

MGT211- INTRODUCTION TO BUSINESS

Composed By Faheem Saqib

MiD Term Short Notes Lec 1- To -22

For more Help Rep At

Faheem_saqib2003@yahoo.com

Faheem.saqib2003@gmail.com

0334-6034849

Lecture 01

Business:

Definition:

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

Entrepreneurship

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

Components of business

- Industry
- Commerce

Industry

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

Types of Industry

Primary Industry

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

Types of industries

Secondary Industry

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

Commerce

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

Types of commerce

Trade

- Trade means buying and selling

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

Factors of production

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

Economic System

- A system for allocation of resources.

Types of Economic Systems

- Planned Economy
- Free market Economy

Types of environmental forces

External Forces

- Factors found outside an organization.
- These factors are not controllable by the organization.
- **Types of environmental forces**

Internal Forces

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

SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Lecture 02

External Factors

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

Demographic factors

- Demographic factor is a study of population

- Population brings customers.
- Population tells the size of market and nature of customers.

Total Population

Population Distribution

- Distribution on the basis of gender
- 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 privet 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.

Lecture 09

Entrepreneurial Characteristics

- **Personal Interest**
  - Interest for their own development.
- **Customer Relationship**
- Long term relations with the customers.
  - Desire to establish own business.
  - Need of control.
  - Ability to deal with uncertainties.

Business Plan

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

Components of Business Plan

There are two situations:

- **Buying a business.**
- **Starting from the scratch**.
  - Objectives of the business.
  - Marketing Components.
  - Financial Components.

Components of Business Plan started from scratch

- **Objectives of the business:**
  - Name of the business.
  - Name should indicate the type of business.
  - 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 = Total income of the country/
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 Panning
- 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 **t**hat 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

- Hertzberg 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**

Leader	Manager
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.