learn to be them. Through a variety of training programmes for business owners, they can learn new things and enhance existing skills. The abilities listed below are necessary for an entrepreneur: -

Figure: Competencies for Entrepreneurs



Source: Thomas Jefferson university

- **Conceptual:** An entrepreneur can instantly spot connections in the midst of complicated situations. He recognises issues and gets to work on solutions more quickly than others.
- **Technological:** A smart entrepreneur should be interested in experimenting with novel concepts, cutting-edge technologies, and production techniques. He needs to have some amount of technical expertise.
- **Human Relation:-** An entrepreneur needs to keep friendly relationships with the general public and his clients. Additionally, he needs to keep a positive working relationship with his staff in order to inspire them to work more effectively.



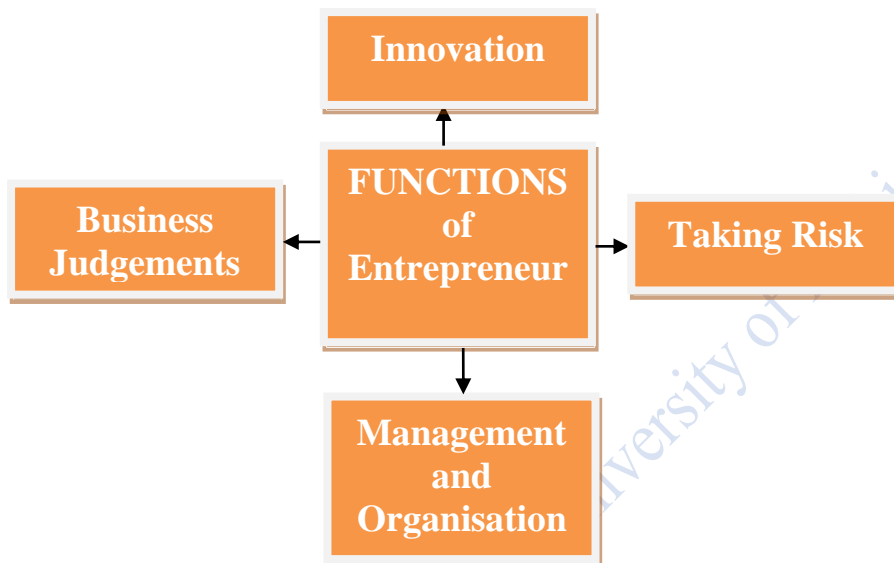
- **Communication:** An entrepreneur's communication must be concise, persuasive, and to the point. Most entrepreneurs' success is a result of their ability to communicate effectively.
- **Decision-Making:** The capacity to select the best option from a variety of possibilities is known as decision-making. An entrepreneur should be able to weigh the pros and cons of numerous business scenarios before making a choice.
- **Managerial:** An entrepreneur needs to be able to control the people and other production-related aspects. He should be able to choose, develop, and retain the members of the labour force.
- **Time management:** It is the act or process of exerting ongoing control over the amount of time spent on particular activities. To boost production or efficiency, this is important. To manage their time, an entrepreneur needs to have this ability.
- **Stress Management:** In today's world, managing stress is one of the keys to a successful and happy existence. It is the most effective approach to control anxiety and keep up general wellbeing. Entrepreneurs need to be able to use a variety of stress management techniques.
- **Individual Skill:** Entrepreneurship is developed by individuals with impressive personalities and individual skills. Since entrepreneurs must interact with officers, engineers, labourers, clients, investors, government officials, etc., these traits are unavoidable.
- **Exploring new Opportunities:** Entrepreneurs are able to do this. They enjoy learning about new markets and production techniques. They are innovators in their own field as a result.
- **Unity:** An entrepreneur interacts with numerous groups and unions. He must organise numerous items in various ways and bring them all together for a single objective. He must therefore possess organising and unification skills.
- **Digital Literacy:** A businessperson who is computer literate can use the equipment and programmes to carry out various tasks. A computer is a useful tool for making decisions. Email, telnet, purchasing software, and the World Wide Web are some significant internet applications.



4.5 FUNCTIONS OF AN ENTREPRENEUR

The functions undertaken by the entrepreneur are as under: -

Figure: Functions of an Entrepreneur



- **Innovation:** Creativity is the capacity to create something new or of carrying out an existing action in a novel manner. But there are differences between innovation and creativity. A person may have an idea for something new and see how it will be valuable, but they may not take the required steps to make it a reality.
- **Taking risks:** It is the act of engaging in an activity or making a decision without knowing the results. But it is still possible to assess risk in terms of relative probability. Risk-taking refers to setting aside money so the entrepreneur can start and run the business.
- **Management and Organization:** Many entrepreneurs make the mistake of thinking that their company doesn't require a sophisticated system of administration and organisation. Planning for an enterprise, coordination, control, and monitoring are all part of the organisation and management process. This role was acknowledged by Prof. Alfred Marshal as a crucial one for an entrepreneur.
- **Business Judgments:** According to Arther H. Cole, an entrepreneur makes judgement calls. The entrepreneur must make the decisions regarding what to produce, how to produce, and for whom to produce. In this regard, he must put his creative process into practise.

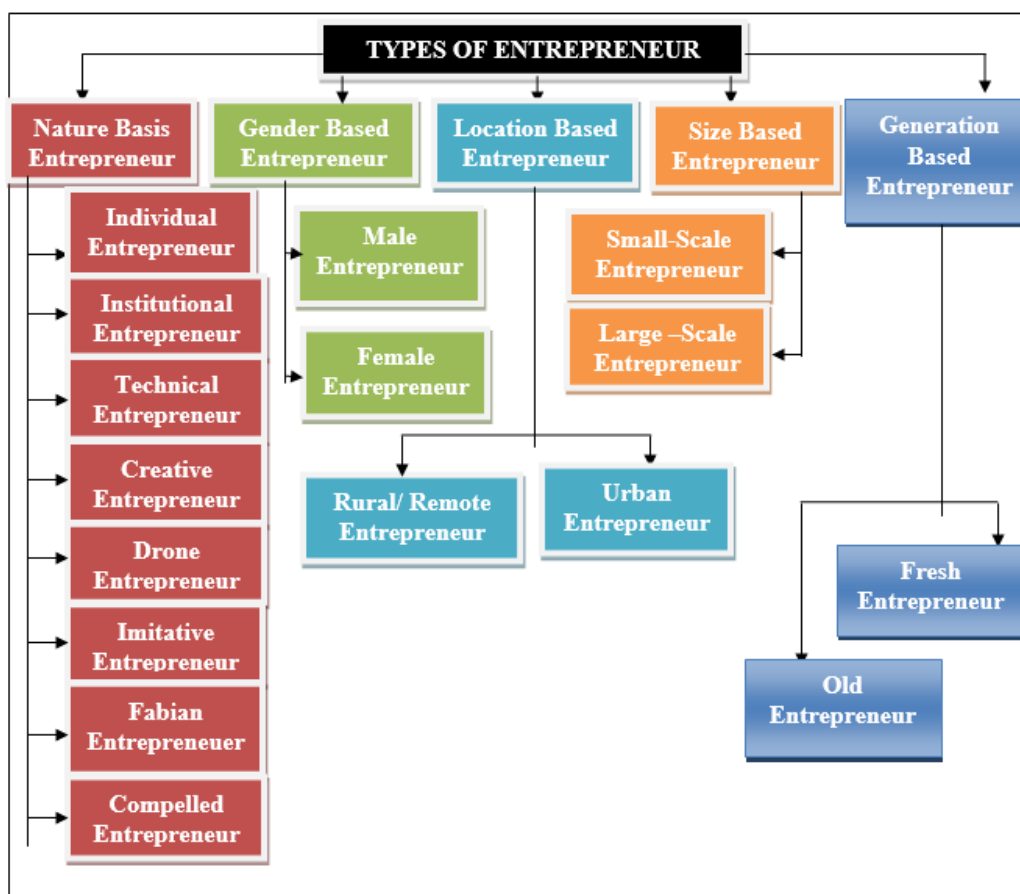


4.6 TYPES OF ENTREPRENEURSHIP

The following are the different types of entrepreneurship: -

- a) **Nature Basis:** Nature refers to the human traits that serve as a primary incentive for pursuing entrepreneurial endeavours. On this premise, entrepreneurs are divided into two categories: -
- **Individual Entrepreneur:** A person is the forefather of entrepreneurship in human history. An individual entrepreneur is a single person who embarks on an entrepreneurial activity.
 - **Institutional Entrepreneur:** Institutions are groupings of people who work together to achieve a shared purpose. When an institution embarks on entrepreneurial initiatives, it is referred to as an institutional entrepreneur. Individual and institutional motivational forces are further classified in both of the above categories.

Figure: Types of Entrepreneur





- i. **Creative Business Owner:** An innovative entrepreneur is someone who takes the initiative to conduct existing things in a new way that adds value to customers. In business, innovation refers to new work techniques, a new market, or a new supply of materials, and a new management style or system.
- ii. **Drone Entrepreneur:** Drone entrepreneurs are those who can turn an opportunity into a viable project right away. A savvy and prudent entrepreneur can recognise the visible change and it's potential. Drone entrepreneurs are characterised as opportunist entrepreneurs or drone entrepreneurs.
- iii. **Imitative Entrepreneurs:** Imitation is the process of making a product identical to another product that is currently on the market. A prominent method of imitating a product is franchising. Imitative entrepreneurs are most suited for developing countries since they desire to copy the technology, information, and skills already available in these countries.
- iv. **Fabian Business Owners:** Fabian entrepreneurs are unwilling to take risks and prefer to follow in the footsteps of their forefathers. They take venture initiatives when they are certain that there is no risk of failure or loss in a particular venture based on the experience of others in the market.
- v. **Compelled Entrepreneurs:** Compelled entrepreneurs are those who are forced to be so by the competitive environment. The failure of a business may force a person to start a new one.
- b) **Gender based Entrepreneurs:** Entrepreneurs are categorised based on the natural divide of humanity, and hence there are two categories of entrepreneurs depending on sex. They are both male and female business owners. Male entrepreneurs have historically been the dominating entrepreneurial class in our society.
- c) **Location based Entrepreneurs:** Entrepreneurs are divided into two categories based on their location of entrepreneurial activities, such as rural and urban entrepreneurs.
 - **Urban Entrepreneurs:** These are those who start businesses in a country's urban areas. They are numerous in all countries throughout the world.
 - **Rural Entrepreneurs:** These are also required for the economy's balanced growth. Remote entrepreneurs start businesses in rural areas of the country. They utilise indigenous resources, which improves the usage of local natural resources and raises the standard of living in the area.
- d) **Size based Entrepreneurs:** The size of an entrepreneurial initiative is used to divide entrepreneurs into two groups.
 - **Small-scale Entrepreneur:** A tiny-scale entrepreneur is one who has a small capital or investment, as well as a small production capacity, a small number



of employees, and a small market region; it signifies a business that operates in a limited capacity.

- **Large-scale Entrepreneurs:** Large-scale entrepreneurs are individuals or groups of individuals who start a business with a large-scale production capability. They handle big aggregate demand and entail significant investment in manufacturing technologies. They are few in number in all countries around the world.
- e) **Generation based Entrepreneurs:** Entrepreneurs are categorised according to generation too. This category is initiated by large types of new ventures: -
- **Fresh Generation Entrepreneurs:** These are individuals who use technology or an idea in their new version. A cybercafé, a fast-food restaurant, and virtual universities are a few examples of new generation entrepreneurial initiatives.
 - **Old Generation Entrepreneurs:** Old generation entrepreneurs dislike change. They usually take the initiative on old-fashioned endeavours. They are wary of new technology but prefer known or traditional and prevalent technologies.

4.7 THE IMPORTANCE OF ENTREPRENEURSHIP

The importance of entrepreneurship is explained as follows: -

- **Job Creation:** Entrepreneurship creates jobs. It provides an entry-level job that is essential for unskilled people to get experience and training.
- **Innovation:** It is a hub of innovation that creates new product ventures, market, technology, and product quality, among other things, and raises people's standard of living.
- **Impact on Society:** A big and diverse job base benefits society. It causes social transformation and encourages amenities such as increased educational spending, improved sanitation, fewer slums, and a higher degree of homeownership. Entrepreneurship also helps organisations achieve a more stable and high quality of communal life.
- **Improved Standard of Living:** Entrepreneurship helps to increase a person's standard of living by boosting income. A household's standard of living is defined as a rise in the consumption of various products and services over a given time period.
- **Promotes Research and Development:** New products and services must be developed and evaluated before being released to the market. As a result, an entrepreneur also provides funding for R&D with research organisations and universities. This encourages economic development, research, and general construction.



4.8 ENTREPRENEURSHIP PROCESS

Entrepreneurship is the act and art of becoming an entrepreneur or one who pursues innovations or introduces new items. The most visible type of entrepreneurship is the establishment of new firms. In recent years, the term entrepreneurship has been expanded to cover characteristics that are not necessarily related to business formation activities. The steps involved in the entrepreneurial process are as follows: -

Figure: Entrepreneurship Process



Source: alamy.com

- **Idea Generation:** The entrepreneurial process begins with idea generation, in which the entrepreneur identifies and evaluates the business opportunities available to him or her.
- **Identifying and Evaluating Idea:** Identifying and evaluating prospects is a challenging work; thus, an entrepreneur seeks input from all stakeholders, including employees, consumers, channel partners, technical people, and so on, in order to find the best business opportunity. After deciding on an opportunity, the following stage is to evaluate it.
- **Evaluation of Efficiency of Opportunity:** An entrepreneur can evaluate an opportunity by asking specific questions such as its attractiveness, practicality, chances of competitive advantage, and various dangers linked with it, etc. Above all, an entrepreneur must assess his or her personal skills and competencies in order to achieve business goals.



- **Selection of Opportunity:** Once the macro and micro level analysis has been completed, the entrepreneur selects the best potential alternative from the chosen few, based on the key factors highlighted by him/her prior to idea production.
- **Organising Resources:** It involves that the entrepreneur identifying the sources from which finance and human resources can be gathered. Here, the entrepreneur gets financiers for its new endeavour as well as staff to carry out commercial operations.
- **Decision regarding the Structure of Business:** The entrepreneur chooses the initial size of the business and its expansion potential based on his or her ability to manage resources.
- **Choice of Location and Layout:** This is a critical decision. Entrepreneurs should choose a location where there are tax breaks and cheap labour and materials are plentiful.
- **Financial Planning:** Once the money are raised and the personnel are employed, as well as the business location and layout, efforts are made to do sound financial planning using the available financial resources in order to maximise their utilisation.
- **Market Entry:** An entrepreneur's enterprise launch can be a terrifying adventure since the entrepreneur must remain focused while also remaining open to recommendations. If he or she is a mission-driven entrepreneur, keep in mind that creating a truly outstanding firm is a marathon, not a sprint.
- **Starting Business Activities:** Once the finances have been raised, an entrepreneur must determine the management structure or hierarchy that will be necessary to tackle operational challenges as they develop.
- **Focus on Return:** The actual growth is contrasted to the expected growth, and then a choice is made regarding the stability or expansion of corporate operations.

ACTIVITY

Organise a seminar on the topic, “Need and Importance of Entrepreneurship in the Economic Development of India.” Note down all the important aspects discussed in the seminar and prepare a report on the seminar and submit it with the course coordinator.



IN-TEXT QUESTIONS

1. Entrepreneurs are self-critical and eager to learn from the accomplishments of others. (True/False)
2. Which of the following organisational characteristics are perceived by entrepreneurs?
 - a) Accountability and stability
 - b) Group dynamics
 - c) Skill integration
 - d) All of the Foregoing
3. A person who starts, creates, and manages a new business is referred to as an _____.
 - a) Figurehead
 - b) A supervisor
 - c) A specialist
 - d) An Entrepreneur
4. Which of the following is not a challenge for an entrepreneur?
 - a) Managing their company's cash flow
 - b) Recruiting new workers
 - c) Developing rules and regulations for conducting business in their country
 - d) Selecting a product or service to sell in the market
5. Who should be involved in the development of a company's business plan?
 - a) Chief Accounts Officer
 - b) Chief HR Manager
 - c) Chief Technical Officer
 - d) Entrepreneur

4.9 SOCIAL ENTREPRENEURSHIP

Entrepreneurship is the business of identifying the needs of customers and providing them with valuable goods and services while earning a profit. Social entrepreneurship can be defined as the process of identifying social problems and developing and implementing solutions to eliminate them. The goal remains to make a profit, but those profits are reinvested in the problem's solution implementation until the problem is completely eradicated.



Figure: Corporate Social Responsibility



Source: freepik.com

4.10 FEATURES OF SOCIAL ENTREPRENEURSHIP

The features of social entrepreneurship are as under: -

- **Solution-Seeking:** Social entrepreneurship is a strategy used by start-ups and entrepreneurs to develop, fund, and implement solutions to social, cultural, or environmental issues.
- **Problem Identification:** Social entrepreneurship is all about identifying social problems and bringing about social change through the use of entrepreneurial principles, processes, and operations. It is all about conducting research to completely define a specific social problem and then organising, creating, and managing a social venture to achieve the desired change. The change may or may not include the complete elimination of a social problem, and it may be a life-long process aimed at improving existing conditions.
- **Social Capital:** While traditional business entrepreneurship entails taking the initiative to start a new business or diversify an existing one, social entrepreneurship focuses on building social capital rather than profit or return in monetary terms.
- **Profit-Oriented:** Entrepreneurs in this field work in non-profit sectors and organisations. However, this does not negate the need to make a profit. After all, entrepreneurs require capital to continue the process and effect positive change in society.

4.11 QUALITIES OF A SOCIAL ENTREPRENEURSHIP

- **Ambitious:** They adopt a mission to create and sustain social value (not just private value). Furthermore, they recognise and relentlessly pursue new opportunities that serve the mission.
- **Adaptive:** Also, engage in a process of continuous innovation, adaptation, and learning.
- **Courageous:** Act boldly without regard for the resources at hand.
- **Responsible:** Finally, demonstrate increased accountability to the constituencies served as well as the outcomes produced.

Step-1: Social Problem Identification: Social entrepreneurs are sensitive to society and sympathies with social problems. Social entrepreneurs push themselves to be open-minded and to approach problems without preconceived notions or stigma. They are unconventional thinkers who use new ideas and methods to challenge systems. This creativity is supported by research and data-driven analysis to account for factors and variables that existing solutions may have missed, i.e., entrepreneurs balance creative solutions with comprehensive market intelligence. Successful businesses are built on creativity, sensitivity, and market intelligence.



Step-2: Setting Goals: Social entrepreneurs are creative. They have a keen vision and notice flaws in society's functioning. Their inventive minds then devise a strategy for addressing these deficiencies. They understand how to implement ideas and have a realistic vision of how to do so. "Entrepreneurs have a vision of how society will be different when their idea is at work, and they can't stop until that idea is not only at work in one place, but is at work across the entire society," Drayton says. They demonstrate a clear vision of the future and a strong desire to make it a reality.

Step-3: Social Impact: After identifying the deficiency and setting goals, the social entrepreneur assesses the idea's social impact. The social impact must be broad and quantifiable. He assesses whether the idea itself can effect change after the original founder has passed away. If an idea has intrinsic value, it will cause change even if the first entrepreneur is not charismatic.

Step-4: Problem Solving: problem solving necessitates a broad perspective, which necessitates a skilled workforce and a group discussion platform. Once the social impact has been assessed, the social entrepreneur assembles a team of like-minded people who seek social change and who can bring innovative ideas to the table. Along with this team, funds to begin operations are sought from social personalities who share a similar social goal and are willing to invest in the ventures. Such enterprises are funded by philanthropists, angel investors, and non-governmental organisations.

ACTIVITY

Discuss in the class about the need and importance of Social Entrepreneurs and Entrepreneurship in the present era of stiff competition and globalisation. Also ask the questions related to the ethical aspects of social organisations which helps the owners to earn more and more market share and profitability.

IN-TEXT QUESTIONS

6. Which of the following steps does not occur during the process of social entrepreneurship?
 - a) Identifying the issue
 - b) Setting Objectives
 - c) Maximization of wealth
 - d) Social Implications
7. What is an example of social entrepreneurship among the following?
 - a) Grameen Bank
 - b) The Yes Bank
 - c) Hindustan Unilever Ltd.
 - d) Facebook



8. Which of the following does not constitute a motivation for social entrepreneurship?
- a) Making a societal impact b) Internal motivation
c) Wealth generation d) A desire for change
9. The individual who is running a social enterprise. He may operate it like a business. (True/False)
10. Entrepreneurship for social good: -
- a) Entails the establishment of new charitable and civic organisations that are financially self-sufficient.
b) Entails introducing new products or services to the market.
c) Entails a person or group who owns a for-profit business.
d) Entrepreneurship for social good

4.13 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

The size of an organization's investment and operations can be used to classify it. Micro, small, medium, and large organisations are the classification types in India. The government has designated the MSME (Micro, Small, and Medium Enterprises) sector for the distribution of allowances for growth and development. The following is the classification: -

Figure: Micro, Small, Medium and Mega Enterprises



Source: shutterstock.com



- a) **Micro Organisation:-** Organizations engaged in manufacturing processes are classified as small if they invest up to Rs 25 lakh in plant and machinery. If a service enterprise invests up to Rs10 lakh in equipment, it is classified as micro. There are approximately 63.5 million companies in India classified as micro enterprises.
- b) **Small Organization:** Small organisations are those that have plant and machinery investments ranging from Rs.25 lakh to Rs.5 crore in the manufacturing process and Rs.10 lakh to Rs.2 crores in the service sector. In India, there are approximately 33 million small businesses.
- c) **Medium Organisation:** Medium organisations are those with a manufacturing operation and an investment in plant and machinery of Rs. 5 crores or more but less than Rs. 10 crores. Firms with service operations can invest in equipment worth up to Rs. 2 crores but not more than Rs. 5 crores.
- d) **Large Organisation:** A large organisation is one with a manufacturing plant and machinery investment of Rs. 10 crores or more, and a service organisation with an investment of Rs 5 crores or more in equipment.

MSME is a large sector in India, accounting for approximately 14.2% of all enterprises in UP alone, with West Bengal accounting for 14% of all enterprises. With a manufacturing scope of 6000 different products, India is the second largest base for the development of MSMEs after China.

4.14 INDIA'S MSME INDUSTRY

The MSME Development Act (2006), enacted by the Government of India, promotes the establishment, growth, and development of MSME by providing credit-linked subsidies, quality checks for exports, expert counselling, and consultation services. They are further rewarded in the following ways: -

- Collateral-free loans from banks at low interest rates and terms and conditions;
- 50% subsidy on patent registration and filing;
- 1% exemption on overdraft interest rate;
- Concession on power utility bills and supplies;
- Default eligibility for industrial promotion subsidy;
- Full refund of ISO certification charges

4.15 INVESTMENTS IN THE MSMES

The following industries are seeing significant investment in MSME enterprises: -



- **Information and Technology Industry:** Manufacturing of mobile phones, handsets, and devices in the domestic market; Manufacturing of telecom networking services and equipment, including routers and switches; Sale of mobile customer data analytics and services oriented toward analytical solutions; Development of value-added services
- **Hospitality Industry:** Hotel development; Restaurants; Travel agency; and Food and recreation.
- **Medical Industry:** Medical tourism; Low-cost diagnostic laboratories and Manufacturing of indigenous medical devices and medical accessories such as surgical gloves, scrub, and tubes; Low-cost operations to lower healthcare costs;
- **Digital Industry:** Domestic manufacturing of low-cost consumer electronics and consumer durables; Electronic engineering and manufacturing, including semiconductor design, electronic component design, and high-tech manufacturing under India's "National Electronics Mission."

4.16 MAJOR MSME SUPPORT STRATEGIES

The following strategies have been framed by the Government of India to support MSMEs: -

- **MUDRA:** The Micro Units Development and Refinance Agency (MUDRA) is the government of India's flagship scheme for providing funds to micro and small enterprises and entrepreneurs. To obtain this loan, Mudra allows a person to raise loans without requiring any collateral. It is prevalent in a variety of industries, including manufacturing, trading, and allied agricultural services. It is divided into three modules: micro (loans up to 50,000), small (loans between 50,000 and 5 lakh), and medium (Loan between 5 lakh and 10 lakh).
- **NABARD:** The National Bank for Agriculture and Rural Development (NABARD) is a non-profit organisation dedicated to providing credit to agriculture as well as other cottage and village industries. It also provides funding to village lending institutions. NABARD collaborates with the RBI to implement and regulate financial assistance for rural entrepreneurship through schemes for food processing, warehousing, seeds and plants, and farm mechanics.
- **Credit Guarantee Scheme:** The Government of India established the CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) to provide business loans to micro and small industries with no collateral. This means that new and upcoming businesses can get loans with heavily subsidised interest rates without putting up any collateral. The government provides a maximum amount of up to 100 lakhs under this scheme, in collaboration with SIDBI (Small Industries Development



Bank of India), for boosting new enterprises as well as rehabilitating existing ones. This loan is primarily intended for manufacturing units and can be obtained in the form of working capital or a term loan.

- **Stand Up India Scheme:** Introduced in 2016, this scheme was designed to support female entrepreneurs while also providing entrepreneurial opportunities to members of the SC and ST communities. It is available in amounts ranging from 10 lakh to 100 lakh for Greenfield ventures in manufacturing, trading, and service units. Every bank is required by the scheme to lend money to at least one woman entrepreneur and one SC/ST member per branch. In the case of non-individual businesses, the female entrepreneur must own at least 51% of the unit.
- **NewGen IEDC:** Established in 2017, the NewGen Innovation and Entrepreneurship Development Centre promotes entrepreneurship in industries such as healthcare services, chemicals, hardware, aeronautical/defence, IT, AR/VR, construction, design, food and beverages, textiles, nanotechnology, and renewable and non-renewable energy sources. It offers a one-time loan of up to 25 lakhs to start-up businesses.
- **AIC:** An operational branch of the Atal Innovation Mission (AIM), the Atal Incubation Centres provide funding of up to Rs. 10 million for a maximum of five years. The goal of each AIC is to provide financial and infrastructure assistance to various start-ups in industries such as chemicals, IT, healthcare, design and sciences, aeronautics/aerospace & defence, agriculture, and so on. AIC provides a platform for people to collaborate and meet, as well as a venue for training and entrepreneurship workshops, inspirational programmes, and access to necessary infrastructure.
- **CLCSS:** The Credit Linked Capital Subsidy Scheme is an MSME programme that encourages businesses to purchase new equipment and facilitates technology upgrades for efficiency. CLCSS intends to subsidise manufacturing units that have upgraded their machinery with modern and efficient equipment. Any SSI unit that has upgraded its machinery can apply for a 15% subsidy on a loan of up to 1 Cr under the scheme.
- **SMILE:** The SIDBI Make in India Soft Loan Fund for Micro, Small, and Medium Enterprises provides soft loans to MSME units at reasonable terms in order to meet a unit's debt-equity ratio or to help it grow and expand. The loan is valid for a maximum of three years.
- **Loan for Rooftop Solar PV Power Projects:** As part of its sustainable energy initiative, the Indian Renewable Energy Development Agency (IREDA) assists businesses in installing renewable solar plants. The IREDA will contribute 70% of the project cost, up to 75% depending on project performance, while the entrepreneur will contribute the remaining 30%.
- **M-SIPS:** The Modified Special Incentive Package Scheme (M-SIPS) offers capital subsidies to manufacturing and electronic units in the technology hardware,



automotive, renewable and non-renewable energy sources, nanotechnology, and aerospace and defence industries. The scheme provides a capital subsidy of 20% in SEZs and 25% in non-SEZs for manufacturing and electronics business units.

ACTIVITY

With the consent and permission of your class teacher, coordinator and industry officials, plan a visit to Industrial department of your area. Ask the concerned officials about the different types of industries and note down the policies and procedures for the registration of micro, small and medium industries. Prepare an assignment on the same and submit it to the subject teacher.

IN-TEXT QUESTIONS

11. _____ is one that has invested more than Rs. 10 crore in manufacturing plants and machinery.
12. Which of the following is not a government-sponsored MSME/startup programme?
 - a) MUDRA
 - b) NABARD
 - c) Credit Guarantee Program
 - d) The Atal Pension Yojana.
13. Which of the following organisations has a 25 lakh investment limit?
 - a) A medium-sized organisation
 - b) Micro Organisation
 - c) Big organisation
 - d) Small business
14. A medium service organization's equipment limit is: -
 - a) Less than Rs.10 lakh
 - b) Rs. 10 lakh to Rs. 2 crore
 - c) Rs. 2 crore to Rs. 5 crore
 - d) Rs. 5 crore and less
15. Which act defines the MSME?
 - a) MSMED Act, 2006
 - b) MSME Act, 2013
 - c) MSMED Act, 1998
 - d) All of the Above



4.17 SUMMARY

Entrepreneur, which means to undertake, is the root of the English word entrepreneur. Entrepreneurs require intuition, innovative skills, and creative thinking. MSME (Micro, Small, and Medium Enterprises) sector is second largest base for the development of MSMEs after China. MUDRA (Micro Units Development and Refinance Agency) is the government of India's flagship scheme for providing funds to micro and small enterprises and entrepreneurs. NABARD (National Bank for Agriculture and Rural Development) provides credit to agriculture and cottage industries. The CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) provides business loans with no collateral. The Atal Incubation Centres (AICs) provide financial and infrastructure assistance to various startups in various industries. The Credit Linked Capital Subsidy Scheme (CLCSS) encourages businesses to purchase new equipment and technology upgrades. SIDBI Make in India Soft Loan Fund (SMILE) provides soft loans to MSME units to help them expand.

4.18 GLOSSARY

- **Entrepreneur:** He is someone who has an idea and who works to create a product or service that people will buy, as well as an organization to support that effort.
- **Entrepreneurship:** It is the process of creating, organising, and running a new business in order to generate profit while incurring financial risk.
- **Government:** The body of people who make up the governing authority of a political unit or organisation: for example, a: the officials who make up the governing body of a political unit and make up the organisation as an active agency.
- **Industry:** A group of businesses that are linked by their primary business activities.
- **Medium Industry:** An industrial undertaking in which more than 20 (twenty) and fewer than 100 (one hundred) workers manufacture or process goods with or without the use of power.
- **Micro Industry:** A small company with few employees A microenterprise is typically run by fewer than ten people and is funded by a small amount of capital advanced by a bank or other organisation.
- **MSME:** Micro, small, and medium-sized businesses that provide services or engage in the manufacturing, processing, production, and preservation of goods. MSMEs contribute significantly to India's total GDP, and the government's goal in the coming years is to increase this contribution to 50%.
- **Small Industry:** Those industries in which manufacturing, production, and service are carried out on a small scale. The investment in such industries is one-time and



mostly on plant and machinery; the total investment in such industries does not exceed one crores.

- **Social Entrepreneur:** A person who seeks out novel applications with the potential to solve community-based problems. These individuals are willing to take the risk and make the effort to effect positive social change through their initiatives.
- **Social Entrepreneurship:** Individuals, groups, start-up companies, or entrepreneurs use this approach to develop, fund, and implement solutions to social, cultural, or environmental issues.
- **Strategy:** An action taken by managers to achieve one or more of the organization's goals. Strategy is also defined as "a general direction established for the company and its various components in order to achieve a desired state in the future."

4.19 ANSWERS TO IN-TEXT QUESTIONS

1. True	9. True
2. (d), All of the Above	10. (a), Entails the establishment of new charitable and civic organisations that are financially self-sufficient.
3. (d), An Entrepreneur	11. Large Organisation
4. (c), Developing rules and regulations for conducting business in their country.	12. (d), The Atal Pension Yojna
5. (d), Entrepreneur	13. (b) Micro Organisation
6. (c), Maximization of wealth	14. (d), Rs. 5 crore and less
7. (a), Grameen bank	15. (a), MSMED Act, 2006
8. (c), Wealth Generation	

4.20 SELF-ASSESSMENT QUESTIONS

1. Define entrepreneur. Discuss the features, need and role played by entrepreneurs in the growth and development of economy of a country.
2. What do you mean by entrepreneurship? Discuss the various types.
3. Enumerate the competencies needed to be an effective entrepreneur.
4. Discuss the significance and functions of entrepreneurship.
5. Discuss the role of entrepreneurship in the growth and development of a country.



6. Define social entrepreneurship. Discuss the reasons for the establishment of such organisations.
7. Explain the process of entrepreneurship with the help of suitable examples.
8. Discuss the status of micro, small and medium enterprises in India.
9. Elaborate the process of registration of MSMEs in India.
10. Explain the role of FDI in MSME Industry.
9. Define MSME. Discuss the strategies framed by GOI for providing backup for these.

4.21 REFERENCES

- Bauman, A. (1992). *Strictly Confidential*. Entrepreneur. Pp. 126-131.
- Bhidé, A. (1996). *The Questions Every Entrepreneur Must Answer*. Harvard Business Review. Pp. 120-132.
- Bruck, C. (1993). *The Real World of the Entrepreneur*. Fortune. Pp. 62-81.
- Goslin, L. N. & Barge, b. (1986). *Entrepreneurial Qualities Considered in Venture Capital Support*. Proceedings Conference on Entrepreneurship. Pp.366-379.

4.22 SUGGESTED READINGS

- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. New York: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.



- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Vasisht, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.

© DDCE/COL/SOL/University of Delhi



LESSON 5
PLANNING

Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal

STRUCTURE

- 5.1 Learning Objectives
- 5.2 Introduction: Planning
- 5.3 Types of Planning
- 5.4 Importance of Planning
- 5.5 Features of Planning
- 5.6 Goals of Planning
- 5.7 Planning Restrictions
- 5.8 Procedure for the Planning Function
- 5.9 External Planning Limitations
- 5.10 Strategic Planning
- 5.11 Operational Planning
- 5.12 Characteristics of Operational Planning
- 5.13 Decision-Making
- 5.14 Decision-Making Models
- 5.15 Decision-Making Techniques
- 5.16 Qualitative Decision-Making Techniques
- 5.17 Summary
- 5.18 Glossary
- 5.19 Answers to In-Text Questions
- 5.20 Self Assessment Questions
- 5.21 References
- 5.22 Suggested Readings



5.1 LEARNING OBJECTIVES

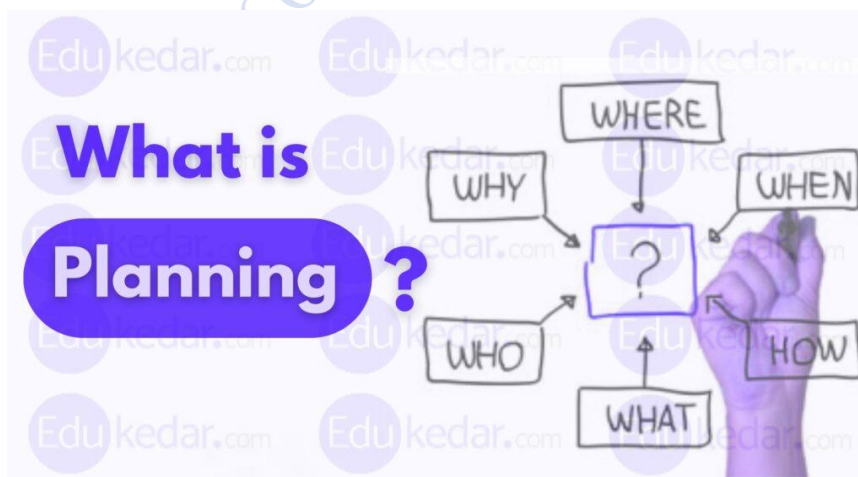
After studying this lesson, the students will be able to understand:-

- The meaning, concepts, types and importance of planning.
- The strategic planning and operational planning.
- The meaning, models and techniques of decision-making.
- Planning and decision-making are important for the management of all types of business.
- An attempt has been made to provide an insight for the students so that they may use these concepts to manage the business they involved in.

5.2 INTRODUCTION: PLANNING

Planning is the fundamental management function that entails deciding ahead of time what will be done, when it will be done, how it will be done, and who will do it. It is an intellectual process that establishes an organization's objectives and develops various courses of action to achieve those objectives. It outlines precisely how to achieve a specific goal. Planning is nothing more than thinking before acting. It enables us to see into the future and plan ahead of time how we will deal with situations that may arise in the future. It necessitates logical reasoning and rational decision making.

Figure: What is Planning?



Source: <https://edukedar.com>



Planning entails deciding what to do, why to do it, and when to do it ahead of time. It is one of the most important managerial tasks. Before beginning a task, the manager must develop an idea of how to carry it out. As a result, this management function is closely related to creativity and innovation. A manager can only know where he needs to go if he first establishes an objective, because planning bridges the gap between where we are now and where we want to be. Planning is concerned with what managers at all levels do. It necessitates making a decision because it involves selecting an alternative course of action.

Thus, planning entails establishing a goal and devising an appropriate method or strategy to achieve it. Planning provides an intellectual approach to achieving the predetermined goals of the organisation. As a result, all members must collaborate to achieve organisational goals. These objectives establish the target that must be met and against which actual performance is measured. As a result, planning entails establishing goals and objectives, as well as devising a strategy to achieve them.

5.3 TYPES OF PLANNING

The developed plan has a time frame, but time is a limited resource. It must be used wisely. If the timing is not considered, the environment's conditions may change, rendering all business plans ineffective. Planning may be for naught if it is not carried out. There following are the different kinds of plans and planning: -

- **Strategic Planning:** Strategic planning entails analysing competitive opportunities and threats, as well as the organization's strengths and weaknesses, and determining how to position the organisation to compete effectively in its environment. Strategic planning typically spans three years or more. Strategic planning typically involves the entire organisation and includes the development of objectives. Strategic planning is frequently based on the organization's mission, which is its primary reason for being. Strategic planning is typically carried out by an organization's top management.
- **Tactical Planning:** Tactical planning is short-term (one to three years) planning that is intended to develop relatively concrete and specific means of putting the strategic plan into action. Middle-level managers are frequently involved in tactical planning.
- **Operational Planning:** In general, operational planning assumes the existence of organizational-wide or subunit-level goals and objectives and specifies how to achieve them. Short-term (less than a year) operational planning is used to develop specific action steps to support strategic and tactical plans.



5.4 IMPORTANCE OF PLANNING

The importance of planning is given as follows: -

Figure: Importance of Planning



Source: dreamstime.com

- **Objective Setting:** It assists managers in improving future performance by setting objectives and deciding on a course of action for the benefit of the organisation.
- **Risk Reduction:** It reduces risk and uncertainty by looking ahead in time.
- **Coordination:** It makes activity coordination easier. As a result, overlapping activities are reduced and unproductive work is eliminated.
- **Direction:** It specifies what should be done in the future, providing direction for action.
- **Futuristic Approach:** It identifies and uncovers future opportunities and threats.
- **Controlling:** It establishes control standards. It compares actual performance to standard performance and makes efforts to correct the difference.

5.5 FEATURES OF PLANNING

Planning can be found in all types of organisations, households, sectors, economies, and so on. We must plan because the future is highly uncertain, and no one can predict it with 100% certainty because conditions can change at any time. As a result, planning is a fundamental requirement for any organization's survival, growth, and success.



- **Managerial Function:** Planning is a first and foremost managerial function that serves as the foundation for other management functions such as organising, staffing, directing, and controlling, which are carried out within the scope of the plans made.

Figure: Features of Planning



Source: <https://businessjargons.com>

- **Goal-oriented:** It focuses on defining the organization's goals, identifying alternative courses of action, and deciding on the best action plan to achieve the goals.
- **Pervasive:** It is pervasive in the sense that it exists in all segments and is required at all levels of the organisation. The scope of planning differs depending on the level and department.
- **Continuous Process:** Plans are made for a specific time period, such as a month, quarter, or year. After that time period has passed, new plans are developed, taking into account the organizations current and future needs and conditions. As a result, it is a continuous process in which plans are framed, executed, and followed by another plan.
- **Brainstorming:** It is a mental exercise in that it requires the application of one's mind to think, forecast, imagine intelligently, and innovate, among other things.
- **Future Oriented:** During the planning process, we get a glimpse of the future. It entails looking into the future in order to analyse and predict it so that the organisation can effectively face future challenges.
- **Making Decisions:** Decisions are made regarding the alternative courses of action that can be taken to achieve the goal. The best option should be the one with the fewest negative outcomes and the greatest number of positive outcomes.



Thus, setting objectives and targets, as well as devising a plan to achieve them, are all aspects of planning. The activity assists managers in analysing the current situation in order to identify future paths to the desired position. It is both an organisational requirement and the responsibility of managers.

5.6 GOALS OF PLANNING

The following are the primary goals of planning: -

- Planning improves an organization's efficiency.
- It lowers the risk factors in modern business operations.
- It makes proper coordination within an organisation easier.
- It assists in the organisation of all available resources.
- It steers the organisation in the right direction.
- It identifies potential opportunities and threats in the future.
- It is critical to maintain control.
- It contributes to the achievement of the organization's goal.
- It motivates an organization's employees.
- It fosters managerial creativity and innovation.
- It also aids decision-making.

5.7 PLANNING RESTRICTIONS

The following are the restrictions or limitations of the planning: -

- **Rigidity:** Planning leads to rigidity as once a plan is established, it is extremely difficult to change it.
- **Not Fit in the Dynamic Environment:** Planning may not work effectively in dynamic environment. If the environment is constantly changing, planning will be ineffective because things will not run according to the plan we have prepared. We devised a strategy based on the circumstances. However, if the environment is constantly changing, accurate prediction and planning become nearly impossible.
- **Restricted Creativity and Innovation:** Planning reduces the creativity and innovation of any organization's employees because employees only have to implement the plan that has already been decided by top management. As a result, they do not have the opportunity to demonstrate their creativity or innovativeness. As a result, much of the initiative or creativity inherent in employees is lost or reduced, and innovative ideas cease to flow.



- **Costly:** Huge costs are involved in the formulation of plans. These could be in terms of both time and money. For example, a significant amount of time is spent verifying the accuracy of facts. Scientific calculations are required to verify facts and figures in detailed plans. The costs incurred may not always be justified by the benefits derived from the plans. Several incidental costs, such as expenses for boardroom meetings, discussions with professional experts, and preliminary investigations to determine the feasibility of the plan, are also involved.
- **Time Consuming:** Sometimes the planning process takes so long that there is no time left for implementation.
- **Not a Future Strategy:** Planning does not guarantee success; it only serves as a foundation for future analysis. It is not a viable strategy for the future.
- **Inaccuracy:** Many assumptions are made in planning to determine the future course of action. Planning is not always precise. Future predictions cannot be 100% accurate.

5.8 PROCEDURE FOR THE PLANNING FUNCTION

Planning function entails the following steps: -

Step-1: Analysing Opportunities: Before setting the objectives analysis the environment and look for the opportunities.

Figure: Steps in Planning Function



Source: <https://businessjargons.com>



Step-2: Setting the Objective: The manager cannot plan unless he has an objective, so the goal should always be clear.

Step-3: Developing Premises: Because the future is unknowable, planning is always done with the future in mind. As a result, certain assumptions must be made in the management function. These assumptions are referred to as premises. Making assumptions for the future is what premises entail. The manager can make the assumption by reviewing previous decisions, policies, facts, and existing plans.

Step-4: Identifying Alternatives: In order to achieve the organization's goals, the manager must identify alternatives. Following the establishment of objectives, managers create a list of alternatives for the organisation to achieve its objectives.

Step-5: Evaluation of Alternatives: During this stage of the planning process, managers evaluate and closely examine each alternative plan. Every alternative will be evaluated, with all of its advantages and disadvantages considered. The alternative plans must be evaluated in light of the organisational goals.

Step-6: Choosing the Alternative: The manager must make a decision at this point in the planning process. The manager will choose the best and most feasible plan to implement at this stage. The manager's ideal option should be the most profitable with the fewest negative consequences and be adaptable to changing circumstances.

Step-7: Implement the Action Plan: This is the stage at which other managerial functions are taken into account. The step is concerned with carrying out the plan, i.e., doing what is required. For example, if a manager decides to increase production, more labour and machinery will be needed. As a result, this step would also include arranging for labour and purchasing machinery.

Step-8: Reviewing: Following up to ensure that plans are being implemented and activities are being completed on time is also part of the planning process. It is equally important to stick to the plan and follow it within the time frame specified to ensure that the organization's goals are met.

Simply put, planning is the process of formulating key decisions that will allow an organisation to grow successfully in the coming years.

5.9 EXTERNAL PLANNING LIMITATIONS

The external restrictions faced by the planning as are under: -

- Political Climate includes shift in government from Congress to another political party BJP, SP, AAP and others.
- Strikes, lockouts, and agitations by labour unions



- Technological advancements include modern techniques and equipment, as well as computerization.
- Policies of competitors, such as Coca-Cola and Pepsi.
- Earthquakes and floods are examples of natural disasters.
- Changes in demand and prices- Changes in fashion, tastes, income level, demand falls, and price falls, and so on.

5.10 STRATEGIC PLANNING

Strategic planning is a process undertaken by top management to establish long-term goals. Its goal is to determine the business's direction, goal, and strategy, as well as to plan its future course of action. This planning is not limited to a single department or unit, but encompasses the entire organization's operations. It serves as a road map for achieving the organization's vision, mission, and objectives. It is a comprehensive and intellectual process that examines the business's micro and macro environments to determine its SWOT. The process is used to define the process for pursuing the company's vision, ambitions, and priorities in order to create a path that will lead the company to its ultimate goal. Example of a strategic plan: In the coming fiscal year, an FMCG biscuit company intends to increase its market share from 35% to 55%. The plan focuses on the organization's long-term development. The following tools are used in this process: -

- Conduct a SWOT analysis (Strength, Weakness, Opportunities, and Threats).
- The PESTLE Analysis (Political, Economic, Social, Technological Environment).

5.11 OPERATIONAL PLANNING

Operational planning is the process of determining the day-to-day activities of a business in pursuit of strategic goals. This planning is done to complement and support strategic planning in order to achieve organisational goals. During this process, the company's short-term objectives that are aligned with its strategic goals are determined, as well as the means to achieve those objectives. It entails the planning of regular business activities to achieve short-term goals while pursuing long-term strategic objectives. The operational planning process is carried out by middle-level management. The organisation structure is clearly defined for specific lines of authority under this planning. The structure is then divided into departments for which planning is to be done individually while aligning efforts with long-term strategic plans to achieve the organization's vision.



5.12 CHARACTERISTICS OF OPERATIONAL PLANNING

Operational Planning has the following characteristics: -

- Each department's objectives must be clearly defined.
- Achieving the desired outcome using predetermined measures
- The activities must be carried out as planned.
- Upholding quality standards.

For Example, in order to increase market share, the FMCG Company's production department has begun to increase production, while the marketing department is working to develop a competitive advantage. Meanwhile, the packaging department is increasing weekly targets to accommodate increased biscuit production and to cater to a wider range of customer preferences.

ACTIVITY

Organise a class seminar on the topic, "Need and Importance of Planning" for running business smoothly. Tell your teacher to arrange for the industry experts and discuss with them on the topic and prepare short-term and long-term plans for yourself by taking into consideration the important points provided by the industry expert.

IN-TEXT QUESTIONS

1. _____ describes one of the concepts that are essential for an organization's smooth operation. Name that idea: -
 - a) Planning
 - b) Administration
 - c) Collaboration
 - d) None of the alternatives are correct.



2. Which stage of the planning process will select the best and most feasible plan for implementation?
 - a) Considering alternative courses of action
 - b) Choosing an alternative
 - c) Establishing a goal
 - d) Creating Premises
3. The _____ is planning.
 - a) The manager's primary function
 - b) Both a) and d) are correct.
 - c) None of the alternatives are correct.
 - d) The manager's final function
4. The composite plan that includes establishing a long-term goal, determining a course of action, and allocating resources is known as _____.
 - a) The programme
 - b) Plan of Action
 - c) Methodology
 - d) Regulation
5. The series of steps or actions to be taken in order to enforce a policy and achieve a predetermined goal is known as _____.
 - a) Regulations
 - b) Plan
 - c) Process
 - d) Aim
6. Name the management function that entails setting objectives and developing appropriate plans of action to achieve these objectives.
 - a) Direction
 - b) Planning
 - c) Financing
 - d) Personnel
7. Which of the following is not a planning benefit?
 - (a) Planning eliminates duplication and wasteful activities.
 - (b) Planning is a mental workout.
 - (c) Planning provides guidance.
 - (d) Planning reduces the risks associated with uncertainty.



8. Strategic planning is also referred to as_____.
9. _____ level of management is in charge of strategic planning
10. _____ environmental scanning is used in strategic planning.

5.13 DECISION MAKING

Decision making is a complex intellectual process of selecting the most profitable or beneficial options while minimising costs and resource waste. It is the most important managerial decision, requiring high mental capability, skill, and foresight. Decision making is essential and pervasive in all management functions, including planning, organising, staffing, directing, and controlling.

Decision making is an important skill in organisational management, with relevance and prevalence at all levels of management. Furthermore, all functions, from planning to controlling, include some form of decision making. The functions are as under:-

Figure: Decision-Making



Source: dreamstime.com



- **Planning:** The relationship between planning and decision making is essential because various plans, objectives, and procedures for achieving the objectives are determined by rational intellectual thinking.
- **Organizing:** Decision making enables management to establish roles, responsibilities, and lines of authority in order to achieve the objectives. Rational thinking enables the organisation to eliminate unnecessary roles and positions, thereby conserving organisational resources.
- **Staffing:** Staffing decisions must be made with extreme caution because they are both costly and time consuming. Making rational decisions aids in finding the right person for the right job at the right time.
- **Directing:** Directing decisions aid in the identification of appropriate supervisory tools and modes of communication. These modes, in effect, aid in the introduction and implementation of organisational changes.
- **Controlling:** The functions of controlling and decision making are complementary. It aids in determining appropriate control measures, methods, and procedures, and the evaluation aids in determining the corrective course of action.

5.14 DECISION MAKING MODELS

The models followed for the decision-making by the managers in an organisation are as under: -

- **Non-Programmed Decisions:** Programmed decisions deal with problems that are repetitive or routine in nature. Lower-level management makes these decisions based on predefined rules and procedures that require little intellect and time. This type of decision may concern the purchase of raw materials, the grant of leave to an employee, the supply of goods and implements to employees, and so on. Top management makes non-programmed decisions for specific matters that require high intellect and rationality. These are difficult and time-consuming. These are critical issues for the organisation. For example, opening a new line of product for the organisation, and so on, are decisions that are normally made at a higher level.
- **Routine and Strategic Decisions:** Routine decisions are concerned with the overall operation of the organisation. They don't require much investment, so there's no need for extensive evaluation and analysis, and they can be implemented quickly. Strategic decisions are important because they affect objectives, are irreversible and costly, and have an impact on other important policy issues. These decisions usually involve large sums of money or investments. These decisions are made after careful consideration and evaluation of numerous alternatives. These decisions are made by higher-level management.



- **Group Decisions and Personal Decisions:** An organisational decision is made when an executive makes decisions within a group in an official capacity. Personal decisions are made by individuals in their personal capacity and thus affect their personal lives.
- **Major and Minor Decisions:** There are two types of decisions: major and minor. The purchase of new factory premises is a significant decision. Top management makes major decisions. The purchase of office stationery is a minor decision that the office superintendent can make.

5.15 DECISION MAKING TECHNIQUES

Though decision making is primarily an intellectual process, some mathematical programmes and equations can assist in quantifying the risks and benefits for a more rational choice among alternatives. Decisions that are solely based on mental intellectual choices are referred to as quantitative decision making processes. The quantitative decision-making techniques listed below:-

- **Linear Programming:** This is a mathematical equation that assumes the variables of production have a linear relationship. It assists managers in deciding and allocating scarce and limited resources to competing projects in order to maximise benefits and profits while minimising costs, inefficiencies, and waste. The equation defines linear relationships between variables that are constrained by limited resources while maximizing the use of those resources. The result or output level is the highest and best level. This method is frequently used to solve transportation and warehousing issues.
- **Decision Tree/Probability Analysis:** Quantifying the likelihood of events assists the manager in making rational decisions concerning the uncertainty of the environment or the project's performance. Each prospective event is weighted for the likelihood of its occurrence from 0 to 1 (with 0 being the least likely and 1 being the most likely), and the stake value of the decision is then multiplied by the weights to determine the cost or benefit of each decision. Decision trees are one type of probability analysis method in which each possible scenario is weighted based on its likelihood of occurrence and then accumulated with the value of each decision to arrive at the best option.
- **Break-Even Analysis:** A break-even analysis is a technique for determining the relationship between costs, revenue, and profits at various levels of output. It reflects the level of output production at which costs equal revenues and profits are maximized. According to Keller and Ferrara, "the break-even point of a company's unit is the level of sales income that equals the sum of its fixed and variable costs."



This analysis is most commonly used in organisations to reduce costs and operate profitably, but it can also be used for a variety of transportation and distribution decisions. It also assists businesses in recognising activities with varying costs at different levels of output and controlling fixed and variable costs. The organisation can derive a total cost curve by adding various levels of revenues, profits, and costs.

- **Capital Budgeting:** Capital budgeting is another important decision-making tool that employs a variety of mathematical formulas to select the best alternative among various available investment propositions based on their initial cash flows, subsequent cash flows, terminal cash flows, and payback time period. Organizations use this to make long-term, irreversible capital investment decisions that typically necessitate large initial cash outflows. Capital budgeting techniques assist businesses in weighting these cash flows in relation to inflation and discount rates, allowing them to determine the true value incurred from each alternative over a specified period of investment.
- **Simulation Techniques:** management can use simulation techniques to simulate complex situations involving machines or equipment in order to determine the best course of action. Simulation is the process of creating, testing, and running models of real-world problems using mathematical relationships between critical factors. Simulation is a model that converts the complex phenomena of a physical model into mathematical equations by using various variables that represent the physical model's constraints. This is commonly used to determine the efficiency of tools, equipment, and machines without the loss of physically testing and manipulating each. For example, a technician may adjust the speed of a machine to determine when it will jam, break, or overheat.
- **Ratio Analysis:** Ratio analysis is the comparison of line items in a company's financial statements. It is used to assess a variety of issues with an entity, such as its liquidity, operational efficiency, and profitability, in order to make decisions about entering into new businesses or incurring debts. Other decisions concerning credit cycles and payment cycles can be made using these ratios, which, when they exceed the ideal points, are hazardous to business.
- **Queuing Theory:** this is a decision-making technique that uses simple formulae and equations to determine inventory levels and minimise holding and ordering costs. It is used to reduce warehousing costs as well as the risks associated with holding inventory and stocks in excess of requirements. The optimal level of inventory also helps to reduce the uncertainty that arises as a result of a sudden need for stocks by determining the number of orders to be placed for replenishing the stocks.



5.16 QUALITATIVE DECISION-MAKING TECHNIQUES

The following are some qualitative decision-making techniques: -

- **Experience:** Doing the same type of work over and over again helps hone a specialisation in the field, and managers are such experienced specialists who have played in the market field with their conscious over time. This enables them to make quick decisions in similar and routine situations with clear consequences.
- **Intuition/Judgment:** Managers have a keen intellect and foresight. Even in uncertain business situations, this acumen and foresight gives them a gut feeling towards certain alternatives over others. This foresight, intellect, and farsightedness is the result of their knowledge, experience, and skill, which allows them to mentally weigh the consequences of each alternative and take calculated risks to achieve a competitive position.
- **SWOT Analysis:** A SWOT analysis is a simple analysis of a company's strengths, weaknesses, opportunities, and threats. This analysis assists any business in honing its strengths to gain a competitive advantage and improving on its weaknesses by outsourcing those functions. Recognizing opportunities in the business environment can be used to gain a first mover advantage and keep threats from competitors at bay with alertness.
- **PESTLE Analysis:** PESTLE analysis is the examination of various political, economic, social, technological, legal, and environmental factors in order to forecast changing environments and make appropriate decisions to mitigate any uncertainty shocks. It enables a business to thrive in the face of numerous environmental changes without the use of any statistical/mathematical methods that are reasonable in nature.
- **Fact-Decision Making:** Fact- Making decisions requires analysing and filtering information at various levels in order to find the most feasible and optimal output. These filtering assist in weeding out opinions that are impractical, lack capacity or capability and are inefficient. Data collection can distinguish between opinions and real alternatives. It includes techniques for representing data points in relation to one another in order to fully comprehend current status and trends. Fact-based decision making is a methodical process that necessitates careful consideration before developing alternatives. It employs a variety of procedures to measure and collect the appropriate data, followed by unbiased, nonjudgmental analysis to extract the facts that are critical in making decisions and forecasting the future.
- **Brainstorming:** This is a type of inclusive and participatory process in which multiple people suggest ideas verbally. They analyse problems or situations collectively, sketch out and evaluate alternative courses of action, and choose a



solution from among the alternatives, but the entire process is unstructured and unconstrained. The sessions for evaluating a problem and suggesting alternatives are clearly separated, and the flow of ideas is unrestricted, unstructured, and uninhibited.

- **DELPHI Techniques:** Decisions are made using the opinions of experts in the field in this technique. The issue is confidentially shared with experts in order to solicit responses and courses of action. These anonymous responses are then distributed to a group of experts for review, improvement, and expansion of the opinions. The review cycle continues until all experts have reached a specific conclusion. This is the decision that the company makes in response to its current problem. This method of decision-making is both expensive and time-consuming.

ACTIVITY

Arrange the presentations of the students and discuss in the class on the topic, “Decision and Decision-Making: Need and Importance.” Tell the participants to give power point presentations on the same topic.

IN-TEXT QUESTIONS

11. Making decisions contributes to the smooth operation of the _____.
a) Company. b) Personnel.
c) Structure. d) Preparation
12. Choosing the best course of action from among the alternatives is referred to as _____.
a) Making a decision. b) Preparation.
c) Planning. d) Commanding.
13. The decisions that are frequent and repetitive in nature are referred to as _____.
a) Non-programmed choices b) Programmed decisions
c) Important decisions d) Operational choices
14. A decision made in response to an unexpected situation.
a) Decision on a problem. b) Decisions based on certainty
c) Making a crisis decision. d) Organisational choice
15. _____ is an example of placing a purchase order.
a) Programmed decisions b) An unprogrammed decision
c) Important decision d) Choice.



5.17 SUMMARY

Planning is an intellectual process that establishes an organization's objectives and develops various courses of action to achieve those objectives. This management function is closely related to creativity and innovation. Planning enables managers to see into the future and plan ahead of time how they will deal with situations that may arise in the future. Planning is an intellectual process that establishes an organization's objectives and develops various courses of action to achieve those objectives. It enables managers to see into the future and plan ahead of time how they will deal with situations that may arise in the future. There are different kinds of planning, depending on the type of organisation. Planning can be found in all types of organisations, households, sectors, economies, and so on. We must plan because the future is highly uncertain, and no one can predict it with 100% certainty. As a result, planning is a fundamental requirement for any organization's survival, growth, and success.

Strategic planning is a comprehensive and intellectual process that examines the business's micro and macro environments to determine its SWOT. During this process, the company's short-term objectives that are aligned with its strategic goals are determined, as well as the means to achieve those objectives. Decision making is pervasive in all management functions, including planning, organising, staffing, directing, and controlling. It enables management to establish roles, responsibilities, and lines of authority in order to achieve objectives. Making rational decisions aids in finding the right person for the right job at the right time. Decision making is pervasive in all management functions, including planning, organising, staffing, directing, and controlling. It enables management to establish roles, responsibilities, and lines of authority. Making rational decisions aids in finding the right person for the right job at the right time. There are two types of decisions: major and minor. The purchase of new factory premises is a significant decision.

5.18 GLOSSARY

- **Corporation:** A type of business operation in which the company declares itself to be a separate, legal entity led by a group of officers known as the board of directors.
- **Decision:** A deliberate choice of action from among those available alternatives for achieving the desired result.
- **Decision-Making:** The process of making decisions that involves identifying a decision, gathering information, and weighing alternative solutions by organising relevant information and defining alternatives, a step-by-step decision-making process can help you make more deliberate, thoughtful decisions.



- **Long-Term Planning:** It involves goals that take longer to achieve and require more steps; they typically take a year or two to complete. They intend to permanently resolve issues and achieve and sustain success over time.
- **Manager:** A person in charge of supervising and motivating employees, as well as directing an organization's progress a manager is someone who is in charge of customer service, handles customer complaints, and oversees and supervises customer service agents.
- **Operational Planning:** It is what happens when a team or department takes a strategic plan from the company as a whole and scrutinizes it. It's forward-thinking; it lays out department budgets and goals to propel the strategic plan's success with specific, team-based activities over the next 1-3 years.
- **Plan:** A formal planning tool used to design the facility's future operations.
- **Planning:** It is concerned with the steps required to achieve the goal, the changes and obstacles to be anticipated, and how to use human resources and opportunities to achieve the desired outcome.
- **Short-Term Planning:** It is usually assumed that it will take 12 months or less. Your daily, weekly, monthly, quarterly, and yearly goals can all be classified as "short-term goals." They are stepping stones that will assist you in reaching your ultimate goal (s).
- **Strategic Planning:** It is a process by which leaders of an organisation define their future vision and identify their organization's goals and objectives the process includes determining the order in which those objectives should be achieved so that the organisation can achieve its stated vision.

5.19 ANSWERS TO IN-TEXT QUESTIONS

1. (a), Planning	9. Top level management
2. (b), Choosing a alternative	10. Extensive
3. (a), The manager's primary function	11. (a), Company
4. (b), Plan of action	12. (a), Making a decision
5. (c), Process	13. (b), Programmed decisions
6. (b), Planning	14. (c), Making a crisis decision
7. (b), Planning is a mental exercise	15. (a), Programmed decisions
8. Long-term planning	



5.20 SELF ASSESSMENT QUESTIONS

1. “Planning is thinking in advance.” Elaborate this statement with the help of suitable example.
2. Define plan. Discuss the different types of plans framed by an organisation by taking the example of Hydro Power Project Company.
3. What is planning? Discuss its need, significance and features.
4. What are the basic objectives of framing plans? Why it is essential to frame plans? Discuss
5. Differentiate between strategic and operational planning.
6. Discuss the features and significance of strategic planning.
7. Elaborate the characteristics and importance of operational planning.’
8. “Without planning an organisation is nothing.” Discuss this statement with the help of suitable example.
9. What do you mean by decision and decision-making? Discuss the process of decision-making.
10. Describe the various techniques of decision-making with suitable examples.

5.21 REFERENCES

- Aswathappa, K. (2014). *Organisation Behaviour*. Himalaya Publishing House. Pp. 687-705.
- Aswathappa, K. & Reddy, G.S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 71-105
- Ghuman, K. & Aswathappa, K. (2010). *Management*. McGraw Hill, pp 175-237
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 141-227
- Gupta, C. B. *Business Organization and Management*. Sultan Chand & Sons. Pp. 6.40-6.83.
- **Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. pp. 34-91.**



5.22 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasishth, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.



LESSON 6

ORGANISING

Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal

STRUCTURE

- 6.1 Learning Objectives
- 6.2 Introduction
- 6.3 Features of Organising
- 6.4 Elements of Organising
- 6.5 Importance of Organising
- 6.6 Process of Organising
- 6.7 Principles of Organising
- 6.8 Organisation
- 6.9 Organisational Process
- 6.10 Structure of Organisation
- 6.11 Virtual Organisation
- 6.12 Types of Virtual Organisation
- 6.13 Foundations of Organisational Structure
- 6.14 Departmentation
- 6.15 Configuration
- 6.16 Summary
- 6.17 Glossary
- 6.18 Answers to In-Text Questions
- 6.19 Self Evaluation Questions
- 6.20 References
- 6.21 Suggested Readings



6.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-

- The basic concepts, features, elements and other aspects of organising.
- The meaning, types of organisation and foundations of organisational structure.
- The concepts and essential aspects of departmentation.
- The basic aspects of configuration.
- Organising is an important component of management and without these operations of an organisation is not possible.

6.2 INTRODUCTION

After planning, the second key management function is organising, which coordinates human efforts, arranges resources, and integrates the two in a way that aids in the achievement of objectives. It entails determining the methods and means by which the plans can be carried out. Organizing is a process that initiates plan implementation by clarifying jobs, working relationships, and effectively deploying resources to achieve identified and desired results (goals). As a result, it is a process that coordinates human efforts, gathers resources, and integrates both into a unified whole to be used to achieve specific goals.

Figure: Organise



Source: shutterstock.com



Organizing is a managerial function, and this function is known as the organisational process. To organise means to harmonize, co-ordinate, or arrange things in a logical and orderly fashion. Making a rational division of work into groups of activities and tying together the positions representing groupings of activities for the accomplishment of desired objectives is the function of management, which is known as organising. "Organising" is defined by Koontz O'Donnel as "the establishment of an international structure of roles through the determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it; the grouping of these activities, the assignment of such groups of activities to the manager, the delegation of authority to carry them out, and provision for horizontal and vertical coordination of authority and informational relationships in the organisation."

6.3 FEATURES OF ORGANISING

The following are the features of organising: -

- **Division of Labour:** Work of all kinds, according to Fayol, must be subdivided and assigned to a number of people. This contributes to the work being done being simpler and more efficient. As a result, it promotes specialisation and increases employee efficiency. Individuals gain speed and accuracy in their performance by repeating a small portion of their work. This principle applies to both technical and managerial tasks.
- **Coordination:** Although different people are assigned to different functions, all of these functions have the same goal: to achieve the enterprise's objectives. To that end, an organisation must implement adequate methods to ensure that the various activities performed at various work points are properly coordinated. This entails establishing appropriate and correct relationships between an employee and his work; between employees; and between departments or sub-departments.
- **Objectives:** The pursuit of specific and well-defined objectives binds any organisational structure together. In fact, just as objectives cannot be achieved in the absence of an organisation, an organisation cannot exist indefinitely in the absence of objectives and goals. An organisation promotes cooperative relationships among group members. It cannot be formed by a single person. It necessitates the participation of at least two people. Organization is a system that aids in the formation of meaningful relationships between people on both the vertical and horizontal axes.



Figure: Features of Organising



Business Jargons

Source: <https://businessjargons.com>

- **Authority-Responsibility Structure:** Hierarchy serves as a line of communication as well as a command structure, and it demonstrates the pattern of relationships between people. Organizational hierarchy refers to the placement of people in the organisation from the highest level to the lowest rank. It also aids in the definition of authority and responsibility for each position/person.
- **Communication:** Although each organisation has its own channels and methods of communication. Effective communication is critical for management success. This is because management is concerned with working with others, and it cannot be effective unless people understand each other. Communication channels can be formal or informal, downward, upward, or horizontal.

6.4 ELEMENTS OF ORGANISING

The following are the fundamental organising elements: -

- **Division of Work:** Work division entails dividing the work into specific tasks with completion deadlines. After the work has been divided, the tasks are assigned to various functional areas of the organisation such as production, marketing, finance, and personnel.



- **Grouping of Activities:** Tasks are classified into different departments based on their similarities. This is known as Departmentation.
- **Authority and Responsibility Distribution:** Once the departments are established, members are given authority to carry out the tasks that have been assigned to them. The employee's authority over his work is defined by his authority. Employees' behaviour in a formally designed organisation structure is bound by rules, regulations, and policies, whereas in a comparatively less formal organisation structure, they have a great deal of freedom in deciding how they perform their work. "Authority is the supervisor's legitimate power to direct subordinates to act within the scope of the supervisor's positions."
- **Coordination:** When people perform tasks assigned to them at various levels in various departments, it must be ensured that the tasks are related to one another and aim for unified goals. This necessitates coordination of all organisational members' tasks. Coordination is the act of organising, or getting different people or things to work together for a common goal or effort to achieve desired outcomes in organisations. It is a managerial function that aims to adjust and connect business activities.

6.5 IMPORTANCE OF ORGANISING

The importance of organising is given as under:

- **Benefits of Specialization:** Organizing aids in the systematic classification of jobs amongst the workforce, resulting in reduced workload and increased productivity. This is due to the organisation benefiting from specialisation, in which workers will perform specific tasks on a regular basis based on their competency.
- **Define Flow of Communication:** Work relationships are defined by the flow of communication and the superior-subordinate relationship. This eliminates confusion and chaos when it comes to receiving orders and instructions.
- **Effective Resource Utilisation:** The organising function ensures that resources, whether human, material, financial, or technical, are used to their full potential. This is because employees are assigned jobs, which prevents overlapping and duplication of work.
- **Dynamism:** Organizing process helps the organization to survive and adapt the changes, by making substantial changes in the strategies, hierarchy, relationships, etc.
- **Personnel Growth and Development:** Organising encourages creativity in executives. Delegation of authority reduces their workload and they get time to identify new methods to perform the work. It also enables them to explore new areas for their growth and development.



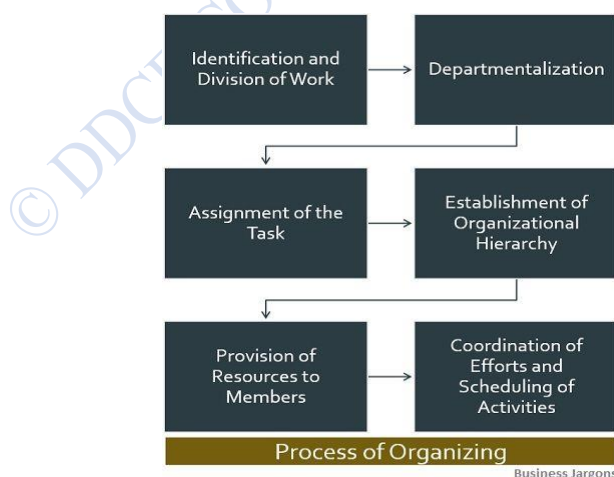
Therefore with organizing the manager brings order out of disorder, removes confusion with respect to work and responsibility, and frames an ideal environment where all the members of the organization can work in tandem.

6.6. PROCESS OF ORGANISING

After understanding the goals and objectives, the work is divided into functional groups and practical units of similar activities. Then, each group/department is assigned a manager with functional knowledge and capability. This manager will oversee the work of that specific department by maintaining organisational relationships with other department managers in order to work toward the enterprise's goal or objective. Top management must clearly define the responsibilities of all departmental managers and provide them with the resources they require.

According to Terry, "organising is the establishment of effective behavioural relationships among selected work persons and the work place in order for the group to work effectively together." Organizing is a managerial function, and this function is known as the organisational process. To organise means to harmonize, co-ordinate, or arrange things in a logical and orderly fashion. Making a rational division of work into groups of activities and tying together the positions representing groupings of activities for the accomplishment of desired objectives is the function of management, which is known as organising. Organizing is the central function that connects all activities and resources in a systematic and logical order. It consists of a series of steps taken to achieve organisational goals. We will now go over those steps in detail: -

Figure: Steps in the Process of Organising



Source: Business Jargons.com



- **Step-1: Identification and Work Division:** The organising process begins with identifying the work and dividing it according to the plans. To avoid redundancy, the work is divided into different manageable activities, and work sharing is encouraged.
- **Step-2: Departmentalization:** After categorizing the work into different activities, similar activities are grouped together. This is known as departmentalization, and it facilitates specialisation and serves as the foundation for the creation of departments.
- **Step-3: Task Assignment:** Following the formation of departments, employees are assigned to different departments under the supervision of a manager known as a departmental manager. Following that, employees are assigned jobs based on their skills, qualifications, and competencies. For the performance to be effective, the manager must ensure that the job and the incumbent are a good fit, i.e. the right person is placed in the right job.
- **Step-4: Establishment of Organisational Hierarchy:** Work deployment is not enough; employees must understand to whom they must report and who can give those orders. As a result, work relationships must be clearly established, which aids in the creation of an organisational hierarchical structure.
- **Step-5: Provision of Resources to Members:** Organizing and deploying resources such as money, materials, supplies, and machinery, among others that are required to carry out the organization's day-to-day operations.
- **Step-6: Coordination of Efforts and Activity Scheduling:** The final step in this process is to coordinate efforts and schedule activities in a logical and systematic manner so that the common objectives can be effectively achieved.

6.7 PRINCIPLES OF ORGANISING

Organizing is a management process that brings people, functions, and physical factors together to form a manageable unit. Good organisation results in the formation of a well-balanced, low-cost team that completes the required work. Because of the wide range of organisations, there can be no universal principles that can be applied to all as follows: -

- **Unity of Objectives Consideration:** The organisation structure is influenced by the project's goal. The organisation is a tool for achieving goals. The goal of a business should be clearly stated. Not only should the objectives be stated clearly, but so should the method of achieving them, so that the organisers can determine the type of organisation that is required. All efforts must be focused on the set-goals if there is unity of objectives. The effectiveness of organisational structure and generated operations in achieving set objectives must be measured.



- **Specialisation:** Specialization is required for effective organisation. When each person focuses on the task for which he or she is best qualified, maximum output can be obtained. Specialization is facilitated by precise work division. The law of specialisation should be emphasised by the organisation. However, each area of specialisation must be linked to the overall integrated system through coordination across all departments and activities.
- **Coordination:** Coordination expresses the organisational principles in their entirety; nothing less. Coordination is the systematic organisation of group effort to achieve unity of action in the pursuit of a common goal. It marks the start and end of all organised efforts. A manager's primary role is that of a coordinator. Coordination is a facilitative function that aids in the integration of the fundamental managerial functions of planning, organisation, motivation, and control. Organization entails the division of labour among people whose efforts must be coordinated in order to achieve common goals. Coordination aims for greater efficiency and effectiveness.
- **Scalar Chain:** It establishes a clear and unbroken line of authority. For sound organisational purposes, the chain of command must be clearly defined. A chain of command is another term for it. The chain of command should not be broken as it runs from the highest executive to the lowest managerial level. It should be brief, with only a few levels of management. Every subordinate must understand who his supervisor is and to whom policy decisions beyond his own authority must be referred.
- **Proportionate Authority and Responsibility:** When an individual is assigned a task, he should be given the authority to complete it, according to this principle. He cannot be held accountable for the task's failure to be completed because he lacks appropriate authority and responsibility, and he has little control over the situation. Authority and responsibility should be equal, which means that each manager should have enough authority to complete the task.
- **Ultimate Responsibility:** Higher authority bears complete responsibility for the actions of his subordinates. When a supervisor delegated responsibility for completing a task to a subordinate and the subordinate made a mistake, the supervisor is held accountable to his superiors. He cannot avoid responsibility by claiming that the error was committed by a specific employee.
- **Efficiency:** The organisational structure should allow the company to achieve its goals at the lowest possible cost. An efficient organisational structure does not waste its limited resources. It makes the best use of its human resources and talents.
- **Delegation:** Because of obvious limitations, the chief executive cannot do the entire work of the organisation himself, so he relies on others to achieve the goals. He divides the entire work into a number of activities and groups, then creates a number



of departments based on their similarity. Delegation is the process by which they are linked together by establishing relationships for collaborative and integrated action. Vertical or horizontal delegations are possible.

- **Command Unity:** The essence of this principle is that a man can only serve one boss. It means that instructions and directives to subordinates must come from a single source. Each subordinate must have one superior to whom he must report. This aids in avoiding command conflict and assigning responsibility. According to this principle, everyone should report to a single superior. As a result, no one in the organisation should report to more than one boss. It defines authority, responsibility, and the relationship. There is a sense of personal responsibility to one person for results when an individual has to report to only one supervisor. Allow a person to take orders from and be accountable to only one superior.
- **The Span of Control:** The span of control refers to the maximum number of employees or subordinates that a single person can effectively supervise. According to the circumstances, the span of control should be limited to a reasonable number. The most desirable span of control has been thought to be six subordinates. A manager's ability to manage a large number of subordinates is limited. Grouping is necessary to ensure that no supervisor or manager is overburdened with subordinates.
- **Balance:** There should be a reasonable balance in the size of different departments, between procedure standardisation and flexibility between centralisation and decentralisation. Similarly, there should be a balance between the span of control principle and the short chain of command.
- **Communication:** A good communication network is critical for the efficient flow of information and understanding, as well as for effective business performance. The chain of command provides a permanent channel for downward and upward communication.
- **Personal Ability:** People make up an organisation. It is impossible to overstate the importance of proper selection, placement, and training. The organisational structure must promote management development programmes and make the best use of human resources.
- **Exceptional:** According to the exception principle, routine decisions should be handled by the lower level manager, while problems involving unusual matters should be referred to the higher level. Executives at the highest levels of a company have limited time and capacity. They should not be bothered by routine issues that can be handled by subordinates.
- **The Flexibility:** An organization's structure must be adaptable so that changes brought about by changing circumstances can be planned for and implemented. The



organisation is expected to provide built-in devices to allow for growth and expansion while minimising disruption. It should be adaptable to changing conditions. It should not be stiff or inflexible.

- **Departmentation:** It enables the division of activities into specialised groups in order to achieve organisational goals. A good organisation involves the precise and systematic allocation of work and responsibilities between the managerial and administrative groups. Departmentation keeps the organization's operations in balance and harmony.
- **Work Division:** Specialization in organisational functions is required for the most effective achievement of goals. The division of labour determines specialisation. To facilitate work division, an enterprise's total activities should be divided and grouped into departmental, sectional, and individual activities.
- **Definiteness:** Each activity must contribute to the primary or fundamental goals of an enterprise with the least amount of effort and the greatest amount of efficiency on the part of the employees. This contribution must be well defined and specific.
- **Discipline:** Discipline is essential in all types of organisations. It is difficult to achieve success in its absence.
- **Simplicity Principle:** The organisation should be kept as simple as possible to avoid confusion and misunderstanding among superiors and subordinates.
- **Line and Staff Function Separation:** Line functions and staff functions should be kept separate.
- **Operational Continuity:** The structure of an organisation should be such that it allows for the continuous performance of all activities required for the enterprise's survival and growth.
- **Leadership:** The organisational structure should foster an environment in which the manager can most effectively lead and motivate his subordinates.
- **Definition:** Everyone in the organisational structure's duties, responsibilities, authority, and relationships should be clearly and completely defined, preferably in writing. An individual will complete a task in a given time frame only if the task is assigned to him.
- **Work Assignment:** The work assignment for each individual in the organisation should take into accounts the individual's unique strengths and talents. This means that an individual should be given a task that is appropriate for his or her ability and interests.
- **Employee Participation:** Employees should be encouraged to participate in decision-making as much as possible. Employees are recognised and encouraged to work



harder by encouraging participation. Regardless of whether employees participate in the decision-making process, the ultimate responsibility for the decision must rest with the manager or supervisor.

ACTIVITY

Evaluate the need and importance of organising principles for the small scale industries and prepare an assignment and submit it to the course coordinator.

IN-TEXT QUESTIONS

1. Name the process that coordinates human efforts, gathers resources, and integrates both into a unified whole to be used to achieve specific goals.
 - a) Administration b) Preparation
 - c) Organising d) Direction
2. Which of the following does not take place during the organising process?
 - a) Responsibilities are assigned
 - b) Forming a reporting relationship
 - c) Specialization
 - d) Work division
3. Organizing is a process that the manager goes through.
 - a) Creates order from chaos
 - b) Reduces interpersonal conflict over work
 - c) Fosters a collaborative environment
 - d) All of the Above
4. _____ is not included in organising.
 - a) Who will do the work? b) When will it be completed?
 - c) What action will be taken? d) What steps will be taken?
5. It is made clear by _____ who reports to whom.
 - a) Process of organising b) Management method
 - c) The process of planning d) None of the these



6.8 ORGANISATION

An organisation is a group of people who work together to achieve specific goals. It can be thought of as a social system that includes all formal human relationships. The organisation includes employee work division and task alignment toward the company's ultimate goal. It is also known as the second most important managerial function because it coordinates employee work, acquires resources, and combines the two in order to achieve the company's goals.

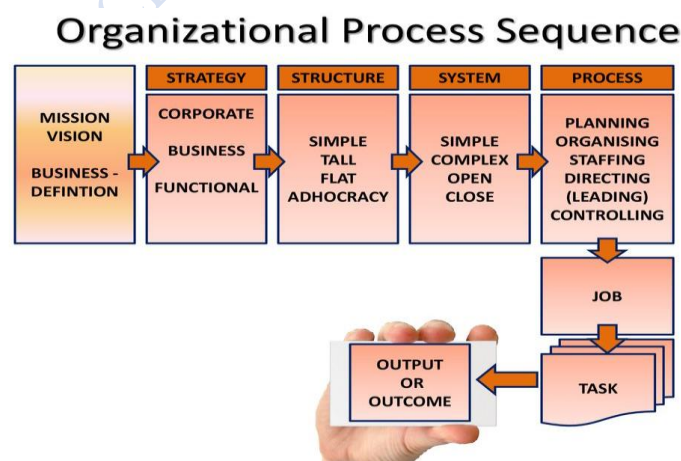
Figure: Organisation



Source: shutterstock.com

6.9 ORGANISATIONAL PROCESS

Figure: Organisational Process



Source: slideplayer.com



The following is the process of an organisation: -

- Step 1** : Determine and categorize the firm's activities.
- Step 2** : Sorting the activities into manageable departments.
- Step 3** : Delegate authority and responsibility for the delegated tasks to the departmental executives.
- Step 4** : Establishing relationships between superior and subordinate employees within the unit or department.
- Step 5** : Creating specific lines of supervision and framing policies for proper coordination between superior and subordinate.

Organization is a process that aims to achieve goals through proper planning and coordination of activities. It is based on the principle of work division and establishes an authority-responsibility relationship among the members of the organisation.

6.10 STRUCTURES OF ORGANISATION

The following are the important organisational structures: -

- a) **Formal Organization Structure:** The formal organisation structure is the structure of jobs and positions with specific activities and relationships.

It is created by management to achieve the company's goals.

Figure: Formal Organisational Structure



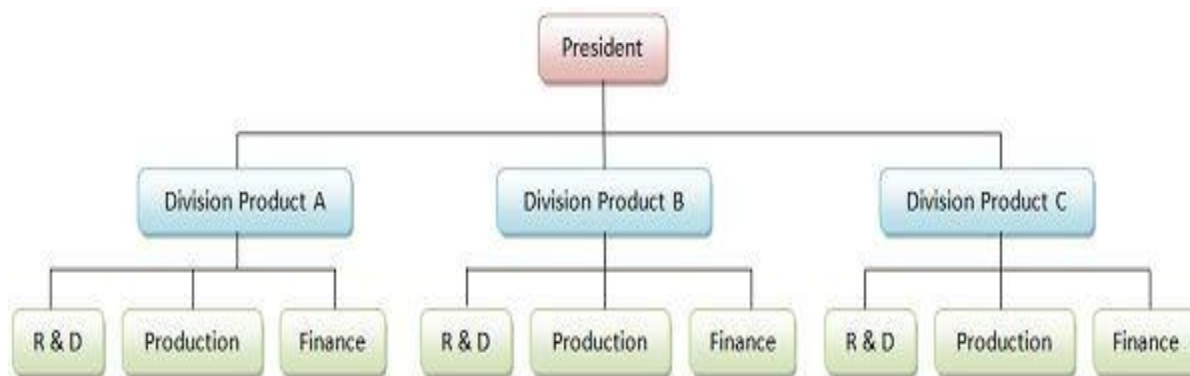
Source: Businessjargons.com

- **Line Organization:** Line organisation is the oldest and simplest organisational pattern, in which the supervisor has complete authority over the subordinate. The flow



of authority is from the highest level executive to the lowest level of the organization's elite group.

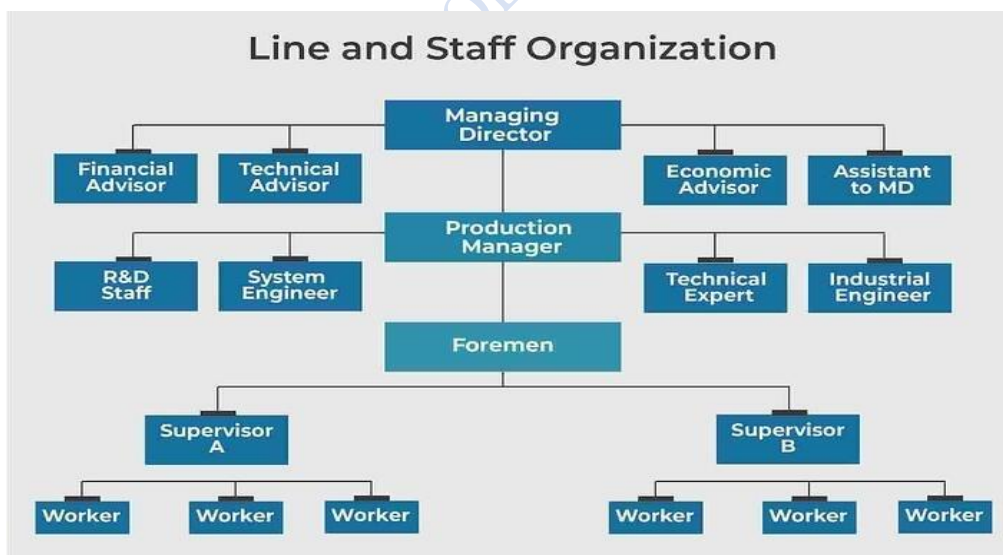
Figure: Line Organisation



Source: Businessjargons.com

- **Line and Staff Organization:** This organisational structure is superior to the traditional line organisation. Primary and supportive activities in line and staff organisation are related to the line of supervision by appointing supervisors and specialists who are linked to line authority.

Figure: Line and Staff Organisation



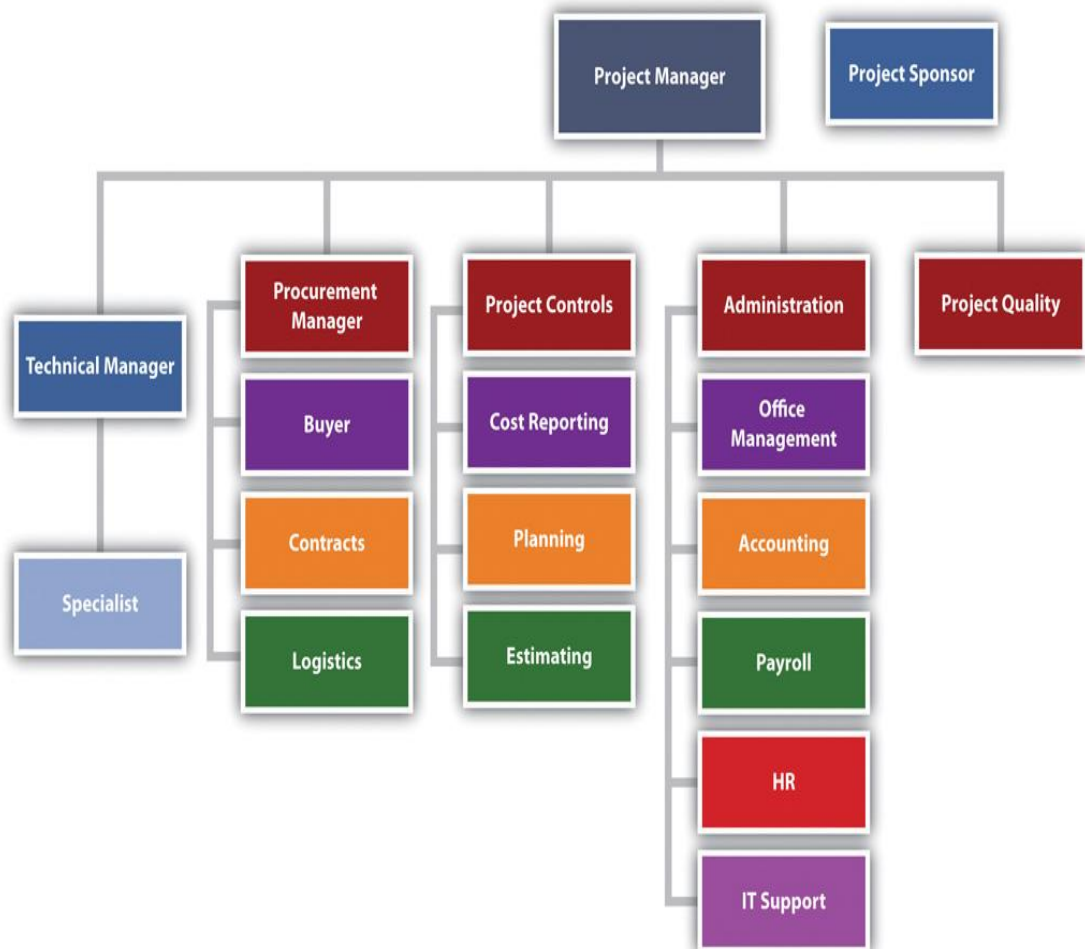
Source: greycampus.com

- **Project Management Organization:** Unlike the organisation structure discussed above, the Project Management Organization is not an independent organisation.



Instead, it is a structure established within an organisation to achieve the goals of a project or firm. It is led by a project manager who is in charge of the project's objectives.

Figure: Project Management Organisation

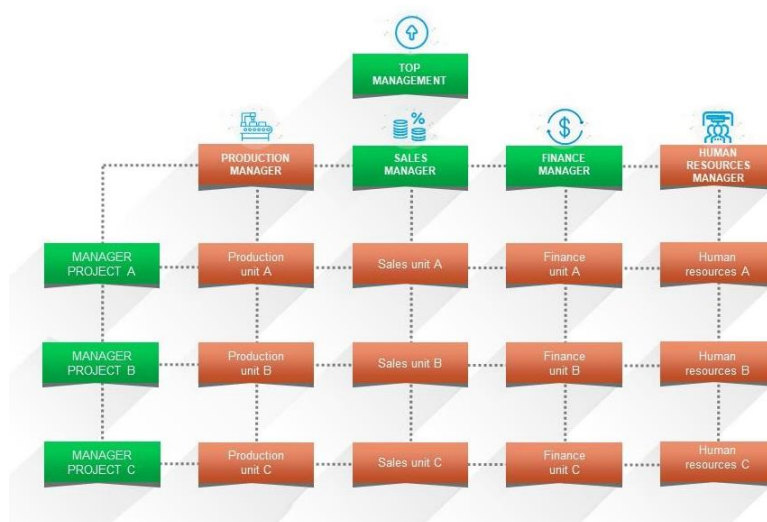


Source: saylordotorg.github.io

- **Matrix Organization:** A matrix organisation is an emerging organisational structure that is a hybrid of functional and project organisation. Functional departments such as production, accounting, marketing, human resources, and so on form a vertical chain of command in such an organisation, while project divisions form a horizontal line of authority.



Figure: Matrix Structure of an Organisation



Source: lashkar.com

- b) **Informal Organization Structure:** An employee relationship based on personal attitudes, prejudices, and interests rather than procedures. It is a system of personal and social connection that does not require formal organisation to create. The interlocking social structure that governs how people collaborate in practise is known as informal organisation. It is the collection of people's behaviours, interactions, norms, and personal/professional connections that allows work to be completed and relationships to be formed.

Figure: Informal Organisational Structure



Source: istock.com

The organisation structure is a fundamental concept that is determined by the activity authority relationship in the company. It is created in such a way that it achieves business objectives.

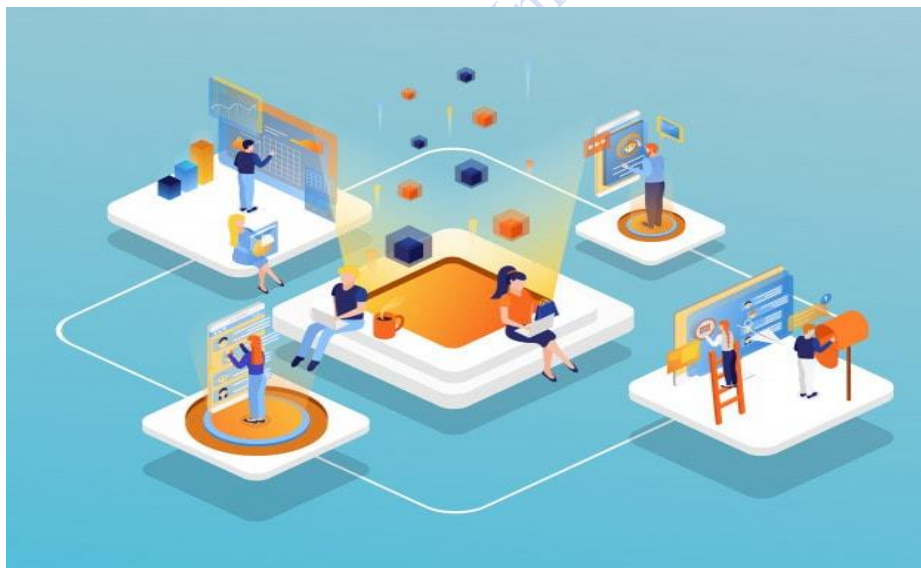


6.11 VIRTUAL ORGANISATION

This new type of organisation, known as a "virtual organisation," first appeared in 1990 and is also known as a "digital organisation," a "network organisation," or a "modular organisation." Simply put, a virtual organisation is a network of cooperation made possible by ICT, or Information and Communication Technology, which is flexible and adapts to market dynamics.

Alternately, a virtual organisation is a social network in which all horizontal and vertical boundaries have been removed. It is a boundary-less organisation in this sense. It consists of people working from physically dispersed work locations, or even people working from mobile devices and not tied to a specific workspace. ICT is the foundation of a virtual organisation. It is ICT that coordinates activities and combines workers' skills and resources with the goal of achieving a common goal set by a virtual organisation. Managers in these organisations use computer network links to coordinate and control external relations. In India, too, the virtual form of organisation is growing. Nike, Reebok, Puma, Dell Computers, HLL, and other well-known companies

Figure: Virtual Organisation



Source: marketing91.com

When it comes to flexibility, organisations may have several options, including flexi-time, part-time work, job-sharing, and home-based working. One of the most important issues in achieving flexibility to respond to changes - both internal and external - is determining the degree of control or autonomy that virtual organisations will impose on their members. This



is due to the paradoxical nature of flexibility. That is, while an organisation must have some procedures that increase its flexibility in order to avoid rigidity, it must also have some stability in order to avoid chaos.

6.12 TYPES OF VIRTUAL ORGANISATION

The following are the some important types of virtual organisation: -

- **Telecommuters:** These businesses have employees who work from home. They communicate with the workplace via personal computers linked to phone lines via modem. Dow Chemicals, Xerox, Coherent Technologies Inc., and others are examples of companies that use some form of telecommuting.
- **Outsourcing:** These businesses are distinguished by the outsourcing of all or nearly all core competencies. Marketing and sales, human resources, finance, research and development, engineering, manufacturing, information systems, and other areas are suitable for outsourcing. In such cases, the virtual organisation excels in one or two core areas of competence. Nike, for example, excels at product design and marketing while relying on information technology outsourcing to maintain inter-organizational coordination.
- **Completely Virtual:** These are companies without walls that are tightly linked to a large network of suppliers, distributors, retailers, and customers, as well as strategic and joint venture partners. The Atlanta Committee for the Olympic Games (ACOG) in 1996 and IBM's PC development efforts are two examples of completely virtual organisations.

6.13 FOUNDATIONS OF ORGANISATIONAL STRUCTURE

The organisational structure is based on the following factors:

- **Objectives of the organisation:** An organization's objectives must be considered when designing its structure. The organisational structure should be framed in accordance with the organisational objectives established during the planning function.
- **The Organization's Size:** The size of an organisation has a significant impact on its structure design. The size of an organisation can be determined by the number of employees employed, the amount of money invested, the company's turnover, or its primary capacity of production.
- **Environmental Aspects:** Every organisation operates in a unique setting. The environment is also known as the business environment. The internal environment of an organisation such as employees, management policies, processes, culture, and so on is referred to as the internal environment, whereas the external environment is



referred to as the external environment such as market trends, competitors, social customs, emerging technologies etc.

- **Technology's Role:** Technology plays an important role in the execution of various activities and in the formation of organisational structures. Almost all of an organization's activities are now technology-based. For example, the use of software, the automation of different processes, and so on.
- **Employees of the Company:** People are an essential component of any organisation. People are assigned to managerial and non-managerial roles based on their knowledge, skills, and abilities (KSA) to perform various tasks. Structure: The employee relationship that is based on personal attitudes, prejudices, and interests rather than procedures. It is a system of personal and social connection that does not require formal organisation to create.

The organisation structure is a fundamental concept that is determined by the activity authority relationship in the company. It is created in such a way that it achieves business objectives.

ACTIVITY

Select any ten hotels situated dividing them into three categories such as Budget Hotels, Star Category and Multinational Chains respectively in NCR area and note down their organisational structure. After that analyse the difference between these three categories and prepare an assignment and submit it to the subject teacher.

IN-TEXT QUESTIONS

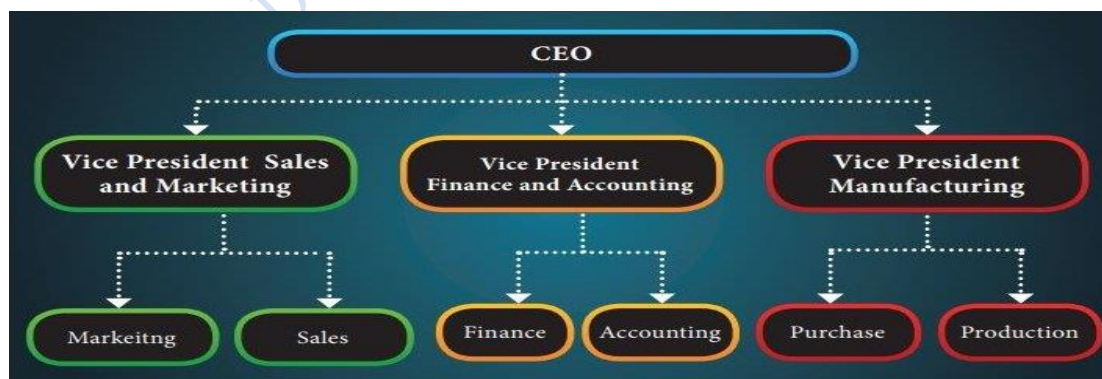
6. It is defined as the structure within which managerial and operational tasks are carried out.
- | | |
|----------------------------|----------------------------------|
| a) Management tenure | b) Structure of the organisation |
| c) Unofficial organisation | d) None of the preceding |



7. Uranus Limited is a manufacturer of metal products. The work is divided into functions such as production, purchasing, marketing, accounting, and personnel. Determine the organisational structure used by the organisation.
 - a) Divisional structure
 - b) Functional structure
 - c) Relational structure
 - d) None of the preceding
8. Manpower is grouped according to the different products manufactured in this type of organisational structure.
 - a) Divisional structure
 - b) Functional structure
 - c) Network design
 - d) The matrix structure
9. Describe the type of organisation that is purposefully designed by top management to achieve a common organisational goal.
 - a) Corporate structure
 - b) Divisional structure
 - c) Formal structure
 - d) Unofficial organisation
10. The following organisation is ideal for _____ because it allows for quick communication and accurate feedback.
 - a) Functional Organization
 - b) Unofficial Organization
 - c) Organizational Structure
 - d) Formal Structure

6.14 DEPARTMENTATION

Figure: Departmentation



Source: legalpaathshala.com



The tasks are classified into different departments based on their similarities. This is known as Departmentation. The following are the most common types of Departmentation: -

- **Functional Departmentation:** Activities can be grouped according to functions (work being done) in order to achieve economies of scale by grouping employees with similar skills and knowledge into departments such as human resources, information technology, accounting, manufacturing, logistics, and engineering. Functional organisation can be used in any type of organisation.

Figure: Functional Departmentation



Source: kalyancity.com

- **Product Departmentation:** Tasks are assigned to a specific product or service. All activities related to the product or services are overseen by a single manager. Each major product line in the company is overseen by a senior manager who is an expert in the field and is responsible for everything related to the product line. The structure of a shoe company could be based on product lines such as women's footwear, children's footwear, and men's footwear.

Figure: Product Departmentation

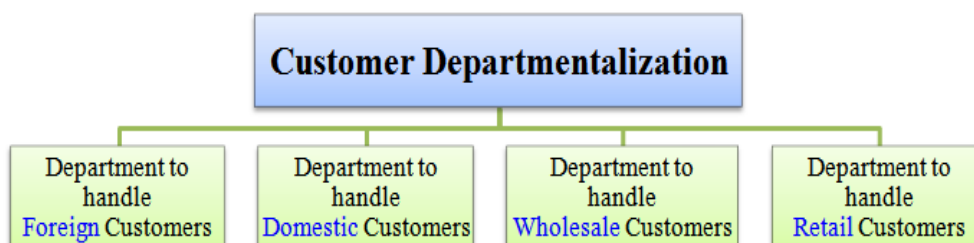


Source: kalyancity.com

- **Customer Departmentation:** Jobs are classified based on the type of customers served by the organisation, with the assumption that customers in each department have a common set of problems and needs that are best met by specialists. For example, the organization's sales activities can be divided into three departments that serve retail, wholesale, and government accounts.



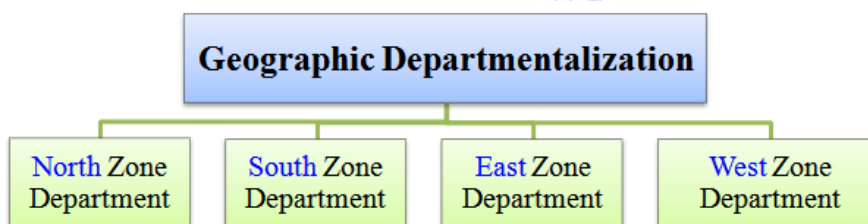
Figure: Customer Departmentation



Source: kalyancity.com

- **Geographic Departmentation:** If the customers are geographically dispersed, jobs can be classified according to their location. For example, a company's organisational structure can reflect its operations in two broad geographic areas: the domestic sector and the international sector. The national sector could be further subdivided into north, south, east, and west zones.

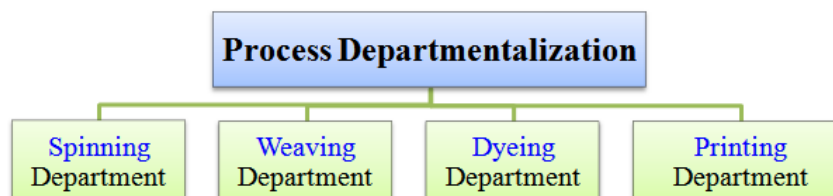
Figure: Geographic Departmentation



Source: kalyancity.com

- **Process Departmentation:** Because each process necessitates a different set of skills, process departmentalization allows homogeneous activities to be classified in a single department. For example, before receiving a driver's licence, applicants may need to go through several departments, including validation, licencing, and treasury. Each department is responsible for a specific sequence of the process, which increases its speed and efficiency.

Figure: Process Departmentation



Source: kalyancity.com



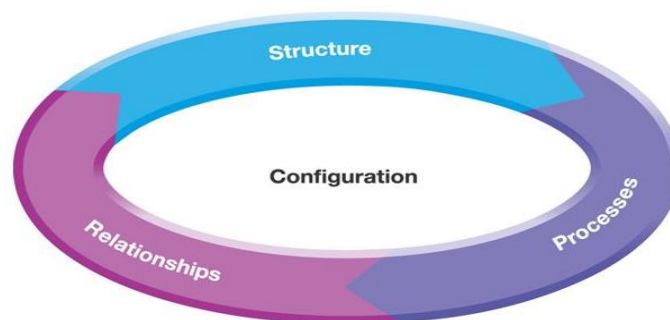
6.15 CONFIGURATION

The term "configuration" is commonly used in computer operations to describe the programmes that are included in it. The programme specifies the capacity, volume of items that can be stored, and so on. This concept is also extended to designing an organisational structure using any of the structure types depicted in the template. Structures are designed to be unique. Thus, preparing a chart and changing the basic structure as needed may be referred to as "configuration" of organisational structure. The basic structures, namely line staff and matrix, can be configured according to the organization's purpose, goals, and objectives. Any number of configured charts can be prepared for any enterprise activity.

The examples of configured charts include: (i) a business organisation chart, (ii) photo organisation charts that include photos of every individual working at various levels of the organisational hierarchy, and (iii) company organisation chart, (iv) city organisation chart depicting different parts of a city with different hierarchical structure in each branch, (v) city organisation chart depicting different branches of an enterprise functioning in different parts of a city with different hierarchical structure in each branch, (vi) marketing organisation chart depicting different sub-functions of a firm's marketing plan, (vii) Human Resources Development Chart, (viii) Financial Operations Chart, (ix) Team Organizational Chart, (x) Organization charts for various activities with hierarchies such as police, schools, hospitals, hotels, information technology companies, consumer marts, and so on.

These are customized charts that are set up to meet the needs of the organisation. Other issues are taken into account when designing the structure. These are operational aspects that have a greater impact on organisational flow and operational costs. They must be taken into account for organisational effectiveness.

Figure: Organisational Configuration



Source: slideplayer.com



ACTIVITY

Discuss in the class about, “need and importance of departmentation for the smooth functioning of a business house.” Also take into consideration the negative aspects of the departmentation.

IN-TEXT QUESTIONS

11. ____ refers to the process of dividing a large monolithic functional organisation into small and flexible administrative units.
 - a) Personnel
 - b) Delegation
 - c) Departmentation
 - d) Command
12. Departmentation is the process by which
 - a) Tasks are classified as jobs.
 - b) Jobs are organised into efficient work groups.
 - c) Work groups are classified into distinct segments.
 - d) All of the preceding
13. Departmentation results in the grouping of
 - a) Extracurricular Activities
 - b) Personnel
 - c) 'a' and 'b' both
 - d) None of the preceding
14. The following departmentation is common in hospitals:
 - a) In terms of function
 - b) Through a committee
 - c) According to geographical region
 - d) All of the preceding
15. The ____ includes departmentation.
 - a) Organisational procedure.
 - b) Process control
 - c) The planning procedure.
 - d) The hiring procedure



6.16 SUMMARY

Organizing is a managerial function that aims to adjust and connect business activities. Organisation is a system that aids in the formation of meaningful relationships between people on both the vertical and horizontal axes. The pursuit of specific and well-defined objectives binds any organisational structure together. This entails establishing appropriate and correct relationships between an employee and his work; between employees; and between departments. Organisation is a managerial function that aims to adjust and connect business activities. Delegation of authority reduces their workload and they get time to identify new methods to perform the work.

Delegation of authority reduces their workload and they get time to identify new methods to perform the work. Good organisation results in the formation of a well-balanced, low-cost team that completes the required work. A virtual organisation is a social network in which all horizontal and vertical boundaries have been removed. It consists of people working from physically dispersed work locations, or even working from mobile devices. Authority and responsibility should be equal, which means that each manager should have enough authority to complete the task.

6.17 GLOSSARY

- **Department:** A subset of a larger organisation that can be organised around a variety of parameters such as function, starting and maintaining solid, professional invoicing practices is critical for a company's growth.
- **Departmentation:** The process of categorizing various activities into distinct departments. It is the process of breaking down each activity into small jobs and organising them into administrative departments. Departmentation is a critical component of the organising process.
- **Organiser:** Any person or entity that prepares and files the Articles of Organization on behalf of a limited liability company. An organiser does not have to be a member of the LLC. Attorneys are examples of LLC organisers. Zen Business, for example, provides business formation services.
- **Organising:** is the management function that follows planning; it entails task assignment, task grouping into departments, and task assignment with adequate responsibility, and resource allocation across the organisation to achieve common goals.
- **Organisation:** A structure in which people from various backgrounds, educational backgrounds, and interests come together to work toward a common goal.



- **Organisational Structure:** A system outlining how specific activities are directed in order to achieve an organization's goals. Rules, roles, and responsibilities are examples of such activities. The organisational structure also governs how information flows within the company.
- **Virtual Organisation:** An alliance of individuals, business units, or companies with diverse core competencies that collaborate to bring a project to market faster.

6.18 ANSWERS TO IN-TEXT QUESTIONS

1. (c), Organising	9. (c), Formal Structure
2. (c), Specialization	10. (b), Unofficial Organisation
3. (d), All of the Above	11. (c), Departmentation
4. (d), What steps will be taken?	12. (d), All of the preceding
5. (a), Process of organising	13. (c), 'a' and 'b' both
6. (b), Structure of the organisation	14. (a), in terms of function
7. (b), Functional Structure	15. (a), the organisational procedure
8. (a), Divisional Structure	

6.19 SELF-ASSESSMENT QUESTIONS

1. What is organising? Discuss the features and significance.
2. Define organising. What are the essential elements of organising? Elaborate.
3. Discuss the role of organising in corporate house.
4. Elaborate the process of organising with the help of suitable examples.
5. Certain principles have been taken into consideration while thinking of organising. Elaborate those principles.
6. What do you understand by organisation? Discuss the process with suitable example.
7. "Virtual organisations are the reality of present time." How? Discuss.
8. Discuss the different types of organisational structure with the help of suitable examples.
9. Departmentation is necessary to enhance the functioning of an organisation. Discuss



10. “Departmentation helps in dividing the task and work of employees according to their specialisation and competence.” Do you agree with the statement? Comment
11. Define the term configuration. Discuss the significance of configuration by taking into consideration the Indian business scenario.

6.20 REFERENCES

- **Aswathappa, K. & Reddy, G.S. (2012).** *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 489-569
- **Ghuman, K. & Aswathappa, K. (2010).** *Management*. McGraw Hill, pp 237-264.
- **Griffin, R. W. (2009).** *Management*. Cengage Learning. Pp. 229-291.
- **Gupta, C. B.** *Business Organization and Management*. Sultan Chand & Sons. Pp. 6.84-6.119.
- **Raju, R. S. & Parthasarathy, A. (2009).** *Management*. Prentice Hall of India. pp. 72-91.

6.21 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.



- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasishth, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.

© DDCE/COL/SOL/University of Delhi



LESSON 7
MOTIVATION

Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal

STRUCTURE

- 7.1 Learning Objectives
- 7.2 Introduction
- 7.3 Factors Essential for effective Motivation
- 7.4 Features of Motivation
- 7.5 Significance of Motivation
- 7.6 Theories of Motivation
- 7.7. Rewards
- 7.8 The Efficacy of Rewards
- 7.9 Organisational Incentive System
- 7.10 Incentive based Motivation
- 7.11 Distinction between Reward and Incentives
- 7.12 Types of Incentives
- 7.13 Summary
- 7.14 Glossary
- 7.15 Answers to In-Text Questions
- 7.16 Self Assessment Questions
- 7.17 References
- 7.18 Suggested Readings

7.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-



- The concept, factors, features, significance and theories of motivation.
- The meaning and efficacy of rewards.
- The incentive system useful for maintaining the performance and productivity of employees.
- The rewards, recognition and incentives play an essential role in maintaining the motivation level of the employees at all levels.

7.2 INTRODUCTION

Figure: Motivation



Source: <https://www.invistaperforms.org/>

'Motivation' is the process of inspiring people to increase their desire and willingness to perform their duties effectively and collaborate to achieve an enterprise's common goals. In other words, it means to induce, instigate, incite, or prompt someone to take a specific action in order to achieve the desired results. Motivation is the driving force that drives a person to give his or her all in the completion of a task. Motivation is a general inspiration process that gets team members to pull their weight effectively in order to show their loyalty to the group, carry out the tasks they have accepted properly, and generally play an effective role in the job that the group has undertaken." In fact, motivation can be viewed as an essential component of the direction process. When directing subordinates, the manager must try to instil in them a desire to enthusiastically pursue the organization's goals. In doing so, the manager may be said to be concerned with motivation. The term "motivation" is derived from the word "drive."



A motive is defined as "an inner state that energises, activates, or moves human behaviour toward goals." Motives are an expression of a person's wants and needs. To motivate individuals to work toward the realisation of the organization's goals and objectives, the manager must first identify the motives or, in other words, the needs of the employees that demand their satisfaction. Thus, motivation can be defined as the process by which an individual is given the opportunity to meet his needs by pursuing specific goals. In the hands of a manager, motivation is a powerful tool for inducing his subordinates to act in the desired manner by satisfying their needs and desires. It is interested in how behaviour begins, is energized, initiated, sustained, and directed. A successful manager understands that issuing directions, no matter how well-intended, does not guarantee that they will be followed. He employs motivation effectively to enthuse personnel to work effectively toward the achievement of the established goals.

7.3 FACTORS ESSENTIAL FOR EFFECTIVE MOTIVATION

The motivation is determined by the factors given below:

- **Affordably Priced Financial Incentive:** Provisions should be made for the enterprise's employees to be fairly and adequately compensated. Employees must be compensated in a way that makes them happy. They will not be motivated to work hard if they are not adequately compensated. To encourage employees, proper arrangements must be made for adequate wages and salaries, bonuses, various allowances, and so on.
- **Harmonious Working Environment:** A conducive or pleasant work environment is required for effective employee motivation. The motivation process will be ineffective unless favourable working conditions are created. A suitable work environment includes adequate ventilation and lighting, as well as a clean and healthy working environment.
- **Provision for Promotion:** Employees are motivated by the possibility of future advancement. The arrangement for promotion should be based on the employees' seniority or efficiency.
- **Non-Monetary Benefits:** Aside from monetary incentives, non-monetary benefits such as free travel, education, lodging, and medical treatment for employees should be provided to motivate them.
- **Pension Benefits:** Employee retirement benefits should be adequate in order to motivate them to work harder. Important retirement benefits, such as provident fund, pension, and gratuity provisions, must be arranged.
- **Job Security:** Employees should be assured of the security of their employment. They will be highly motivated if they feel safe and secure in their jobs.



- **Goodwill and Enterprise Development:** Employees will be more motivated to perform their jobs more effectively if the company for which they work has a good reputation in the market and the possibility of expansion, growth, and prosperity in the near future.
- **Appreciation:** Employees' good work should be recognised, accepted, and praised by upper-level managers in order to create motivation among employees.
- **Employee Unification:** Motivating employees can be achieved by establishing unity among them. A friendly relationship should be established between them for this purpose. Equal and impartial treatment of employees at all levels is also required, as is the improvement of working relationships.
- **Relationship with Higher-Authority:** A delightful attitude by higher authority and good relations between employees and higher authority are required for properly and adequately motivating employees.

7.4 FEATURES OF MOTIVATION

The following are the key features or characteristics of motivation:

- **Human Aspect:** Motivation is solely concerned with the human side of a business. It refers to the process of motivating people to take action in order to achieve the desired results. It instils a desire to work in individuals. If a manager can enthuse, initiate, and build up employee loyalty to the achievement of the enterprise objectives with their willing cooperation, the sum total of all of these will amount to motivation. Thus, motivation is a behavioural concept that guides human behaviour toward specific objectives.

Figure: Why Motivation?



Source: iedunote.com



- **Psychological Concept:** Motivation is a psychological concept that generates feelings of certain needs within an individual. Human needs are simply feelings in a person's mind that he lacks certain things. Such internal feelings influence a person's behaviour. Workers with exceptional abilities will not be able to perform as expected unless they are effectively motivated. Workers' effective performance can be defined as the end result of their abilities combined with proper motivation. Thus, $\text{Performance} = \text{Motivation} \times \text{Abilities} \times \text{Opportunities}$.
- **Need-Meeting Activity:** Motivation is linked to meeting human needs. It can only be effective if an accurate analysis of the workers' needs is performed, after which they can be induced to work in the desired manner. A worker will only perform the desired activity if he sees it as a means of continuing to meet his cherished needs. All motivated human behaviour is directed toward the satisfaction or fulfilment of needs.
- **Motivation is Complete, Not Partial:** Partially motivating a worker is impossible. Each individual in the organisation is a self-contained and inseparable unit, with interconnected needs. These have varying effects on his behaviour. To be effective, motivation must treat the worker as an indivisible unit and appeal to all of his desires and aspirations.
- **Non-financial and Financial:** Depending on the workers' needs, emotions, and sentiments, motivation can take various forms. It is divided into two categories: financial and non-financial. Financial motivation can be created by increasing wages, allowances, bonuses, prizes, and other perks, whereas non-financial motivation can be created by providing greater responsibility or increased participation in decision-making, among other things.
- **Ongoing Process:** Human needs are limitless. "Man is a wanting animal—as soon as one of his needs is satisfied, another appears in its place," said Abraham H. Maslow. This procedure is never-ending..." As a result, motivation cannot be a time-limited process. It is ongoing.

7.5 SIGNIFICANCE OF MOTIVATION

Motivation is one of the most important factors influencing organisational efficiency and effectiveness. All organisational facilities will be wasted if there are no motivated people to use them effectively. Every superior in the organisation must motivate his subordinates in order to inspire a desire to work in them. Motivation's role, importance, and significance can be summarised as follows: -



Figure: Significance of Motivation



Source: marketing91.com

- **Remove Apathy:** It is widely held that workers, on average, do not expend enough energy to complete a task assigned to them. This is because they are dissatisfied with their jobs, work situations, or management authority. Workers' apathy for peak performance is removed by motivation.
- **Associating 'Will to Work' and 'Capacity for Work':** Will to Work and capacity for Work are not the same thing. A man may have the physical strength, technical skill, sufficient intelligence, and mental alertness to do a job, but he may not have the mentality to apply them fully. Motivation overcomes this psychological barrier by combining the workers' will to work with their capacity for work.
- **Workers' Full Support:** A successful manager must be able to ensure the workers' full support and cooperation with their energy, ability, and enthusiasm. "You can buy a man's time and his physical presence in a given place, but you can't buy his enthusiasm, initiative, or loyalty, or his capacity, will, and energy in the absence of motivation." Thus, motivation is a key characteristic of a successful manager.
- **Need Recognition:** Managers are motivated when they understand and recognise the needs of their employees and provide them with appropriate satisfaction at workplace. If this understanding exists, and motivation works behind it, managers are certain to receive the necessary co-operation from employees for the enterprise's profitability.
- **Maximum Resource Utilization:** Motivation inspires workers to make the best use of various production factors. They work tirelessly to apply their skills to reduce waste and costs. This will allow the company to make the best use of its human, physical, and financial resources.
- **Improved Performance and Productivity:** Motivation is an effective tool in the hands of managers to maximise the efficiency and output of the enterprise's



operations. When compared to other employees, motivated employees perform better. A happy and engaged workforce ensures increased efficiency and output. Increased labour productivity leads to higher wages for employees and higher profits for the company. High performance is required for an organisation to be successful, and this performance is achieved through motivation.

- **Higher Employee Retention Rate:** Motivated employees stay with the company and have low absenteeism. High labour turnover and absenteeism cause numerous issues in the workplace. The presence of appealing financial and non-financial incentives aids in employee retention. They are not easily swayed by offers from competitors. With lower labour turnover, the company can plan its activities over a longer period of time.
- **Adaptability towards Changes:** Organizations are essential components of society. Changes in society, such as changes in technology, knowledge, value systems, and so on, necessitate that an organisation incorporate those changes in order to meet the demands of the time.
- **Improved Industrial Relations:** The existence of appealing motivational schemes encourages a closer identification between the enterprise and its employees. They combine their personal interests with the goals of the organisation. At all levels, there is a sense of belonging and mutual cooperation. Employees will be more motivated if they are motivated. This will reduce labour unrest and improve relations between managers and employees.

Motivation is critical to business activities because it is a critical component of the management process. Without motivation, no tangible result of peak performance is possible. Motivation is essential for the successful completion of various functions such as planning, organising, directing, coordinating, and controlling. Motivation is the driving force that allows for effective planning, organisation, direction, coordination, and control.

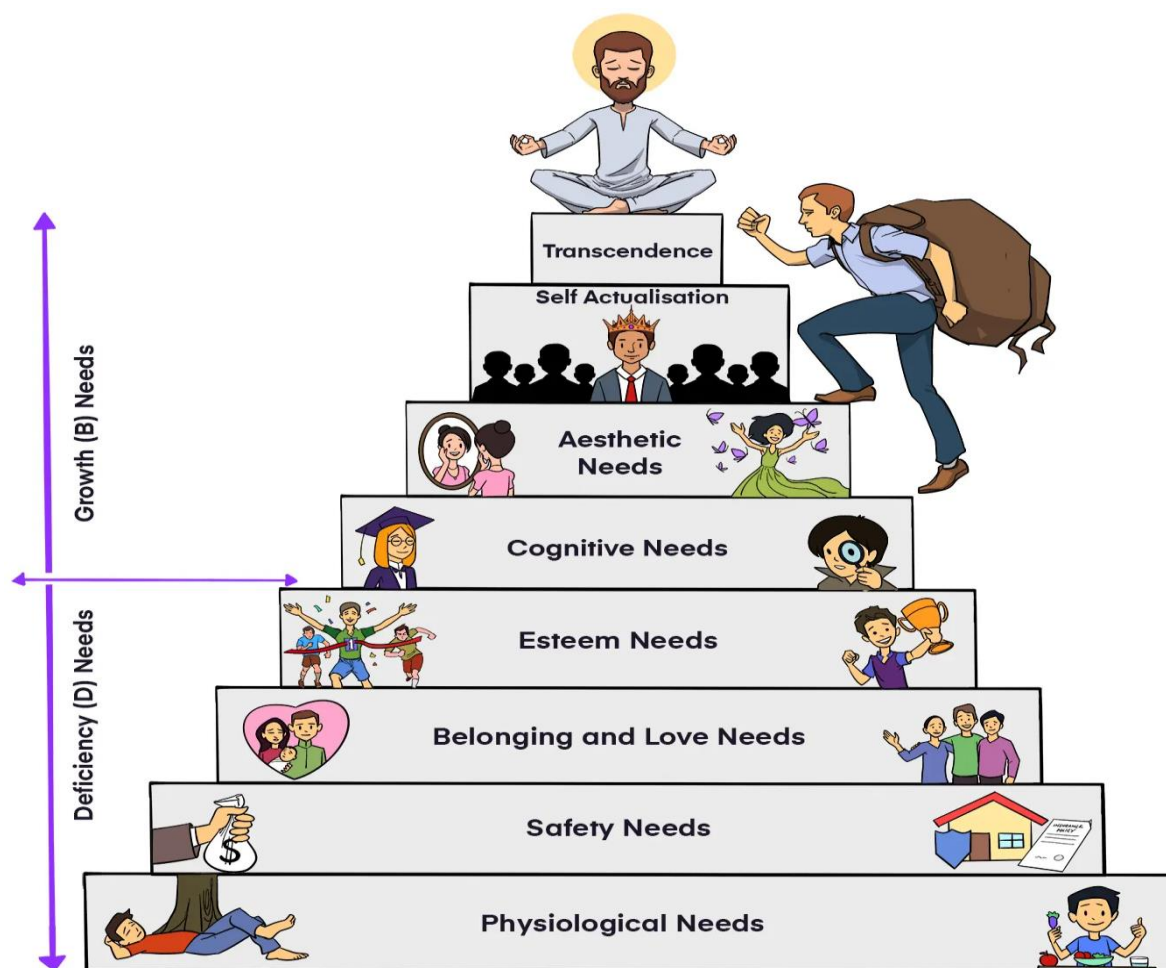
7.6 THEORIES OF MOTIVATION

Motivation is a state of mind that is filled with energy and enthusiasm and drives a person to work in a specific manner in order to achieve desired results. Motivation is a driving force that drives people to work hard and stay focused even when things are going against them. Motivation results in a specific type of human behaviour. In a nutshell, motivation is the driving force behind human behaviour. Many different forces influence and direct our motivations. Every team member in an organisation must be motivated and meet the best project management course bottom line. Several psychologists have investigated human behaviour and formalised their findings in the form of various motivational theories. These motivational theories offer information.



- a) **Maslow's Hierarchical Needs Theory:** Abraham Maslow proposed that a person is motivated when all of his needs are met. People work not for security or money, but to contribute and use their skills. He demonstrated this by constructing a pyramid to depict how people are motivated and stating that an individual can hardly move up to a higher stage except lower - level needs seem to be satisfied. The lowest level needs in the pyramid are basic needs, and unless these lower-level needs are met, people do not consider working toward meeting the higher-level needs.

Figure: Maslow's Hierarchical Needs Theory



Maslow's Hierarchy of Needs - Extended

Source: communicationtheory.org



The following is the hierarchy of needs: -

- **Psychological:** Physiological needs include things like air, sleep, food, water, clothing, sex, and shelter.
- **Safety:** Protection from threats, deprivation, and other hazards is required (e.g., health, secure employment, and property)
- **Social:** Needs for social (belongingness and love) association, affiliation, friendship, and so on.
- **Self-Esteem:** Needs for respect and recognition for self-esteem
- **Self-Actualization:** Personal development, learning, and fun/creative/challenging work are all necessary for self-actualization. The highest level of need to which a human being can aspire is self-actualization.

The leader must understand the current level of the team members and seek to assist them in meeting those specific needs, as well as work to help fulfil those needs. This will help the team members perform better and move the project forward. Furthermore, as their needs are met, team members will begin to perform until they begin to consider meeting the next higher level of need as described in the pyramid.

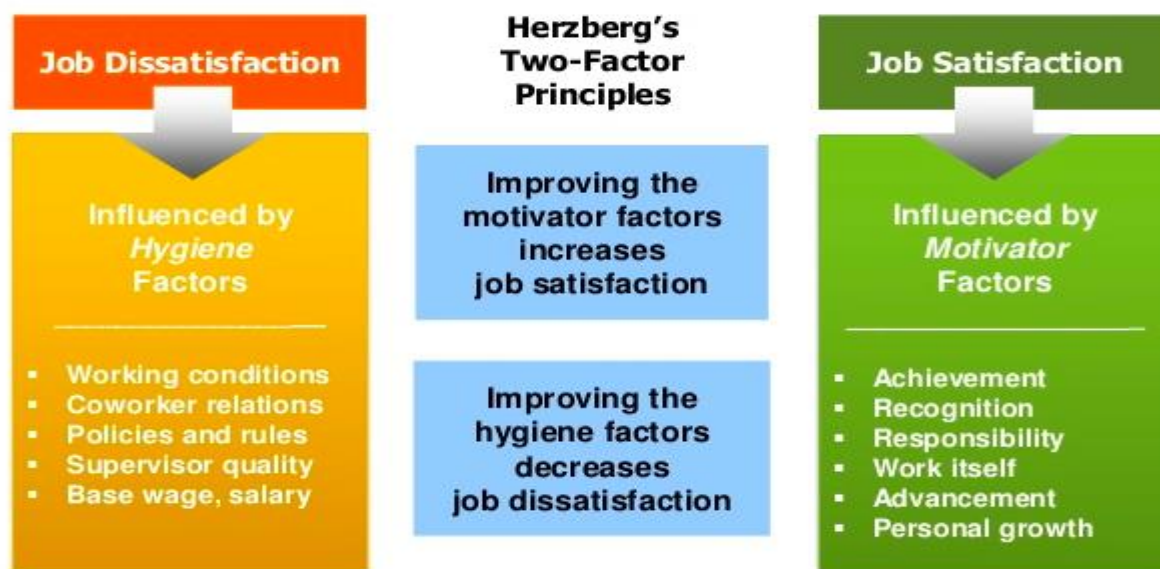
b) **The Two-Factor Theory of Herzberg:** Herzberg divided the needs into two categories: hygiene factors and motivating factors: -

- Poor hygiene factors can destroy motivation, but improving them will not improve team motivation in most cases.
- Motivator factors are required in addition to hygiene factors to motivate people.

Herzberg's two-factor principles		
Influenced by Hygiene Factors (Dissatisfiers)	Improving motivator factors increases job satisfaction	Influenced by motivator factors (Satisfiers)
<ul style="list-style-type: none">• Working condition• Co-worker relations• Policies & rules• Supervisor quality	Improving the hygiene factors decreases job dissatisfaction	<ul style="list-style-type: none">• Achievements• Recognition• Responsibility• Work itself• Personal grow



Figure: The Two-Factor Theory of Herzberg



Source: <https://courses.lumenlearning.com/>

Limitations: The two-factor theory has some limitations:

- Situational variables are ignored by the two-factor theory.
- Herzberg assumed that there was a link between happiness and productivity. However, Herzberg's research focused on satisfaction while ignoring productivity.
- The theory's dependability is questionable. The raters must conduct the analysis. The raters may skew the results by analysing the same response in different ways.
- There was no comprehensive measure of satisfaction used. Even if he dislikes or objects to some aspects of his job, an employee may find it satisfactory.
- The two factor theory is biased because it is based on employees' natural reactions when asked about the sources of their job satisfaction and dissatisfaction. They will blame discontent.
- Blue-collar workers are ignored by the theory.
- Despite these drawbacks, Herzberg's Two-Factor Theory is widely accepted.

Implications: According to the Two-Factor theory, managers must emphasise the adequacy of the hygiene factors in order to avoid employee dissatisfaction. Managers must also ensure that the work is stimulating and rewarding so that employees are motivated to work harder and perform better. This theory emphasises job enrichment in order to motivate employees.



The job must make the best use of the employee's skills and competencies. Working on motivational factors can help to improve work quality.

- c) **McClelland's Needs Theory:** McClelland asserts that we all have three motivating drivers that are independent of gender or age. One of these drives will take precedence in our behaviour. Our life experiences influence the dominant drive. The three motivators are as follows: -

Figure: McClelland's Needs Theory



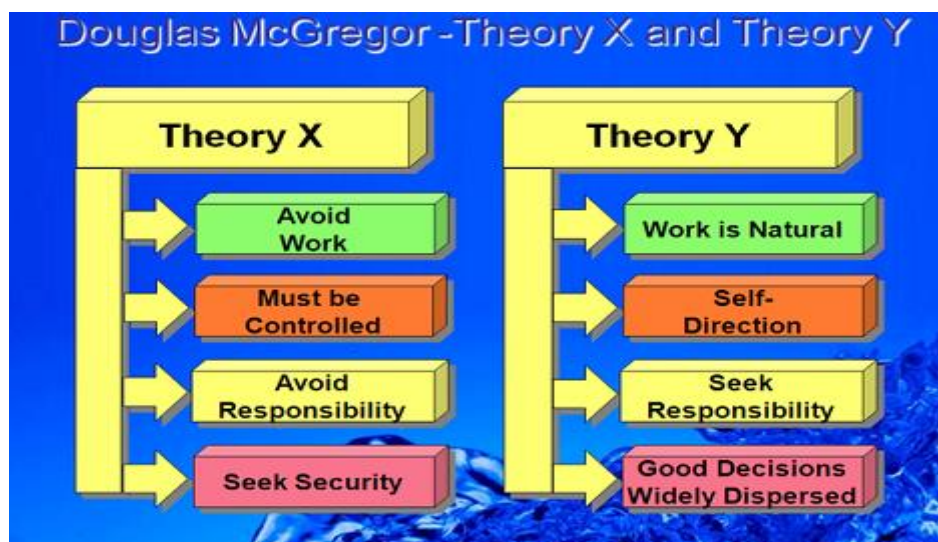
Source: <https://sites.google.com/>

- **Achievement:** the desire to complete tasks and demonstrate one's own competence. People who have a strong need for accomplishment prefer tasks that give them personal responsibility and results based on their own efforts. They also prefer immediate recognition of their progress.
 - **Affiliation:** Affiliation is defined as a desire for love, belonging, and social acceptance. People who have a strong need for affiliation are motivated by the desire to be liked and accepted by others. They are more likely to attend social gatherings and may be uncomfortable with conflict.
 - **Power:** the desire to exert control over one's own or others' work. People who have a strong need for power seek situations in which they can exert power and influence over others. They seek positions of status and authority and are more concerned with their level of influence than with effective work performance.
- d) **McGregor's Participation Theory:** Based on worker participation, Douglas McGregor developed two distinct views of human beings. The first is essentially



negative and is labelled Theory X, while the second is essentially positive and is labelled Theory Y.

Figure: McGregor's Participation Theory



Source: differencebetween.net

The following assumptions underpin Theory X:

- People are inherently lazy. In other words, they prefer to work as little as possible.
- Lack of ambition, dislike of responsibility, and preference for being directed by others.
- People are inherently self-centered and unconcerned about the needs and goals of the organisation.
- People are generally gullible and lack sharpness and brightness.

Theory Y, on the other hand, assumes:

- People are not passive or resistant to organisational goals by nature.
- They want to be held accountable.
- They want their company to succeed.
- People have the ability to direct their own behaviour.
- They have a strong desire to succeed.

McGregor's theory X and Y attempted to dramatize the extremes to draw the fencing within which the organisational man is usually seen to behave. The fact remains that no organisational man would belong to either theory X or theory Y. In reality, he or she



possesses characteristics of both. What actually occurs is that man swings from one set of properties to the other as his mood and motives change in a changing environment.

Implications:

- Theory X is now used by a large number of organisations. Theory X advocates for strict control and supervision. It suggests that employees are apprehensive about organisational changes. As a result, it discourages innovation.
 - Theory Y techniques are used in many organisations. According to Theory Y, managers should create and encourage a work environment that allows employees to take initiative and self-direction. Employees should be given opportunities to contribute to the overall well-being of the organisation.
 - In an organisation, Theory Y promotes decentralisation of authority, teamwork, and participatory decision making. Theory Y looks for and discovers ways for employees to make significant contributions in an organisation. It aligns and matches the needs and aspirations of employees with the needs and aspirations of the organisation.
- e) **Equity Theory:** The principle of balance or equity is at the heart of equity theory. According to this motivation theory, an individual's motivation level is related to his perception of the management's equity, fairness, and justice. The greater an individual's perception of fairness, the higher their motivation level, and vice versa. When evaluating fairness, the employee compares the job input (in terms of contribution) to the outcome (in terms of compensation), as well as the same with another peer of equal cadre/category. To make such a comparison, the D/I ratio (output-input ratio) is used.

Figure: Equity Theory



Source: <https://thebusinessprofessor.com/>



EQUITY THEORY	
Ratio Comparison	Perception
$O/I\ a < O/I\ b$	Under-rewarded (Equity Tension)
$O/I\ a = O/I\ b$	Equity
$O/I\ a > O/I\ b$	Over-rewarded (Equity Tension)

Negative Tension State: When this ratio is equal, equity is perceived. When this ratio is unequal, it causes "equity tension." J. Stacy Adams refers to this as a negative tension state, which motivates him to do something to alleviate the tension. To understand this point, a comparison was made between two workers A and B.

Referents: According to Goodman, the four comparisons that an employee can make are referred to as "referents." In equity theory, the referent chosen is a significant variable. These are the references: -

- **Self-Inside:** Employee's experience in a different position within his current organisation.
- **Self-Outside:** Outside-of-the-company experience: An employee's experience in a situation outside of the current organisation.
- **Other-Inside:** Another employee or group of employees within the employee's current organisation.
- **Other-Outside:** Another employee or employees who are not currently employed by the employee's current organisation.

An employee may compare himself to a peer within his current job in the current organisation, a friend/peer working in another organisation, or past jobs held by him with others. The appeal of the referent and the employee's knowledge of the referent will influence an employee's choice of the referent.

Moderating Variables: Moderating variables include gender, salary, education, and experience level. Individuals with a higher level of education are more informed. As a result, they are more likely to compare themselves to outsiders. Males and females prefer comparisons of the same sex. Females are typically paid less than males in comparable jobs and have lower salary expectations than males for the same work. As a result, a female employee who refers to another female employee tends to result in a lower comparative standard. Employees with more experience are more familiar with their organisation and can compare themselves to their co-workers, whereas employees with less experience rely on personal experiences and knowledge to make comparisons.



Choice: Employees who perceive inequity and are under negative stress have the following options: -

- Change in input (e.g., don't overexert)
- Change the outcome (Produce quantity output and increasing earning by sacrificing quality when piece rate incentive system exist)
- Choose a different referent.
- Give up your job.
- Change your self-perception (for example, I know I've performed better and harder than everyone else.)
- Change your perception of others (for example, Jack's job is not as desirable as I previously thought it was.)

Assumptions:

- The theory demonstrates that people are concerned with both their own rewards and what others get in comparison.
- Employees expect a fair and equitable return on their efforts at work.
- Employees determine their equitable return by comparing their inputs and outcomes to those of their co-workers.
- Employees who perceive themselves to be in an inequitable situation will attempt to reduce the inequity by psychologically distorting inputs and/or outcomes, directly altering inputs and/or outputs, or leaving the organisation.

Motivation is the mental state that drives all humans to perform to their full potential, with good spirits and a positive attitude. The various motivation theories discussed above help us understand what factors drive motivation. It is a leader's responsibility to ensure that every member of the team and organisation is motivated and inspired to do their best. This is neither quick nor easy, but the benefits of happy employees far outweigh the time and effort spent motivating them in the long run!



ACTIVITY

Organise the seminar on the topic, “Need and Importance of Motivation in boosting the performance of employees.” Discuss the role of motivation’s theories in the growth and development of employees. Prepare the assignment on this topic and submit it with the subject teacher.

IN-TEXT QUESTIONS

1. The set of forces that energise, direct, and sustain behaviour is known as _____.
a) Motivation b) Life expectancy
c) Independence d) Interaction
2. Which of the following statements about internal motivational forces is correct?
a) They are more important to comprehend than external motivators.
b) They are less important to comprehend than external motivators.
c) They are as important as external motivators.
d) Managers rarely recognise them.
3. Which of the following is NOT a source of internal motivation?
a) Objectives b) Requirements
c) Mentalities d) Feedback
4. _____ concentrates on the needs that a person is attempting to meet and the aspects of the work environment that appear to meet those needs.
a) Process hypotheses b) Theories of content
c) Situational hypotheses d) Theories of motivation
5. Rearrange the steps of Maslow's Hierarchy of Needs Theory.
A) Needs for Self-Achievement B) Physiological requirements
C) Needs for belonging and love D) Self-esteem requirements
E) Security requirements
a) ABCDE b) ADCBE
c) DCBEA d) ADCEB



7.7 REWARDS

Rewards are a type of motivational tool that entails something being given in recognition or appreciation for services rendered. Employees benefit from a rewards system that ensures consistency, constant motivation, and fulfilment. They include programmes established by the company to reward exceptional performance and motivate employees to maintain it. They could be monetary or non-monetary in nature.

7.8 THE EFFICACY OF REWARDS

The steps for making an organization's reward system effective are as follows: -

- **Equity of Reward and Effort:** Employees who believe the rewards are worth the effort will value the recognition and be motivated to work hard to obtain them.
- **Reward-based Motivation:** Managers should clearly define procedures and standards for how employees can earn their rewards. Employees will be more competitive and focused on meeting performance standards if they have a thorough understanding of what is expected of them.
- **Combination of Intrinsic and Extrinsic Rewards:** - Money is both an intrinsic and an extrinsic motivator, as people are motivated by self-esteem and ego fulfilment. Reward systems that combine monetary and non-monetary incentives have a broader appeal appreciation and a higher aspiring merit attached to them.
- **Reward Selection:** A wise approach in organisations is to allow employees to select their own rewards, as one set of rewards cannot motivate everyone. This will increase their dedication to achieving personal goals and obtaining the reward by engaging in the required behaviour. Understanding employees' needs is critical to this process.
- **Time Gap:** A large time gap between rewards and achievement usually lowers morale, creates self-doubt, and lowers productivity and aspiration for future rewards.

7.9 ORGANIZATIONAL INCENTIVE SYSTEM

An incentive is a motivating process that is motivated by the lure of external goals such as rewards, money, or recognition for an act or promise of greater action. It is also referred to as a performance stimulant. Incentives are forms of motivation that are given in addition to salary and compensation and take the form of rewards after task completion. It aims to provide an employee with additional remuneration or benefit for extra effort and recognition of achievement or better work.



7.10 INCENTIVE-BASED MOTIVATION

Employees are motivated to perform better when they are given incentives. As a result, the prospect of a reward is a powerful motivator for employees. The incentive theory is one of the major theories of motivation and proposes that behaviour is motivated by a desire for reinforcement for actions. The theory also claims that non-monetary incentives are equally motivating and engaging as monetary incentives. This includes job satisfaction, job security, and job advancement. According to the incentive theory, people are drawn toward behaviours that result in rewards and pushed away from actions that may result in negative consequences. Two people may act differently in the same situation based entirely on the types of incentives available to them at the time, and this can be due to physiological, social, and cognitive factors. Positive incentives can be used to encourage people to engage in certain behaviours, but negative incentives can be used to discourage people from engaging in certain behaviours. Incentives are only as effective as the value an individual places on the reward.

In order to be motivating, rewards must be available. The incentives can aid in the following goals: -

- Increasing employee output;
- Changing employee perceptions of work;
- Increasing employee enthusiasm for work;
- Making the best use of human resources;
- Work-related stimuli;
- To improve work performance commitment; and
- To promote job satisfaction.

7.11 DISTINCTION BETWEEN REWARD AND INCENTIVE

- The time frame is one distinction between a reward and an incentive. Companies provide incentives before work begins and rewards after work is completed.
- Managers reward employees who already perform well while providing incentives to employees who are not yet performing well.
- The reward is the prize given to the employee as a result of the incentive programme, so the incentive is a cause and the reward is an effect.

7.12 TYPES OF INCENTIVES

As a result, management must provide the following two types of incentives to motivate employees: -



- **Financial Incentives:** These are the incentives that satisfy employees by providing them with monetary rewards. Monetary rewards boost morale by increasing the employee's perception of the job's value. Employees are motivated by this added value. Money can also be used to meet physical and social needs. As a result, money not only meets psychological needs, but also security and social needs.
- **Non-Financial Incentives:** In addition to monetary incentives, employees require esteem and psychological needs fulfilment, which non-monetary rewards provide. non-monetary incentives that can satisfy employees' ego and self-actualization needs. Non-monetary incentives can take the following forms: -
- **Job Security:** Job security is an incentive that greatly motivates employees. Job security breeds loyalty and engagement. If his job is secure, he will work tirelessly to achieve the enterprise's goals. This also helps because he is free of the job's anxiety and insecurity, allowing him to give his all to the company.
- **Job Satisfaction:** It is both a cause and an effect in the workplace. A satisfying and concrete job allows for the efficient completion of tasks, which increases job satisfaction.
- **Respect and Recognition:** In accordance with the pursuit of esteem and psychological needs, an employee seeks praise for the effort he expended in the course of his job. It also satisfies the employees' ego needs. Employees will respond more positively to praise and will strive to give their all to a company.
- **Open Communication:** Some employees find feedback, communication, and responsibility to be empowering. The organisation ensures that these feedback mechanisms remain operational for employee development. This instils in the employees a spirit of participation. A few examples of ways to encourage participation include an intranet communication facility, an organisational magazine, and group discussion programmes. This also helps to motivate employees to feel important to the organisation, and the organisation can use the innovative inputs.
- **Job Enrichment:** Another non-monetary incentive is job enrichment, which involves making a worker's job more challenging and developing for the employee. This can be accomplished by increasing his responsibilities, giving him an important title, and expanding the scope and nature of his work. This allows efficient workers to get challenging jobs where they can demonstrate their worth. This also contributes to the highest level of motivation among efficient employees.
- **Career Advancement:** Promotion can range from a positional promotion to a promotion to a better office to a more subordinated position for the work. Employees feel satisfied and become more committed when they are given opportunities for advancement and growth.



ACTIVITY

Discuss in the class the importance of rewards and incentives for maintaining the motivation level of employees in an organisation.

IN-TEXT QUESTIONS

6. Which of the following options regarding employee recognition at work is incorrect?
 - a) It is a type of positive motivation.
 - b) Employees feel accepted
 - c) The workforce believes they are in a winning position.
 - d) It will discourage workers.
7. Organizational incentives are _____ in nature.
 - a) Tangible b) Immaterial
 - c) Impure d) Intangible and corrupt
8. Which of the following are examples of organisational reward systems?
 - a) Positive and Negative b) Internal and external
 - c) Upper and Lower d) Intrinsic and extrinsic
9. Which of the following does not qualify as an extrinsic reward?
 - a) Profit distribution b) Profit sharing
 - c) Workplace safety d) Promotions based on quality
10. Which of the following is an incorrect method of recognising employees in an organisation?
 - a) Create a booklet of the year's best ideas.
 - b) Highlight the month's top team.
 - c) Create a "behind the scenes" award.
 - d) Highlight the month's worst performer.



7.13 SUMMARY

'Motivation' is the driving force that drives a person to give his or her all in the completion of a task. In the hands of a manager, motivation is a powerful tool for inducing his subordinates to act in the desired manner by satisfying their needs and desires. The motivation process will be ineffective unless favourable working conditions are created for effective employee motivation. The following are the key features or characteristics of motivation, as well as how an enterprise should treat its employees, to encourage them to work hard and perform their jobs more effectively. Motivation is a psychological concept that generates feelings of certain needs within an individual. Financial motivation can be created by increasing wages, allowances, bonuses, prizes, and other perks. Employees require esteem and psychological needs fulfilment, which non-monetary rewards provide.

Workers with exceptional abilities will not be able to perform as expected unless they are effectively motivated. Financial motivation can be created by increasing wages, allowances, bonuses, prizes, and other perks. Employees benefit from a rewards system that ensures consistency, constant motivation, and fulfilment. Managers should clearly define procedures and standards for how employees earn their rewards. Employees will be more competitive and focused on meeting performance standards if they have a thorough understanding of what is expected of them. Employees are motivated to perform better when they are given incentives. The incentive theory claims that non-monetary incentives are equally motivating and engaging as monetary incentives. Incentives can aid in the following goals: Increasing employee output, changing employee perceptions of work, and increasing employee enthusiasm for work.

Employees require esteem and psychological needs fulfilment, which non-monetary rewards provide. A satisfying and concrete job allows for the efficient completion of tasks, increasing job satisfaction. In accordance with the pursuit of esteem and recognition, an employee seeks praise for the effort he expended. Some employees find feedback, communication, and responsibility to be empowering. An organisation ensures that these feedback mechanisms remain operational for employee development. This instils in the employees a spirit of participation. It also satisfies the employees' ego needs. Employees feel satisfied and become more committed when they are given opportunities for advancement and growth.

7.14 GLOSSARY

- **Employee:** Who is primarily involved in executive and management functions and is in charge of developing, administering, or implementing management policies.
- **Financial Incentive:** A monetary incentive paid by a company to motivate employees or encourage a specific action or behaviour.



- **Incentives:** Something that makes someone want to do something it is usually a financial reward given to executives to encourage them to work harder and achieve specific goals in the context of executive compensation.
- **Motivator:** It is the process of motivating people to take action in order to achieve the desired results. In the context of work goals, psychological factors that influence people's behaviour include a desire for money, success, and recognition.
- **Motivation:** It is derived from the word 'motive,' which means a person's needs, desires, wants, or drives. It is the process of motivating people to take action in order to achieve a goal.
- **Non-Financial Incentive:** The types of rewards that are not included in an employee's pay
- **Reward and Recognition:** Employees should be rewarded and recognised to show that they are valued. Employees who perform the activities outlined in their job description and meet their objectives are frequently rewarded and recognised with additional compensation.

7.15 ANSWERS TO IN-TEXT QUESTIONS

1. (a), Motivation	6. (d), It will discourage workers
2. (c), They are as important as external motivators	7. (a), Tangible
3. (d), Feedback	8. (d) Intrinsic and Extrinsic
4. (b), Theories of Content	9. (d), Promotion based on quality
5. (d) ADCEB	10. (d), Highlight the month's worst performer

7.16 SELF-ASSESSMENT QUESTIONS

1. What do you understand by motivation? Is it necessary to manage the motivation level of employees to enhance their performance? Discuss
2. Why we study the theories of motivation? Discuss with the help of example.
3. Elaborate Maslow's Hierarchy Theory of motivation with the help of example.
4. Distinguish between rewards and recognition.
5. $P = f(A, O, M)$ i.e. performance is the function of abilities, opportunities and motivation. Explain.
6. Discuss equity theory of motivation and its significance.



7. Discuss the pros and cons of motivational theories.
8. “Employee recognition is more essential than rewards and incentives.” Do you agree with the statement? Comment.
9. Elaborate the various financial and non-financial incentives provided for the employees working in an organisation.
10. Differentiate between financial and non-financial incentives.

7.17 REFERENCES

- Aswathappa, K. (2014). *Organisation Behaviour*. Himalaya Publishing House. Pp. 265-343
- Aswathappa, K. & Reddy, G.S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 259-318
- Ghuman, K. & Aswathappa, K. (2010). *Management*. McGraw Hill, pp 321-351.
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 317-411.
- Prasad, L. M. (2008). *Organisational behaviour*. Sultan Chand & Sons. 176-260.
- Prasad, L. M. (2011). *Organisational Behaviour*. Sultan Chand & Sons. Pp. 217-305
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. pp. 152-161.
- Robbins, Judge & Vohra (2013). *Organisational Behaviour*. Pearson Education. Pp. 213-253
- Robbins, Judge & Vohra (2018). *Organisational Behaviour*. Pearson Education. Pp. 194-230

7.18 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.



- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B, & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.



LESSON 8

LEADERSHIP, COMMUNICATION AND CONTROL

Written by : Ms. Amanpreet Kaur

Revised by : Dr. Virender Kaushal

STRUCTURE

- 8.1 Learning Objectives
- 8.2 Introduction: Leadership
- 8.3 Significance of Leadership
- 8.4 Features of Leadership
- 8.5 Leadership Styles
- 8.6 Qualities of a Leader
- 8.7 Leadership across the Organisation
- 8.8 Practices for Developing Leadership
- 8.9 Relationship among Leadership and Followership
- 8.10 Importance of Good Followership
- 8.11 Qualities of a Good Follower
- 8.12 Types of follower
- 8.13 Communication
- 8.14 Features of Communication
- 8.15 Components of Communication
- 8.16 Process of Communication
- 8.17 Types of Communication
- 8.18 Qualities of a Good Communicator
- 8.19 Goals of Communication Effectiveness
- 8.20 Factors Influencing Communication Effectiveness
- 8.21 Controlling
- 8.22 Features of Controlling
- 8.23 Process of Controlling
- 8.24 Kinds of Control
- 8.25 Benefits of Controlling
- 8.26 Drawbacks of Controlling



- 8.27 Types of Control Mechanism
- 8.28 Summary
- 8.29 Glossary
- 8.30 Answers to In-Text Questions
- 8.31 Self-Evaluation Questions
- 8.32 References
- 8.33 Suggested Readings

8.1 LEARNING OBJECTIVES

After studying this lesson, the students able to understand the:-

- The concepts, significance, features and styles of leadership.
- The qualities and leadership across organisation
- The concept, qualities and types of follower.
- The meaning, features, components, process and types of communication.
- The qualities needed to be good communicator, factors influencing communication effectiveness.
- The meaning, features, process, types, benefits and drawbacks of controlling.
- These are very important functions undertaken in the management of a corporation because lack of these aspects results in failure of an organisation.

8.2 INTRODUCTION: LEADERSHIP

Figure: What is Leadership?



Source: thebalancemoney.com



Leaders and their leadership abilities are critical to the growth of any organisation. Leadership is the process of influencing people's behaviour so that they work willingly and enthusiastically towards the achievement of group goals. The act and skill of leading a group of people or an organisation is known as leadership. It is frequently associated with the position and characteristics of a company's manager and chief executive. They have authority and power, which they use to set goals, influence and motivate their peers and subordinates, and allocate company resources. Goal achievement is determined by leadership. A different type of leadership is required for each situation. To be successful, the leader must be present at the right time and place.

8.3 SIGNIFICANCE OF LEADERSHIP

Figure: Significance of Leadership



Source: <https://www.linkedin.com/>

The significance of leadership is understood by going through the following points: -

- **Taking the First Step:** Leadership begins even before the work begins. A leader is someone who communicates policies and plans to subordinates in order for them to begin work.
- **Providing Motivation:** A leader motivates employees by providing financial and non-financial incentives and ensuring that work is completed efficiently. Motivation is the driving force in one's life.



- **Guidance:** A leader not only supervises but also guides employees in their work. He teaches his subordinates how to do their jobs efficiently so that their efforts are not wasted.
- **Developing Trust:** A leader recognises employees' efforts, clearly explains their role, and guides them to achieve their objectives. He also resolves employee complaints and problems, thereby increasing their trust in the organisation.
- **Building a work environment:** A good leader should maintain personal contact with his or her employees and listen to and solve their problems. In the event of a conflict, he handles it with care and does not allow it to harm the entity. A positive and efficient work environment contributes to an organization's steady growth.
- **Coordination:** A leader reconciles employees' personal interests with organisational goals to achieve cohesion in the entity.
- **Developing Successors:** A leader trains his subordinates so that they can easily succeed him in the future in his absence. He develops more leaders.
- **Change:** Change is induced when a leader persuades, clarifies, and inspires employees to accept any change in the organisation with little resistance or discontent. He ensures that employees do not feel threatened by the changes.

8.4 FEATURES OF LEADERSHIP

The following are the important features of leadership: -

- **Personality:** People are always drawn to people who have a pleasant personality. A leader must be both friendly and authoritative in order to inspire others to work as hard as he does.
- **Knowledge:** A subordinate looks up to his leader for any advice he requires. In order to influence subordinates, a good leader must have adequate knowledge and competence.
- **Integrity:** A leader must be honest and have a high level of integrity. He should be objective and make decisions based on facts and logic. He must be objective and free of bias.
- **Initiative:** A good leader takes the initiative to seize opportunities rather than waiting for them, and then uses them to the organization's advantage.
- **Communication abilities:** A leader must be a good communicator in order to clearly explain his ideas, policies, and procedures to the people. He must be a good listener, counsellor, and persuader as well as a good speaker.



- **Motivation skills:** A leader must be an effective motivator who understands people's needs and motivates them by meeting those needs.
- **Self-confidence and Will Power:** A leader must have a high level of self-confidence and immense willpower, which he must maintain even in the most difficult situations or his employees, will lose faith in him.
- **Intelligence:** A leader must be intelligent enough to weigh the pros and cons of a situation and make an informed decision. He must also have vision and foresight in order to predict the long-term consequences of his decisions.
- **Decisiveness:** A leader must be decisive in managing his work and must be firm in his decisions.
- **Social Skills:** A leader's social skills should include empathy for others. He should also be a humanist who assists people with personal issues. He must also have a strong sense of responsibility and accountability, because great power comes with great responsibility.

Figure: Features of Leadership



Source: <https://unbridlingyourbrilliance.com/>

8.5 LEADERSHIP STYLES

The following leadership styles have been practiced by the individuals to run their organisation smoothly: -

- Autocratic Leadership:** When it comes to all decision-making, procedures, and policies within an organisation, autocratic leadership is defined by a top-down approach. An autocratic leader pays less attention to gathering feedback from team members and instead makes executive decisions that others are expected to follow.



Figure: Autocratic Leadership



Source: <https://www.verywellmind.com/>

Pros

- Can be efficient, especially when making decisions
- Because one person is in charge, teams remain cohesive and consistent.
- Because they will be delegated specific duties and will not be encouraged to step outside of that role, everyone's individual roles may become clearer.

Cons

- It has the potential to stifle creativity, collaboration, and innovation.
- Does not result in thought diversity
- Individuals and teams who feel they don't have a voice may become disengaged.
- There is no room for mentoring or guidance.

- b) **Transactional Leadership:** Control, organisation, and short-term planning characterize transactional leadership. Leaders who use this style motivate their followers through a system of rewards and punishment. As you can see, transactional leadership and autocratic leadership share many characteristics. The main distinction is that transactional leadership, as the name suggests, entails a clear exchange between



the leader and the team members. For example, an employee may be promoted in exchange for compliance and high performance.

Figure: Transactional Leadership



Source: <https://online.visual-paradigm.com/>

Pros

- Can be an effective way to achieve short-term objectives
- Because of the reward and punishment system, it clearly defines expected behaviour from team members.
- Structure and stability are provided.

Cons

- Restriction on creativity, growth, and initiative
- People who aren't motivated may not be affected.
- It can be discouraging for those looking for opportunities for professional and personal development.

- c) **Bureaucratic Leadership:** Bureaucratic leadership is based on a clear chain of command, stringent regulations, and conformity from its followers. As the name implies, this is a type of leadership style that is common in government, military, and public organisations.



Figure: Bureaucratic Leadership



Source: <https://marketingeggspert.com/>

Pros

- Job security and outcomes are stable.
- This eliminates favouritism from the equation.
- Roles, responsibilities, and expectations are all very clear.
- A highly visible set of procedures and rules

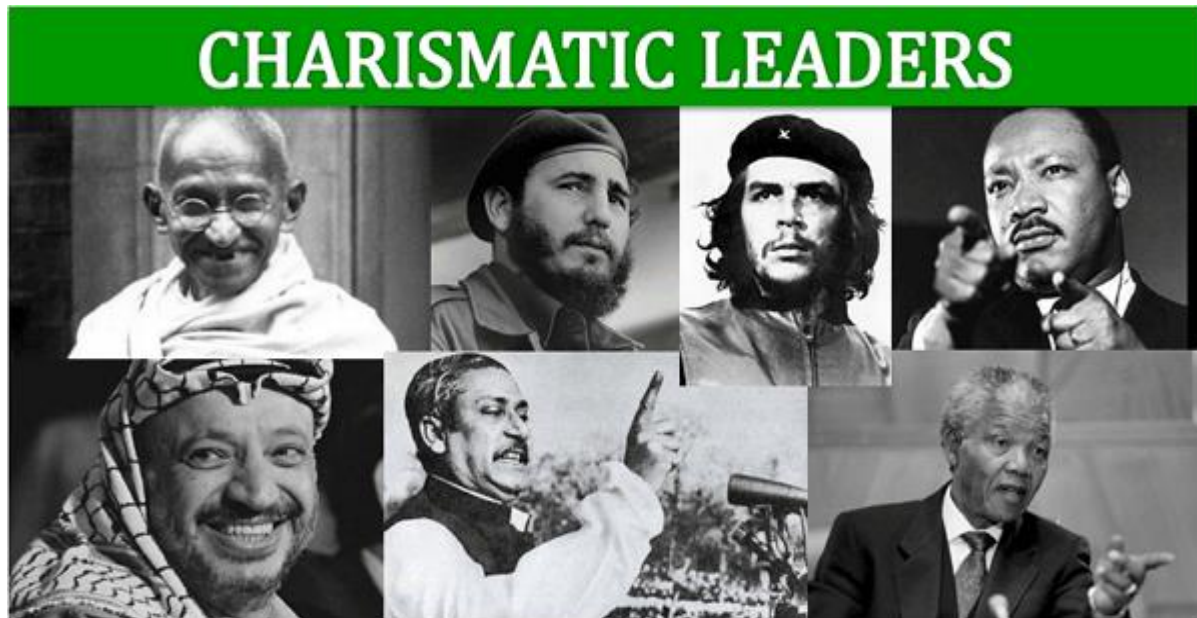
Cons

- Inefficient because everything must pass through a chain of command
- Does not promote personal or professional development.
- Suffocates creativity, innovation, and free thought
- Does not promote team collaboration or relationship building.
- Can make responding to change difficult.

- d) **Charismatic Leadership:** A charismatic leader is one who influences others through their communication skills, persuasiveness, and charm. Charismatic leaders are especially valuable in organisations that are facing a crisis or struggling to move forward because of their ability to connect with people on a deep level.



Figure: Charismatic Leadership



Source: <https://www.iedunote.com/>

Pros

- Very inspiring and motivating
- Encourages a sense of community, collaboration, and unity.
- Followers are made to feel heard and understood.
- Motivates people to make positive changes.

Cons

- Can become preoccupied with themselves rather than their people
- Has the capacity to become self-serving
- Frequently regarded as shallow or deceptive

- e) **Transformational Leadership:** Transformational leaders develop a vision based on identified needs and inspire and motivate their teams to work toward a common goal. The main distinction between transformational leadership and the other styles we've discussed thus far is that this one is concerned with changing the systems and processes that aren't working, as opposed to transactional or bureaucratic leadership, which do not seek to alter the status quo.



Figure: Transformational Leadership



Source: [verywellmind.com](https://www.verywellmind.com)

Pros

- Positive team motivation
- Suitable for fostering strong relationships and encouraging collaboration
- Allows team members the freedom to do their jobs.
- Can lead to increased team creativity, growth, and empathy

Cons

- It may not be the best fit for all organisations (i.e. bureaucratic)
- Can create feelings of insecurity while upsetting the status quo
- There is a lot of pressure on the leader.

f) **Coaching Leadership:** Coaching leadership is characterised by collaboration, support, and direction. Coaching leaders strive to bring out the best in their teams by guiding them through goals and challenges.



Figure: Coaching Leadership



Source: thehrdirector.com

Pros

- Encourages collaboration and two-way communication
- Lots of constructive feedback is required.
- Individuals' personal and professional development is facilitated.
- Focuses on being supportive rather than judgmental
- Opportunities for growth and creative thinking are created.

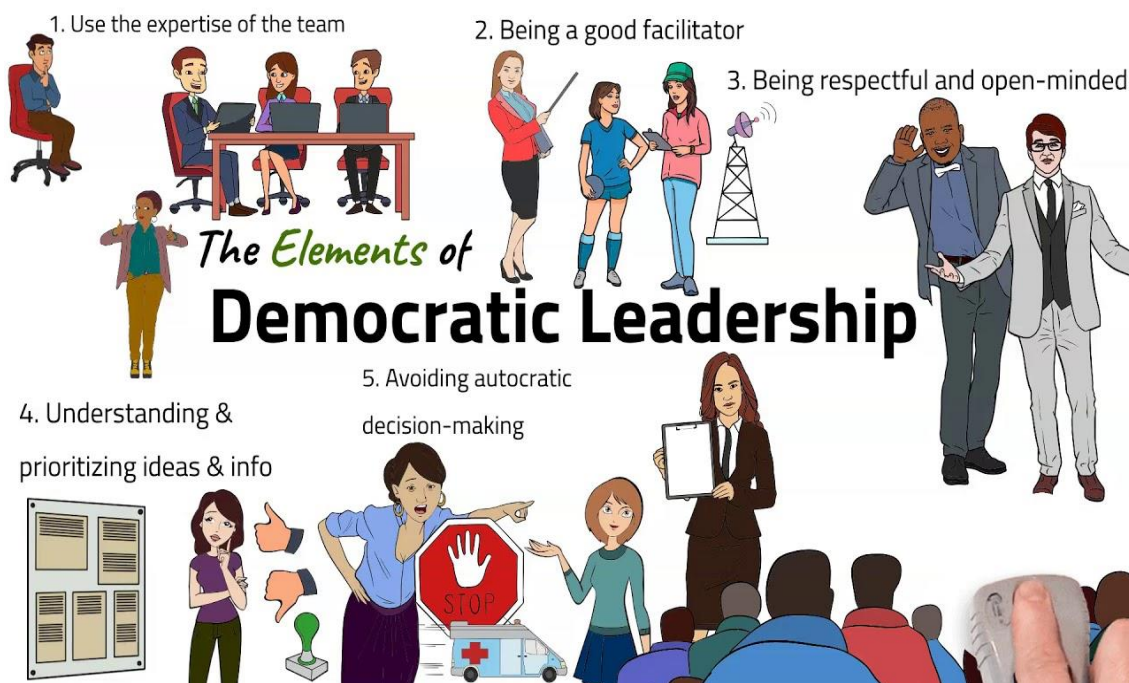
Cons

- It consumes a lot of resources because it takes a lot of time and energy.
- Doesn't always produce the quickest and most efficient results.
- It may not be the best option for high-pressure or results-driven businesses.

- g) **Democratic Leadership:** Democratic leadership, also known as participative leadership, entails allowing multiple people to participate in decision-making. This type of leadership can be found in a variety of settings, including businesses, schools, and governments.



Figure: Democratic Leadership



Source: youtube.com

Pros

- Promotes collaboration inclusive of a wide range of viewpoints and ways of thinking
- Increases group engagement and productivity can lead to more inventive solutions
- The majority agrees with the outcome.

Cons

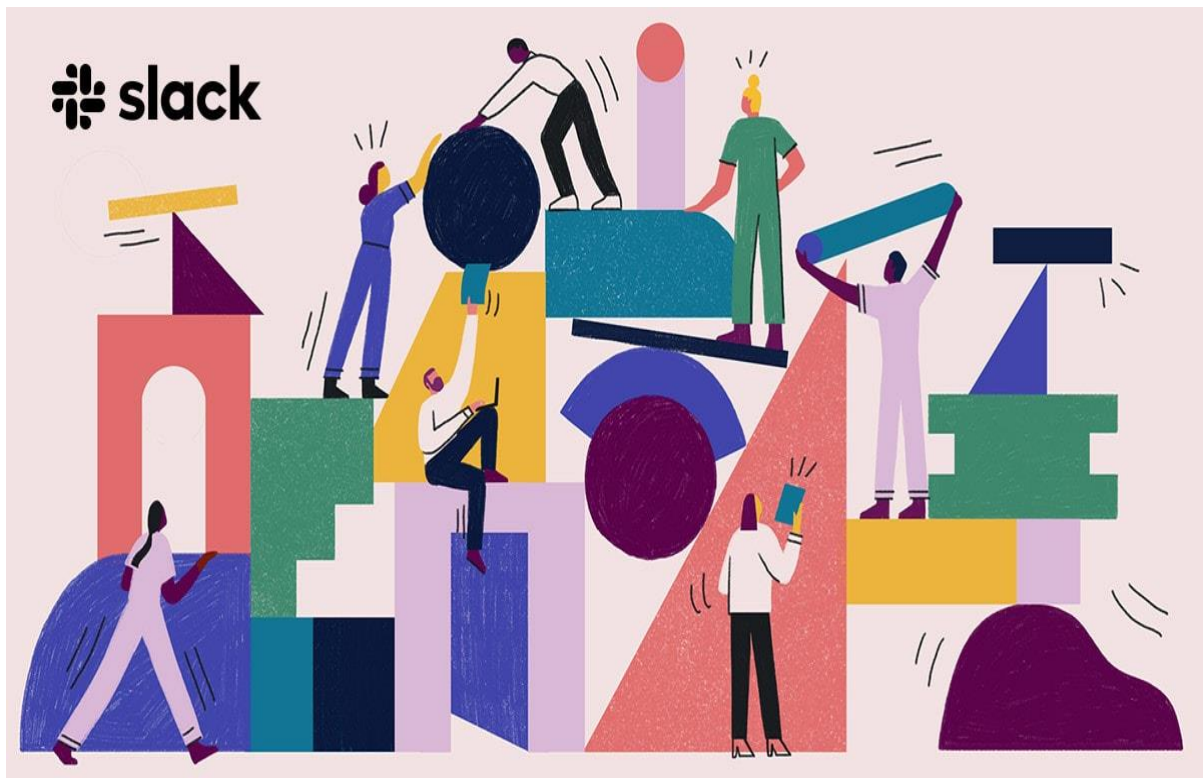
- The minority viewpoint is overruled.
- Multiple people involved can lead to more communication gaps and confusion.
- It may take longer to make a decision.
- A group of inexperienced or untrained individuals may result in more decision making.

h) Collaboration Leadership: Collaborative leadership encourages people to collaborate across functional and organisational boundaries. The goal of this



leadership style is to encourage collaboration with other teams and departments in order to achieve common goals.

Figure: Collaboration Leadership



Source: slack.com

Pros

- Can lead to more creative and innovative thinking
- More chances for diversity
- Can help to strengthen inter-team relationships
- Increases trust within an organisation

Cons

- Roles and responsibilities may become ambiguous as a result.
- Can lead to inter-team conflict
- Leaders' potential power struggle



- i) **Servant Leadership:** Servant leadership prioritises the needs and well-being of followers. In other words, these leaders prioritise their organisation, employees, and community over themselves, using a serve-first approach and a growth mindset.

Figure: Servant Leadership



Source: youtube.com

Pros

- Focuses on the growth and development of others
- Improved performance, innovation, and collaboration are possible outcomes.
- Makes a safe environment in which people are not afraid to fail.
- Reduces employee turnover and disengagement
- Improves trust in leaders

Cons

- Servant leaders are more susceptible to burnout.
- A lot of resources
- It is difficult to instil the serve-first mindset in other leaders.
- It may take longer to see results or achieve goals.
- Possibilities of being perceived as 'weak'



- j) **Laissez-faire Leadership:** Laissez-faire leadership takes a hands-off approach to leadership, allowing others to make their own decisions. While leaders continue to provide their teams with the resources and tools they require to succeed, they are largely uninvolved in day-to-day operations. Because it encourages independent thinking, this is a leadership style that is commonly found in creative settings such as advertising agencies or start-ups.

Figure: Laissez-faire Leadership



Source: [verywellmind.com](https://www.verywellmind.com)

Pros

- Allows individuals to hone their leadership abilities.
- Increased creativity and innovation may result.
- Less anxiety about failure
- Encourages team members' and the leader's trust.
- Inculcate a feeling of autonomy in your children.

Cons

- Low productivity may result.
- Team members frequently disagree.



- This may cause confusion about roles and responsibilities.
- Will not be effective with an inexperienced or unmotivated team.

8.6 QUALITIES OF A LEADER

Figure: What Leader Did?



Source: linkedin.com

The qualities must be possessed by leaders are as follows: -

- **Influence others' Behaviour:** Leadership is the ability of an individual to influence the behaviour of other employees in an organisation in order to achieve a common purpose or goal, so that they are willingly cooperating with one another to achieve the same.
- **Interpersonal Process:** It is an interpersonal process between the leader and his or her followers. The relationship between the leader and the followers determines how efficiently and effectively the organization's goals will be met.
- **Attainment of common organisational goals:** The purpose of leadership is to guide people in an organisation to work toward common organisational goals. The leader unites people and their efforts to achieve common goals.
- **Never-ending Process:** A leader must constantly guide and monitor his employees to ensure that their efforts are directed in the same direction and that they are not deviating from their goals.



- **Group process:** It is a group process in which two or more people interact with each other. Without followers, a leader cannot lead.
- **Depending on the circumstances:** It is situational because everything is dependent on dealing with the current situations. As a result, there is no single best leadership style.

8.7 LEADERSHIP ACROSS THE ORGANISATION

Leadership skills must be developed throughout an organisation to encourage a sense of initiative and innovation, according to the American Institute of Chartered Management (AICM). A list of steps to help management recognise and develop leadership at various levels is published by the AICM are given as under: -

- **Distinction between Leadership and Management:** Organisations focus their efforts on developing individuals in management positions only, demeaning the leadership skills of people in subordinate positions. This leads to ineffective suggestion planning, which is a necessary feature of successful organisations. Leadership training for those in positions of authority increases their legitimacy while undermining leadership qualities in subordinates.
- **Emphasize Autonomy, Creativity and Innovation:** Putting an emphasis on creating and encouraging creativity, innovation, and problem-solving helps develop leadership at all levels of the organisation. Modern organisations must continuously innovate in order to ensure their long-term survival and success. Leaders create work environments that encourage creative thinking and innovation, resulting in a competitive advantage.
- **Evaluation of Effectiveness:** Conducting evaluations is an important component of the leadership development process, with three main benefits: expanding the scope of the programme by inviting participants; gathering valuable suggestions for programme improvements; fostering employee engagement and loyalty; and exchanging experience from these programmes.
- **Orientation towards Leadership:** An organisation's focus and scope must be broadened to develop the leadership capacity of the entire organisation, rather than just a few individuals. Leadership can be developed by encouraging initiative, decision-making delegation, and accountability. This, in turn, empowers employees and increases engagement.
- **Competency Development:** Initiators are highly motivated individuals with exceptional aptitude and skill. The organisation should strive to develop such a workforce through enterprise-wide programmes. Character development is also



important for effective leadership development. This also allows for learning, adaptation, anticipating, and bringing about change.

8.8 PRACTICES FOR DEVELOPING LEADERSHIP

The different practices undertaken for developing leadership at all levels are as under: -

- The CEO's dedication to organizational-wide leadership development
- Careful programme participant selection and mix
- Increasing social capital by networking
- Program monitoring; and
- Evaluation
- Strategic orientation, alignment, and organisational scope with employees
- Participation of senior management in leadership activities
- Program goals and objectives for leadership programmes that are clear and relevant

8.9 RELATIONSHIP AMONG LEADERSHIP AND FOLLOWERSHIP

Leadership relies heavily on followers. When followership fails, not much gets done, and what does get done is not what was supposed to get done. Followership is sometimes referred to as the shadow of leadership. There are no leaders without followers, and there can be no followership without good leadership.

8.10 IMPORTANCE OF GOOD FOLLOWERSHIP

Figure: Followership



Source: slideshare.net



The importance of good followership is given as under: -

- Low productivity is a sign of followership issues.
- Lack of work ethic, low morale
- Distraction from one's goals,
- Customers who are dissatisfied,
- Missed opportunities
- Unnecessary expenses,
- Product quality degradation and low competitiveness

As a result, attracting good followers is just as important as attracting good leadership, because both roles are incomplete without the other and are mutually dependent. As a result, an organisation is only as good as its leaders and followers in terms of achieving goals.

8.11 QUALITIES OF A GOOD FOLLOWER

The following are the qualities of a good follower: -

- **Ability and Competence:** The leader is responsible for ensuring that his or her followers are properly trained, updated, and competent. The follower cannot properly follow unless he or she is competent and trained in the task assigned by the leader. Tasks will go unfinished because the follower is incompetent at the task if the leader's instructions are not followed.
- **Good Listener:** A good listener is one of the most important qualities of a follower because only a good listener can interpret what message is given to him and what duties are expected of him, and only then can he deliver according to expectations. Poor communication will always result in confused and erroneous actions.
- **Diligence:** It is a quality that requires the follower to carefully follow the leader's instructions in order to control any loss or damage. To make a leader's teachings and instructions work, a follower must be diligent and consistent as well as obedient and obedient to their leader.
- **Teamwork:** A follower cannot succeed if he wants to work alone and take credit for it. The ability to work as part of a team and under the supervision of the leader is what allows the follower to succeed in task completion.
- **Ambitious:** Ambition is an important factor that increases the likelihood of growth and success in any business or professional career, whether it is a start-up or established company.



- **Fairness:** Followers must have fair discretion to weigh leaders' directives against larger organisational or societal ethics. A follower has a two-way obligation to take direction from a leader and an underlying obligation to the enterprise. The key is to be able to distinguish between a directive issued by your leader and one that is clearly incorrect.
- **Self-Motivated:** Good leaders are enthusiastic and motivated employees. A bad employee will never be a good follower. To improve at work, followers must be taller than leaders. Leaders must create an environment that hones and enhances these qualities in order to get the most out of their followers' skills.
- **Honesty:** The beaten leader sends a transparent follower to allow for clear communication. A good leader appreciates constructive feedback from their team. The follower owes the leader honesty at all levels of task achievement, from competence and prerequisites of equipment, tools, and environment to task progress and final result.
- **Courage:** Leaders must have the courage to be honest with their followers and take the initiative. Confronting a leader about concerns about the project/direction and situations requires great courage. Courage is tested from time to time as a result of a situation that tests a leader's character and leadership skills.
- **Discretion:** It is an essential component of good leadership, says Sir Ben Ainslie, former chairman of the board of trustees of the Confederation of British Industry.
- **Loyal:** Loyalty is defined as a strong bond with and commitment to an organisation. Non-loyal followers are detrimental to the organisation and its privacy. They leak sensitive information, cause conflict among team members, are unmotivated, jeopardise goal achievement, and waste everyone's time.
- **Humbleness:** Good followers are humble, willing to learn, be supervised and criticised, and keep their egos in check. They exhibit true sportsmanship and maintain strong interpersonal relationships. For good followers, success is defined not only by goal achievement, but also by personal recognition and self-promotion.

8.12 TYPES OF FOLLOWERS

The following are important types of followers: -

- **Critics:** Critics are people who question, examine, and oppose every move made by the leader. Employees who have not been recognised for their work or have been denied appreciation thrive on this type of followership.
- **Sycophants:** "Sycophants" are hesitant to raise concerns or raise objections; they will avoid any opposition and defer to the leader. They cannot be relied on to provide



genuine critical feedback if the leader is heading in a direction that contradicts the organization's welfare purpose or values.

- **Realists:** Realists are followers who offer constructive criticism to the leader's viewpoint and broaden the group's perspective. They are looking for people who can communicate effectively and express themselves without hesitation. If they agree with the current course of action, they will support the leader - if they disagree they will challenge the leader.
- **Loyalists:** Loyalists are those who always support the leader. They may or may not be willing to give honest feedback to leaders for fear of disappointing them. If true constructive feedback is provided, these loyalists can help the leader achieve his or her goals more effectively and efficiently.
- **Opportunists:** These are the people who can be bought by those at the top and abandon their side if problems arise.
- **Traitors:** They have personal motivations to serve at the expense of organisational goals and are disloyal to their own country's leadership.

ACTIVITY

Discuss in the class about need, importance and types of Leadership. Also how they transform the organisation with their efforts and intelligence?

IN-TEXT QUESTIONS

1. Leadership is _____.
a) Strategy b) Command
c) Control d) Persuading Others to Follow
2. _____ are approaches to leadership research that emphasises the leader's personality:
a) Theories of contingency b) Group theories
c) Trait theories d) Motivating theories



- ## 8.13 COMMUNICATION

198 | Page



Communication is derived from the Latin word 'communis,' which means 'common.' Thus, communication entails the exchange of ideas. "When we communicate," Wibur Schramm explains, "we are attempting to establish a 'commonality' with someone." That is, we are attempting to communicate information, an idea, or an attitude. The essence of communication is turning the receiver and sender together for a specific message." Communication, according to the condensed Oxford English Dictionary, is "the imparting, conveying, or exchange of ideas, knowledge, etc., whether by speech, writing, or signs." Communication occurs when one person transmits information and understanding to another. It is the exchange of two or more people's ideas, feelings, emotions, knowledge, and information.

8.14 FEATURES OF COMMUNICATION

Figure: Communication Concept



Source: kullabs.com

The following are the essential features of communication: -

- **It requires at least two people:** At least two people are involved in a person's communication - the sender and the receiver. The sender is the person who speaks, or issues instructions, while the receiver is the recipient of such instructions or messages.
- **A message is required:** A message is a subject of communication, such as the contents of a letter or speech, an order, instructions, or suggestions. There is no communication if there is no message. A message must be conveyed by a communication - this means it has to be accompanied by another word or two words.



- **Interaction:** Communication can take many forms, including written, oral, and gestural expressions. It includes anything that can be used to convey meaning from one person to another. Gestures such as the wink of an eye or the wave of the hand can convey more meaning than spoken words.
- **Two-Way Process:** It entails both knowledge and comprehension. It results in understanding, but it does not imply agreement. Communication is incomplete unless the receiver has correctly understood the message and the sender is aware of his reaction or response.
- **Its primary goal is to elicit a response:** Communication's primary goal is to elicit a response or influence human behaviour. It is important to remember that communication is a tool for motivation, not an end in itself. Communication should be situationally relevant in order to foster understanding and understanding should be relevant to the audience.
- **Formal or informal communication is possible:** Formal communication adheres to the formal channels established in the organisational structure. Informal communication stems from channels of communication that are not provided by the organization's structure. These channels form as a result of personal contacts made while working together, rather than through direct contact with each other.
- **It flows up and down, as well as side to side:** Communication flows from superior to subordinate and from subordinate to superior. It can also flow between two or more people with the same level of authority.
- **It is an essential component of the exchange process:** It is the exchange of thoughts, feelings, emotions, knowledge, and information between two or more people.

8.15 COMPONENTS OF COMMUNICATION

The fundamental components of communication are as follows: -

- **Translator:** The person or entity who intends to convey or transmit a message, such as a sender, speaker, issuer, or writer.
- **Expression:** The intended recipient of the communication. He is the one who receives the information, order, or message.
- **Message:** The content of the communication, such as a letter, speech, order, information, idea, or suggestion.
- **Channel of Communication:** Communication is the medium through which information and understanding are transmitted from sender to receiver. It acts as a link between the communicator and the communicated, i.e. the organisational levels or

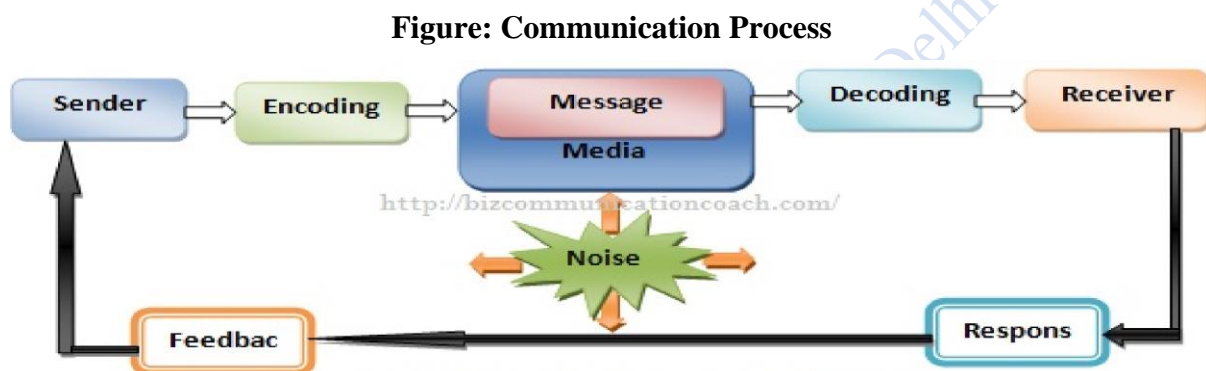


relationships that exist between different individuals or departments within an organisation.

- **Response or Feedback:** The effect, reply, or reaction to the information transmitted, i.e., successful, no communication, or miscommunication.

8.16 PROCESS OF COMMUNICATION

Communications is a continuous process that consists primarily of three elements: sender, message, and receiver. The following elements of the communication process are explained as follows: -



Source: <https://bizcommunicationcoach.com/>

- **The Sender:** The message is created by the sender or communicator and delivered to the receiver. He is the source and initiator of the communication.
- **The Message:** It is the sender's idea, information, point of view, fact, or feeling that is intended to be communicated further.
- **Encoding:** Before being transmitted, the sender's message is symbolically encoded, such as in the form of words, pictures, gestures, and so on.
- **Media:** It is the method by which the encoded message is sent. The message can be delivered orally or in writing. Telephone, internet, post, fax, e-mail, and other modes of communication are examples of mediums of communication. The sender determines the medium to be used.
- **Decoding:** It is the process of converting the sender's encoded symbols. The message is received by the receiver after it has been decoded.
- **Recipient:** He is the last person in the chain and the recipient of the message sent by the sender. Only when the receiver receives the message, understands it correctly, and acts in accordance with the message is the communication's goal accomplished.



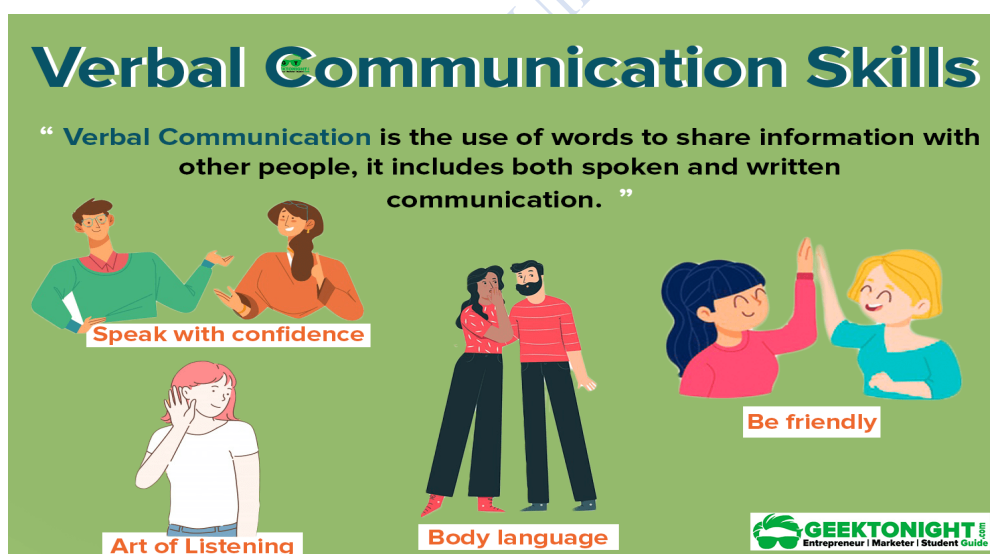
- **Feedback:** The communication process is complete when the receiver confirms to the sender that he received and understood the message.
- **Noise:** It refers to any impediment caused by the sender, message, or receiver during the communication process. For example, a bad phone connection, faulty encoding, faulty decoding, an inattentive receiver, poor message comprehension due to prejudice or inappropriate gestures, and so on.

8.17 TYPES OF COMMUNICATION

The following are the essential types of communication: -

- a) **Verbal:** The use of a specific language to transfer information through speech, writing, or sign language is known as verbal communication. It is one of the most common forms of communication, and it is used for notification, circulars, delivering presentations, video conferences and phone calls, meetings, and face-to-face interactions and conversations. Because it is efficient, verbal communication is essential. It can be verbal communication, nonverbal communication, or written communication.

Figure: Verbal Communication



Source: geektonight.com

- b) **Written Communication:** This type of communication entails any type of information delivery in alphabetical written form. Circulars, e-mails, texts, letters, reports, SMS, social media posts, documents, handbooks, posters, and so on.



Figure: Written Communication



Source: <https://www.geektonight.com/>

- c) **Oral Communication:** This is communication that uses the spoken word and sound as a communication channel, either directly or indirectly. Interactions take place in person, over the phone, via voice notes, chat rooms, and so on. This method of communication is very effective.

Figure: Oral Communication



Source: <https://sites.miis.edu/>



- d) **Non- Verbal Communication:** It is the use of one's eyes, body language, hand gestures, and facial expressions to communicate with others. Nonverbal communication is a subset of communication that can help you understand what others are thinking and feeling. Body language that is "closed," such as crossed arms or legs or dropped shoulders, indicates anxiety, anger, or nervousness. Positivity and openness to information are indicated by "open" body language, which includes both feet on the floor and arms by their sides or on the table. The following are examples of nonverbal communication: -

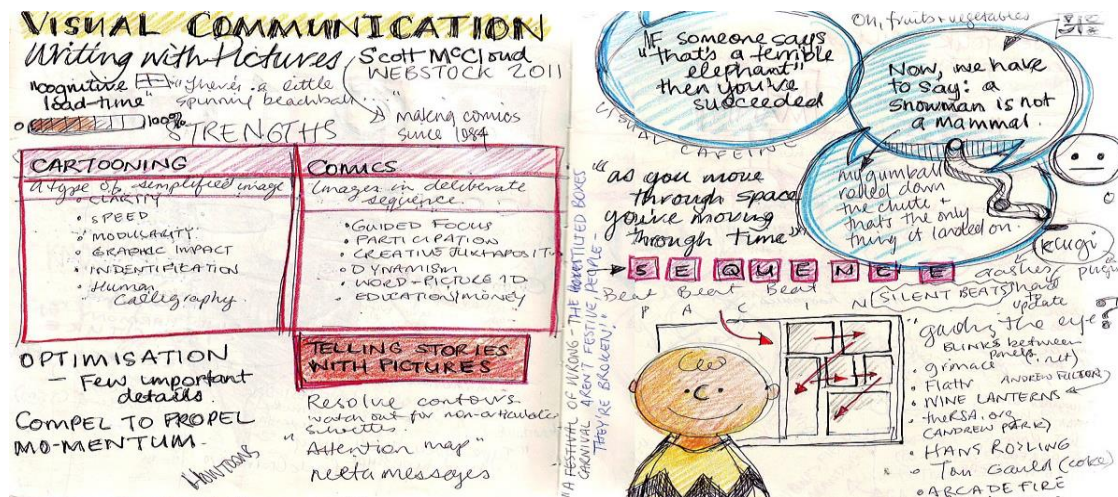
Figure: Non-Verbal Communication



Source: verywellmind.com

- **Physical Non-verbal Communication:** This includes physically observable hand gestures, body language, facial expressions, tone of voice, posture, stance, touch, gaze, and others. These are the subtle communication signals.
 - **Paralanguage:** This term refers to the art of reading between the lines. The tone of one's voice, the style of speaking, voice quality, stress, emotions, or intonation serve the purpose of communication that is not explicitly verbal.
- e) **Visual Interaction:** This is communication using visual aids such as drawings, appearance, placards, presentations, and illustrations, among other things. Visual communication is the act of conveying information through photographs, art, drawings, sketches, charts, and graphs. The tone of the first impression is set by appearance. The personality captures the audience's attention, focus, and reaction. Visuals are frequently used as an aid during presentations to provide context in addition to written and/or verbal communication. Because people learn in different ways, visual communication may be more beneficial.

Figure: Visual Communication



Source: en.wikipedia.org

8.18 QUALITIES OF A GOOD COMMUNICATOR

Communicators have qualities that allow for effective and efficient communication. The qualities can be summarised as the 7 Cs of a good communicator, with the communicator only being able to communicate effectively if the communicator possesses the following characteristics. These are as under: -

Figure: How to be Good Communicator?



Source: zfltd.com



- **Concreteness:** A concrete messenger speaks in a concise, brief, specific, tangible, and vivid manner. For added credibility, it is supported by facts, data, examples, and figures. Concreteness reduces the risk of ambiguity, builds trust, and promotes constructive criticism. It provides your audience with a broader picture of the message's context.
- **Courtesy:** A good communicator's indispensable tool is courtesy. Consideration should be added to courtesy for effective communication. Respecting the receiver's culture, using inoffensive language, and creating and amending a message are all examples of courtesy.
- **Clarity:** The communicator's expression should be articulate, which begins with clarity of thought and subject understanding. For unambiguity and confusion in the communication process, precise terminology and concrete words can be used.
- **Completeness:** Effective communicators deliver complete messages, which mean the receiver receives all of the information he needs to process and take action. A complete message eliminates the need for follow-up/feedback questions and streamlines the communication process.
- **Conciseness:** The most effective communicator is one who has a concise and brief message. Conciseness is about keeping your message to the point, focusing on the message's content rather than its length. It allows the receiver to focus on what is important, reduces the selection of important information and speeds up information processing.
- **Consideration:** If your message offends or appears disrespectful, the receiver's emotional reaction will influence their perception of your message. When the communicator is considerate, he influences the message to align with the receiver on the spot. The use of peripherals, examples, and arguments relevant to their backgrounds facilitates their processing of the contents.
- **Correctness:** Correct grammar and syntax ensure that your message is more effective and credible. They may have a negative impact on the message's overall perception but they are essential for it to stand the test of time.

8.19 GOALS OF COMMUNICATION EFFECTIVENESS

The following are the goals of effective communication in an organisation.

- **Change:** The goal of persuasive communication is to elicit a change in the employee's behaviours, beliefs, values, or preferences.
- **Direction:** Effective communication involves conveying information in a clear and unambiguous manner so that the receiver can correctly decode it and carry out



directives. Individuals can use effective communication to communicate task directions, clarify ideas, correct misconceptions, share experiences and tricks, reduce stress, and provide feedback for two-way communication.

8.20 FACTORS INFLUENCING COMMUNICATION EFFECTIVENESS

The following factors affect the effectiveness of communication: -

- **Clarity:** The communicator's expression should be articulate, which begins with clarity of thought and subject understanding. For unambiguity and confusion in the communication process, precise terminology and concrete words can be used.
- **Knowledge:** the sender should be an expert on the subject on which he is delivering the message. This has a significant impact on the effectiveness of communication and feedback.
- **Listener Attention:** For effective communication, a delightful personality, pitched voice, and decent conduct command the audience's attention - a negative personality would not attract attention. The personality of a communicator has a significant impact on how the message is delivered and received.
- **Language:** It is critical that the sender and receiver use the same language for communication and can effectively pass directions. The language used should be polite, non-offensive, and profound. The use of superfluous words wasted the time communicating and decoding, resulting in inefficiency.
- **Timing:** Timing is another important factor in effective communication because it allows it to be properly inferred and utilised. Communication at inconvenient times results in inattention, ambiguity, and a lack of feedback.
- **Feedback:** Allowing for free feedback allows for the resolution of doubts and difficulties in task communication. On-the-spot doubt resolution leads to the efficient and effective completion of tasks on time.
- **Peripheral Actions:** Actions that support communication are usually helpful in effectively delivering the message. For non-contradictory communication, these actions should be associated with what is said. These actions can be performed through the use of the eyes, facial expressions, body language, and hand movements.
- **Audience:** The best receiver for effective communication is a competent, learned, and trained audience. An audience that does not know the prerequisite information for decoding information will not understand it. Complex jargon does not help an untrained receiver recognise the task, the prerequisites for task completion, and the consequences of effective task completion.



- **Speed and Sequence of Talk:** Even with articulate speech, if the sequence and speed of delivery of speech are not correct, it results in ambiguity and unclear messages.
- **Mutual Relationship:** The sender, receiver, and recipient of a message are all affected by the relationship between the sender and the receiver, as well as how they interact with each other. Leadership, fiduciary, and agency relationships, among others, have a significant impact on the behaviour of the person sending and receiving a message.

ACTIVITY

Request your coordinator to arrange for a communication specialist to teach soft skills to the students so that they may understand the significance of effective communication to create a bond of loyalty and confidence at all levels of an organisation.

IN-TEXT QUESTIONS

6. The word communication derives from _____.
a) Exchange information b) Communicare
c) Calculate d) Personal computer
7. What are the different types of words used in verbal communication?
a) Abbreviations b) Simple
c) Scientific d) Jargons
8. How can we tell if the receiver understood or received the message?
a) Transmission b) Comments
c) Feedback d) Paying attention
9. Which can be used to break down communication barriers?
a) Employing a translator
b) Through the use of a letter
c) Complete lack of communication
d) Using your native language
10. Which of the following is not a stage in the communication process?
a) The channel b) Recipient
c) Time d) The sender



8.21 CONTROLLING

In an organisation, control is a primary goal-oriented function of management. It is the process of comparing actual performance to the company's set standards to ensure that activities are carried out as planned and, if not, corrective action is taken. Every manager must monitor and evaluate his subordinates' activities. It aids the manager in taking corrective actions within the time frame specified in order to avoid a contingency or company loss. Controlling is done at the lower, middle, and upper management levels. Controlling and planning are inextricably linked because controlling provides critical input into the next planning cycle. Controlling is a reverse-looking function that returns the management cycle to the planning function. Planning is a forward-thinking process because it deals with forecasts of future conditions.

Figure: Controlling



Source: toppr.com

8.22 FEATURES OF CONTROLLING

The following features or characteristics define an effective control system: -

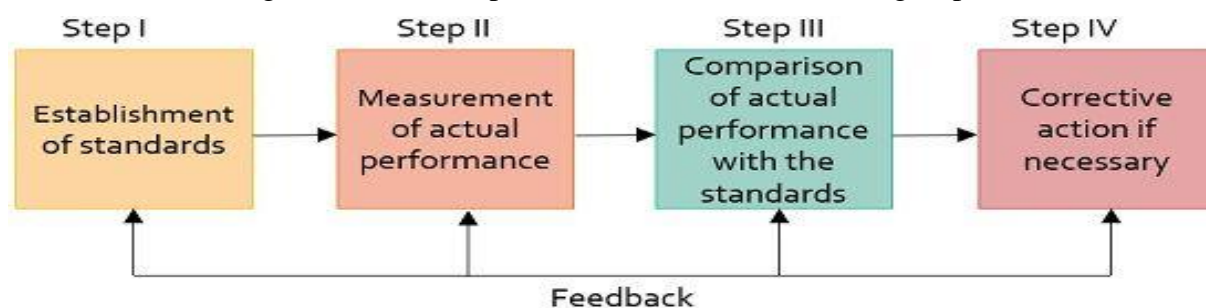
- It aids in the achievement of organisational objectives.
- Allows for the most efficient use of resources.
- It assesses the standard's precision.
- It also establishes discipline and order.
- Increases employee morale and motivation.
- By revising standards, it ensures future planning.



- Improves an organization's overall performance.
- It also reduces errors.

8.23 PROCESS OF CONTROLLING

As shown in the diagram, the control process consists of the following steps: -



Source: Businessjargons.com

- Step-1 :** **Establishing Standards:** Establishing standards entails establishing the target that must be met in order to eventually meet organisational goals. The performance criteria are indicated by standards.
- Step-2 :** **Measurement of Actual Performance:** Control standards are classified as quantitative or qualitative. Money is used to express quantitative standards. In contrast, qualitative standards include intangible items.
- Step-3 :** **Comparison of Actual performance with the Standards Set:** Actual performance is measured: The employee's actual performance is compared to the target. The measurement of performance becomes more difficult as management levels rise. Actual performance versus standard performance: This compares the degree of difference between the actual performance and the standard performance.
- Step-4 :** **Corrective Actions:** Corrective actions are initiated by the manager, who corrects any flaws.

Thus, the controlling process regulates the activities of businesses so that actual performance conforms to the standard plan. An effective control system enables managers to avoid situations that result in a loss for the company.

8.24 KINDS OF CONTROL

There are three kinds of control given as under: -



- **Feedback Control:** This process entails gathering information about a completed task, analysing that information, and improving similar tasks in the future.
- **Real Time Control:** Concurrent control is also known as real-time control. It examines any problem and takes action before any loss is incurred. Control chart is an example.
- **Predictive/Feed Forward Control:** This type of control aids in the prediction of problems before they occur. As a result, action can be taken before such a situation arises.

8.25 BENEFITS OF CONTROLLING

Figure: You May Control the World?



Source: <https://kalyan-city.blogspot.com/>

Controlling is an essential component of any organisation in an ever-changing and complex environment. The benefits of controlling are as under: -

- It saves both time and energy.
- Allows managers to focus on more important tasks.
- This allows for more efficient use of managerial resources.
- Aids the manager in taking timely corrective action.
- Managers can delegate tasks to subordinates so that routine chores can be completed.

8.26 DRAWBACKS OF CONTROLLING

The drawbacks of controlling are as follows: -

- **Difficulty in Establishing Quantitative Standards:** When an organization's standards cannot be defined quantitatively, the controlling system becomes less



effective. For example, it is difficult to quantify employees' human behaviour, making it difficult for the firm to assess their performance against standards.

- **Lesser Control Over External Factors:** An organization's controlling system can effectively control internal factors; however, controlling an organization's external factors is difficult. For example, a company can monitor and control any change in its production (internal factor), but it cannot monitor and control changing technological advancements, government policies, and so on.
- **Employee Resistance:** The effectiveness of the controlling system is heavily dependent on whether or not the employees accept the process. It means that if employees perceive the control system as a limitation on their freedom, they will resist it. Employees of a company, for example, may object if they are subjected to various restrictions that make them feel as if their freedom is being restricted.
- **Expensive:** Controlling is an expensive process because every employee's performance must be measured and reported to higher authorities, which requires a significant amount of money, time, and effort. As a result, small businesses may find it difficult to afford such an expensive system. Furthermore, a controlling system is only effective if the benefits it provides outweigh the costs associated with it.

8.27 TYPES OF CONTROL MECHANISM

Control is an important management function. To control various aspects of the business, four types of controlling mechanisms are used. The major control areas that we will discuss in brief are financial, budgetary, quality, and operational controls.

Figure: Control Mechanism



Source: dreamstime.com



- a) **Budgetary Control:** A budget is a planning and controlling tool with a single purpose. Budgetary control is a managerial technique for controlling income and expenses through budgets.
- **Variance Analysis:** Budgets are estimates of an organization's revenues and expenses. When budgets are compared to actual accounting figures, discrepancies can emerge. Variance analysis assists a company in identifying these discrepancies between projected and actual performance. The reasons for such differences can then be determined in order to improve.
 - **Performance Budgeting:** The primary goal of performance budgeting is to increase organisational efficiency. It aims to quantify each objective and its resulting results in terms of the costs incurred to complete each activity. Performance budgeting can improve expenditure prioritization and service effectiveness, as well as manager performance.
 - **Management Audit:** A management audit is an overall evaluation of the management. It evaluates the entire management process, including planning, organising, directing, and controlling within predetermined control budgets. To assess management efficiency, the company's plans, objectives, policies, procedures, and personnel relations are quantified.
 - **Internal Audit:** Internal audit is a company department or committee tasked with providing unbiased, independent reviews of systems. Its role is to provide stakeholders with a clear picture of the books of accounts, report any discrepancies, and ensure legally compliant reports. Internal audits are also useful for senior leaders and governing bodies to obtain an expert's opinion on a company's financial health.
 - **Zero Base Budgeting (ZBB):** Budgets using the zero bases budgeting technique have no base year for budget control. Every subsequent year's budget is created on a nil basis, which is possible if estimated income equals estimated expenses. If there is an excess, it will be adjusted by increasing revenues or decreasing expenses.
- b) **Financial Controls:** Financial controls provide standards for measuring an organization's economic health and operational feasibility. They indicate the value created by continuing to do business and whether any changes or improvements can be made.
- **Financial Statements:** All businesses must keep books of accounts in order to keep stakeholders up to date. Financial statements are used to keep the organisation in check. They can also be used to compare their competitive



position with peer companies in the industry. The Balance Sheet shows the organization's financial position at the end of a specified period.

- **Break Even Analysis:** Break Even Analysis assists in reaching the Break Even Point, which is the point at which there is no profit and no loss. Profits are maximised, and revenues equal the organization's costs. This is calculated by dividing fixed costs by the margin, which equals revenues minus variable costs.
 - **Return on Investment (ROI):** If the ROI is high, it indicates that the financial performance of an investment, and thus the company, is good. A low ROI indicates poor investment and decision making. This will help organisations decide how to disinvest in unprofitable ventures and focus on profitable assignments.
 - **Responsibility Accounting:** A system of financial control that divides organisational tasks into responsibility centres each with its own costs and revenues. Their goals are defined, and specific performance measures are created to serve as benchmarks. It also entails assessing the performance reports of the responsibility centres. Thus, responsibility accounting entails collecting and reporting revenues and costs based on areas of responsibility.
 - **Ration Analysis:** Ratio analysis can be used to determine ideal ratios for balance-sheet elements and to analyse financial statements. By comparing the business's profitability, liquidity, and solvency to ideal ratios, ratio analysis can infer its profitability, liquidity, and solvency. With proper planning and strategies, the company can then improve these ratios.
- c) **Quality Controls:** The quality of an organization's products and services determines its success or failure because it is a major function of the planning process. Quality has a significant impact on consumer expectations and competitive advantage; thus, quality management is critical for any organisation. Quality control can be accomplished using the following quality control techniques:-
- **Checklists:** Quality control can be accomplished by checking off completed tasks from a check list of items required to manufacture and sell your product.
 - **Fishbone Diagram:** These Visual Aids in determining what causes a specific problem, whether it is due to materials, machines, methods, or manpower.
 - **Control Chart:** This allows you to create a scenario and see how processes have historically changed when using different control techniques. The chart assists in identifying and correcting problems as they arise while forecasting a range of outcomes and analysing variations.



- **Pareto Diagram:** Pareto diagram Another type of visual chart that analyses problems and causes so that businesses can focus on the most important issues, as well as their causes and consequences.
- **Histogram:** A graph is the most fundamental tool for determining the frequency of manufacturing flaws. It employs bars to identify frequency distributions that indicate the frequency with which defects occur.
- **Scatter Diagram:** Plotting empirical data on this graph along two axes can aid in visually identifying relationships between variables, faults, and flaws.
- **Statistical Quality:** The goal of statistical quality control is to ensure that products fall within predetermined upper and lower control limits. Because statistical tools are automated, they require less manual intervention, resulting in cost savings. Statistical tools operate on a model and are extremely useful when testing necessitates the disposal of products.
- **Acceptance Sampling:** It is performed on product samples after production to ensure that quality standards established during the planning process are met. If the sample does not meet the required quality parameters, it is rejected and further analysis is performed to identify the source and correct it. This can lead to energy and resource waste.
- **Inspection:** An acceptance sampling. The inspection aids in the detection and prevention of flaws in products and processes. In addition to inspecting input materials, finished materials, plant, machinery, and so on, inspection will help identify faulty machines and techniques. It can also help identify defective parts or ruined products.

ACTIVITY

Discuss in the class the concept of control and controlling. Ask question related to the need and significance of controlling in an organisation.



IN-TEXT QUESTIONS

11. The controlling function determines how far _____ deviates from the norm.
a) Actual results b) Enhancement
c) Corrective measures d) Cost
12. Which of the following is not a control limitation?
a) Limited influence over external factors
b) Expensive affair
c) Maintaining order and discipline
d) Difficulty in establishing quantitative benchmarks
13. Controlling is practical, whereas planning is theoretical."
a) True b) False c) Unable to say
14. Which of the following is not a control process?
a) Examining deviations
b) Complements employee efforts
c) Taking corrective action
d) Establishing performance standards
15. Which of the following is a traditional managerial control technique?
a) Firsthand experience b) Profitability analysis
c) Budgetary management d) All of the preceding

8.28 SUMMARY

Leadership is the process of influencing people's behaviour so that they work willingly towards the achievement of group goals. Autocratic Leadership is based on a top-down approach to all organisation-related decisions. Transformational leaders develop a vision based on identified needs and inspire and motivate their teams. Communication is derived from the Latin word 'communis,' which means 'common'. A message is a subject of communication, such as the contents of a letter or speech. Nonverbal Communication is the use of one's eyes, body language, hand gestures, and facial expressions to communicate with others. An effective control system enables managers to avoid situations that result in a loss



for the company. Break Even Analysis assists in reaching the Break Even Point, which is the point at which there is no profit and no loss. The Balance Sheet shows the organization's financial position at the end of a specified period.

8.29 GLOSSARY

- **Communication:** It is the process of creating and transmitting ideas, information, points of view, facts, and feelings from one location, person, or group to another.
- **Communicator:** They can shape internal messaging to help employees understand their mission and make their message resonate from the top down.
- **Control:** It refers to a company having enough voting shares to make all corporate decisions.
- **Controlling:** It is the management function that aids in the pursuit of planned results from subordinates, managers, and employees at all levels of an organisation.
- **Followers:** They are subordinates who have less power, authority, and influence than their superiors and thus, more often than not, fall in line.
- **Followership:** The process of achieving one's personal objectives by being persuaded by a leader to participate in individual or group efforts toward organisational goals in a given situation.
- **Leader:** He is someone who sees how things can be improved and rallies others to work toward a better vision.
- **Leadership:** An individual's or a group's ability to influence and guide followers or other members of an organisation.
- **Organisation:** A group of people who have a defined relationship and work together to achieve the organization's goals. This relationship does not end with the completion of each task.

8.30 ANSWERS TO IN-TEXT QUESTIONS

1. (d), Persuading others to follow	7. (b), Simple
2. (c), Trait Theories	8. (c), Feedback
3. (d), Team activities	9. (a), Employing a translator
4. (d), Commands, assists, joins and leads.	10. (c), Time
	11. (a), Actual Results



5. (b), Hopes that increased efforts to achieve a higher level of performance will be fruitful.	12. (c), Maintaining order and discipline
6. (b), Commincare	13. (a), True
	14. (b), Complements employee efforts
	15. (d), All of the preceding

8.31 SELF-ASSESSMENT QUESTIONS

1. What do you mean by leadership? Discuss the feature, significance and limitations.
2. “Leaders are born, not made,” Do you agree with the statement? Support your answer with suitable example.
3. Discuss the leadership styles practiced in the Indian organisations with suitable examples.
4. What qualities should be needed to be an effective leader? Discuss
5. Is it necessary to have followers to be a leader? Discuss
6. Discuss the qualities of required to become a good follower.
7. “Communication is an important weapon to be effective manager or leader.” Why? Comment on this statement with suitable example.
8. What are the features and significance of communication? Elaborate
9. Define communication. Describe the process of communication with diagrammatical representation.
10. Why control is essential function of management? Discuss
11. Is there any difference between control and controlling? Discuss
12. Define control. Discuss the types of control practiced in an organisation.
13. Enumerate the benefits and drawbacks of controlling.

8.32 REFERENCES

- Aswathappa, K. (2014). *Organisation Behaviour*. Himalaya Publishing House. Pp. 491-573.
- Aswathappa, K. & Reddy, G.S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 97-105, 425-488.
- Bhatia, R. C. (2008). *Business Communication*. Ane Books India. Pp. 1-68.



- Ghuman, K. & Aswathappa, K. (2010). *Management*. McGraw Hill, pp.351-379.
- Griffin, R. W. (2009). *Management*. Cengage Learning. Pp. 317-375.
- Gupta, C. B. *Business Organization and Management*. Sultan Chand & Sons. Pp. 6.150-6.188.
- Pal, R. & Korlahalli (2006). *Essentials of Business Communication*. Sultan Chand and Sons. Pp. EC1-76.
- Prasad, L. M. (2008). *Organisational behaviour*. Sultan Chand & Sons. 369-427.
- Prasad, L. M. (2011). *Organisational Behaviour*. Sultan Chand & Sons. Pp. 423-500.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. pp. 113-151, 162-174.
- Robbins, Judge & Vohra (2013). *Organisational Behaviour*. Pearson Education. Pp. 357-438.
- Robbins, Judge & Vohra (2018). *Organisational Behaviour*. Pearson Education. Pp. 322-360.

8.33 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B, & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.



- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.

© DDCE/COL/SOL/University of Delhi



LESSON 9

INDIAN ETHOS IN MANAGEMENT

Dr. Virender Kaushal

STRUCTURE

- 9.1 Learning Objectives
- 9.2 Introduction
- 9.3 Nature of Ethics
- 9.4 Benefits of Ethics
- 9.5 Aims of Ethics
- 9.6 Principles of Ethics
- 9.7 Sources of Ethics
- 9.8 Theories of Ethics
- 9.9 Indian Culture and Ethics
- 9.10 Indian Ethos in Management
 - 9.10.1 Management Lessons from the Holy Bhagwad Gita
 - 9.10.2 Lord Ganesha: The Ethical Lessons for Managers
 - 9.10.3 Ethical lessons from the Ramayana
 - 9.10.4 Lord Hanuman Ethical Lessons for Managers
 - 9.10.5 Saint Kabir's Ethical Lessons for Managers
 - 9.10.6 Ethical Leadership: Adi Godrej
- 9.11 Holistic Management
- 9.12 Features of Holistic Management
- 9.13 Benefits of Holistic Management
- 9.14 Summary
- 9.15 Glossary
- 9.16 Answers to In-Text Questions
- 9.17 Self Assessment Question



9.18 References

9.19 Suggested Readings

9.1 LEARNING OBJECTIVES

After going through this chapter, students will be able to understand: -

- The concepts, scope, benefits, aims, principles, sources and theories of ethics.
- The Indian culture and ethics.
- The various models developed by Indian researcher to learn about the Indian ethos in management.
- The meaning, features, benefits of holistic management.
- In the era of stiff competition and stressful environment, it becomes difficult for an individual to be relaxed and creative, but by adopting ethical aspects he/she may become a good human being ultimately contributing their full potential for the upliftment and growth of organisation.

9.2 INTRODUCTION

Figure: Ethics



Source: <https://www.reactgroup.org/>

Ethics is the study of what is ethically good and evil, right and wrong. The phrase can also refer to any set of moral beliefs or principles. Plato's Protagoras (428/427-348/347 BCE) contains a fictional tale of Zeus taking pity on the helpless humans. By attributing a divine origin to morality, the priesthood became its interpreter and defender. This connection between morality and religion is so strong that it is frequently said that there can be no



morality without religion. According to this viewpoint, ethics is a branch of theology rather than a subject of study. The appeal of management concepts revealed in our ancient wisdom stems from holy writings such as the "Gita," "Upanishads," "Bible," and "Quran," among others. Management is a behavioral science that must be culturally determined. The Indian Ethos for Management is based on India's cultural foundations and draws its chapters from the nation's religions.

9.3 NATURE OF ETHICS

Figure: Why to Study Nature of Ethics



Source: <https://www.ayushhealthandwellness.com/>

The nature of ethics has been explained as follows:

- **Nature:** Ethics is a normative science that determines standards, moral ideals, and an individual's personality. It is a methodical explanation of what is right and wrong.
- **Not Art:** Ethics is not an art because, art is concerned with the acquisition of skill in order to produce objects, whereas morality is concerned with motive, intention, purpose, and choice, which are deemed right or wrong in the light of goodness.
- **Dynamic Nature:** Ethics is not a static concept. It is not always consistent. Human beings change, and so do their moral and ethical perspectives.
- **Only for Humans:** Ethics can only be applied to humans because we are the only ones with the capacity for moral judgement. We cannot expect ethical behaviour from animals because they are not as intelligent as humans; hence ethics is solely for humans.



9.4 BENEFITS OF ETHICS

Figure: What are the Benefits of Ethics?



Source: <https://www.geeksforgeeks.org/>

The benefits of ethics are as under: -

- **Satisfaction of Human Requirements:** One of the basic human needs is to be fair, honest, and ethical. Every employee aspires to be such and to work for a company that operates in a fair and ethical manner.
- **Trustworthiness:** An organisation that is thought to be driven by moral standards is respected in society, even by individuals who have little knowledge of how the business or organisation works.
- **Establishing Relationship:** A values-driven organisation is respected by its people. They are the connecting thread that connects employees and decision makers on a single platform. This goes a long way toward aligning organisational behaviour toward the achievement of a single common objective or mission.
- **Decision Making:** A man's fate is the sum total of all the decisions he/she makes throughout his/her life. The same is true for businesses. Values influence decisions.
- **Profitability:** Organizations led by ethics and principles are successful in the long term, even if they appear to lose money in the short run.



- **Societal Security:** Ethics frequently succeeds law in defending society. The legal system is frequently seen as a mute spectator, unable to defend society or the environment.

9.5 AIMS OF ETHICS

Figure: Determine Your Aims?



Source: slideshare.net

The aims of the ethics are as follows: -

- **Individual level:** A personal policy should be established not to misuse the properties of others or of the organisation, to keep promises and extend mutual aid, not to seek quick gains, and not to engage in politics to gain power.
- **Organizational level:** When dealing with employees and other stakeholders, the business organisation should use fair practices. At all levels of the organisation, communication should be open and improved. Employees should be motivated by the organization's leadership for increased productivity and the greater good.
- **Societal level:** The primary concerns of business organisations are social concerns such as no discrimination and concern for the oppressed. Internal policies should emphasise the efficient use of scarce resources, the preservation of the environment, and the enhancement of the quality of life for all stakeholders.
- **Stakeholder level:** The organisation should take care of as many stakeholders as possible and use ethical methods when dealing with shareholders, customers,



suppliers, employees, banks and financial institutions, government, and all others who are associated with the organisation.

9.6 PRINCIPLES OF ETHICS

Figure: Reasons to Study the Principles of Ethics



Source: <https://blog.prototypr.io/>

The following are the principles of ethics: -

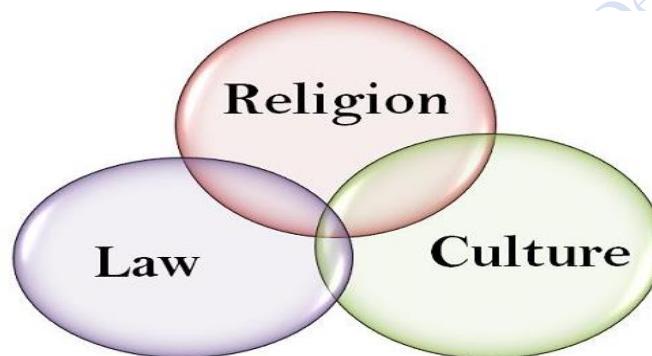
- **Purity:** The first and most fundamental concept of business ethics highlights the importance of using sacred and pure ways and techniques to achieve corporate goals. It means that a good end cannot be obtained using improper means, even if they are advantageous to society.
- **Morality:** It is unethical to do a big evil to another or to oneself, whether as a means or an end in itself.
- **Fairness:** This principle implies that before doing anything, one should use good judgement so that a fair view is taken and others are not harmed by the conduct of business.
- **Equality:** It clearly states that a firm should not collaborate with anyone in carrying out any wrong activities.
- **Teamwork:** This idea states that businesses should aid others only when they deserve it.
- **Publicity:** Anything that is being done or will be done should be made public. If everyone is aware, no one will have the opportunity to commit an unethical conduct.
- **Remuneration:** People have the right to goods that are worth the money they will pay.



- **Universality:** This idea states that business should be conducted in accordance with universal values.
- **Human Value:** According to this principle, man should not be viewed as a factor of production and his dignity should be preserved.
- **Non-Violence:** When a businessman harms the interests and rights of society and exploits the consumer by ignoring their interests, this is considered violence and unethical behaviour.

9.7 SOURCES OF ETHICS

Figure: Sources of Ethics



Source: businessjargons.com

The sources of ethics are as under: -

- **Religion:** Religion is one of the oldest sources of ethical inspiration. Over 100000 different religions exist on the planet. Despite doctrinal differences, major religions agree that ethics is an expression of divine will that reveals the nature of right and wrong in business and other areas of life.
- **Culture:** Culture is a set of values, rules, and standards that are passed down through generations and are intended to model behaviours so that they fall within acceptable limits. Because individuals anchor their behaviour in the group to which they belong, these rules and standards are always important in determining values.
- **The Legal System:** Laws are rules of behaviour that are approved by legislatures and guide behaviour in any society. Whatever ethics are codified in the law, they are binding on businesses. Law is reactive; new statutes and enforcement are always enacted in response to an opportunity for corporate expediency.



9.8 THEORIES OF ETHICS

The following are the some essential theories of ethics given by different philosophers: -

- a) **Virtue Ethical Theories:** According to virtue ethical theories, an individual's ethical value is defined by his character. Character refers to the virtues, impulses, and intentions that predispose a person to moral behaviour. The theories come under it are as: -
- **Individual Character Ethics:** According to individual character ethics, identifying and developing noble human characteristics aids in determining the instrumental and intrinsic value of human ethical relationships. Examples include bravery, self-discipline, prudence, thankfulness, wisdom, sincerity, understanding, generosity, and other noble qualities.
 - **Work Character Ethics:** Identifying and developing introspective, practitioner, noble work attributes such as inventiveness, honesty, loyalty, honour, reliability, politeness, shared work pride, empathy, and so on determine the intrinsic and instrumental ethical quality of work life.
 - **Professional Character Ethics:** In some cultures, self-regulation, loyalty, impartial judgement, benevolence, truthfulness, and public service establish an individual's intrinsic and instrumental ethical qualities, according to professional character ethics.

As a result, the Virtue Ethical Theories are based on the idea that life is all about developing a good character. The character provides a solid moral foundation for one's behaviour. A person with a strong character is thought to have imbibed emotional, intellectual, moral, and social characteristics in order to develop self-discipline and do or seek what is best for him. A weak character, on the other hand, finds him doing all the wrong things, craving what is actually harmful and making excuses for all of his wrongdoing.

- b) **System Development Ethical Theories:** According to system development ethical theories, the ethical value of actions is determined by how sensitive the organisation system is to the need to develop a work culture supportive of ethical conduct.
- **Personal Improvement Ethics:** According to personal improvement ethics, an action is good if it promotes the individual's personal responsibility for continuous learning, improvement, holistic development, and moral excellence. Employees enrolled in the company's training programmes to gain expertise in their work and to improve their own and the organization's performance.
 - **Organisation Ethics:** According to organisational ethics, an action is right if it confirms the development of formal and informal organisational processes,



which in turn improves procedural outcomes, respectful caring, ethical work culture innovation, and systematic justice. If there are no employee grievances if the organisation lacks a redressal system and employees lack a voice system for feedback, it is the manager's responsibility to implement such a system and give the employee a voice. By doing so, the manager promotes individual and organisational moral development while reducing strong opposition to overall moral development.

- **Extraorganizational Ethics:** Extra organisational ethics asserts that an action is right if it promotes or tends to promote collaborative partnerships and respects the diverse political, economic, legal, social, ecological, and philanthropic concerns that affect the firm. A manager's social responsibility is to consider all external factors affecting the organization's business processes, such as political, legal, social, and environmental factors.

Thus, managers who carefully assess the moral conduct of their employees and punish them for wrongdoing are said to have successfully developed an ethical system. If the manager relies solely on the character of his employees and does not implement morally supportive intra-organizational systems and stable processes, the organisation is vulnerable to future ethical risk.

- c) **Teleological Ethical Theories:** The term teleological comes from two Greek words: telos, which means "purpose" or "goal," and logos, which means "science" or "study." It is concerned with goodness, or with being a good person with good intentions. As a result, in contrast to deontological ethics, teleological ethical traditions focus on the goal of - or intention behind - human actions. The goal of a given decision is the focus of teleological ethical theories. The Teleological Ethical Theories are concerned with the consequences of actions, which means that whether our actions are morally right or wrong is determined by the good or evil generated.
- **Ethical Egoism:** The ethical egoism is a teleological theory that holds that an action is good if it produces or is likely to produce results that maximise the person's self-interest as defined by him, even at the expense of others. It is based on the idea that it is always moral to promote one's own good, but that avoiding one's own personal interest can also be a moral action. This distinguishes ethical egoism from psychological egoism, which holds that people are self-centered and self-motivated and act only to maximise their personal interests without helping others, thereby denying the reality of true altruism, i.e. sacrificing one's personal interest for the welfare of others.
 - **Utilitarianism:** According to the Utilitarianism theory, an action is good if it maximises satisfaction for a large number of people who are likely to be affected by the action. If a manager creates an annual employee vacation



schedule after soliciting all employees' vacation time preferences and honouring their preferences, he is acting in a way that maximises the pleasure of all employees.

- **Eudaimonism:** Eudaimonism is a teleological theory that holds that an action is good if it results in the achievement of goals as well as the well-being of humans. In other words, actions are said to be fruitful if they promote or tend to promote the fulfilment of human nature's goals and happiness. Assume a manager imposes employee training and knowledge standards at work, both of which are natural components of human happiness.

Thus, a teleological theory is a moral theory that holds that the rightness or wrongness of actions is solely determined by their consequences.

- d) **Deontological Ethical Theories:** The term deontological comes from the Greek word Deon, which means "duty." It is concerned with right action, or simply doing the right thing because it is the right thing to do. Deontological theories examine whether ethical decisions are right or wrong in and of themselves, regardless of the consequences or intentions of those ethical decisions. According to Deontological Ethical Theories, actions are morally correct regardless of their consequences.
- e) **Negative and Positive Rights Theories:** According to the negative rights theory, an action is justified if it protects the individual from harm or unjustified interference from other people or the government while exercising his right. If an individual has the right to use, sell, or dispose of his personal car, then others have the correlative duty not to prevent him from doing so. According to the positive rights theory, an action is right if it provides or tends to provide an individual with anything he requires to exist. If an individual has the right to adequate health care services in order to survive, this implies that other agents, perhaps the government, have a correlative duty to provide him with the necessary health care services.
- f) **Social Contract Theories:** According to social contract theories, people make agreements with one another to uphold moral and political obligations to the society in which they live. This theory is based on the idea that if society lacks order and law, people will have unlimited freedoms, i.e. the right to everything, and will resort to all misdeeds such as rape, murder, plunder, and so on. As a result, there will be an endless "war of all against all," and in order to overcome this situation, people agree to give up some of their freedoms in exchange for the obligation to respect and safeguard the rights of others. As a result, an individual gains the civil rights that comprise the social contract and he is entitled to the extent that he fulfils his societal obligations.
- g) **Social Justice Theories:** According to social justice theories, an action is considered right if it confirms fairness in the distributive, retributive, and compensatory dimensions of cost and reward. The distributive dimension refers to group members'



perceptions of fairness in the distribution of social benefits and burdens. The retributive dimension considers punishment in relation to the severity of the crime, whereas the compensatory dimension considers how people are compensated in relation to the injuries inflicted on them. If second-hand smoke harms passive or non-smokers at work, the health risk burden should be distributed fairly, and the party responsible should face proportionate punishment. In addition, the injured parties must be compensated to the extent of their injuries. Thus, according to one theory, the rightness or wrongness of actions is independent of the goodness or badness of their consequences.

9.9 INDIAN CULTURE AND ETHICS

In India, ethics is founded on a variety of scriptures, thoughts, ideas, and Vedas. Organizational culture in India is divided into two broad categories: professional culture and community culture. Among these ethical values are the following: -

- **Respect:** Respect means that each individual should respect the beliefs and values of others. To maintain good mutual relationships in a multiethnic country like India, people should respect each other's views, beliefs, and ideas.
- **Trust:** Trust implies that an enterprise's employees should cultivate mutual trust and faith in one another. Doubts can lead to misunderstandings, problems, and chaos among people, so they should be avoided. Such doubts can be dispelled by placing trust in one another in order to improve the operation of a business.
- **Spirituality:** Businesses recognise the value of spirituality, contemplation, meditation, and yoga practices. Such practices assist people in living a more sensible life, increasing work efficiency, and lowering stress levels. When a person is in a peaceful and contented state of mind, he or she performs efficiently and feels satisfied at work.
- **Tolerance:** It aids in the maintenance of cordial relationships among enterprise employees. Tolerance refers to an increase in an employee's adaptability to various organisational changes. Individuals must be permissible and open to the challenges of their jobs. They should accept people for who they are and not pass judgement on them.
- **Flexibility:** Flexibility refers to an individual's ability to adapt to his or her surroundings in the workplace. It considers an individual's receptive and adaptive nature toward co-workers and assigned tasks.
- **Honesty:** It refers to the truthfulness and transparency of an enterprise's employees' nature and behaviour. It also necessitates a trustworthy code of conduct in a business.



- **Tolerance:** It refers to an individual's ability to tolerate delays in the fulfilment of their desires or goals. Individuals with a high level of patience are unaffected by delays in receiving rewards for completed tasks.
- **Persistence:** It refers to an individual's ability to not give up easily and to keep trying to achieve goals. Individuals with perseverance can keep their spirits up in order to achieve their objectives.

ACTIVITY

Organise a group discussion in the class on the topic, “Importance of Ethics for Professionals.”

IN-TEXT QUESTIONS

1. The term ethics refers to...
 - a) Substances
 - b) Chemical properties
 - c) Morality research
 - d) Both A and C are correct.
 - e) Recognizing human nature
 - f) None of these
2. Factor influencing ethical and unethical behaviour is _____
 - a) Ethical dilemma
 - b) Variety
 - c) Collaboration
 - d) Transparent communication
 - e) None of the above
3. Among the major types of ethical issues are: -
 - a) Communication problems
 - b) Problems with the system
 - c) Business concerns
 - d) Individual concerns
 - e) None of the above
4. It is _____ to publish incorrect information on the internet.
 - a) A computer ethics issue
 - b) A moral dilemma
 - c) A computer equity issue
 - d) A problem with the digital divide
 - e) None of these are correct



5. The following are examples of common ethical issues for IT users: -
- Piracy of software
 - Appropriate use of computing resources
 - No information sharing
 - All of the preceding
 - None of these are correct.

9.10 INDIAN ETHOS IN MANGEMENT

Indian ethico-moral debates date back three and a half millennia, when the Vedas laid out the ground rules for human existence and living. The values were popularised in the great epics of Mahabharata and Ramayana. Different models have been developed by Indian researcher Dr. Virender Kaushal, Dr. Balbir Singh, Ms. Sunita Devi, Dr. Kuldeep Attri, Dr. Vinay Negi and Dr. Vijay Kuamr related to the management ideas for the Indian managers and professional students are as follows: -

9.10.1 Management Lessons from the Holy Bhagwad Gita:

The Bhagavad Gita is associated with increasing an individual's efficiency and effectiveness in achieving their goals. The manager's responsibility is to ensure that his subordinates do their jobs effectively and efficiently. A manager must always strike a balance between all available resources and optimum utilisation. The following are the important lessons to be learnt from the Bhagwad Gita: -

- Commitment:** A popular Gita verse advises letting go of expectations of desired outcomes from completing any work. Similarly, an individual must concentrate on completing the work rather than on the outcomes associated with it.
- Selflessness:** Lord Krishna reminds Arjuna that the purpose of war is to lead the world to a better way of life (Dharma), not for his own benefit or to satisfy his own greed or desires. In an organisation, each individual should work by subordinating his or her own interests to those of the organisation.
- Behaviour:** In management, an individual's identity is defined by his capabilities, work, and interactions with superiors, subordinates, and peers. According to the Bhagavad Gita, a human's identity is defined by actions and how he interacts with others, not by his caste, colour, or family background.



- **Emotional Stability:** Bhagavad Gita says that we should not be depressed in the face of our small failures, but instead, work toward our goal. In management, we must persevere in our efforts to improve an organisation despite all odds, Bhaktshanaprabhu advises.
- **Clarity:** A manager's intention toward the goal should be clear and achievable, distinguishing him from others. According to Lord Krishna, intention is essential for achieving one's goals. Similarly, a person who is afraid of change is distracted from the right way of living (Dharma).
- **Calmness:** Lord Krishna says that human life is like a battle within the mind and soul. A manager should try to keep his mind calm and make effective decisions in order to overcome any challenges, according to Swami Vivekananda's The Art of Manoeuvre (Bhagavad Gita).
- **Peace:** Krishna instructs Arjuna to fight while remaining peaceful. "First, go inside and cleanse you," he says. "Fight for justice, not for hatred; fight with equanimity".

9.10.2 Lord Ganesha: The Ethical Lessons for Managers

Lord Ganesha is an elephant-headed Hindu God of beginnings who is also revered in Jainism and Buddhism. According to historical and mythological literature, He is mystical and ". Lord Vinayaka, son of "Lord Shiva" and "Goddess Parvati," is known as the God of success.

- **Visionary:** Lord Gajanan's big head represents having an intellectual mind filled with conceptual clarity, information, knowledge, wisdom, and vision. Management professionals must deal with a number of common issues, problems, difficulties, or conflicts. As a management professional, you must think creatively in order to find solutions to problems.
- **Good Listener:** As a management professional, you must master the art of listening carefully and calmly. You must be a good listener in order to provide fruitful solutions to your organization's problems.
- **Focused:** As a management professional, you must keep a close eye on your employees to avoid mistakes. To sharpen the KSAOs, keep an eye on the activities they engage in while performing their duties or jobs. You are a popular and successful management professional due to your microscopic focus and determined behaviour.
- **Future Oriented:** Long Nose/Trunk of the God implies that you should be able to smell or judge your surroundings in order to protect yourself. A management professional must be alert, cautious, and aware of their competitors. The future is uncertain, and no one knows who will surpass them.
- **Speak Less:** Lord Vighanaharta's small mouth represents "Speak Less and Listen More". When motivating, inspiring, discussing, and communicating with your



employees, uses a practical or pictorial presentation. Because using too many words while performing duties create ambiguity in practitioners' minds.

- **Effective Communication:** A management professional should have clarity while communicating with others. Effective communication acts as a weapon in minimising chances of disputes and misunderstanding between the parties involved. The Lord Dhumraketu is an elephant-headed God have human throat to communicate with others, according to the Hindu religion.
- **Sacrifice:** The Lord Ekadanta has two tusks, one of which has been broken. The right tooth of Lord Ganesha was broken by Rishi Parshuram, when he refused to allow Rishi to meet with Lord Shiva. This was the reason he named as "Ekdanta". To become a good management professional he/she needs to overcome his/her emotions and perform their duties carefully. So, you have to act selflessly for others irrespective of their needs, wants, desires and expectations. It shows the will of sacrifice and how selfless you are.
- **Saama, Daama, Danda and Bheda:** There are four hands which indicate that you have to follow the four sutras to be successful in your life. Saama (Equity), Daama (Compensation/Remuneration), Danda (Rules/Regulations) and Bheda (Division) play an important role in achieving the goals or targets set by professionals.
- **Adaptability:** The big belly of "God Lambodara" shows good capacity to digest everything. It is essential for management professional to be emotionally balanced and stable. He must accept failure and move forward to overcome his deficiencies. He should keep the confidential information and secrets shared with him.
- **Will-Power:** If you have limited resources with you and with these resources you have to look after the operations of your organisation. It means whole responsibility and accountability lies upon you to run, manage and take decision regarding proper functioning of your enterprise. For this, you should have strong will power so that you can attain the targets easily and effectively.
- **Humbleness:** Humbleness is essential for management professionals because they have to teach people from all income level and community as well. The mouse is the most tiny creature and used as a vehicle by Lord Akhuratha. It indicates that a small thing can be very useful and advantageous for us.
- **Confidence:** In Hindu religion Lotus flower is the symbol of youth, beauty and life. It reveals that one should have confidence to perform his role in the life. A management profession should be able to present his knowledge, skills and abilities on front of others. The most unique feature of Lotus flower is its capability to flourish in muddy water.



- **Relationship Building:** The rope is in God's hands revealed that in order to foster trust and loyalty; one must cultivate healthy and harmonious relationships with others. Thus, a management professional should adhere to the concept of developing relationships with all stakeholders in order to ensure the long-term survival of their organisation.
- **Competence:** The Axe in Lord Gajavajtra's hands indicates that management professionals should have in-depth knowledge, skills, and abilities as sharp as the Axe's edge. If he lacks something, he must devote his time, dedication, and commitment to improving his competence and problem-solving abilities.
- **Fruitful Outcomes:** Modaka's are the most favourite dessert of Lord Ekadrishta. It is the holy offering offered by devotees to the Lord. The sweetness of modaka's resembles with fruitful results. Therefore, if management professional want their outcomes to be sweet and profitable like modakaas, work hard.

9.10.3 Ethical Lessons from the Ramayana:

Ramayana is a Hindu mythological epic. Dashrath was a king who had four sons named Ram, Lakshman, Bharat, and Shatrughan. The Ramayan, written by Saint Valmiki, was their story, full of twists and turns. It teaches use different lessons and these are as follows: -

- **Loyalty:** Bharata's true mother, Queen Kaikayi, demanded that Ram go into exile in the forest for 14 years and that Bharat take over as king. King Dashrath was devastated, but when Ram learned the truth, he honoured his father's promises. It teaches us to keep our promises regardless of the circumstances. Ram carried out his father's instructions. It should be understood by all company executives, managers, and employees. Everyone in a company must work hard to fulfil the manager's or representative's commitment to external entities or individuals.
- **Leadership:** When Ravan, the king of Lanka, kidnapped Sita, Lord Ram demonstrated spectacular leadership skills by leading an army of monkeys. Under his command, his army developed special skills to combat the enemy. His vision was to rescue Sita from Ravan and overcome all obstacles in the way.
- **Delegation:** Ram was tasked with discovering the location of Sita, and designing the bridge connecting India and Sri Lanka. He was also in charge of delegating responsibilities to the appropriate individuals. The bridge was an engineering marvel that has the potential to generate electricity for millions of years.
- **Teamwork:** The Ram Setu Bridge connecting India and Sri Lanka was not an easy task. Sugriv, Jamvant, Hanuman, Nal, and Neel, among other monkey soldiers and leaders, all contributed manpower and teamwork. It is thought to be the world's first bridge.



- **Ethics and Morality:** In the Ramayan, Ram sent Hanuman a warning to leave Sita or face an ethical battle. In Ram's absence, Ravan duped Sita and kidnapped her. Even then, Ram always took steps to reclaim Sita. The entire Ramayan is a model of morality.
- **Time Management:** Every employee must learn the importance of timely production and delivery of products and services. Ram was an excellent example of time management by meticulously planning all of the events and arriving on time before Bharat after 14 years of exile.
- **Decision-Making:** Lord Hanuman was a superhero who could not be defeated in times of crisis, writes Ram Agrawal. He showed excellent decision-making abilities by deciding to take the mountain if he was unable to identify the medicine that would save Laxman's life.
- **Cooperation:** The Ram Setu Bridge was built without the use of heavy or advanced technological equipment. It was the result of Nal and Neel's brilliant coordination, which they directed and performed. The entire army of monkey soldiers set a great example of cooperation in building the world's first bridge.
- **Value System:** The battle in Ramayana was fought to set an example for society. Ravan was the villain who kidnapped Sita and forced her marriage. As a result, Ram assassinated Ravan. Every business has a value system. To avoid strict and penal action, all employees must understand its significance.
- **Determination:** When Ram learned that Sita was in Lanka, he made it his mission to get there and rescue her no matter what. He was able to organise an army, travel to Lanka, and win the battle in order to complete his mission. His determination is worth learning by all employees.

9.10.4 Lord Hanuman Ethical Lessons for Managers:

The "Lord Hanuman" also called as "Pawansuta", "PawanPutra" or "Monkey God" is the son of King Kesari and Mata Anjana. Maruti Nandan is also famous for His intelligence, knowledge of all four Vedas (The Rig-Veda, The Yajurveda, The Samaveda and The Atharvaveda. "Bajrang Bali" was the kingpin, who arranged meeting of Lord Rama and Sugreeva (King of Monkey Kingdom) or crossing the sea in search of Mata Sita or blazing Lanka. These lessons help them to resolve different hindrances faced by them in their daily life.

- **Effective Communication:** Effective communication or speaking skills not only helps a professional in creating good societal relationship and it also motivates them in building reputation, status, image and trustworthiness with team members in an organisation. Maruti Nandan acts as an authentic messenger of Mata's life line Lord Rama.



- **Tactical Approach:** Lord Pawansut is considered as one of the greatest Indian Managers of all time for his tactical approach and ability to focus on the assignments allotted to him. His qualities, skills and tactics were outstanding like lifting mountain to save the life of Lakshman and using his tail to burn the Ravana's Lanka.
- **Reliability:** Lord Hanuman's life goal was to serve Lord Rama only and dedicated his life in the feet of his deity. It depicts that the reliability is must in the present day environment. How successful and blooming people are different from those unproductive or failed one, this difference is due to reliability and loyalty towards objectives, aims, ends, goals and ideas.
- **Humbleness:** In Ramayana, Sursa was sent by Gods to test the competence of Lord Hanuman. She tried to create hindrances in the way of Him by enlarging her body. If a professional is competent but if he/she fails to show their humble and polite nature towards other, they will never achieve their targets.
- **Problem Solving:** When Lakshman was unconscious due to war with Meghnada, Lord Sankat Mochan was asked to bring Sanjeevani herb from Sumeru Parvat in the Himalaya mountain ranges. He went there to bring the herb but Bajrag Bali got confused to identify that and it was the major problem faced by Him.
- **Adaptability:** An individual to be a professional must have adaptable nature in order to adjust himself in the changing situations. In Epic Ramayana, Lord Hanuman has supernatural powers and with it He may turn himself into any shape like as small as an ant, as huge as a mountain.
- **Courageous:** In Ramayana, Lord Hanuman took brave decisions and risks to accomplish the tasks assigned to him. The fear and panic situations restricted the capabilities of an individual. To become a good professional, an individual must perform his/her role in a courageous way for the growth and development of organisation.
- **Dynamism:** In Ramayana, when Lord Rama and His younger brother Lakshman were kidnapped by Patala Lok's King Ahiravana, then Veer Hanuman went there to rescue them. He has to put out lamps from five directions such as North, South, East, West and Upward directions respectively. For doing this, He changes His shape to five-faced figure.
- **Leading:** During the battle between Lord Rama and Ravana, He managed and directed the whole army of mischievous animals such monkeys, baboons and others with His leading capabilities. It presents that being a professional whether an academican, manager, lawyer, researcher, leader, artist, musician and others, one must be an initiator.



- **Strength:** The Epic Ramayana is a proof of Lord Hanuman's power and strength. This discussion predicts that if a professional want to be successful, he should have reliance on his/her capabilities and competence. He must have wisdom and foresightedness to take bold decisions which would be effective and beneficial for the growth and development of organisation.
- **Effective Listening:** The Lord Hanuman was an effective listener and has high patience level. He had the abilities to influence, encourage and motivate others to move on the right path. His suggestions to Vibhishan (the younger brother of King of Lanka-Ravana) help Lord Rama to defeat Ravana.
- **Determination:** Lord Hanuman's determination and will to provide relief to His "Prabhu's" depressed state caused by the kidnapping of Mata by Ravana. His dedication to find Mata Sita made Him stronger to face all the difficulties. These obstacles direct Him to pave the way in bringing her back home after defeating Ravana by Lord Rama.
- **Hardwork:** There is a story that when the Lord Hanuman was a child He consumed the Sun thinking that it was a fruit. For consuming the Sun He changed His shape to larger size. If you have vision, wisdom, competence and hardworking nature, you may convert your dreams into reality.

9.10.5 Saint Kabir's Ethical Lessons for Managers:

According to Saint Kabir's the following lessons must be learned by a manager: -

- **Action Oriented:** "Kaal Kare so aaj kar, Aaj kare so ab, Pal mein parlay hoyegi, Bahuri karega kab," says the narrator i.e. It is critical to complete one's task rather than postponing it indefinitely. What if the world were to end tomorrow? Be prepared, and act now.
- **Faith and Patience:** "Dukh mein sumiran sab kare, sukh mein kare na koye, Jo sukh main sumiran kare, toh dukh kahe ko hoye," says the poet. That is, if one maintains faith during times of peace, nothing bad will ever happen. Have faith that the manager will achieve the objectives.
- **Communication:** "Aisee vani boliye, Mann ka aapa khoye, Apna tan sheetal kare, Auran ko sukh hoye," says the speaker. In other words, instead of being arrogant, be humble and courteous to others. What matters most is spreading joy through words.
- **Will-Power:** "Chinta aisee dakini, Kaat kaleja khaye, Vaid bichara kya kare, Kahan tak dawa lagaye," says the poet. Worry, for example, is a disease that no doctor can cure with his medicines. After all, it is ultimately heartbreaking.
- **Self-Analysis:** "Bura jo dekhna main chala, buran aa milya koye, mann khoja aapna, toh mujhse buran aa koye, mann khoja aapna, toh mujhse buran aa koye, mann khoja



aapna,” In other words, I couldn't find any flaws in others. But when I looked within, I couldn't find anyone who was as flawed as I was. Thus, before passing judgement on anyone, one must first examine oneself.

- **Well-Wisher:** “Kabira khara bazaar mein, Mange sabki khair, Na kahu se dosti, Na kahu se bair,” i.e. instead of seeking friends and enemies, Kabira seeks wisdom and well wishes while blessing others. Make yourself a well-wisher.
- **Positive Attitude:** “Jab tu aaya jagat mein, Log hanse tu roye, Aisi karni na kari, Pache hanse sab koye,” i.e. Live your life so well that when you die, others will miss you.
- **Selflessness:** “Chaah miti, chinta miti, Manwa beparwah,” says the Buddha. Who Shahenshah, i.e. He who desires nothing, is the true king. There will be no room for worries when there are no desires.
- **Time Management:** “Raat gawai soyeke, Diwas gawaya khaay,” says the timekeeper. Kodi badle jaye', Hira janam anmol tha.” That is, you were born to shine like a diamond. However, if the nights are spent sleeping and the days are spent eating, it will lead to worthlessness.
- **Humbleness:** “Uncha dekh aavas, Kabira garv na keejiye. Uper jamsi ghaas', Kaal pairon punyah letna.” i.e Never be proud of your wealth, because in the end, you will be buried beneath the earth, and all that will remain is the growing grass above you. Be modest and humble to all.

9.10.6 Ethical Leadership: Adi Godrej

The Godrej Group has never split in its 123-year history. Senior management is primarily made up of family members; youngest generation forced to work at lowest executive levels. There is a strong and systematic succession plan in place, with these executives groomed and trained by senior family members. In 1897, Ardeshir Godrej started a lock-making business in Mumbai. He launched Chavi, the world's first cleanser made without the use of animal fat. In 1958, they made a strong entry into the home appliance market with their first refrigerators. Adi Godrej is credited with modernising the inflexible management structure of his family business. He is regarded as one of the richest Indians, with a net worth of \$2.2 billion. Adi believes that staying ahead of the market's fierce competition required innovation. Adi Godrej was brought up with the Zoroastrian virtues of uprightness, charity, generosity, and benevolence. According to Adi, leadership is about doing the difficult things that no one else wants to do.

- **Delegative leadership style:** In his early career Adi was seen as an authoritative leader, but over time he evolved into a Delegative leader. He practised listening skills and consulted with his teammates before making decisions. He recognised the need for different CEOs in the various group companies and delegated decision-making authority to employees.



- **Transformational leadership style:** Adi Godrej acquired Transelektra, an insecticide manufacturing company, for Rs. 80 crores in 1994. He recruited Sara Lee and sold half of the acquired company to Hindustan Unilever. He lives by the motto "thinking future backwards," and works with his teams to identify needed change.
- **Authentic leadership style:** Adi's open and honest relationships with his workers and employees fostered openness, trust and earned the respect of all. His philanthropic nature earned him accolades and a large following even outside of his family business.
- **Ethical leadership style:** Adi Godrej received the Golden Peacock Lifetime Achievement Award in 2017. His pioneering contributions as a dedicated leader have set many great examples for India's emerging leaders. As an ethical leader, he has worked and succeeded in changing the country's societal and business landscape.
- **Value-based leadership style:** The Godrej Group's Vision includes the creation of shared value through Good and Green. The brand value created by organic and inorganic growth has resulted in increased social and relationship capital. This has helped to strengthen their financial capital and diversify their human capital.

ACTIVITY

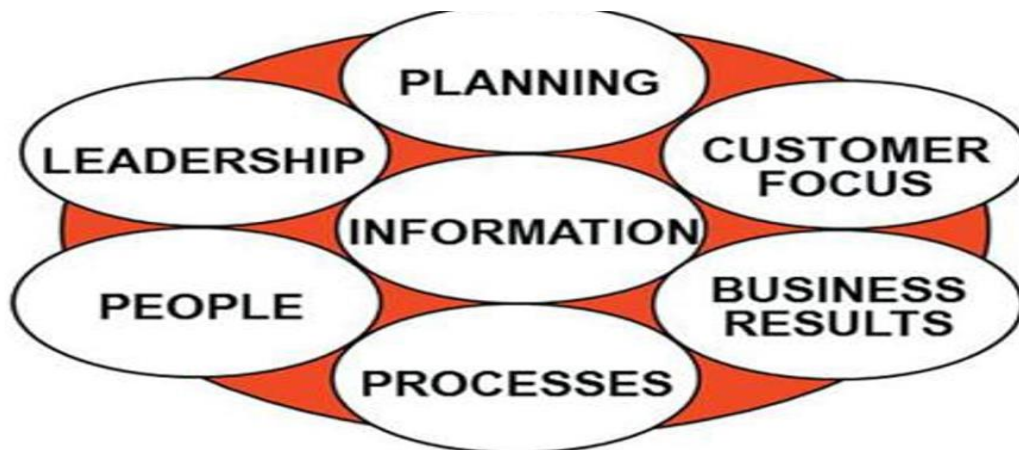
Organise a seminar on the topic, "The Need of Teachings for Indian Professions from The Bhagwad Gita, The Ramayana, The Mahabharata, Sri Guru Granth Sahib, Bible and Quran." Note down all the important teachings from these Holy books and prepare an assignment on the topic, "Teachings Essential for Indian Professional from The Bhagwad Gita, The Ramayana, The Mahabharata, Sri Guru Granth Sahib, Bible and Quran." And submit it to the class teacher.

9.11 HOLISTIC MANAGEMENT

A holistic business approach is a strategy that connects all departments in an organisation in order for them to work as one team. All employees collaborate to achieve a common organisational goal. Everyone understands how their work benefits the company as a whole, and they all contribute to its decisions.



Figure: Holistic Management



Source: <https://www.kobo.com/>

9.12 FEATURES OF HOLISTIC MANAGEMENT

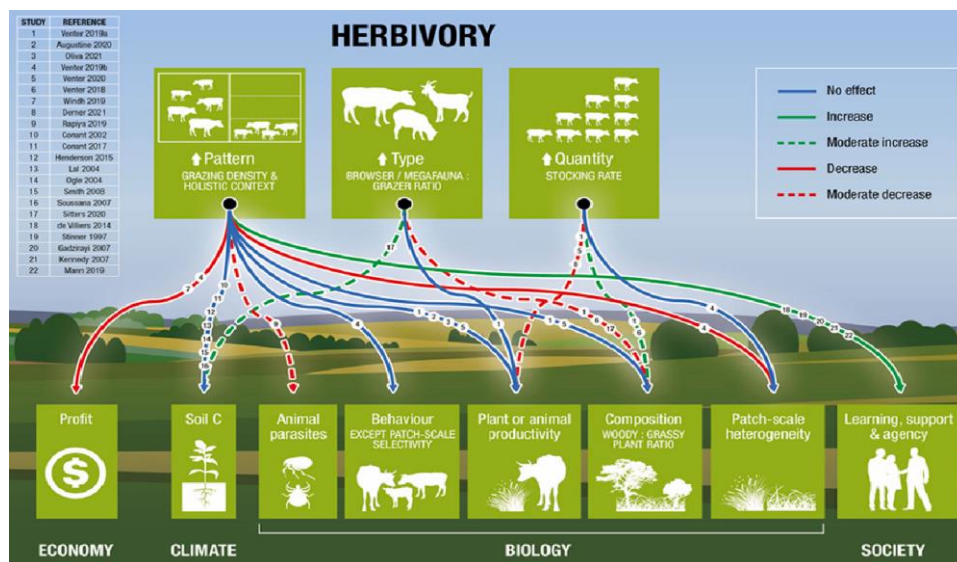
The following are the features of holistic management:

- **Visionary:** Organisations set their objectives as a whole and then develop visible, understandable guidelines for completing them. A content creator at a nonprofit may work to increase traffic to the organization's website under a traditional business model. The creator of a holistic business model creates website content that assists the nonprofits in attracting donations so it can continue to serve the community.
- **Reliable Branding:** Businesses with holistic operations use uniformly identifying materials to connect with customers and their goals. The company's logo or motto is displayed alongside their products. A strong colour from the logo can be used to create a distinct colour scheme that is used throughout the office, on business cards and signage.
- **Teamwork:** Individual departments and employees in a holistic business approach perform their jobs collaboratively for more than just personal success. Graphic designers who work holistically may create graphics that increase social media engagement or designs that encourage customers to purchase products. A complete understanding of organisational goals includes anticipating difficult situations, which can encourage innovative problem-solving techniques.



9.13 BENEFITS OF HOLISTIC MANAGEMENT

Figure: Why Holistic Management?



Source: <https://www.sciencedirect.com/science/article/pii/S0167880921004060>

The following are the benefits of using holistic management:

- **Empowerment enhances Creativity:** Employees who are aware of and understand the purpose of their work and value of their contributions may be more motivated to perform well at their jobs. A complete understanding of organisational goals includes anticipating difficult situations, which can encourage innovative problem-solving techniques and alternative solutions.
- **Welcome New Ideas:** Incorporating perspectives from various points of view within the organisation helps ensure that a project adheres to organisational goals. With this new insight, employees can devise another plan that meets the needs of each department while adhering to company goals.
- **Performance Analysis:** Viewing the organisation holistically can help you identify which members of your team are performing well and which need to improve. For example, suppose a company launches a social media campaign that generates a lower than expected return on investment. A holistic perspective assists the firm in determining that the platforms used to publish the campaign are not reaching their target audience.



- **Improves Branding:** Organisations that operate holistically can strengthen their public image. An electronics company, for example, focuses on the brand goal of innovation. All its employees work to promote the brand in all its markets. Customers recognise all of the company's products as strong examples of innovation when they shop.

ACTIVITY

Discuss in the class about the significance of Holistic Management by taking into consideration the diversified culture of India.

IN-TEXT QUESTIONS

- The emphasis in a customer management organisation is on
 - Handle individual customers
 - Handle mass markets
 - Handle market segments
 - None of the preceding
- It is important to research best practise firms in order to improve performance.
 - Contracting out
 - Evaluation
 - Redesigning
 - Compressing
- Associating with fewer but higher-value suppliers is advantageous.
 - Customer collaboration
 - Supplier collaboration
 - Reengineering collaboration
 - Flattening collaboration
- You have a high level of.....if you stick to your values even when others put pressure on you to do something wrong or make fun of you.
 - Interaction
 - Collaboration
 - Sincerity
 - Honesty
- If you have....., you will be a trusted person because they will see that you are dedicated to your company.
 - Loyalty
 - Organizational Capabilities
 - Productivity
 - Be respectful



9.14 SUMMARY

The Indian Ethos for Management is based on India's cultural foundations and draws its chapters from the nation's religions. The appeal of management concepts revealed in our ancient wisdom stems from holy writings such as the "Gita," "Upanishads," "Bible," and "Quran". A holistic business approach is a strategy that connects all departments in an organisation to achieve a common organisational goal. Holistic organisations use uniformly identifying materials to connect with customers and their goals. Employees who are aware of and understand the purpose of their work and value of their contributions may be more motivated to perform well at their jobs.

9.15 GLOSSARY

- **Culture:** All of a population's ways of life, including arts, beliefs, and institutions, that are passed down from generation to generation.
- **Ethical Leader:** An individual act in accordance with a set of principles and values that the majority recognises as a sound foundation for the common good. Integrity, respect, trust, fairness, transparency, and honesty are examples.
- **Ethical Management:** It commits those in charge of a portion of the organisation or the entire organisation to implementing virtuous practices and approaches.
- **Ethical Organisation:** It respects its employees by valuing their opinions and treating each employee as an equal. By listening to feedback and assessing needs, the company demonstrates its appreciation for its customers. An ethical company respects its vendors by paying on time and using fair purchasing practices.
- **Ethics:** The study of what is ethically good and evil, right and wrong, is known as ethics.
- **Holistic Management:** A decision-making and planning process that provides people with the insights and management tools they need to understand nature, resulting in better, more informed decisions that balance key social, environmental, and financial considerations
- **Indian Culture:** The heritage of social norms, ethical values, traditional customs, belief systems, political systems, artefacts, and technologies that originated in or is associated with ethno-linguistically diverse India is known as Indian culture.
- **Indian Rituals:** Puja, meditation, silent prayers, yoga, recitation of scriptures from the Bhagavad Gita or bhajans, reading religious books, participating in Satsang



(prayer meets), performing charitable work, visiting a temple, and chanting the name of their beloved God are the most common rituals practiced in all Hindu households.

- **Management:** It is task coordination and administration to achieve a goal such as administration activities include developing the organization's strategy and coordinating staff efforts to achieve these goals through the use of available resources.
- **Organisational Ethics:** It encompasses a variety of guidelines and principles that govern how employees should conduct themselves at work. It also refers to the code of conduct for employees in a specific organisation. Every business exists to make money, but how it makes money is more important.

9.16 ANSWERS TO IN-TEXT QUESTIONS

1. (e), Recognising human nature	6. (a), Handle individual customers
2. (a), Ethical Dilemma	7. (b), Evaluation
3. (a), Communication Problems	8. (b), Supplier collaboration
4. (a) A computer problems	9. (d), Honesty
5. (a), Piracy of software.	10. (a), Loyalty

9.17 SELF-ASSESSMENT QUESTIONS

1. Discuss the importance of Indian ethos in management.
2. Indian culture is a diversified culture. Is it possible to manage ethical behaviour of Indian organisation in this diversity? Discuss
3. "Ethics cannot be taught, these can be caught at any stage of an individual's life." Comment
4. Elaborate the pros and cons of different theories of ethics.
5. What do you mean by ethics? Discuss the role and significance of culture.
6. The culture, rituals and society all are the sources of ethics. Discuss the impact of these on the individual behaviour.
7. Elaborate the teachings of Sri Mad Bhagwad Gita essential for Indian managers.
8. Discuss the lessons learned by the Indian professionals from the Ramayana.
9. Lord Hanuman taught us certain lessons to be effective leader and follower. What are those lessons? Discuss
10. Describe the ethical lessons learned by you from the Sir Rattan Tata.



11. What do you mean by holistic management? Discuss its features, significance and drawback.

9.18 REFERENCES

- Aswathappa, K. (2014). *Organisation Behaviour*. Himalaya Publishing House. Pp. 231-263.
- Aswathappa, K. & Reddy, G.S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House. Pp. 223-247
- Bhatia, S.K. (2004). *Business Ethics & Corporate Governance*. Deep & Deep Publications. Pp. 1-38, 145-173, 181-203, 305-320, 327-380.
- DeGeorge, R. T. (2011). *Business Ethics*. Pearson Education. Pp. 1-20, 185-201
- Ghuman, K. & Aswathappa, K. (2010). *Management*. McGraw Hill, pp 80-102
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Kaushal, V., Negi, V. K., Singh, B. & Devi, S. (2022). *Management Lessons from Lord Ganesha*. Emerging Trends in Management Sciences (Edited Book). House of Journals-Pune: 58-66.
- Kaushal, V., Singh, B., Kumar, V. & Devi, S. (2022). *Lord Hanuman: Leadership Lessons for Professionals*. New Learning Technologies of Leadership & Role of Media Management (Edited Book). Rubicon Publications: 31-36.
- Pattanayak, L., Jena, K.L., Sahoo, K. (2020). *Leadership at Godrej: A Treasured Heirloom Transformed into a Valuable Brand*. Vilakshan-XIMB Journal of Management. 17 (1/2): 153-171.
- Prasad, L. M. (2011). *Organisational Behaviour*. Sultan Chand & Sons. Pp. 169-194
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India. pp. 381-400.
- Robbins, Judge & Vohra (2013). *Organisational Behaviour*. Pearson Education. Pp. 137-174
- Robbins, Judge & Vohra (2018). *Organisational Behaviour*. Pearson Education. Pp. 128-159.
- Singh, R. K. (2017). *Business Ethics & CSR*. Kalyani Publishers. 3-50, 153-195.
- Singh, R. K. (2019). *Business Ethics & CSR*. Kalyani Publishers. 3-49, 155-197.



- Stanwick & Stanwick (2011). *Understanding Business Ethics*. Pearson Education. Pp. 1-57, 140-158, 197-221.

9.19 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasisht, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.



LESSON 10

BUSINESS ORGANISATION AND MANAGEMENT: RECENT DEVELOPMENTS

Dr. Virender Kaushal

STRUCTURE

- 10.1 Learning Objectives
- 10.2 Introduction: Business Process Reengineering (BPR)
 - 10.2.1 Principles of Business Process Reengineering
 - 10.2.2 Process of Business Process Reengineering
 - 10.2.3 Benefits of Business Process Reengineering
 - 10.2.4 Drawbacks of Business process Reengineering
- 10.3 Learning Organisations
 - 10.3.1 Features of Learning Organisations
 - 10.3.2 Advantages of Learning Organisations
 - 10.3.3 Elements of Learning Organisations
 - 10.3.4 Limitations of Learning Organisations
- 10.4 Six Sigma
 - 10.4.1 Objectives of Six Sigma
 - 10.4.2 Benefits of Six Sigma
 - 10.4.3 Principles of Six Sigma
 - 10.4.4 DMAIC Life Cycle Model of Six Sigma
 - 10.4.5 Role of Six Sigma
- 10.5 Supply Chain Management
 - 10.5.1 Features of Supply Chain Management
 - 10.5.2 Principles of Supply Chain Management
 - 10.5.3 Functions of Supply Chain Management
 - 10.5.4 Components of Supply Chain Management



- 10.6 Summary
- 10.7 Glossary
- 10.8 Answers to In-Text Questions
- 10.9 Self Evaluation Questions
- 10.10 References
- 10.11 Suggested Readings

10.1 LEARNING OBJECTIVES

After studying this chapter, students will be able to understand: -

- The concept, principles, process, benefits and drawbacks of business process reengineering.
- The meaning, features, advantages, elements and limitations of learning organisations.
- The concept, objectives, benefits, principles, role and DMAIC cycle of six sigma.
- The meaning, features, principles, functions, components of supply chain management.

10.2 INTRODUCTION: BUSINESS PROCESS REENGINEERING

Figure: Business Process Reengineering



Source: marekting91.com

Business processes are a collection of activities that convert inputs into outputs in the form of goods and services. Few managers understand the concept of re-engineering. Customers are



more concerned with the end results and do not pay attention to the tasks involved. They are only interested in learning about the process's potential.

Business Process Re-engineering (BPR) involves completely redesigning the organization's business processes. Managers examine their existing processes from a blank slate and see how they can be improved. BPR is a relatively new approach to strategy implementation that is used to improve operations. The goal of re-engineering is to get rid of the traditional rules and regulations that govern an organisation. These may include ancient policies and procedures that all organisations blindly follow. Many of these rules become obsolete and have an impact on an organization's performance. It is critical to restructure such organisations' policies and processes.

10.2.1 Principles of Business Process Reengineering:

Michael Hammer proposed the concept of re-engineering. He established the following seven re-engineering principles: -

- **Focus on Output:** A person's or a department's job should be redesigned by changing objectives or final outcomes rather than by reshaping their tasks.
- **Perform Process:** The processes' output should be performed by the end users themselves. This is possible with the help of computer-based information systems.

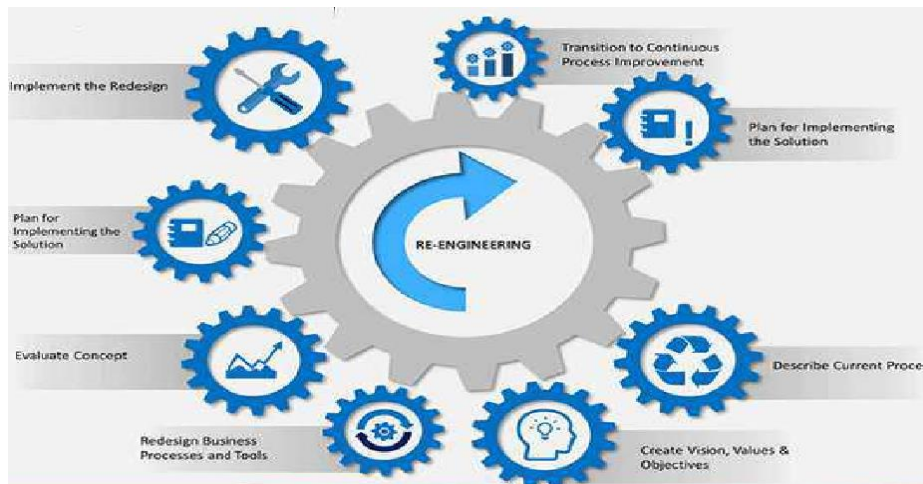
10.2.2 Process of Business Process Reengineering:

Stakeholders must gain a better understanding of the key steps involved in business process reengineering in order to keep it fair, transparent, and efficient. Although the process varies from organisation to organisation, the steps listed below summarize the process: -

- **Step-1 : Map Current State of the Business:** Collect data from all sources, including software tools and stakeholders. Determine how the process is currently performing.
- **Step-2 : Examine the Current State to Identify Process Gaps and Disconnects:** Identify all errors and delays that are impeding the free flow of the process. Check to see if all details are available in the appropriate steps for stakeholders to make quick decisions.
- **Step-3 : Select and Validate Opportunities for Development:** Examine whether all of the steps are absolutely necessary. If a step exists solely to inform the person, remove it and replace it with an automated email trigger.



Figure: Why to Follow the process of Business Process Reengineering?



Source: <https://www.tecxed.com/>

- **Step-4 : Create a Creative Futuristic Process Plan:** Create a new process that addresses all of the issues you've identified. Don't be afraid to create a completely new process that is certain to succeed. Set KPIs for each stage of the process.
- **Step-5 : Implement Changes:** Inform all stakeholders about the new process. Proceed only after everyone is on board and understands how the new process works. Monitor the Key Performance Indicators (KPIs) at all times.

Employee productivity suffers significantly during process reengineering. Changes are frequently difficult to manage, but it saves a significant amount of money on analysis, reengineering, and documentation. Better managed processes during runtime reduce the need for reengineering significantly. Business process re-engineering (BPR) is an important step in the management of business processes (BPM). Implementing process re-engineering necessitates clear and effective business process management.

10.2.3 Benefits of Business Process Reengineering:

The benefits of BPR as under: -

- **Direction:** Business process reengineering is the process of giving employees the right direction to their work, rather than just following the wrong direction. In other words, if ship crew members try to sail their boat against the wind direction, they will be unable to do so; but if the boat's direction is changed, they can.
- **Motivation:** When a company decides to do business process reengineering, all employees will be motivated and there will be positive vibes within the company,



resulting in an increase in efficiency and effectiveness. Employees, like humans, get bored easily, which is why this type of re-organisation is important.

10.2.4 Drawbacks of Business Process Reengineering:

The following are the drawbacks: -

- **No Guarantee of Success:** Business process reengineering is not a sure-fire success formula because it is not guaranteed that even after doing it, the company will be successful. There are many other factors at play that impact the overall performance of the company and there is no guarantee of success.
- **Costly:** Not all businesses can afford to re-organise their business in a cost effective way because of the huge amount of work required to do so.
- **Time Consuming:** Business process reengineering is a process that takes time and money, and not all companies can afford to invest in such an expensive and time-consuming initiative. Not all companies have the patience and deep pockets to endure the long time it takes to show improvement in their business or performance.

Thus, business process reengineering is not an easy task and requires a lot of planning and willingness on the part of management as well as people working in the company. Business owners should carefully read the above points before making any decision about whether or not to undertake this type of reengineering.

CASE STUDY

Reengineering in Airbnb (Product Development Process): Airbnb is a well-known cool brand. Previously, it had struggled greatly to find an internal unique identity in Silicon Valley in order to create a sustainable, fast-delivery product development process.

Problem Identification: Designers, engineers, and researchers are the three main functions that contribute to the Airbnb product development process. They were unable to meet the end goal of delivering a great product on time. Designers do not want to wait for engineers to write code so that a mock-up can be visualised on screen. Engineers had to wait for researchers to validate product ideas, only to discover at the end that the project's assumptions were incorrect.



Solution: Centralize Resources Dispersed Geographically. The product development process had to be redesigned. It required a complete redesign; no optimization or automation was required. They needed to create a single digital environment in which designers and engineers could collaborate seamlessly.

Learning: The process of centralising the product development process at Airbnb was to align it with the internal development tool. Even if coworkers couldn't sit in the same room, they could see the same product in real time. This virtual centralization facilitates the team's rapid back-and-forth product development.

IN-TEXT QUESTIONS

1. Which of the following terms refers to business processes that are not carried out by a single group or function?
 - a) Silo Project
 - b) Multifunctional
 - c) Functional Organization
 - d) Business Systems
 - e) Corporate Structure
2. Which system provides end-to-end support for business processes?
 - a) Administration System
 - b) Accounting System
 - c) Enterprise Management System
 - d) Functional Organization
 - e) Document Management System
3. Which of the following business process statements is true?
 - a) They are carried out across multiple functions.
 - b) They are triggered by some sort of event.
 - c) They involve various steps
 - d) All of the Above

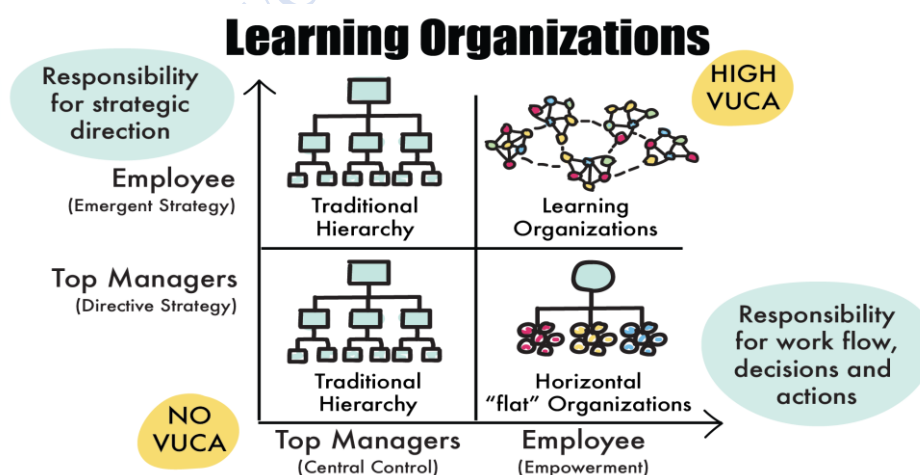


4. _____ is the source of the business process reengineering (BPR) methodology is a "vsens."
- a) Adani Port b) Kodak
c) Hero Motors d) Suzuki
5. Which of the following steps is not included in the BPR project process?
- a) Preparation of a project b) Process redesign
c) New process implementation d) Identification of location

10.3 LEARNING ORGANISATIONS

Learning organisations emerge as a result of the pressures that organisations face in order to remain competitive in today's business environment. Peter Senge and his colleagues' work and research resulted in the concept of the learning organisation. Such an organisation becomes more like a community to which employees feel a sense of belonging. An organisation must learn to survive and thrive in a constantly changing and uncertain environment. Managers are responsible for increasing their employees' awareness and ability to comprehend and manage the organisation. As a result, they can make decisions that ensure the organization's continued success. This organisational learning is a combative process in the face of rapid change.

Figure: Why Learning Organisation?



Source: <https://dandypeople.com/>



10.3.1 Features of Learning Organisations:

The following are the features: -

- **System Thinking:** The concept of the learning organisation arose from a body of work known as systems thinking. According to systems thinking, all of an organisation's characteristics must be visible at the same time. Some argue that the characteristics of a learning organisation are factors that are gradually acquired rather than developed concurrently.
- **Dedication:** Personal mastery refers to an individual's dedication to the process of learning. Individual learning does not necessarily imply organisational learning. However, learning cannot be imposed on a person who is not receptive to learning. Research shows that most workplace learning is unintentional rather than the result of formal training.
- **Assumptions and Generalizations:** Mental models are the assumptions that individuals and organisations hold. These models must be challenged in order for an organisation to become a learning organisation. The discipline of mental models begins with looking inward; learning to unearth our internal pictures of the world, bring them to the surface, and rigorously scrutinize them.
- **Shared Vision:** The creation of a shared vision is critical in motivating employees to learn. It creates a common identity that provides focus and energy for learning. Traditional structures that impose the organisational vision from on high can stymie the development of a vision. Visions spread as a result of a self-reinforcing process where clarity, enthusiasm and commitment spread throughout the organisation.
- **Shared Learning:** The advantage of team or shared learning is that employees grow faster and the organization's problem-solving capacity improves. Structures in a learning organization facilitate team learning through features such as boundary crossing and openness. A learning organisation typically has excellent knowledge management structures for knowledge to be created, acquired, disseminated, and implemented.

10.3.2 Advantages of Learning Organisations:

A learning organisation is an organisation in which collective learning is actively promoted, facilitated, and rewarded - rather than passively occurring by chance or as a byproduct of normal work. The following are the advantages of learning organisations: -

- Keeping levels of innovation high while remaining competitive
- Being in a better position to respond to external pressures
- Knowing how to better connect resources to customer needs
- Enhancing quality of output at every levels of management



- Improving the organization's corporate image, culture and image by becoming more people oriented
- Developing the adaptability towards changes among the employees at all levels

10.3.3 Elements of Learning Organisations:

The following are the elements of learning organisations: -

- **Communication:** Communication is the primary focus in developing and sustaining a learning organisation. Learning organisations typically have an open exchange and flow of information at all levels. Systems are put in place for all individuals to network across organisational boundaries, broaden their knowledge base, and develop their expertise.
- **Creativity:** Organisations that design and implement programmes that recognise and reward the acquisition of new skills, teamwork, and individual effort promote creativity and increase employee motivation. Processes that promote cross-organizational collaboration are rewarded. Celebrating employees' and teams' successes and accomplishments encourages continuous personal development.
- **Collaboration:** Having designated spaces for developing and exploiting information, such as conference rooms, bulletin boards, and groupware's to share and access knowledge, can encourage collaboration. Organizational support must flow downward and cross-sectionals from top management. An open and trusting environment encourages individuals to develop ideas, speak up, and challenge actions.
- **Contribution:** This includes a detailed presentation for both new and existing employees that explain why the organisation is in business, what the company's objectives are, and how each department or job contributes to the company's success.
- **Capture Knowledge:** This means they must create systems that aid in the retention of knowledge and learning held by individuals within the organisation as well as large groups of staff.

10.3.4 Limitations of Learning Organisations:

The limitations of a learning organisation are as under: -

- **Transformation:** Bureaucrats are rigid in their thinking and operations, and will not allow any new practise that deviates from accepted ingrained norms to be implemented. Because of these contradictory characteristics, bureaucratic organisations are not easily transformed into learning organisations. The concept of Learning Organization can make bureaucratic organisations less intimidating and more acceptable to participants.
- **Dynamism:** The Learning Organization should consider structural and cultural changes as well as the impact these changes will have on the organisation. Because training is the only considered tool for learning, the organization is purely culturally



biased. This deficiency must be addressed in order to become a full Learning Organization.

- **Collective Learning:** Acceptable models for organisational learning at all levels must be developed and popularised so that these models not only link individual and collective learning processes, but also connect to strategic objectives. The models should aid in determining whether an organisation has evolved into a true learning organisation.
- **Zeal and Initiative:** The concept of Learning Organization paints a picture for managers and others of how things could be within an organisation. The "zeal and initiative" of employees vis-a-vis management to make the organisation a learning one is one real aspect that greatly contributes to the development of a Learning Organization.

The concept of Learning Organization has emerged to address shortcomings in existing business practices, such as the traditional approach to organisational development. The concept simply states, "Unlearn the undesirable practices that impede organisational growth and learn new practices". However, there are numerous challenges in implementing the Learning Organization.

ACTIVITY

Organise a class seminar on the topic, "Need and Importance of Learning Organisation in the scenario of stiff competition." Also request your class teacher to arrange for the industry expert as a resource person so that you may learn about the significance of learning organisations in the optimum utilisation of resources.

IN-TEXT QUESTIONS

6. In a learning company: -
 - a) Top management provides vision.
 - b) Power and hierarchical influence are used to resolve conflicts.
 - c) Idea formulation and implementation occurs at all organisational levels.
 - d) All of the above
7. _____ commits resources to continuous quality improvement in all aspects, including small areas and all organisational activities from top to bottom.



8. Empowerment is one of the most important characteristics of _____.
9. A learning organisation is one that has developed the ability to learn continuously, _____, and change.
10. The most important aspect of creating a learning organisation is developing a _____.

10.4 SIX SIGMA

Figure: Six Sigma



Source: <https://www.indeed.com/>

Six Sigma methodology dates back to 1979, when Mikel Harry and Bill Smith helped develop Six Sigma technology. It was developed by Motorola, who used it to win the Malcolm Baldridge National Quality Award; it gained popularity when General Electric achieved business excellence in the early 1990s by using Six Sigma Methodology. Many businesses around the world have adopted Six Sigma as a way of doing business. Six Sigma projects are designed to increase organisational efficiency. As a result, one must ensure that the projects are efficient in and of themselves. One of the most important criteria for an efficient project is well-defined goals. Only after goals have been clearly articulated can plans



to achieve them be devised. Six Sigma projects have guidelines for defining project objectives.

10.4.1 Objectives of Six Sigma:

Three essential characteristics must be present in the objective. These are as under: -

- **Priority:** The organisation must prioritise only the most important projects. As a result, one must ensure that the six sigma project is valuable and aligned with the organization's strategy. The organisation's strategy determines which projects are important and how much time is available to pursue them.
- **Defined:** Six sigma projects are never carried out in isolation. Each project's key stakeholders are identified, and an agreement is reached with them. It is critical that the six sigma project team be able to clearly define what they intend to do in front of stakeholders such as those who will actually implement the process.
- **Attainable:** If a project's objectives are too far outside the scope of the organisation, it will fail. Failure in a six sigma project demoralizes those who have contributed to its implementation. Make the goals attainable at the start of the project to avoid problems later on.

10.4.2 Benefits of Six Sigma:

The proper application of Six Sigma methodology has an impact on all aspects of a business. It could be improving employee services or devoting more time to the final product. The following are some of the benefits of using Six Sigma to improve business operations:

- **Customer Satisfaction:** Using Six Sigma methodologies, a company will upgrade processes and improve quality control. As a result, the finished product is better. This results in increased customer satisfaction.
- **Loyal Customer:** Satisfied customers are loyal to a brand and return for additional purchases. The product's quality should be consistent in order to gain a loyal customer.
- **Enhanced bottom line:** Happy customers provide positive word-of-mouth references. Customers who are satisfied will always return for more. All of this adds up to a higher revenue stream.
- **Employee satisfaction:** One of Six Sigma's advantages is that it can direct employees to a common cause. Six Sigma allows leaders to clarify and rationalise their message. Improved results can also foster a sense of companionship. It leads to better outcomes.
- **Healthier Teamwork:** When one company does well, other companies associated with it can benefit from its success. This can lead to long-term team as well as the adoption of similar Six Sigma strategies.



10.4.3 Principles of Six Sigma

The success of Six Sigma implementation is based on five main principles: -

First: Emphasis on Customers' Needs: The first step in the Six Sigma process is to define "quality" from the perspective of the customer. Quality is defined differently by each customer. A company must measure quality in the same way that its customers do. By addressing the needs of the customer, a company can define the quality it provides to the customer.

Second: Utilize data to identify process variation: There are two types of process variations: special cause variation and natural variation. External factors cause special cause variation. Natural variation is the random variation that occurs in the process. Six Sigma aims to reduce variation due to a single cause. Understanding the process is required to identify the root cause of the variation. The process should be deeply and thoroughly understood. It is impossible to gain knowledge of the process unless it is studied. To clearly understand the process, detailed data about the process is required. To gather specific information: -

- Clearly define the data collection goals.
- Data identification.
- Define the reason for collecting the data.
- Determine the anticipated insight
- Define the method of data collection.
- By performing Measurement System Analysis, you can eliminate data collection errors.
- Plan the data collection
- Interviewing people, taking observations, and asking questions are all part of the Six Sigma data collection process.

Once the data collection is complete, determine whether the collected data provides the necessary knowledge to meet the objectives that were established. If not, repeat the data collection plan to obtain additional information. To find answers, the process is repeated. Using the data collected, identify the potential root causes of the process variation and try to eliminate it. Analyze it after you've identified the potential root causes. Statistical analysis is used to identify the significant root cause of the variation.

Third: Continual process improvement to eliminate variation: Once the root causes have been identified, make changes to eliminate variation in the process. As a result, the process flaws are eliminated. In addition, look for ways to eliminate steps that do not add value to the customer. This reduces waste in the process. Identify and eliminate variation. Don't wait for the variation to appear. Collect data, interview people, and analyse the data to identify



process variations. Because "that's how we've always done things," variation may have become the norm.

Fourth: Engage individuals from various levels of management and the process: Good teams are the foundation of Six Sigma. The best teams are made up of people who take ownership of the Six Sigma processes. People on the team require Six Sigma training. Creating a cross-functional team of people from various backgrounds will aid in the identification of variation.

Fifth: Be adaptable and comprehensive: Six Sigma necessitates adaptability from a variety of perspectives. Positive changes must be recognised by the company's management system. People should be encouraged to accept system changes in order to eliminate variation. To motivate employees, the benefits of the six sigma system should be communicated to all levels of management. This will make the changes more tolerable.

Thus, Six Sigma also necessitates a reduction in variation. Understand all aspects of a process, including the steps, stakeholders, and methods involved. This will assist in ensuring that any new or updated process works properly.

10.4.4 DMAIC Life Cycle Model of Six Sigma

DMAIC is a data-driven quality strategy used to identify process opportunities for improvement and to reduce errors and defects. The following is the description of the model:

Figure: DMAIC MODEL



Source: <https://www.researchgate.net/>



- a) **D is for Define (Defining the problem, opportunities, business objectives, customer demands):** Here you define what opportunity you are looking for, or what problem you are attempting to solve, or simply what new business objective or customer demand you are meeting.
- b) **M for Monitor Performance:** Measurement is critical in this step, and it must be precise because you are attempting to build a solution based on that measurement. The measurement team must focus on the process and what the customer actually cares about. This is a critical step for professionals who are looking for ways to improve their service or product.
- c) **A for Analyse Opportunities:** The team must examine what is causing the problems and where there is an opportunity to improve the process, service quality, cost, or product. During this stage, the team focuses on determining the root causes of the problem and developing a solution. This step is primarily analysed by experienced and Six Sigma Green belt certified individuals.
- d) **I for Improve Performance:** After implementing the solution into the process, the teams must focus on the factors that are critical for improving the process. In this step, the team must collect data to determine whether or not there is measurable improvement. If there is, it will use these processes as a core process, then as a pilot process, and finally to improve the baseline.
- e) **C for Control Performance:** This is the stage at which the team must maintain control of the process and the changes and improvements made to the process or service. This is one of the most important activities required by a business because maintaining an improved process is critical to maintaining service or product quality and, ultimately, customer satisfaction.

10.4.5 Role of Six Sigma in Business:

The six sigma approach played an important role in business. The role played by it is given as under: -

- **Defect Reduction:** An organisation implements Six Sigma by focusing on a single principle-based, statistical data-driven approach to all aspects of their organisation - the quality of their products and services (product or service).
- **Cost Saving:** This saves time, resources, power, manpower efforts, and ultimately money over the long-term.
- **Customer Satisfaction and Loyalty:** The Six Sigma and DMAIC implementation begins with measuring variation, which is the difference between what the customers sees and feels. If the Six Sigma implementation is successful and sustainable for



business, it will eventually reduce variation in services or products. This will automatically increase customer satisfaction and loyalty.

A well defined scope of the project is perhaps the most important deliverable of the Define phase. Six Sigma projects are usually started by one person who sees the opportunity and champions the project. The define phase ensures that this information does reach the top management and they have the tools at hand to decide whether this project should be continued.

For Example: Microsoft is one of the world's largest software companies. The company uses a data-driven process to help eradicate any defects in their systems and data centres. They aim to reduce IT infrastructure failures in order to improve the reliability and availability of its networks around the world. Microsoft used root-cause analysis to create a baseline measurement for detecting defects. The analysis included gathering data from previous high-priority incidents, server failures, and product group members' and customers' recommendations. Microsoft established baseline standards for future measurement based on historical data. It also established standards for all of its hardware and software. Each defect was identified through data analysis and reporting, and remediation steps for each defect were then established. The incidents were prioritized based on the severity of the defects' impact on the business. The teams carried out defect eradication initiatives using Six Sigma methodologies. Microsoft improved server availability, increased customer productivity, and increased customer satisfaction as a result of Six Sigma.

ACTIVITY

With the consent of your course coordinator organise a class seminar on the topic, “The Six Sigma” and request your class teacher and course coordinator to invite a specialist resource person from the industry who has the depth knowledge of Six Sigma concept. Ask the questions related to this concept from the expert and prepare an assignment on the topic, “What do you understand by six sigma approach and what are its benefits and significance of this approach in daily life?” Submit the assignment to class teacher.



IN-TEXT QUESTIONS

11. Who is on the Six Sigma implementation team?
 - a) Leader of Six Sigma Deployment
 - b) Champion of Six Sigma
 - c) Six Sigma Master Black Belt (MBB)
 - d) All of the Above
12. The goal of "rolled throughput yield" in Six Sigma is NOT to
 - a) Examine a process flow for potential improvements.
 - b) Recognize significant yield differences
 - c) Apply the calculation to customer research.
 - d) Establish a baseline metric
13. The Sigma standard assumes a defect level of
 - a) 4.3 ppm b) 6.6%
 - c) 3.4 ppm d) 3.7%
14. The Six Sigma framework for increasing business speed (or agility) is known as
 - a) DMADV or DFSS? b) Lean
 - c) Balanced Scorecard d) DMAIC
15. Six Sigma is a multidimensional structured business approach to:
 - a) Process Variability Reduction
 - b) Boosting customer satisfaction
 - c) Defect Reduction
 - d) Process Improvement
 - e) All of the Above

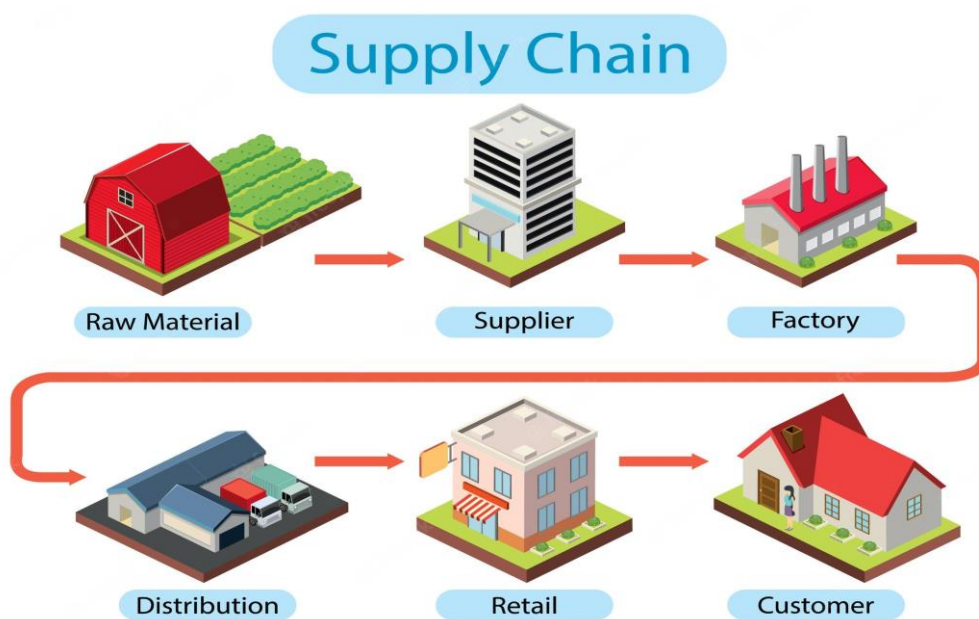
10.5 SUPPLY CHAIN MANAGEMENT

Marketing is all about creating a customer, but the most important task is to deliver the goods to the customer. If a product is not available when and where the consumer desires it, it will almost certainly fail in the market. This function is also known as Supply Chain Management in modern marketing. Darjeeling produces the ordinary tea leaves that you use every day to make tea. Computers were shipped from South American factories, and wooden furniture in various retail outlets and malls was imported from Malaysia and China. If they were made in



India, they could have been made in Gujarat, Punjab, or any other state. In today's competitive global environment, no company can afford to source supplies solely from its internal or local market. Every company is forced to seek out locations for production centres where the cost of raw materials and labour is low. The finished goods are then distributed through a network of channels to various parts of the world.

Figure: Supply Chain Management



Source: <https://www.freepik.com>

10.5.1 Features of Supply Chain Management:

The following are the important features of SCM: -

- **Teamwork:** A group of representatives from purchase, manufacturing, distribution, and sales could be responsible for finalizing the marketing plan, dispatch plan, production plan, and procurement plan. This will reduce administrative delays while improving empathy throughout the supply chain, say experts at McKinsey & Company.
- **Inventory:** The traditional concept of inventories is to act as a buffer to reduce the need for coordination across activities. Working with lower inventories, for example, will highlight the top problem areas where efforts to improve process yields should be focused. This results in a leaner and cleaner system that is more responsive over time.
- **Decision-Making:** Long-term contracts with transporters could provide an alternative to buying trucks from the market, rather than relying solely on short-term fluctuations in the trucking industry.



- **Integrated System:** The supply chain from vendor to customer is viewed as a single integrated system rather than as a collection of interconnected subsystems.
- **Focus on Activities:** Focus on what one can do best in the various activities of the supply chain: This has implications for outsourcing, as well as insourcing and the formation of effective partnerships. The more extensive the logistics requirements and the greater the uncertainty due to logistics supply, insourcing would be a good choice.

10.5.2 Principles of Supply Chain Management:

The following are the important principles of the supply chain management: -

- **Effectiveness:** Efficiency leads to a reduction in resource waste, including time. The efficiency principle also motivates businesses to improve their activity planning and coordination. Initiatives such as just-in-time (JIT) inventory management reflect the efficiency principle.
- **Consistency:** Consistency should be measured primarily in terms of consistent delivery time achievement, order fulfilment accuracy and payment processing consistency and accuracy. Processes must be perfectly synchronised across every link in the supply chain to the greatest extent possible. Consistency is linked to reliability - disruptions in even minor components can bring an entire assembly line to a halt.
- **Adaptability:** The ability of the entire supply chain to adapt to changes in demand or supply pattern is referred to as flexibility. Flexibility includes capabilities such as ramping up production at the shortest possible time intervals, responding to changing demand patterns, and streamlined and rapid data flow. The 'agility' of the supply chain is another term for flexibility.
- **Creativity:** A supply chain is not enough to be efficient, reliable, and flexible; it must also consistently innovate in order to consistently apply the learning generated by its operations. Innovation is important because it can provide a firm with a long-term competitive advantage. Supply chains that do not innovate lose their comparative advantage over competitors.

10.5.3 Functions of Supply Chain Management:

The following are required for the supply chain to function properly: -

- **Customer Oriented:** Customer Service Standardization entails determining customer logistics needs and desires, recording customer responses to the service, and finally benchmarking service levels.
- **Transportation:** Assistance is provided with mode and transport selection, service selection, freight consolidation, carrier routing, vehicle scheduling, and so on.



- **Stock Management:** Policies for stocking raw materials and finished goods, short-term sales forecasting, determining product mix at stocking points, evaluating the number, size, and location of stocking points, just-in-time, push, and pull strategies, information flows, and order processing, and so on.
- **Warehousing:** Help with space planning, stock layout and dock design, warehouse configuration, storage methods, material handling equipment selection, and so on.
- **Purchasing:** Supply source selection, purchase timing, and so on.

For example, Citibank Singapore extends its banking operations into the offices of its major corporate clients by providing computers linked to its headquarters. The computer issues a shipping order, bills the customer, updates inventory records, sends a production order from new stock, and relays the message to the sales representative. In another example, Levi's, the well-known blue jeans brand, has suppliers and distributors in the United States. Levi's learns the sizes and styles of its blue jeans sold through Sera and other major retailers. It then electronically orders more fabric from its fabric supplier for next-day delivery. Walgreens and Colgate-Palmolive have become supply chain partners. The toothpaste bar code information is sent directly to Walgreens' regional distribution centre, as well as to Colgate's computer at the company's headquarters. Colgate can plan its manufacturing and distribution operations.

10.5.4 Components of Supply Chain Management:

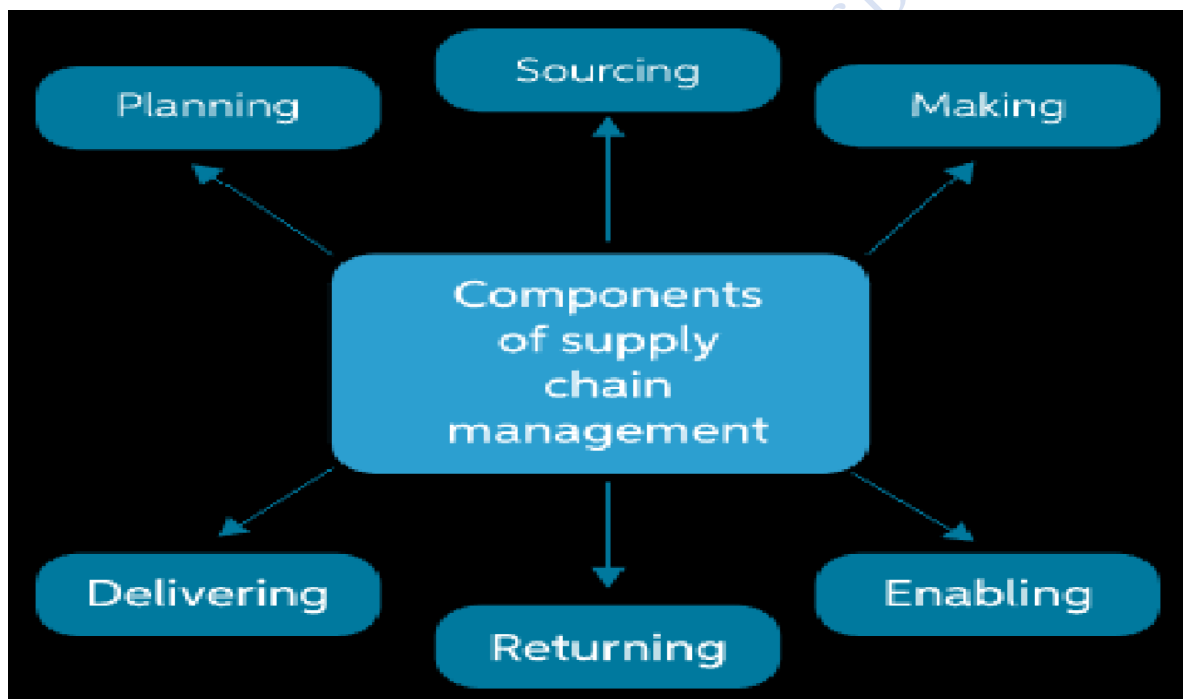
The essential components of the supply chain management: -

- **Planning:** An organisation must plan for the design of their supply chain. Then they decide which metric to use to ensure an organization's supply chain is efficient and effective. The planning component's purpose is to manage and plan all resources required in the organisation to produce products and services to meet customer demand.
- **Sourcing:** An organization's performance is heavily reliant on its suppliers. Sourcing is the second component of supply chain management and involves managing relationships with suppliers. The main processes involved in sourcing are ordering material, receiving material, inventory management, maintaining communication with suppliers, and authorising payment to suppliers.
- **Making:** The manufacturing component is the next component of supply chain management. The supplier chain manager is responsible for coordinating production activities. Accepting raw materials, manufacturing products and testing the quality of final products are all part of the lifeline of the supply chain. Organisations inspect the quality, productivity and output of production to ensure that it meets standards.



- **Delivering:** The delivery process is an important part of supply chain management as it determines the quality and speed with which your products are delivered. Many organisations outsource their delivery work to specialised organisations in order to reduce their workload and when the delivery process necessitates special handling and extra effort.
- **Returning:** A supplier has to be willing to accept products that are unwanted, defective or in excess quantity. If the received products are in good condition but have an excess of volume, they should be returned to the warehouse for sale by the end of the refund and return process.

Figure: Components of Supply Chain Management



Source: <https://www.chegg.com/>

- **Enabling:** To keep track of the information flowing through the supply chain, various support processes are required. Regulations must be followed by supply chain management. Human resource, finance, information technology, portfolio management, facilities, product design, quality assurance, and sales are all critical processes in the enabling process.



ACTIVITY

Plan a industrial visit to a manufacturing industry situated in the industrial area situated in your state and look their supply chain management system. Ask the questions from concerned personnel related to pros and cons of SCM for their organisation. Prepare a group assignment on the topic, “Role of SCM in developing image and goodwill of an organisation.”

IN-TEXT QUESTIONS

16. can increase the product's customer value
 - a) Supply chain management
 - b) Mode of transportation
 - c) Management
 - d) Procedure
17. Supply chain management manages or connects production to.....
 - a) Supervising
 - b) Distribution
 - c) Financial
 - d) Human capital
18. SCM consists of.....
 - a) Mode of transportation
 - b) Material movement
 - c) Storing
 - d) All of the Above
19. _____role is very important in supply chain management.
 - a) Financial
 - b) Advertising and marketing
 - c) Information system
 - d) None of the above
20. Organizations are now focusing on supply chain management for...
 - a) Adequate supply
 - b) Adding value
 - c) Mode of transportation
 - d) All of the these



10.6 SUMMARY

Business process re-engineering (BPR) is an important step in the management of business processes (BPM). BPR requires clear and effective business process management. Changes are frequently difficult to manage, but it saves a significant amount of money on analysis, reengineering, and documentation. DMAIC involves analysing data to understand improvement opportunities for building a solution for identifying the root cause of problems. The supplier chain manager is responsible for coordinating production activities. Citibank Singapore extends its banking operations into the offices of major corporate clients. Walgreens and Colgate-Palmolive have become supply chain partners.

10.7 GLOSSARY

- **Business Process Reengineering:** A management practise in which the associated tasks required to achieve a specific business outcome are completely redesigned.
- **Learning:** The long-term change in behaviour caused by direct and indirect experience. It denotes a shift in behaviour or attitude as a result of education, training, practise, and experience. It is completed by the acquisition of relatively permanent knowledge and skills.
- **Learning Organisation:** An organisation capable of creating, acquiring, and transferring knowledge, as well as changing its behaviour to reflect new knowledge and insights
- **Organisation:** A structure in which people from various backgrounds, educational backgrounds, and interests come together to work toward a common goal.
- **Six Sigma:** A quality management methodology used to assist businesses in improving current processes, products, or services by identifying and eliminating flaws.
- **DMAIC:** DMAIC (an acronym for Define, Measure, Analyze, Improve, and Control) is a data-driven improvement cycle used for improving, optimising, and stabilising business processes and designs. The DMAIC improvement cycle is the primary tool for driving Six Sigma projects.
- **Supply Chain Management:** It is the practise of coordinating the various activities required to produce and deliver goods and services to the customers of a business. Designing, farming, manufacturing, packaging, and transportation are all examples of supply chain activities.



10.8 ANSWERS TO IN-TEXT QUESTIONS

1. (b) Multifunctional	11. (d), All of the Above
2. (c), Enterprise Management System	12. (c), Apply the calculation to customer research
3. (d), All of the Above	13. (c), 3.4 PPM
4. (b), Kodak	14. (c), Balance Scorecard
5. (d), Identification of Location	15. (e), All of the Above
6. (c), Idea formulation and implementation occur at all levels of organisation.	16. (a), Supply Chain Management (SCM)
7. Total Quality Management	17. (b), Distribution
8. Learning Organisation	18. (d), All of the Above
9. Adapt	19. (c), Information System
10. Strategy	20. (d), All of the Above

10.9 SELF-ASSESSMENT QUESTIONS

1. What do you mean by Business process reengineering? Discuss the role and significance.
2. Elaborate the principles of business process reengineering and give examples.
3. Describe the procedure of business process reengineering and also discuss the pros and cons.
4. What are the benefits and drawbacks of business process reengineering? Discuss
5. Define Learning organisation. What are the benefits of establishing this type of organisation? Discuss
6. "Learning is essential to be in competition." Do you agree with the statement? Describe the advantages of establishing learning organisation.
7. Describe the elements of learning organisation with the help of suitable examples.
8. Why six sigma is essential for the rectification of errors? Discuss
9. What is six sigma approaches? Discuss the evolution and features of this approach.
10. What is DMAIC? Describe with the help of example.



11. Do six sigma approach helps in enhancing the image and goodwill of an organisation? Discuss
12. What is SCM? Describe its role, features and significance for an organisation.
13. Enumerate the functions and components of SCM.
14. “SCM helps in increasing the profitability of an organisation.” Discuss the statement with the help of suitable example.

10.10 REFERENCES

- Aastha, S. (2022). *Learning Organisation*. Available online at <https://www.preservearticles.com>.
- Aziz, B. (2021). *Key Principles of Business Process Reengineering*. Available online at <https://www.linkedin.com>
- *Advantages and Disadvantages of Business Process Reengineering* available online at <https://www.econposts.com>
- Bedi, K. (2004). *Production and Operation Management*. Oxform University Press. Pp. 273-284
- Brennan, L. L. (2011). *Operations Management*. McGraw-Hill. Pp.85-86.
- *Business Process Reengineering Advantages and Disadvantages* available online at <https://www.wisdomlexus.com>
- Cavinato, Joseph L. “What’s Your Supply Chain Type?” *Supply Chain Management Review* (May–June 2002): 60–66.
- CFI Team (2020). *Six Sigma*. Available at <https://corporatefinanceinstitute.com>.
- Chan, Y. C. (2001). *Business Process Reengineering*. Empirical Modelling for Participative Business Process Reengineering. Pp68-96 available at <https://www.dcs.warwick.ac.uk>.
- Chopra, S. & Meindl P. (2013). *Supply Chain Management*. Pp. 1-18.
- Coravin, M. E. & Hanna, K. T. (2022). *Six Sigma*. Available at <https://www.techtarget.com>.
- Fisher, Marshall L. “What Is the Right Supply Chain for Your Product?” *Harvard Business Review* (March–April 1997): 83–93.
- Garvin, D. (1993). *Building Learning Organisation*. Available at <https://hbr.org>.



- Gupta, S. & Starr, M. (2014). *Production and Operations Management Systems*. CRC Press-Taylor & Francis Group. Pp 331-366.
- Kissflow (2022). *Business Process Reengineering-Definition, Steps and Examples*. Available at <https://www.kissflow.com>
- Kopczak, Laura R., and M. Eric Johnson. "The Supply Chain Management Effect." *Sloan Management Review* (Spring 2003): 27–34.
- Kumar, P. (2022). *What is Six Sigma: Everything You Need to Know about It*. Available at <https://www.simplilearn.com>.
- Lambert, Douglas M. "The Eight Essential Supply Chain Management Processes." *Supply Chain Management Review* (September 2004): 18–26.
- Lee, Hau L. "Aligning Supply Chain Strategies with Product Uncertainties." *California Management Review* (Spring 2002): 105–119.
- Magretta, Joan. "Fast, Global, and Entrepreneurial: Supply Chain Management, Hong Kong Style." *Harvard Business Review* (September–October 1998): 102–114.
- O'Marah, Kevin. "Winning Tactics: Lessons from the Supply Chain Top 25." *Supply Chain Management Review* (September–October 2010): 14–21.
- Omid & Khoshtinat (2016). *Factors Affecting the Implementation of Business Process Reengineering: Taking into Account the Moderating Role of Organizational Culture (Case Study: Iran Air)*. *Procedia Economics and Finance*. 36: 425:432.
- *Principles of Business Process Reengineering* available online at <https://wisdomplexus.com>
- Proctor, J. (2021). *Business Process Reengineering: 6 Key Steps + Some Secret Sauce*. Available online at <https://www.inteqgroup.com>
- Professional Development Center (2022). *Six Benefits of Six Sigma*. Available at <https://www.business.csuohio.edu>.
- Quinn, Francis J. "Reengineering the Supply Chain: An Interview with Michael Hammer." *Supply Chain Management Review* (Spring 1999): 20–26.
- Ramanigopal, C. S., Palaniappan, G., Hemalatha, N. & Murugan, T. (2011). *Business Process Reengineering and Its Applications*. *International Journal of Management Research and Review*. 1 (5): 275-288.
- Rattan, M. (2021). *Overview of Six Sigma-Top 5 Principles, Features and Benefits*. Available at <https://www.novelvista.com>
- Sharma, N. (2017). *5 key Traits of Learning Organisations*. Available at <https://www.elearningindustry.com>.



- Slone, Reuben E. “Leading a Supply Chain Turnaround.” Harvard Business Review (October 2004): 114–121.
- Tanuja, A (2022). *Learning Organisation: Meaning, Features and Merits*. Available at <https://www.businessmanagementideas.com>
- *The Key Principles of the Six Sigma: What are they and why are they important?* Available online at <https://www.greycampus.com/blog/quality-management/principles-of-six-sigma>
- Wanare, R. S. & Mudiraj, A. R. (2014). *Study of Business Process Reengineering and Its Importance in ERP Implementation*. International Journal of Research in Computer and Communication Technology. 3(7): 715-719.
- Yadav, S. & Agarwal, V. (2016). *Benefits and Barriers of Learning organisations and Its Five Discipline*. IOSR Journal of Business and Management. 18(1): 18-24.

10.11 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B, & Devi, S. (2022). *Saint Kabir’s Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.



- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasisht, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.

© DDCE/COL/SOL/University of Delhi



LESSON 11

BUSINESS ORGANISATION AND MANAGEMENT: RECENT DEVELOPMENTS

*Written by : Ms. Amanpreet Kaur
Revised by : Dr. Virender Kaushal*

STRUCTURE

- 11.1 Learning Objectives
- 11.2 Introduction: Diversity at Workplace
- 11.3 The Case for Workplace Diversity
 - 11.3.1 Advantages of Workplace Diversity
 - 11.3.2 Disadvantages of Workplace Diversity
- 11.4 Workplace Diversity and Inclusion
- 11.5 Workforce Inclusion at Workplace
- 11.6 Work-Life Balance
- 11.7 The Case of Work-Life Balance
 - 11.7.1 Negative Consequences of Work-Life Balance
- 11.8 Workplace Strategies for Improving Work-Life Balance
 - 11.8.1 Advantages of Work-Life Balance
 - 11.8.2 Disadvantages of Work-Life Balance
- 11.9 Freelancing
 - 11.9.1 Benefits of Freelancing
 - 11.9.2 Drawbacks of Freelancing
- 11.10 Internet and Freelance at Work
- 11.11 Difference between Freelancing Working from Home
- 11.12 Flexi Time
 - 11.12.1 Benefits of Flexi-Time



- 11.12.2 Drawbacks of Flexi-Time
- 11.13 Work from Home
- 11.14 Characteristics of Work from Home
 - 11.14.1 Advantages of Work from Home
 - 11.14.2 Disadvantages of Work from Home
- 11.15 Co-Sharing/Co-Working
 - 11.15.1 Benefits of Co-Sharing/Co-Working
 - 11.15.2 Drawbacks of Co-Sharing/Co-Working
- 11.16 Summary
- 11.17 Glossary
- 11.18 Answers to In-Text Questions
- 11.19 Self Evaluation Questions
- 11.20 References
- 11.21 Suggested Readings

11.1 LEARNING OBJECTIVES

After studying this lesson, the students will be able to understand: -

- The concept, meaning, advantages, inclusion of workforce diversity and workplace diversity.
- The concept, meaning, advantages, strategies, consequences of work-life balance.
- The meaning, benefits of freelancing.
- The meaning, benefits, and drawbacks of flexi-time.
- The meaning, advantages, characteristics, advantages and disadvantages of work from home.
- The meaning, benefits and significance of co-sharing/co-working becomes popular in the present time.
- The significance of these concepts which are beneficial for an individual to adjust and adapt themselves in the stiff and competitive business environment



11.2 INTRODUCTION: DIVERSITY AT WORKPLACE

"Companies that embrace diversity and inclusion in all aspects of their business statistically outperform their peers," writes Josh Bersin. Workplace diversity is becoming more prevalent in businesses around the world. It entails recruiting, training, understanding, accepting, and valuing differences, as well as pleasing others. Workplace diversity refers to the practise of hiring people from diverse backgrounds to work in a corporate setting. Diversity brings with it a wide range of knowledge, in addition to their distinct identities. It includes the following:

- Diverse in terms of race, ethnicity, gender, age, culture, religion, disability, and sexual orientation
- With disparities in regional origins, education, personalities, skills, experiences, and knowledge bases

Organizations should strive for diversity in their workforce composition at all levels. It entails not only recruiting, but also retaining workers from various backgrounds, experiences, perspectives, and generations.

Figure: Diversity in the Workplace



Source: <http://wynnezhong.blogspot.com/>

Meanwhile, according to a McKinsey greater workforce diversity leads to greater profitability and value creation, and there is a positive correlation between diverse leadership and financial performance. Diversity provides a company with a broader reach and contact for a talented group. This composition does not reflect a specific mindset, upbringing, culture and background, perspective, or ethnicity. This broad perspective enables businesses to connect



with the needs and motivations of their diverse and international customer base, rather than being limited to a single type of client.

11.3 THE CASE FOR WORKFORCE DIVERSITY

The need for workforce diversity stems from the negative consequences of a lack of it. The following are some of the consequences of a lack of diversity in an organisation: -

- **Dissatisfied Workforce:** a lack of a workplace diversity mechanism usually results in employee alienation, with some employees being sidelined by the majority. When there is harassment or discrimination, the victim may feel isolated. This may even lead to victims' reluctance to report workplace discrimination. This reluctance stems from the complexities of minority. Failure to report discrimination indicates toxicity in company culture, which has a negative impact on the company's talent pool as well as employee productivity.
- **Limited Perspective:** Diverse perspectives are influenced by backgrounds, beliefs, and culture, and a variety of perspectives foster innovation and creativity in an organisation. With a lack of diversity comes a lack of experience, perspective, knowledge, and skills, which constrains and limits the organization's operations and growth. It restricts the perspectives that businesses must consider when developing products and strategies, implementing policies to deal with an uncertain business environment, and especially when expanding into foreign markets.
- **Lack of Motivation:** proper workforce diversity produces proper leadership for all levels and employee varieties. They look up to role models for inspiration, especially those with whom they typically connect. Employees can easily feel alienated in the absence of such role model mentors. Facilities, incentives, and opportunities to prosper are limited in organisations that do not allow for diversity to thrive, limiting employee output. Organizations lacking in diversity typically lack proper inclusive infrastructure, as well as a mechanism for reporting harassment and discrimination, further demotivating the workforce.

11.3.1 Advantages of Workforce Diversity:

Workforce diversity has numerous benefits that extend across all aspects of business operations. Some of the advantages of having a diverse workforce are as follows:

- **Latest Perspectives:** Diversity provides new perspectives. When a company hires people from various backgrounds, nationalities, experiences, skill sets, and cultures, it fosters a fresh perspective on every aspect of the business. This can result in faster problem solving and better decision making. Co-workers may be hesitant to accept change at first, but a diverse workforce can help create a perspective to accept the change.



Figure: Reasons to Boost Diversity in Workplace



Source: <https://www.cutehr.io/>

- **Large Pool of Talent:** Diversity serves as a motivator for employees from diverse backgrounds. These employees are no longer looking for traditional jobs that simply pay them for a 9-5 job, but rather for an organisational space where they can be recruited, grow, feel accepted, and challenged. As a result, companies that encourage diversity will attract a broader range of candidates looking for a progressive place to



work. As a result, diverse companies are more likely to attract more motivated and better talent than their competitors.

- **Employee Quality:** Diversity and firm performance are inextricably linked. Employees are more likely to feel comfortable being them in an organisation where they see a representation of a variety of cultures, backgrounds, and ways of thinking. As a result, employees are happier and more productive, and employee turnover is reduced. In contrast, in a homogeneous culture, there is a strong pressure to conform. Employees who feel alienated at work are more likely to fear rejection and produce subpar work. A better redressal mechanism to resolve diversity issues motivates employees because they are assured of resolving their grievances if discrimination occurs. Employees benefit from this assurance.
- **Higher Profits:** Several empirical studies show how ethical and racial management, as well as workplace diversity, reduce employee turnover and increase productivity, resulting in financial benefits for the organisation from not only more employees, but also more customers and investors.
- **New Business Opportunities:** Language, which is a barrier to a company's globalisation and internationalization, can be overcome by bringing in a diverse workforce from all over the world, which aids in connecting the business operations to native customer bases through language. Cultural diversity has become a business strategy for improving the entity's standing in foreign markets, which can help to expand the business's market reach and coverage. This results in increased profitability and equality of opportunity for the company.
- **Eradicating Psychological Barriers:** Communities have prejudices against foreign communities, which prevent them from socialising. Diversity benefits a company not only financially, but also by improving its corporate culture. Inherent biases against specific segments of the workforce are repulsed, which aids in appreciating differences. When biases are dispersed, the workforce is more likely to work as a team and in tandem. In this competitive business environment, a good company culture is also a competitive advantage. Company culture is the company's personality. Your employees' internal and external beliefs and actions reveal a lot about your company. As a result, it is advantageous to improve this company culture.
- **Enhanced Work Environment:** A company's culture is derived from its members. Company culture differs from one another. Some people take a more informal and casual approach. It also depends on the company's size, ethics, goals, and work environment.
- **Innovation and Creativity:** Workplace diversity is a source of creativity. While some degree of skill homogeneity is desired to foster a bond of assistance and help among employees, diversity brings a unique perspective. Cross communication can



result in creative ideas when working with colleagues from various backgrounds, experiences, and working styles. It would also introduce a chain of thought from the diverse workforce bouncing ideas. It also aids in the formation of stronger groups and teams. While one employee may bring new ideas to the table, another may be better at executing the strategy due to his experience in the field. If you have a homogeneous group of people, chances are that everything about them is similar, from their thought patterns to their life experiences to their problem-solving abilities. So, in order to foster creativity, it is critical to embrace workforce diversity.

11.3.2 Disadvantages of Workplace Diversity:

The disadvantages are as under:

- **Focus:** Companies that prioritise a diverse workplace may fail to adequately assess employees' performance. When diversity is the primary focus of diversity management, the company may become overly focused on internal differences. Corporate goals such as meeting customer needs and expanding the business may slip through the cracks.
- **Time:** Diversity management is the focus on training employees on cultural awareness and sensitivity. The fact that a company manages diversity demonstrates that a diverse workplace takes more time and effort to manage. When there is diversity, managers must spend more time thinking about how to promote a culture of tolerance and acceptance.
- **Communication:** Language barriers, cultural differences and gender and age differences can make it difficult for employees to communicate effectively with each other in a diverse workplace. When conflicts arise in the workplace, employees with different cultural perspectives struggle to understand the perspective of others, according to the World Economic Forum.
- **Discrimination:** The more diverse a workplace, the greater the possibility of discrimination. If managers make hiring decisions based on personal characteristics, the company and the company may face discrimination lawsuits. If employees' emotional security is not protected, this can lead to a hostile work environment in which they may feel oppressed.

11.4 WORKPLACE DIVERSITY AND INCLUSION

Diversity in workforce recruitment is insufficient. It requires the engraving of diversity, which is known as inclusion. Inclusion refers to a collaborative, supportive, and ethical work culture in a business organisation that encourages the contribution of employees from diverse backgrounds. In order to make connections and fully exploit the potential of diversity in an organisation, it is necessary to create a work environment that encourages healthy and



inclusive brainstorming, discussions, and input seeking at all levels of the organisation. Inclusion simply fosters a sense of belonging among employees, which aids in the implementation of major strategies and policies, as well as the induction of changes.

Inclusion in theory implies diversity in practise. The task of recruiting a diverse workforce is simple, but providing opportunity through inclusion is difficult. Inclusion and diversity go hand in hand. A company can hire a diverse workforce, but if it cannot support and develop it, the diversity will dissipate. It is not enough to simply have diversity; it is also necessary for the diversity to thrive and prosper. To keep them, rules, policies, infrastructure, and diversity awareness must be developed.

11.5 WORKFORCE INCLUSION IN THE WORKPLACE

Inclusion is both complementary and necessary to workforce diversity. Without inclusive policies, company diversity dwindles, resulting in a negative organisational image and high recruitment costs. The methods for doing so are as follows: -

- **Resources:** Provide employees with the support, resources, and expertise they need to be inclusive. Access to employee resource groups, inclusive infrastructure, or technology will aid in the creation of an environment in which employees can be themselves and thrive.
- **Discussions:** The best way to induce inclusion is through group discussions. Employees feel included when they are involved in decision making and have a say in decisions that affect their work. There are common meeting places for group discussions. It is a simple and inexpensive way to go over major points and evaluate and weight various courses of action. Including diversity in decision making provides a fresh perspective on complex problems while also assisting in the induction and implementation of the decision across the organisation.
- **Learning Environment:** Employees must believe they have the opportunity to advance their careers at their organisation. Employee growth and innovation will be stifled if learning and development are not prioritised as a component of inclusion and broader company values.
- **Collaboration:** When teams feel more connected to one another, they are better able to utilise the strengths and skills of each individual. Collaboration is critical to the success of your business and an important component of workplace inclusion.
- **Redressal Mechanism:** A proper redressal mechanism for discrimination and harassment concerns helps to build a strong organisation in which employees do not feel cornered. When employees can express their concerns, a positive message about the company is sent throughout the organisation, which reduces such incidents in the future.



- **Awareness Programmes:** While it is natural to feel alienated in a foreign environment, this feeling can be reduced by organising recreational as well as goal-oriented programmes that introduce and sensitize co-workers about their differences and the benefits these differences bring to the organisation. These distinctions should be celebrated rather than suppressed. Programs that recognise self-worth and boost self-confidence are also beneficial in maintaining the diverse workforce's unique identity.
- **Emotional Motivation:** Employees' feelings of belonging at their organisation can influence their intent to stay, as well as their well-being, engagement, and overall success in their roles.

ACTIVITY

Discuss in the class about the, “Role of Diversity at Workplace or Workforce Diversity.”

IN-TEXT QUESTIONS

1. Recruiting people from diverse backgrounds to work in a corporate setting is known as _____
 - a) Democratic workplace
 - b) Workplace diversity
 - c) Work-life equilibrium
 - d) Sociocracy
2. What results from a lack of diversity?
 - a) Excessive employee turnover
 - b) A narrow corporate perspective
 - c) A poor corporate culture
 - d) All of the preceding
3. Which of the following is aided by workforce diversity?
 - a) A larger talent pool
 - b) Enhanced productivity
 - c) Global competitive advantage
 - d) All of the preceding
4. Workforce diversity and inclusion are important.
 - a) Complimentary
 - b) Opposites
 - c) Independent
 - d) Mutually incompatible

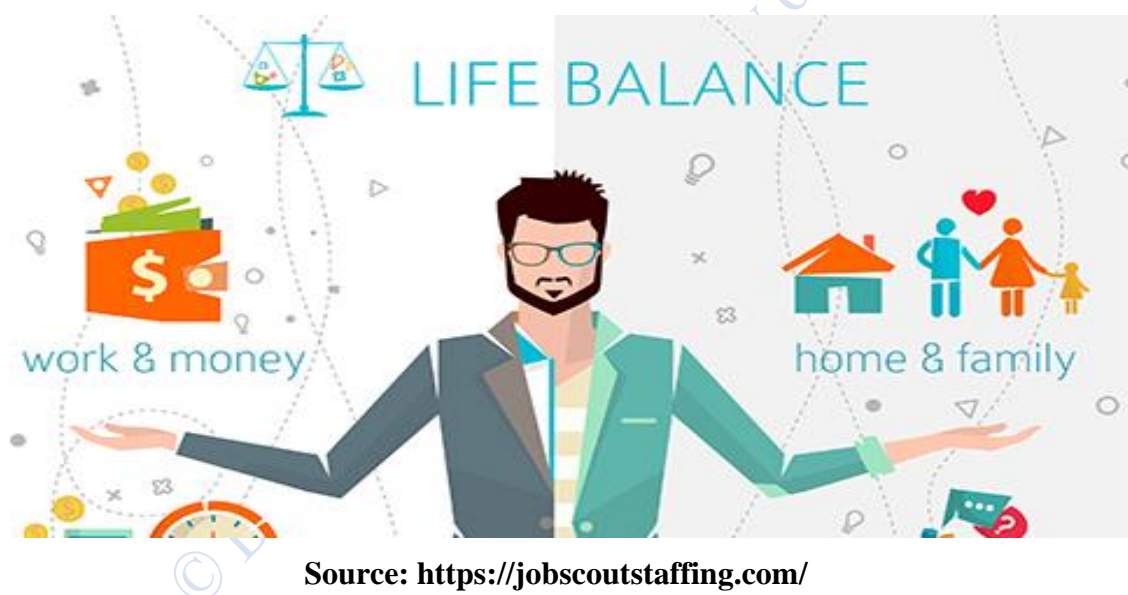


5. _____ has evolved into a business strategy for maintaining a company's competitive edge in foreign markets.

11.6 WORK-LIFE BALANCE

Employee health has suffered as the lines between work and personal life have blurred in modern times. Work-life balance refers to striking the optimal balance between personal and professional activities so that neither suffers. It refers to balancing the importance of private and professional time in one's life. The ideal work-life balance is one in which work and life can coexist while not undermining either, so that there is little or no distinction between an individual's professional and personal lives.

Figure: Work-Life Balance



Source: <https://jobscoutstaffing.com/>

11.7 THE CASE FOR WORK-LIFE BALANCE

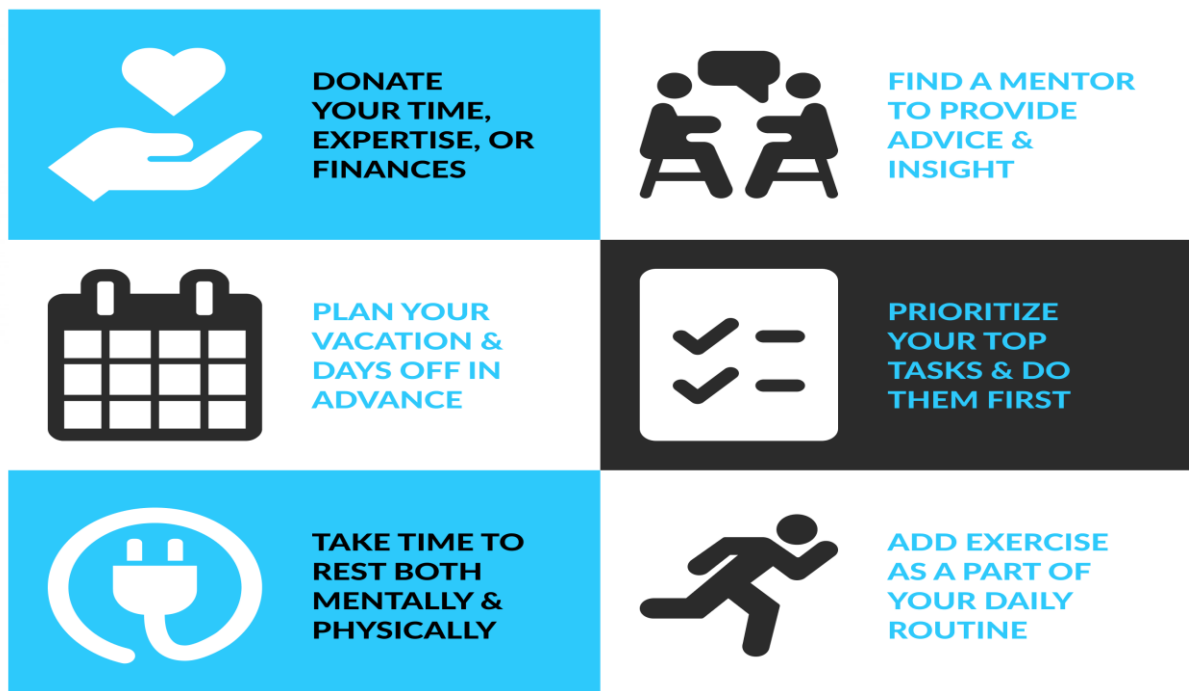
With the advancement of technology and the inseparability of technology from both personal and professional lives, the importance of work-life balance has grown in recent years.

The increased use of technology diminishes the significance of physical location in defining the boundaries of work and life. Previously, there was a clear divide between professional and personal lives because it was difficult or impossible to bring work home. The advancement of mobile technology, cloud-based software, and the reach of the internet have blurred the lines between professional and personal boundaries, especially when the



employee can be 'permanently' at work. Employees are busy at their workplaces all day, and sometimes even on weekends. This leaves little time for them to interact, relate to, and connect with their family. Family members are frequently neglected due to the high demands of work.

Figure: Suggestions to Improve Work-Life Balance



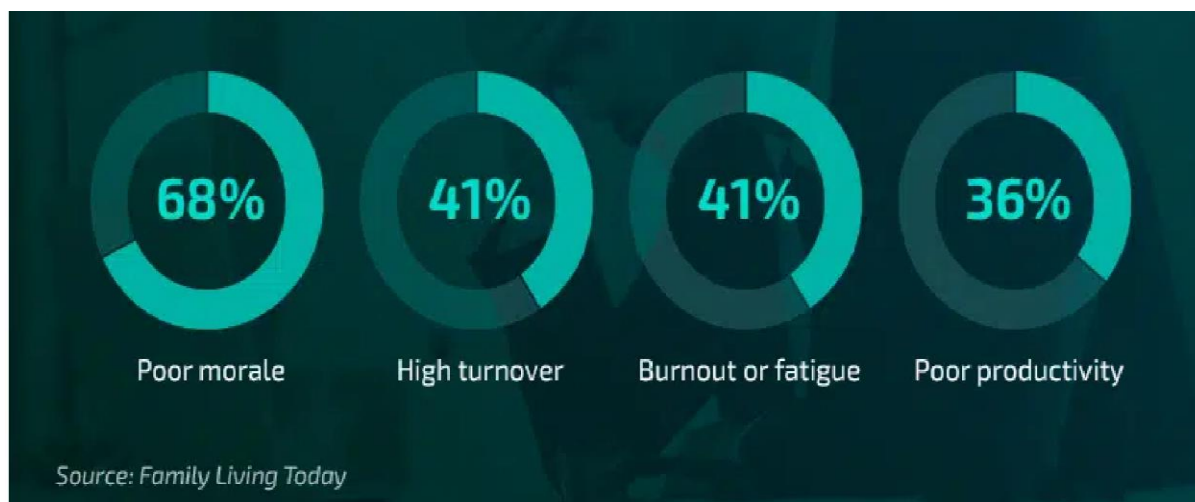
Source: <https://thepalmergroup.com/>

Similarly, stress at home can have an impact on an employee's performance on the job, causing the work to suffer. Employee health suffers as a result of stressful jobs and stressful personal lives. This is where work-life balance comes into play. The work-life balance method enables an employee to maintain an optimal balance in the time he devotes to work and personal matters. People can improve their work lives by striking a good balance. This increases workplace productivity because the employee is less concerned about his personal commitments. Employees who are in good health can increase their on-the-job output while also motivating and engaging them. It also allows the employee to spend quality time with his or her family during vacations and leisure time. As a result, work-life balance is critical for employees and increases their motivation to work for the company.



11.7.1 Negative Consequences of Work-Life Imbalance:

Figure: Negative Impacts of Work-Life Imbalance



Source: <https://whattobecome.com/>

Work-life imbalance has negative consequences. These are as under: -

- **Stress:** A common symptom of a poor work-life balance is stress. Mental stress has been identified as a significant economic and health problem in the information economy, caused by employees' perceived need to do more in less time.
- **Poor Performance:** Employee mental and physical stress affects not only the employee's personal life, but also their creativity, acumen, and productivity on the job. This ultimately harms organisational goals to which the employee cannot enthusiastically contribute.
- **Poor Personal Life:** It is the responsibility of an organisation to build a sound and harmoniously functioning society. Thus, the growth of an organisation should not come at the expense of the growth of society and its constituents. A stressful job at such an organisation will strain an employee's private-personal relationships, making it difficult to maintain such relationships. These relationships are required for an employee's survival and psychological needs, according to Maslow's need hierarchy theory.
- **Poor Mental and Physical Health:** When an employee's mental and physical health suffers, he or she is unable to give their best effort. Employee turnover, absenteeism, and resignation are all common in such a company. Organizations should strive to alleviate workplace stress.



11.8 WORKPLACE STRATEGIES FOR IMPROVING WORK-LIFE BALANCE

To achieve a balance, the following are some strategies to achieve work-life balance. There are specific guidelines for maintaining a proper work-life balance, some of which are as follows: -

- **Elder/Child Care:** the burden of unfulfilled responsibilities causes stress. The organisation may be able to alleviate some of the burden. One such method is to provide in-house elder/child care, which could assist caregivers in a concentrated environment while the organisation handles their personal responsibility of elder or child care.
- **Family Leave:** a parental or care leave reduces stress by allowing an employee to take time away from work to attend to personal responsibilities. It also includes monetary, medical reimbursement, and paid leave incentives that relieve employees of financial burdens.
- **Dual Career:** Work placement at an employee's partner's place of work, as well as assistance in moving and settling, is another way to help an employee correct a work-life imbalance.
- **Leisure Time:** When a person can schedule his tasks and divide time appropriately, he is able to devote enough time to his work and career development goals while also making time for leisure and personal development.
- **Time Management:** Individuals should manage their time wisely and avoid time-consuming and energy-consuming activities that do not produce output for either their work or leisure lives. This time saved from wasteful activities can be allocated to either quality personal time or simply completing duty tasks.

Figure: How to Improve Work-Life Balance



Source: knowledge-swami.com



- **Delegation:** Delegate or outsource subordinate work to others while keeping acts of specialisation to yourself.
- **Time for Self:** Relaxation provides better rejuvenation from the monotony of work, improves work-life balance, and tends to improve professional or work productivity. This de-stressing activity relieves stress, allowing you to manage work and life more effectively.
- **Task Management:** Failure to prioritise work rationally results in the waste of time and energy on less important activities while deferring the most important tasks. This poor task management causes stress. Better planning can help employees save unnecessary time delays, which they can then use for personal work.
- **Flexi-Time:** Another approach to teaching work-life balance is flexi time, in which the employee is free to choose working hours outside of the core time, relieving him of significant stress.
- **Work from Home:** Employees, particularly women, are expected to multitask between family and work. Working from home allows them to complete fixed goals at times that are convenient for them, without having to travel to work or sacrifice family time.

11.8.1 Advantages of Work-Life Balance:

Work-life balance has several advantages. Some of these are discussed further below:

- **Employee Engagement and Motivation:** Work-life balance increases employee motivation, engagement, and satisfaction, allowing them to perform better at work.
- **Stress Relief:** It allows people to relax and rejuvenate by allowing them to spend leisure time with their loved ones.
- **Productivity:** Companies can maximise productivity from a rejuvenated and refreshed employee. Employees who are overworked and under pressure tend to underperform.
- **Healthy Lifestyle:** A work-life balance can help you maintain a healthy lifestyle. This includes stress-free routines, a healthy diet, regular exercise, and so on.
- **Lesser Employee Turnover:** Enthusiastic and motivated employees can help the business grow because they are more attached to their jobs and careers.

11.8.2 Disadvantages of Work-Life Balance:

The disadvantages of work-life balance are as under:

- **Lead to Depression:** Without work-life balance, an employee will quickly tire and exhaust, reaching the stress threshold and eventually succumbing to depression. This is in no way compensated by any compensation package offered by an employer.



- **Mental Pressure:** One may be unable to be peaceful if they do not live in the present moment and worry/think about work at home or work at home.
- **Job Insecurity:** When a person is unable to concentrate on work due to a personal problem, they risk being fired.

ACTIVITY

Discuss with your teacher to organise a special lecture on the topic, “Need and importance of Work-Life Balance.”

IN-TEXT QUESTIONS

6. Which of the following are appropriate steps to develop Work-Life Balance?
 - a) Child/elder care
 - b) Paid family leave
 - c) Schedule Flexibility
 - d) All of the preceding
7. Which of the following does not constitute a good work-life balance?
 - a) Health
 - b) Professional advancement
 - c) Stress
 - d) Psychological growth
8. A poor work-life balance has the following consequences:
 - a) Private life
 - b) Physical and mental well-being
 - c) Workplace Productivity
 - d) All of the Above
9. The optimal level of balance between personal and professional activities, so that neither suffers, is referred to as _____.
10. An imbalance between your work and personal lives can have a negative impact on how you communicate. (True/False)



11.9 FREELANCING

Figure: Freelancing



Source: <https://www.webtrainings.in/>

Freelancers are self-employed individuals who are not regularly employed by any organisation. They include self-employed individuals who are not bound by a long-term employment contract.

They are hired by organisations that want to outsource or complete specific tasks that require a specific amount of time and that they prefer to delegate to freelancers and contractors. The time span is uncertain and is highly dependent on the quantity and quality of the contract received. Content writers, website designers, computer programmers, and software developers are examples of freelance jobs. Freelancers must demonstrate their experience by submitting examples of their work, such as articles they wrote, websites they designed, or software they developed. For the jobs they do, freelancers have qualifications, expertise, skills, contacts, and experience. Independent marketers or those affiliated with an employment agency that advertises freelancers to clients; others work independently and advertise or use professional associations or websites to find work.

11.9.1 Benefits of Freelancing

The main advantages of freelancing include the following:

- **Clients' Liberty:** Freelancers have the unique ability to select the clients with whom they work. They can also work with a large number of clients or only a few select clients.



- **Workload Management:** Another advantage of freelancing is the ability to select your own workload. You can work as much or as little as you want, and you can select projects that are important to you. You can concentrate on the work you enjoy without the distractions of a full-time job, such as meetings, office politics, office distractions, and so on.
- **Adaptability:** Freelancers have the flexibility that most people desire because they have complete control over their clients and workload. You have the flexibility and control to work full-time for the majority of the year and only part-time during the summer.
- **Self-sufficiency:** Freelance work provides independence. Not only are you free of the cubicle and the 9-to-5 workday, but you can also work alone and, for the most part, where you are most comfortable.
- **Exposed:** Many jobs provide employees with variety; however, working as a freelancer allows you to work on a wide range of projects and topics. Working in-house for one company may not provide experience in other industries or career fields. Freelancing allows you to broaden your horizons. This variety can help to create a less repetitive and boring environment.

11.9.2 Drawbacks of Freelancing:

The drawbacks of freelancing are as follows:

- **Taxes:** Freelancers are responsible for paying self-employment taxes and ensuring that they are paid quarterly. However, freelancers are eligible for deductions that employees are not. Taxes can be a disadvantage of freelancing, so when setting your rates, be sure to carefully consider regulations and laws.
- **Lack of Reward and Recognition:** The employees are eligible for additional benefits such as rewards, incentives and recognition whereas freelancers are rarely. Because freelancers are self-employed, they must usually find and pay for their own insurance.
- **Irregular Work:** Finding consistent work is a significant disadvantage of freelancing. Projects can start and then be abandoned. Clients have the option to terminate a contract early. You may complete a project and then struggle to find new work.
- **Cash Flow Problems:** When weighing the benefits and drawbacks of freelancing, one of the more concerning issues is cash flow. While freelancers can set their own rates to meet their own (and their clients') needs, they must also collect payment. Unfortunately, some freelancers have encountered clients who do not pay on time.



- **Exclusion:** Another disadvantage of working as a freelancer is that you will eventually be isolated from a team or company. Unless you have people close to you to work with, you will most likely work alone.

11.10 INTERNET AND FREELANCE WORK

By expanding available markets, the Internet has created many freelance opportunities and contributed to the growth of the service sector in many, particularly developing economies. Online, there are opportunities for offshore outsourcing, online outsourcing, and crowd sourcing that match the needs of organisations and freelancers. The Internet provides inexpensive access to remote workers, and technology is used to manage workflow to and from the employer.

11.11 DIFFERENCE BETWEEN FREELANCING AND WORKING FROM HOME

The following are the difference between freelancing and working from home: -

Basis	Freelancer	Work from Home
Meaning	Freelancers are self-employed individuals.	Begin with unlike freelancers, home workers are employees of a single company. For the duration of their employment, they work from home for their current employers.
Need	Freelancers help employers with specific needs. Software expertise, technical assistance, and the non-specialization of certain jobs necessitate their outsourcing. This is where independent contractors come into play. Employers require tasks to be completed in a certain amount of time and prefer to assign these positions to freelancers and contractors.	Work from home comes into play when companies are concerned about costs. It may be necessary to downsize or save money. Companies may also allow employees to work from home as part of their work-life balance strategy.
Commitment	A freelancer's contract is short-term and project-specific. He is not obligated to work for	Working from home entails being bound by an employment contract and committing to a single organisation.



	anyone.	
Incentive	They are not required to sign long contracts and can choose their own salary, working conditions, and working environment. there is no commitment to only one organisation at a time	Working from home allows for multitasking and eliminates the need to commute to work, which saves money.
Income	Their earnings are limitless	Work from home with a fixed salary.

11.12 FLEXI TIME

Flex time, also known as flex scheduling, is when a company allows its employees to work from home on certain days of the week. A flexi time system is modified to provide employees with more flexibility in the workplace by allowing them to begin and end work at times that suit their preferences, transportation arrangements, family responsibilities, and so on. The total working hours are divided into core and flexible hours, with core hours being enforced and flexible hours being at the discretion of the employee and subject to organisational demand.

Figure: Flexitime



Source: <https://www.eds.com.ph/>

A typical organisational structure is as follows: -

- Arrival time before flexi - 04.00 to 07.00 AM



- Arrival times vary between 07.00 and 10:00. AM
- Core time - 10.00 to 12.30 PM
- Flexi lunch - 12.30 to 14.30 (minimum 30 minutes / maximum 2 hours)
- Core Time – 14: 30 to 16: 00 PM
- Flexi Leave – 16: 00 to 18: 30 PM

An employee is required to work during the basic core hours and has flexibility during the other flexi hours. Outside of the "core" period, employees can choose when they work, subject to achieving total daily, weekly, or monthly hours within the specific period set by the employer, and subject to the necessary work being done. Employees on flexitime schedules work the same amount of time to complete tasks as those on traditional work schedules.

11.12.1 Benefits of Flexi-time:

Most employees value flexitime, especially when it is truly flexible. Individuals with flex time have more control over their work and personal lives. The following are some of the benefits of flexi-time: -

- **Coordination:** flexi-times between employees requested by the organisation. This has become a reality, with an increasing number of organisations implementing this strategy for employee retention.

Figure: Benefits of Flexi Time



Source: <https://www.seniorhelpers.com/>

- **Employee Engagement:** Under flexi time, employees are required to complete a specific task with little regard for when it is completed. This boosts their sense of self-



worth. It supports the view that people are paid for producing work rather than for being at their job stations for a set number of hours, which is why it is motivating.

- **Motivation:** Flex time is a great benefit to offer valued employees or to attract a larger qualified talent pool for your job, including qualified individuals who have been disabled due to time constraints.
- **Output Maximization:** Flexi time recognises that different employees have varying levels of productivity and productivity times. While some people prefer the morning, others prefer the afternoon, and still others prefer the night. Allowing your employees to schedule their work during their individual "most productive" times of the day helps boost company productivity.
- **Employee Sensitivity:** When an organisation is sensitive to its employees' needs and requirements, they feel more motivated.
- **Global Parity in Organisational Operations:** With different time zones around the world, global operations around the clock are made easier by personnel available at flexible times rather than strict 9 to 5 times.
- **Easier Commute:** Employees who do not arrive at work tired, frustrated, and distracted by another traffic jam as a result of flexi-routines is expected to be less frustrated and more productive.

11.12.2 Drawbacks of Flexi-time:

The drawbacks of flex time are as under: -

- **Time Consuming:** An accommodating schedule necessitates frequent changes in the schedules of the job and organisation, resulting in wasted time.
- **Overburdening:** If an important meeting is scheduled, employees may be required to report to work during downtime, resulting in double duty.
- **Issues with Coordination:** Two employees share the same job. The first begins a project, and the second completes it. However, inconsistencies and delays may occur as both job sharers coordinate their efforts.

ACTIVITY

With the consent of your class teacher organise a special lecture on, "Need, Present and Future Scope Advantages and Disadvantages of Flexi-Time and Freelancing"



IN-TEXT QUESTIONS

11. Freelancers are self-employed individuals who are not regularly employed by any organisation.
12. Long contracts are required of freelancers. (True/False)
13. A _____ system is modified to provide employees with more workplace flexibility by allowing them to start and finish work when they want.
14. Which of the following are examples of independent contractors who are not regularly employed by any organisation?
 - a) Freelancers
 - b) Part-time workers
 - c) Employees who work from home
 - d) None of the preceding
15. Does flex time allow for the following work arrangements?
 - a) Time flexibility
 - b) Core time

11.13 WORK FROM HOME

Telecommuting, also known as work from home, is a concept in which an employee can work from home. Work from home provides the employee with flexible working hours, freedom from commuting, and a convenient working environment in which the employer's job is easily completed. It encourages religious and gender diversity. Work from home helps employees achieve work-life balance while also assisting the company in completing tasks. Telecommuting also known as working from home or e-commuting is a work arrangement in which the employee works outside the office, usually from home or a nearby location.

Figure: Work from Home



Source: <https://www.knowledgeara.com/>



11.13.1 Characteristics of Work From Home:

The successful work from home employee characteristics are as follows: -

- **Self-Motivation:** Many successful at-home workers have an entrepreneurial spirit - they thrive with little direction and accept responsibility for the results of their actions. Working alone has advantages, but one of them is a lack of external motivation. This applies to both business owners and employees and contract workers as well as freelancers and home office workers.
- **Communication Skills:** Communication skills are especially important for at-home workers. Given the lack of nonverbal cues, conveying your intended message can be more difficult than you think. For example, expressing frustration in person is easy, but expressing it by email (without sidetracking the conversation or being misunderstood) can be difficult.
- **Creative and Innovative:** When you work from home, you are responsible for everything. Are you capable of determining the source of a problem on your own? Do you think critically and feel comfortable handling minor crises? These are important characteristics to have when working in a professional setting.
- **Technological know-how:** At-home employee should have a basic understanding of the tools and software used to communicate within the company. Can you troubleshoot computer, network, or email problems? Are you familiar with applications such as Skype, Google Hangouts, Join.me, and Dropbox?
- **Self-assessment and criticism:** The major problem an individual faced in this aspect is feedback from outside world. So in order to prove the own worth individual has to answer these questions such as Are you able to independently assess your work and personal strengths and weaknesses? Do you believe your work is excellent unless you are told otherwise? Are you constantly looking for ways to be more productive, efficient, and overall better at your job?
- **Confident:** At-home workers must be confident in their abilities and knowledge. They must also be comfortable giving opinions and feedback without always knowing what those around them will say. In a home office setting, you may find yourself expressing an unusual—and sometimes unpopular—opinion.
- **Discipline and commitment:** The one quality I've learned that remote work necessitates is self-discipline as well as dedication to the company. Working from home takes a longer day than working in an office, has more distractions, and requires a lot more focus. You can succeed with a work-from-home environment if you can find this in your employees.



- **Time Administration:** Employees who are successful in managing the remote work environment are excellent time managers. With video meetings, phone calls, email, and project work, the day seems to go on forever. Employees who can manage their calendar and use their time efficiently are happier and can accomplish a lot during the workday without feeling like they are always working.

11.13.2 Advantages of Work From Home:

Figure: Advantages of Work-From-Home



Source: <https://www.redappletech.com/>

The advantages of working from home are as follows: -

- **Larger Talent Pool:** There is a larger pool from which an organisation can choose because a diverse talent pool includes job applicants for a specific job with certain people with location constraints or disabled people who can apply for the job and appreciate the opportunity.
- **Promotes Work-Life Balance:** When employees work from home, they are free of the stress of house chores and responsibilities, allowing them to devote more time to work. Employees looking for a more quiet or friendly environment can find it at home, which helps them concentrate on their work and complete it quickly.
- **Cost Savings:** There are significant cost savings in terms of office infrastructure such as office space, electricity bills, and special infrastructure relating to workforce with diverse needs, as well as employee development amenities and facilities.
- **Motivation:** Employees feel motivated when they achieve a healthy work-life balance and increase their productivity. Employee retention aids in lowering the costs of frequent recruitment.



- **Time and Energy Saving:** working from home eliminates the need to commute to workplaces, saving time, energy, and resources that can be used to increase productivity at work. Finally, telework can reduce traffic congestion and air pollution by reducing the number of cars on the road.
- **Incentive of Autonomy:** Work from home is an incentive to work in such a way that the job provides freedom, independence, and scheduling flexibility. It may also increase task responsibility and the authenticity of work done. As a result, such employees become more accountable and responsible for their work, increasing productivity. It also provides scheduling flexibility and freedom because being outside the office gives the worker more options. These people are not bound by office routines and can schedule their work at different times of day. Working from home allows employees to multitask, work in familiar environments, and has the freedom to choose where they work, when they work, and even what they wear to work in order to perform at their best.

11.13.2 Disadvantages of Work From Home:

Working from home has a number of disadvantages. These are listed below: -

- **Lack of Managerial Monitoring:** Monitoring the work is always a major issue.
- **Burden on Employee:** The cost of technological infrastructure required for implementing the concept. While costs and maintenance of the organisation are saved, they fall on the employee in work from home.
- **Lack of Security and Privacy:** There is always a security issue with data transfer that cannot be easily monitored.
- **Limited Opportunities:** Not all jobs are suitable for the work from home concept. Sometimes a lack of communication among employees makes a job difficult.
- **Lack of Learning:** Telework may have an impact on problem solving, decision making, and rationale mentality because employees may lack skill variety and the ability to complete tasks meaningfully for the individual compared to when he or she worked in an office; however, skill variety and meaningfulness of individual tasks can increase when working in a group.
- **Feedback:** For a job task to be completed successfully, directions, orders, prescriptions, and rules must be clearly communicated. Feedback is a two-way communication between an employee and a supervisor. Teleworkers may have difficulty interpreting and gaining information, as well as receiving feedback, because electronic communication provides fewer cues.



11.14 CO-SHARING/CO-WORKING

Figure: Rise of Co-Working Space



Source: <https://www.inc.com/>

Given space and cost constraints, co-sharing is an emerging concept of shared office spaces in cities, particularly metropolitan cities. It is an office space in which several employees from different companies share a common work space for their respective businesses and works, allowing for cost savings as well as convenience through the use of shared infrastructure such as equipment, utilities, and receptionist and custodial services. Co-working spaces are becoming increasingly popular as the benefits of sharing work spaces become more widely known. It is becoming increasingly important in developing Asian countries with limited space and a wider range of activities. Co-working spaces are also becoming more popular in India. According to a CBRE report from 2017, there are 350 shared office operators in India, spread across more than 800 locations. The number of co-working spaces used for co-working and collaborative business operations has more than tripled since the previous record in 2016, indicating that the trend is on the rise.

11.14.1 Benefits of Co-Sharing/Co-Working:

The following are some of the advantages and benefits of co-sharing/co-working spaces: -

- **Motivating:** It is motivating to work-from-home professionals, freelancers, independent scientists, and people who do not require workplace spaces for extended periods of time. This reduces unnecessary space costs.
- **Liberty:** Co-working spaces are ideal for freelancers, independent contractors, start-up businesses, and entrepreneurs who do not wish to be affiliated with any company for operational purposes. These spaces are frequently occupied by freelancers, some



of whom are just starting out and are not tied/committed to any specific business or industry.

- **Creativity:** A lively, energetic, and dynamic environment in which the elements and atmosphere inspire productivity among co-workers who may brainstorm for creative thinking. They are frequently made up of open desk space, also known as hot desks.
- **Cost Saving:** One major advantage of co-sharing is cost savings. Individuals, start-ups, and even large corporations are beginning to recognise the cost savings. The initial fixed expense burden, which includes a refundable deposit, convenience infrastructure, utilities and furniture, and electrical fittings and gadget installation, is shared among co-workers. Monthly expenses such as rent, paperwork, and support staff salaries, electricity, and other supplementary services are further divided for competitive advantage gained from lower production costs.

Figure: Reasons to Use Co-Sharing/Co-Working



Source: coworkinghandbook.com

- **Collaboration:** Co-working spaces promote community learning and provide space for freelancers and entrepreneurs to collaborate. Entrepreneurs can interact and collaborate with one another, brainstorm and communicate, and organise joint seminars and workshops. These interactions facilitate brainstorming and the creative flow of communication among entrepreneurs.



- **Social Circle:** Co-working spaces promote socialization. It helps workers avoid the isolation that comes with working from home while also removing distractions. Membership fees are charged by some co-working spaces.
- **Coordination:** Recently, even established and corporate businesses have been collaborating with co-working spaces to cut costs while also staying in touch and in association with today's creative start-up entrepreneurs and freelancers.

11.14.2 Drawbacks of Co-Sharing/Co-Working:

The following are the drawbacks:

- **Lesser Value for Money:** Many businesses prefer coworking spaces to private office alternatives in order to cut costs and save money. Most coworking memberships provide less value for money because you do not have your own private office. We recommend taking a tour or using a free test pass before signing any contracts.
- **Disturbance:** A coworking office is a place where dozens of companies share a common space at the same time. A noisy office can be a major distraction for your teams. According to a Clutch survey, 48% of people believe coworking is too noisy and distracting. It can also be distracting during internal meetings or client calls.
- **Decreased Output:** Coworking spaces are great for professional networking and collaborative work, but where do you draw the line between business and social conversations? When a company opts for a more casual collaboration space over a private office, it risks losing valuable hours spent by employees chatting among themselves.
- **Lack of Secrecy:** If you are dealing with sensitive or confidential information, consider whether it's safe to work in a coworking space. In some cases, leaking classified data can result in hefty fines or lawsuits for your company. Avoid coworking spaces due to lack of soundproofing and excessive use of glass.
- **Lack of Customer Support:** A coworking office provider can provide a premium service with first-class customer service and IT support tailored to your specific business needs. A serviced office provider such as company can provide the same level of personalised service that a traditional office provider offers.
- **Limite Growth:** Coworking spaces can be useful for small businesses or freelancers. But they are less suitable for larger corporations that need more structure and space. A large company is likely to overflow into communal areas on a regular basis, which can be inconvenient for other members of staff.



ACTIVITY

Discuss in the class on the topic, “Benefits and Drawbacks of work from Home and CO-Sharing/Co-Working” for the employees as well unemployed.

IN-TEXT QUESTIONS

16. Which of the following is a benefit of working from home?
 - a) Work-Life Integration
 - b) Commute cost savings
 - c) Operational autonomy
 - d) All of the Above
17. Working from home reduces productivity because of:
 - a) Inadequate control, supervision, and monitoring
 - b) The cost of technological installation
 - c) Concerns about security and privacy
 - d) All of the Above
18. A _____ work arrangement is one in which the employee works outside of the office.
19. _____ does not allow for more efficient feedback processing.
20. A _____ is an office space where employees from various companies

11.15 SUMMARY

An ideal work-life balance is one in which work and life can coexist while not undermining either. Businesses should strive for diversity in their workforce composition at all levels. Mental stress has been identified as a significant economic and health problem in the information economy. Telecommuting also known as working from home or e-commuting is a work arrangement in which the employee works outside the office. Telework can reduce traffic congestion and air pollution by reducing the number of cars on the road. It also helps employees achieve work-life balance and assist the company in completing tasks.



11.16 GLOSSARY

- **Co-Sharing:** A process in which two or more organisations collaborate to save money in one or more areas of business operations.
- **Co-Working:** A business service delivery model in which individuals work independently or collaboratively in a shared office space.
- **Flexi-Time:** An arrangement in which an employee can change the start and/or end time of her/his workday.
- **Freelancer:** It is someone who earns money on a per-job basis. They are usually paid per task and only work for a short period of time. In other words, they do not work for a company. As a result, they have the freedom to work on multiple projects for various clients at the same time.
- **Freelancing:** The contract work provided by an individual who performs a variety of tasks for a variety of companies.
- **Office Management:** It entails the planning, design, and execution of work within an organisation and its offices.
- **Strategy:** An action taken by managers to achieve one or more of the organization's goals.
- **Workforce Diversity:** It is the sum of individual differences and similarities among employees, including individual characteristics, values, beliefs, experiences, backgrounds, preferences, and behaviours.
- **Workplace Diversity:** The term used to describe a workplace that includes employees of various sex, gender, race, ethnicity, sexual orientation, and so on.
- **Work-Life Balance:** An aspect of employee well-being related to the employee's ability to balance personal and professional responsibilities while still finding time for rest and recreation.

11.17 ANSWERS TO IN-TEXT QUESTIONS

1. (b), Workplace Diversity	11. Freelancers
2. (d), All of the Above	12. True
3. (d), All of the Above	13. Flexi Time
4. (a), Complimentary	14. (a), Freelancer
5. Cultural Diversity	15. (d) Both (a) and (b) i.e. Time



6. (d), All of the Above	Flexibility and Core Time
7. (c), Stress	16. (d), All of the Above
8. (d), All of the Above	17. (d), All of the Above
9. Work Life balance	18. Work from Home
10. True	19. Working from Home
	20. Co-Sharing

11.18 SELF-ASSESSMENT QUESTIONS

1. “Diversity plays an important role in enhancing the quality of work.” Do you agree with the statement? Comment with the help of suitable example.
2. Is it true that workforce diversity is essential for the economic development of a country? Discuss
3. What do you mean by workforce diversity? State its features, significance and role in an organisation.
4. Why it is mandatory for the employer to provide a favourable work and life balance for the employees working in their organisation? Discuss
5. What are the negative impacts of the improper work life balance? Discuss
6. Diversity in workforce gives rise to conflicts and tension at workplace. Discuss with the help of suitable example.
7. What are the advantages of maintaining positive work and life balance? Discuss
8. What do you mean by freelancing? What are its benefits and drawbacks? Discuss
9. What are basic requirements of freelancing? Discuss
10. Define flexi time. Provide the reasons of introducing this concept in an organisation.
11. What do you understand by flexi time? Discuss the benefits and drawback.
12. “Work from home is need of the hour.” Why? Discuss
13. What do you mean by work from home? Discuss the pros and cons.
14. Differentiate between freelancing and work from home.
15. Through a light on the concept of co-working. Also talk about the advantages.



16. What do you understand by co-sharing? What are the benefits and disadvantages of co-sharing? Discuss

11.19 REFERENCES

- Aczel, B., Kovacs, M. Lippe, T. V. D., Szaszi (2021). *Researchers Working From Home: Benefits and Challenges*. Plos ONE. 16 (3): 1-13.
- Akhmetshin, M. E., Khakimov, A. K. & Yumashev, A. V. (2018), *Freelancing As a Type of Entrepreneurship: Advantages, Disadvantages and Development Prospects*. Journal of Entrepreneurial Education. 21: 1-10.
- Australian Government Productivity Commission (2021). *Working From Home*. Commonwealth of Australia 2021 available at <https://www.pc.gov.au>. Pp. 1-104.
- Brough, P., Timms, C., Chan, W. X., Hawkes, A. & Rasmussen, L. (2020). *Work-Life Balance: Definitions, Cases and Consequences*. Springer Nature Switzerland. Pp1-15.
- Burke, A. (2015). *The Handbook on Freelancing and Self-Employment*. Senate Hall Academic Publishing. Pp 1-135.
- Cooke, J. G. (2012). *The Benefits of Flexible Working Arrangements*. A Future of Work Institute. Pp. 2-20.
- Deepika (2014). *Workplace Diversity-An Overview*. International Journal of Commerce Arts and Science. 5 950: 216-227.
- Demers, J. (2022). *7 Traits You Need if You Want to Work From Home* available online at <https://www.inc.com/>
- Dhas, B. D. & Karthikeyan, P. (2015). *Work-Life Balance Challenges and Solutions: Overview*. International Journal of Research in Humanities and Social Sciences. 2 (12): 10-19.
- Downey, L. (2022). “*What is Freelancer: Examples, Taxes, Benefits and Drawback*” available online at <https://www.investopedia.com>.
- Durante, G. & Turvani, M. (2018). *Coworking, The Sharing Economy, and the City: Which Role for the Co-Working Entrepreneur?*. Urban Science. 2(3): 83-1-21.
- “*Flexitime*” available online at <https://www.labour.gov.uk>.
- Farnsworth, D., Clark, L. J., Green, K., Lopez, M., Wysocki, A. & Kepner, K. (2002). *Diversity in the Workplace: Benefits, Challenges and the Required Management Tools*. University of Florida available online <https://edis.ifas.ufl.edu>.



- Forbes Human Resources Council (2020). *13 Essential Qualities of Successful Remote Employee* available online at <https://www.forbes.com/>.
- Gibbs, M. Mengel, F. & Siemruth, C. (2021). *Work From Home and Productivity: Evidence from Personnel and Analytics Data on IT Professionals*. Working Paper No. 2021-56 available online at <https://www.bfi.uchicago.edu>.
- Habaibeh, A. A., Watkins, M. Waried, K. & Javareshk, M. B. (2021). *Challenges and Opportunities of Remotely Working From Home during Covid-19 Pandemic*. Global Transactions. 3: 99-108.
- Howell, T. & Bingham, C. (2019). *Coworking Spaces: Working Alone, Together*. Kenan Institute of Private Enterprise. Pp 1-35.
- Hudek, I., Tominc, P. & Sirec, K. (2020). *Entrepreneurship Vs Freelancing: What's the Difference?* Nase Gospodarstvo Our Economy. 66(3): 56-62.
- Joshi, S. R. (2018). *Work-Life balance: It's Causes and Consequences*. AJANTA. VVI (IV): 113-121.
- Karyabwite, A. & Govendev, P. (2011). *Flexitime as a Mechanism to reduce Employee Stress*. Corporate Ownership & Control. 9 (1): 648-653.
- Kashyap, E. & Kaur, S. (2021). *Importance of Work-Life Balance: A Review*. Ilkogretim-online.org. 20 (5): 5068-5072.
- Kathuria, R., Kedia, M., Verma, G. Bagchi, K. & Khullar, S. (2017). *Future Work in a Digital Era: The Potential and Challenges for Online Freelancing and Microwork in India*. Indian Council for Research on International Economic Relations. Pp.1-38.
- Kiran, M. & Khurram, S. (2018). *Flexitime and Employee Happiness at workplace in Software Houses*. Pakistan Journal of Commerce and Social Sciences. 12 (3): 1008-1024.
- Kokemullar, N. (2022). *The Negatives of a Diverse Workplace* available online at <https://smallbusiness.chron.com/>
- Lewis, S. (2003). *Flexible Working Arranements: Implementation, Outcomes and Management*. International Review of Industrial and Organisational Psychology. 18: 1-28.
- Meenakshi, S. P., Venkata, S.C.V. & Ravichandaran, K. (2013). *The Importance of Work-Life Balance*. IOSR Journal of Business and Management. 14 (3): 31-35.
- Misganu, G., Zewdie, S. (2018). *Workforce Diversity Management As A Key to Improve Productivity: A Review Article*. International Journal in Management and Social Science. 6 (4): 33-42.



- Muthukumar, m., Savutha, R. & Kannadas, A. (2014). *Work-Life Balance*. Global Journal of Finance and Management. 6 (9): 827-832.
- Orega (2022). *10 Disadvantages of Coworking Spaces* available online at <https://blog.orega.com/>
- Owen, J. D. (1977). *Flexitime: Some Problems and Solutions*. ILR Review. 30 (2): 152-160.
- Rus, A. & Orel, M. (2015). *Coworking: A Community of Work*. Teorija in Praksa. 52 (6): 1017-1038.
- Saxena, A. (2014). *Workplace Diversity; A key to Improve Productivity*. Procedia Economics and Finance. 11: 76-86.
- Sen, C. & Hooja, H. R. (2018). *Work-Life balance: An Review*. International Journal of Management and Social Sciences Research. 7 (1): 1-4
- Susilo, D. (2020). *Revealing the Effect of Work From Home on Job Performance during the COVID-19 Crisis: Empirical Evidence from Indonesia*. The Journal of Contemporary Issues in Business and Government. 20 (1): 23-40.
- Uda, T. (2013). *What is Co-Working? A Theoretical Study on the Concept of Co-Working*. SSRN Electronic Journal. Pp. 1-15.

11.20 SUGGESTED READINGS

- Aswathappa, K. & Reddy, G. S. (2012). *Management and Organisational Behaviour*. Himalaya Publishing House.
- Basu, C. (2017). *Business Organisation and Management*. McGraw Hill Education.
- Chhabra, T. N. (2021). *Business Organisation and Management*. Sun India Publications, New Delhi.
- Drucker, P. F. (1954). *The Practice of Management*. Newyork: Harper & Row.
- Ghuman, K. & Aswathappa, K. (2010). *Management*. Tata McGraw Hill.
- Griffin, R. W. (2009). *Management*. Cengage Learning.
- Kalra, S. & Singhal, N. (2020). *Business Organisation and Management*. Scholar Tech Press, Delhi.
- Kaul, V. K. (2012). *Business Organisation and Management*. Pearson Education.
- Kaushal, V., Attri, K.K., Singh, B. & Devi, S. (2022). *Saint Kabir's Amritwani for Folk Artist*. Hill Quest: A National Journal. 8 (2): 1-12.



- Kaushal, V., Negi, V. K., Singh, B. & Devi, S. (2022). *Management Lessons from Lord Ganesha*. Emerging Trends in Management Sciences (Edited Book). House of Journals-Pune: 58-66.
- Kaushal, V., Singh, B., Kumar, V. & Devi, S. (2022). *Lord Hanuman: Leadership Lessons for Professionals*. New Learning Technologies of Leadership & Role of Media Management (Edited Book). Rubicon Publications: 31-36.
- Koontz, H. & Weihrich, H. (2012). *Essentials of Management: An International and Leadership Perspective*. McGraw Hill Education.
- Laasch, O. (2022). *Principles of Management*. Sage Publications.
- Prasad, L. M. (1998). *Principles and Practices of Management*. Sultan Chand & Sons.
- Raju, R. S. & Parthasarathy, A. (2009). *Management*. Prentice Hall of India.
- Sherlekar, S. A. (2016). *Modern Business Organisation and Management*. Himalaya Publishing House.
- Singh, B. P. & Singh, A.K. (2002). *Essentials of Management*. Excel Books, New Delhi.
- Vasisht, N. & Rajput, N. (2013). *Business Organisation & Management*. Kitab Mahal, Delhi.