



Business:

Definition:

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

* Entrepreneurship

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

* Components of business

- * Industry
- * Commerce

* Industry

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

* Types of Industry

* Primary Industry

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

* Types of industries

* Secondary Industry

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

* Commerce

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

* Types of commerce

* Trade

- * Trade means buying and selling

* Aid to trade

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

★ Factors of production

- * Labor _ People working in an organization.
- * Capital _ Amount invested by investor in the business.
- * Entrepreneurship _ Management ability of the people who are running the business.
- * Physical Resources _ Land, labor, building, vehicles, machinery etc.

★ Economic System

- * A system for allocation of resources.

★ Types of Economic Systems

- * Planned Economy
- * Free market Economy

★ Types of environmental forces

★ External Forces

- * Factors found outside an organization.
- * These factors are not controllable by the organization.

★ Types of environmental forces

★ Internal Forces

- * Factors within the organization.
- * These are controllable by the organization.

★ SWOT Analysis

- * Strengths
- * Weaknesses
- * Opportunities
- * Threats

Lecture 02

★ External Factors

- * Economy of the country
- * Per capita income of the country
- * General employment or unemployment
- * Economic Growth
- * Exchange rate
- * Inflation rate

★ Demographic factors

- * Demographic factor is a study of population
- * Population brings customers.
- * Population tells the size of market and nature of customers.

★ Total Population

★ Population Distribution

- * Distribution on the basis of gender
- * In Pakistan female population is further divided into two categories:
- * Household Women

- * Working Women
- * **Population growth rate**
 - * The rate at which population of an area increases/decreases.
- * **Political and Legal factors**
- * **Political Factors**
 - * Preference and priorities of the Government
 - * Attitude of the Government towards Exports
 - * Government taxation policy
- * **Legal factors**
 - * Laws related to Health
 - * Laws related to Imports and Exports
 - * Laws related to Taxation
 - * Laws related to Packing
 - * Laws related to Child Labor
 - * Laws related to Labor Union
- * **Technological Factors**
 - * Business people have to pace with the technological advancements.
- * **Socio cultural Factors**
- * **Religion**
 - * Followers of one religion have influence over the buying behavior of the society.
- * **Natural Factors**
 - * Act of God
 - * Natural factors are out of our control
 - * Business people will develop product considering natural resources

Lecture 03

* **Sole Proprietorship:**

Definition

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

* **Advantages of Sole Proprietorship**

- * Freedom in formation
- * The easiest to establish
- * Individuals are allowed to decide without interference of any other person.
- * Easier to transfer the ownership of the business
- * People wholly solely enjoy the ownership of the business and profits
- * Individual has unlimited opportunity to expand the size of the business
- * Individual can keep the secrets of the business intact
- * Individual has personal interest in the business
- * Owners can make speedy decisions
- * Easy to dissolve

★ **Disadvantages of Sole Proprietorship**

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

★ **Partnership**

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

★ **Advantages of Partnership**

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

Lecture 04

★ **Disadvantages of Partnership**

★ **Unlimited Liability**

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

★ **Shorter Life**

Partnership ends when one of the partners dies or becomes insane

★ **Limited Capital**

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

★ **Lack of interest**

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

★ **Slow Decision Making**

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

- * It is difficult to transfer the rights of partnership.

- * There is always a chance of conflict.

★ **Types of Partners**

* **Active Partner** is one who participates in all the affairs of the business.

* **Secret Partner** is one who has invested in the business but he/she is not known to general public.

* **Sleeping Partner** is one who is not very active in the affairs of the business.

* **Senior Partner** is one who has invested the maximum amount in the business.

* **Junior Partner** is one who has invested the minimum amount in the business.

★ Types of Partnership

★ Partnership at will

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

★ Limited Partnership

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

★ Particular Partnership

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

★ Termination of Partnership

★ By Notice

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

★ Upon Death

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

★ Partnership Deed

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

★ Contents of Partnership Deed

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

★ Rights of the partners

★ Every partner has the right to:

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

Lecture 05

★ Duties of Partners

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

★ Joint Stock Companies

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

★ Advantages of Joint Stock Companies

- * We can expand the business
- * Credit facility
- * More capital
- * With more capital and more expertise, companies have more chances to earn more profit.
- * Expansion in the scale of business
- * Responsibility of investor is limited to the face value of shares. This is called **Limited Liability**.
- * If one person dies or leaves the country, it does not have any impact on the business.
- * Life of the joint stock company is longer than sole proprietorship and partnership.
- * It is easy to transfer rights.
- * Company can hire better experts which results in better management.
- * Public place more confidence in companies rather than in any other form of business.
- * Anyone can exit from joint stock company by selling his/her shares.

★ Disadvantages of Joint Stock Companies

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

★ Public Limited Company Vs Private Limited Company

★Number of members

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

★Issue of shares

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

★Name of the company

- ✧ Public limited companies add the word “Ltd.” with their name.
- ✧ Private limited companies add the word “(Pvt) Ltd.” with their name.

★Annual report

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

★Transfer of shares

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

★Statutory meeting

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

★Submission of annual report

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

★Taxation

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

Lecture 06

★ Promotion Stage

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

★Some other factors

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

★ Preparation of Documents

★Memorandum of the company

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

★Articles of association

A document that contains rules and regulations of the company.

★ **Prospectus**

Prospectus is an initiation for offer.

★ **Incorporation Stage**

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

★ **Collection of Capital**

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

Clauses of Memorandum of Association

★ **Name of the business**

- ★ We cannot suggest a name that has already been registered.
- ★ We cannot suggest a name after our National Heroes.

- ★ Registered office of the company.
- ★ Objective clause of the business.
- ★ Authorized capital of the company.

★ **Liability clause**

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

- ★ Association clause.

★ **Articles of Association**

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

★ **Appointment of directors.**

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

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

★ **Meetings.**

- ★ Meeting of shareholders.
- ★ Meeting of directors.

- ★ Disqualifications.

- ★ Seal of the company.

★ **Distribution of dividend.**

Profit distributed among shareholders is called dividend.

- ★ **Decision for retained earnings.**

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

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

Lecture 07

★ Shareholders' meetings

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

★ Statutory Meeting

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

* Matters to be Discussed:

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

★ Annual General Meeting

- * All shareholders will participate in this meeting which is held once in a year.
- * The company must give 21 days notice to shareholders prior to the meeting.

* Objectives of Annual General Meeting

- * Election of directors for the next year.
- * Appointment of auditors.
- * Auditors will review the annual accounts of the company and report on the accuracy of these accounts.
- * Shareholders will elect and approve the appointment of auditors.
- * If auditors are already hired, the shareholders will review their performance and decide whether to continue with current auditors or to change them.
- * Auditors will also be asked whether they are willing to work with the company or not.
- * Declaration of dividend.
- * Decision for directors' remuneration.
- * Auditors will report on the companies accounts in terms of:
 - * Accuracy
 - * No fraud found
 - * Conformity with the Companies Ordinance 1984.

★ Extra Ordinary General Meeting

- * This meeting will be called when there are:

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

★ Share Capital

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

★ Winding up of the company

★ Voluntary winding up

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

★ Special Resolution

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

★ Winding up by court

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

Lecture 08

★ Co-operative Societies

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

★ **Advantages of Co-operative Societies**

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

★ **Economic Democracy**

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

★ **Disadvantages of Co-operative Societies**

- * People do not have sufficient capital to start such business.
- * **Unavailability to hire professional manager because:**
- * People do not have money in remote areas.
- * There are no such people in those areas.
- * People do not have experience of such business.
- * Lack of secrecy.
- * Unavailability of new technology.
- * These are not businesses in true sense. People might not have confidence in these businesses.
- * Banks might not provide loans to these businesses.
- * Interference of the Government.

★ **Entrepreneurship**

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

★ **Who are Entrepreneurs?**

- * **People have more entrepreneurial abilities who:**
- * Have aspiration.
- * Are more strategic.
- * Have the vision.

★ **Characteristics of Entrepreneurs**

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

★ Entrepreneurial Characteristics

★ Personal Interest

- * Interest for their own development.

★ Customer Relationship

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

★ Business Plan

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

★ Components of Business Plan

There are two situations:

★ Buying a business.

★ Starting from the scratch.

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

★ Components of Business Plan started from scratch

★ Objectives of the business:

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

★ Legal considerations:

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

★ Marketing Part:

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

★ Analysis of competitors:

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

★ Promotional Part

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

★ Financial Part

- * What will be the investment of the business and how much should be borrowed?
- * What are going to be expected revenues in a given period of time?
- * What would be the expected expenses of the business in a given period of time?
- * What would be net income or net profit in a given period of time?

*Is the business feasible or not?

*Administrative Part

*What would be the structure to handle the business?

Lecture 10

* Franchising

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

*Rights include:

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

* Parties to Franchise agreement

There are two parties:

*Franchiser

*Franchisee

*Franchiser is one who sells the rights to franchisee.

* Advantages of Franchising

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

* Disadvantages of Franchising

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

* New Trends in the Business

*E-Commerce or E-Business

* Using internet for marketing products.

*Women in business

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

*Global opportunities

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

★ Factors for lower failure rate

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

Lecture 11

★ Causes of Failure in Business

- ★ Causes of Failure in People are not capable of handling business.
- ★ Some people are not capable enough to know markets.
- ★ People should try to learn the abilities to run the business.
- ★ People do not have experience required for a business.

★ We need to have control over:

- ★ Production Process
- ★ Cost
- ★ Wastage
- ★ Complaint handling
- ★ Quality
- ★ Insufficient capital
- ★ Bad Luck
- ★ National Disaster

★ Reasons for Success in Business

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

★ Joint Venture

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

★ Advantage of Joint Venture

- ★ Combination of skills and abilities.

★ Strategic Alliance

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

★ Decision involved in Strategic Alliance

- ★ Profit Sharing
- ★ Client Handling

★ Merger

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

★ Acquisition

- ★ One business acquires the other business.

★ Advantages of Acquisition

- ★ Expansion of size
- ★ To reduce competition

Lecture 12

★ Imports

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

★ Factors to be considered while importing

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

★ Exports

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

★ Advantages of Exports

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

★ GATT – General Agreement on Tariff & Trade.

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

★ WTO – World Trade Organization

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

★ Per Capita Income

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

★ Tools for measuring economies of the world

- ★ World can be divided in to three major categories on the basis of per capita income.

★ High income countries

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

★ Middle income countries

- ★ Those countries where people are earning between US \$765 and \$9000.

- * Tools for measuring economies of the world

* Lower income countries

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

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

* Pakistan is exporting

- * Sports items

- * Agricultural products (rice)

- * Textile products (Bed Sheets, T-Shirts, Towels etc.)

* Import and Export Balance

- * Gap between imports and exports is called surplus and deficit.

- * It varies from country to country.

* Balance of Payment

- * Balance of payment = Total receipts - Total payments

- * If receipts are greater, balance of payment is favorable.

- * If payments are greater, balance of payment is unfavorable.

* Level of involvement in international business

* Imports or Exports

- * We can be importer and exporter.

- * We try to see opportunity in international market to consume surplus products.

- * This is called exports.

* International Firms

- * International firms have operations world wide.

- * These firms are also called multinationals.

- * Multinationals design products separately for each country.

* Global Organizations

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

- * These organizations have standardized products all over the world.

* International Organizational Structure

* Independent Agent

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

- * Appointment of representative abroad.

- * Licensing agreement.

- * Independent Branch Office.

- * Strategic Alliance.

- * Direct Foreign Investment.

Lecture 13

* Barriers to International Trade

- * Social and Cultural Changes.

- * Different countries have different life styles.

★Religion.

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

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

★Climate

★Laws

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

★These include laws related to:

★Health

★Safety

★Customer Relationship

★Pricing

★Packing

★Environment

★Economic Differences

★Per Capita Income is different in different countries.

★Different people have different economic systems.

★People preference for a particular product

★Political System

★**Tariff**

★Tax levied on goods entering into a country.

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

★**Quota**

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

★**Subsidies**

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

★**Business Ethics**

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

★**Ethical Behavior**

★A system that confirms the beliefs of the society.

★Business is being run within that system.

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

★Ethical Behavior in Managerial Practices include:

★Responsibility towards employees.

★Relationship with other organizations.

★Interaction with Government.

★Plans to initiate ethical behavior towards people.

★To initiate ethical programs.

★**Corporate Social Responsibilities**

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

★These include:

★Ethical attitude towards customers.

★Dealing with employees.

★Ethical communication with Government and local bodies.

- * Ethical behavior towards stake holders.

Lecture 14

* Stake Holders

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

* Stake holders include:

- * Customers
- * Employees
- * Suppliers
- * Bankers
- * Government
- * Society at large

* Rights of Customers

* Consumerism

- * Protecting the rights of customers.

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

* Customer Safety.

* Right to get information about:

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

* Responsibilities of the Organization towards Environment

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

* Ethics for Advertising

- * Truthful or Truth less Communication
- * Objectionable Products
- * Objectionable Appeals
- * Fear Factor
- * Sexual Connotations
- * Objectionable Timings
- * Smoking

- * Selling product to underage customers
- * Legal Commitments
- * Discriminations
- * Health and Safety of Employees
- * **Whistle Blowers**
- * People who see irregularities and bring them in the knowledge of the management.
- * **Management**
- * Getting things done through others.
- * **Manager**
- * A person who practices the functions to achieve management's objectives.

* **Functions of Managers**

- * **Planning**
- * Thinking for the future.
- * **Organizing**
- * Decision about activities performed by the workers.
- * Grouping the activities
- * Delegation of authorities
- * **Staffing**
- * Filling out the vacant positions.
- * **Coordination**
- * **Communication**
- * Receiving information from various sources.
- * Processing of information.
- * Dissemination of information.
- * Distribution of information.
- * **Conflict handling**
- * **Negotiation**
- * **Resource Allocation**
- * **Controlling**
- * To make sure that organization is moving towards the right direction.

Lecture 15

* **Managerial Skills**

- * **Conceptual Skills**
- * Abilities to think at planning and organizing stage.
- * **Interpersonal Skills**
- * Abilities to deal with others.
- * **Technical Skills**
- * Knowledge of processes and operations.
- * **Goals**
- * Destination where a company wants to reach.
- * **Strategy**
- * Set of plans for long term orientations.

★ Levels of Strategies

★ Corporate Level Strategies

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

★ Strategic Business Unit (SBU)

★ A part of organization that requires separate planning.

★ Functional/Operational Level Strategies

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

★ Objectives of Goal Setting

★ Goals give us directions.

★ Resource Allocation.

★ Setting culture of the organization.

★ Assessment of performance.

★ Mission Statement

★ The purpose for survival of an organization.

★ Mission Statement describes life time objectives of the organization.

★ Mission statement is a general statement.

★ It is written in terms of:

★ Customer satisfaction

★ Quality of life

★ Service of humanity

★ Mission statement is a long term plan.

★ Types of Goals

★ Long Term Goals

★ Medium Term Goals

★ Short Term Goals

★ Short Term Goals

★ A plan for less than one year.

★ Medium Term Goals

★ A plan for one year to three years time.

★ Long Term Goals

★ A plan for more than three years.

★ Length of plan depends upon type of activities.

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

★ Human Resource Management (HRM)

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

★ HRM deals with the activities of people.

★ These Include:

★ Attracting people in the organization

★ Maintaining them

★ Recruitment

★ Selection

★ HRM deals with the activities of people.

★ These Include:

- * Training
- * Performance appraisals
- * Compensation
- * Health and Safety

* **Scope of HRM**

- * Human Resource Planning
- * Type of people required
- * When required
- * How many people required
- * Job Analysis
- * Recruitment
- * Training
- * Compensation
- * Health and Safety
- * Labor Union

* **Job Analysis**

- * Collecting all the information related to a job.

- * It is divided into two parts:

* **Job Description**

* **Job Specification**

- * Job description describes the activities of a particular job.

- * It includes:

- * Job Title
- * Job Location
- * Working Environment
- * Supervision

* **Job Specification**

- * Job Specification describes human skills required to perform a job.

- * It includes:

- * Qualification
- * Gender
- * Age
- * Experience
- * Special Skills
- * attitude

Lecture 16

★ **Human Resource Planning**

★ **HR Planning Includes:**

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

★ **Sources to find people**

- ★ Internal Sources
- ★ External Sources

★ **Skills Inventory**

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

★ **Replacement Chart**

- ★ A chart that shows turnover in an organization.

★ **Turnover Rate**

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

★ **Recruitment**

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

★ **Sources to find People**

★ **Informal Search**

- ★ This method is used when reference is also required.

★ **Job Posting**

- ★ Putting notices for job on various places in the organization
- ★ Places can be:
- ★ Cafeteria
- ★ Fair Price Shop
- ★ Sports Field
- ★ Putting notices for job on various places in the organization
- ★ Places can be:
- ★ Reception Desk
- ★ Notice Board
- ★ Union Office

★ **Educational Institutions**

- ★ Consulting educational institutions for suitable candidates for the job.
- ★ Educational Institutes are consulted when:
 - ★ Fresh Graduates are required.
 - ★ There are not many institutions for a particular job.
 - ★ Short Listing of institutions.
 - ★ Organizations involve teachers in the selection process.

★ **Professional Associations**

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

★ **Recruitment Agencies**

- ★ These are the organizations which have expertise in selecting people.
- ★ These agencies are used when:
 - ★ Time span for selection is short.
 - ★ Jobs are highly technical in nature.
 - ★ Employer and employee are at a distant place.

★ **Advertisement**

- ★ Giving advertisement in media.
- ★ Media is used when:
 - ★ Large numbers of jobs are available.

★ **Disadvantages of using media**

- ★ Large numbers of applications are received.
- ★ It is difficult to handle large number of applications.
- ★ Costly

★ **Selection**

- ★ The most important stage in HRM process.
- ★ It includes:
 - ★ Filling up forms
 - ★ Interviewing people
 - ★ Developing tests
- ★ **Application Blank**
 - ★ A form designed by the employer for the prospective employee to fill it out.
 - ★ It records data according to the requirement of the organization.

★ **Test and Interview**

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

★ **Types of Tests**

★ **Achievement Test**

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

★ **Psychological Test**

- ★ To determine the attitude and traits of the candidates.

★ **Skills Test**

- ★ Aptitude test
- ★ Test of prior learning
- ★ Skills test

★ **Medical Test**

- * To keep in record the physical condition of the candidate before joining the organization.
- * To make sure that candidate does not have any transferable disease.

★ Considerations for Test Development

- * **Validity**
- * **Reliability**
- * **Validity**
- * **Content Validity**
- * Contents of the test should be relevant to the requirement.
- * **Construct Validity**
- * Sequence of the questions.
- * **Face Validity**
- * Appearance of the test.

Lecture 17

★ Infrastructure for Test

- * Space
- * Proper Temperature
- * Enough Quantity of Stationary
- * Evaluation of Test
- * **Interview**
- * Any verbal interaction is called interview.

* **Job Interview**

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

* **Types of Job Interview**

- * Telephonic Interviews
- * Preliminary Interviews
- * Selection Interviews

* **Techniques for Final Interviews**

* **Pattern Interview**

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

* **Non Pattern Interview**

- * Questions are asked according to the situation

* **Shortcoming of Pattern Interview**

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

* **Shortcoming of Non Pattern Interview**

- * Possibility of non-professional and irrelevant questions.

* **Mix Interview**

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

* **Ways to conduct Interview**

- * One person interview

- * Panel Interview
- * A group of people related to the job conduct interview.
- * **Arrangements for conducting Interview**
- * Proper place
- * Preparation for questions
- * Read out the resumes of candidates.
- * Human Resource Development
- * Human Resource Development is done through training.
- * **Methods for Training**
- * On job Training
- * Learning while working
- * Off job Training
- * **Difficulties in On Job Training**
- * In certain jobs, on job training is not possible.
- * **Methods for Off Job Training**
- * **Lectures**
- * Cheaper method of training.
- * For some jobs, it is the most appropriate method.
- * **Vestibule training**
- * Artificial situation created for training people.
- * Role Play
- * Business Games
- * Case Studies
- * **Performance Appraisals**
- * Evaluation of performance
- * **Reasons for performance appraisals**
- * Validation of Human Resource Program
- * Pay for performance
- * **Compensation**
- * Compensation can be:
- * Monetary reward
- * Non Monetary reward
- * **Incentives**
- * Plans for encouragement of employees in the organization.
- * **Types of Incentives**
- * **Organizational Level Incentives**
- * Paid to everyone in the organization.
- * **Individual Incentives**
- * Paid to individual employees who have done good job.

Lecture 18

- * **Individual Incentives**
- * Employees are paid for:
- * Good performance on job.

- * Good performance during training.

- * **Collective Incentives**

- * Incentives are paid to whole department.

- * Incentives for the whole organization can be:

- * Profit Sharing.

- * Benefits other than salaries and wages.

- * **Compensation**

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

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

- * Other ways for compensation can be:

- * Free or cheaper food.

- * Retirement Plans.

- * Pensions.

- * Medical Facilities.

- * Transportation Facilities.

- * Assistance for children education.

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

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

- * Base can be:

- * Gender

- * Nationality

- * Religion

- * Area

- * Life Style

- * Race

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

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

- * Managers should not evaluate performance on the basis of:

- * Gender

- * Nationality

- * Race

- * Religion

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

- * Job description does not provide any base for discrimination.

- * If law requires, we have to obey the law.

- * Ethics.

- * Research has shown, variety of people can perform better in an organization. This phenomenon is called Work Force Diversity.

- * Managers should encourage different types of people to join organization in order to enhance productivity.

- * **Collective Affairs of Employees**

- * Employees form labor unions in the organization.

- * There could be more than one labor organizations in the company.

- * Collective Bargaining agent (CBA) is a person who has been elected by all the workers in the organization through legal procedures.
- * **Negotiations can be on:**
 - * Salary
 - * Working Conditions
 - * Timings
 - * Facilities
 - * Benefits
 - * Attitudes
- * **Motivation**
 - * Motivation is a force that forces people towards a task.
- * **Classical Theory of Motivation**
 - * People are motivated because of money or material objects.
- * **Fredrick Taylor's Theory of Scientific Management**
 - * Every job should be studied scientifically.
 - * Jobs should be divided on the basis of tasks and skills of labor.
 - * Pay should be attached with productivity.
- * **Time & Motion Studies**
 - * Time spent on jobs should be studied using scientific devices and motions of machines or human motions.
- * **Objection on Fredrick Taylor's Theory of Scientific Management**
 - * This theory considers human beings as machines.
- * **Hawthorn Studies**
 - * Basic purpose of these studies was "Effect of light on productivity".
 - * Productivity depends upon human relations.
 - * Shortcoming of this theory was that human moods, human behavior, human liking and disliking and human interest were ignored.
 - * Hawthorn Studies became a base for behavioral studies in organizations.

Lecture 19

- * **McGregor Theory - X**
 - * Every normal human being dislikes work by nature.
 - * People work because of some pressure.
 - * Pressure can be:
 - * Salary
 - * Advancement
 - * Respect
 - * Some other force
- * **McGregor Theory - Y**
 - * People inherently like to work.
- * **McGregor Theory – X & Y**
 - * X-Type managers might:
 - * Use punishment and threat to make people work.
 - * Control activities of the work very closely.

- * Y-Type managers will identify the barriers which are causing problems for workers and try to eliminate those barriers.
- * In some situations, managers have to adopt X-type behavior and in some situations, they have to adopt Y-type behavior.
- * Culturally, in societies, managers are moving towards Y-type behavior from X-type behavior.
- * **Why do People work?**
- * Need
- * A state of felt deprivation.
- * **Maslow's Hierarchy Of Needs**



- * **Biological Needs**
- * Biological needs are related to human body's survival. e.g. food, drink, air, sleep etc.
- * **Safety Needs**
- * Safety from:
 - * Cold
 - * Heat
 - * Sand
 - * Storm
 - * Earthquake
 - * Animals
 - * Enemies
- * **Social Needs**
- * **Self Esteem**
- * Worth attached by human beings to themselves.
- * People who have high self esteem are more productive.
- * **Self Actualization**
- * Fullest utilization of one's potential.
- * **Use of Hierarchy in Motivation**

- * Biological needs can be fulfilled by:
 - * Giving salaries.
 - * Providing free or cheaper food to employees.
 - * Providing routine items at concessional prices.
- * **Safety Needs**
 - * Organization can provide safety devices to employees. For instance:
 - * Helmet
 - * Glasses
 - * Gloves
- * **Safety Needs**
 - * Organization can provide safety devices to employees. For instance:
 - * Special purpose shoes
 - * Medical Facilities
 - * Houses
 - * House rent
 - * Pick & drop service
 - * Insurance
 - * Pension plans
 - * Preventing people from accidents
- * **Social Needs**
 - * Organizations encourage informal organizational activities.
 - * These include:
 - * Combined lunch or dinner
 - * Sports
 - * Fun fair
 - * Musical Programs

Lecture 20

- * **Use of Hierarchy in Motivation**
- * **Self Esteem**
 - * Worth of human beings.
 - * These include:
 - * Designation of Individuals.
 - * Status in the organization.
 - * Recognition of employees in the organization.
 - * Self esteem has direct relationship with productivity.
 - * Various techniques can be used to make self esteem of employees high. These can be:
 - * Finding titles for employees
 - * Recognition
 - * Awards
 - * Cash rewards
 - * Increment in the salary
 - * Promotion
 - * Raising status of employees

★ Self Actualization

★ Fullest utilization of one's potential.

★ These include:

★ High Challenges

★ High position in the organization

★ Criticism on Maslow's hierarchy theory

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

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

★ Two Factor Theory or Hygiene theory

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

★ Two factors work in the organization:

★ Hygiene factors

★ Motivators

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

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

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

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

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

★ Expectancy Theory

★ People in the organization are motivated with:

★ Expectations about reward.

★ Assurance of getting reward by doing a particular task.

★ Equity Theory

★ Equivalence in inputs and outcomes.

★ Inputs of employees in an organization are:

★ Level of education

★ Skills

★ Experience

★ Reputation

★ Hard work

★ Connections

★ Outcomes of employees in an organization are:

★ Salaries

★ Designations

★ Promotions

★ Benefits

★ Social Status

★ Respect in the organization

★ Opportunities

★ Equity Theory

★ Individual will also compare his input/outcome with other individual's input/outcome.

★ How can Equity Theory be implemented?

- * Managers have to explain reasons for the difference of outcomes of employees in order to keep them motivated.
- * People compare their rewards with the market as well.

Lecture 21

★ Reinforcement Theory

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

★ Human Relations

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

★ Job Enrichment

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

★ Job Re-designing

- * To re-design a task.

★ Job Sharing

- * People share the work.

★ Management by Objective (MBO)

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

★ Difficulties with MBO

- * People do not understand the philosophy of MBO.

★ Application of MBO

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

★ Psychological Contract

- * A contract between employee and the organization.
- * With the achievement of psychological contract, workers will have high level of morale and satisfaction.
- * **Leader**
- * A person who influences people for the achievement of pre-defined goals.
- * **Leadership**
- * Ability of an individual to influence others.

* Difference between a leader and a manager

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

- * **Leadership**
- * Powers of leaders
- * Position powers
- * Personal powers
- * All those powers/authorities which are attached to a position are called position powers.
- * Position powers are transferable.
- * Powers attached with some person are called personal powers.
- * These are non transferable.
- * **Types of leaders**
- * **Autocratic leaders**
- * Leaders who take decisions by themselves.
- * This type of leadership is used in those circumstances when there is not much time for decision making.
- * These types of leaders have more centralized powers.
- * Managers take more powers when:
- * Managers do not trust their subordinates.
- * Subordinates might not have enough training.
- * **Democratic Leaders**
- * Democratic leaders share the ideas.
- * In this style, leaders will encourage more communication.
- * **Free-Rein leaders**
- * Managers depend more upon subordinates.
- * Encourage the subordinates to make decisions by themselves.
- * This approach is practiced when:
- * Staff is highly motivated.
- * People are working in synergistic environment.
- * Fully trained people.
- * **Difference of communication in leadership styles**
- * In autocracy, there will be downward communication but no upward communication. i.e. one way communication.

- * In democracy, there is both way communications. I.e. upward and downward communication.
- * In free rein, there will be more communication among subordinates and occasional communication among subordinates and managers.
- * Method of decision making depends upon the situation.
- * **Contingency approach of Leadership**
- * Every job has its own uniqueness.
- * With the change in task, different type of leaders and different leadership style is required.

Lecture 22

Marketing

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

- * Need is a state of felt deprivation.
- * Marketers satisfy the needs through products, services, objects and ideas.
- * Market is a place where people exchange goods, services and ideas.

★ Stages in Marketing

★ Production oriented stage

- * All the efforts are made to produce more and more.

★ Product oriented stage

- * Management focuses on quality of product rather than quantity of product.

★ Sales oriented stage

- * Sellers feel the need of an organized institution that coordinates all activities related to sales.

★ Marketing oriented stage

- * Unsatisfied needs of the customers are satisfied.

★ Societal Marketing stage

- * Benefits of society are considered by the organizations.

★ Value

- * Difference between cost and benefits of the product.

★ Utility

- * Ability of any commodity to satisfy the needs.

★ Forms of Utility

★ Time Utility

- * Customers get the commodity when they want.

★ Form Utility

- * Converting the shape of the product from one form to another.

★ Place Utility

- * Transportation of product from one place to another.

★ Ownership Utility

- * Product owned by the manufacturer is distributed to the end buyers through different steps.

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