Technological Innovation Management & Entrepreneurship

B.E., V Semester, Electronics & Communication Engineering

[As per Choice Based Credit System (CBCS) scheme]

[Subject Code: 18ES51]

MODULE – 1a

MANAGEMENT

Definition of management:

Management is a function of guidance and leadership control of efforts of a group or individuals in order to achieve goals/objectives of an organization.

Simplest definition is that it is defined as the art of getting things done through people. Management can also be defined as The process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish the use of people and resources.

Is systematic way of doing things.

Putting together 4Ms- Money, Men, Material, and Machines together is management

Management is the life giving element of an organization.

Management is the creative process which integrates and utilizes various available resources effectively and efficiently to accomplish the goal of an organization.

The person who is responsible to develop the ideas to plan and to get things done through the workers is titled as "Manager"

A manager is one who contributes to the organizational goals indirectly by directing the

efforts by others not performing the task by himself

A person who is makes his contribution to the organizational goals directly by performing the task by himself is the worker

Before the industrial revolution, there were no manufacturing industries. There were few individuals who were carrying out the production of the commodities. This was mostly family oriented and head of the family was managing the business. During the later half of 18th century, industrial revolution had started and factory systems had evolved. Then on, management became necessary.

MEANING

Managing is one of the most important activities of human life. To accomplish aims that could not be achieved individually, people started forming groups. Managing has become essential to ensure the coordination of individual efforts. Management applies to all kinds of organizations and to managers at all organizational levels. Principles of management are now used not only for managing business but in all walks of life viz., government, military, social and educational institutions. Essentially, management is same process in all forms of organization. But it may vary widely in its complexity with size and level of organization. Management is the life giving element of any organization.

Definitions suggested by some of the management experts are presented below:

Henri Fayol: "Management is conduct of affairs of business, moving towards its objective through a continuous process of improvement and optimization of resources".

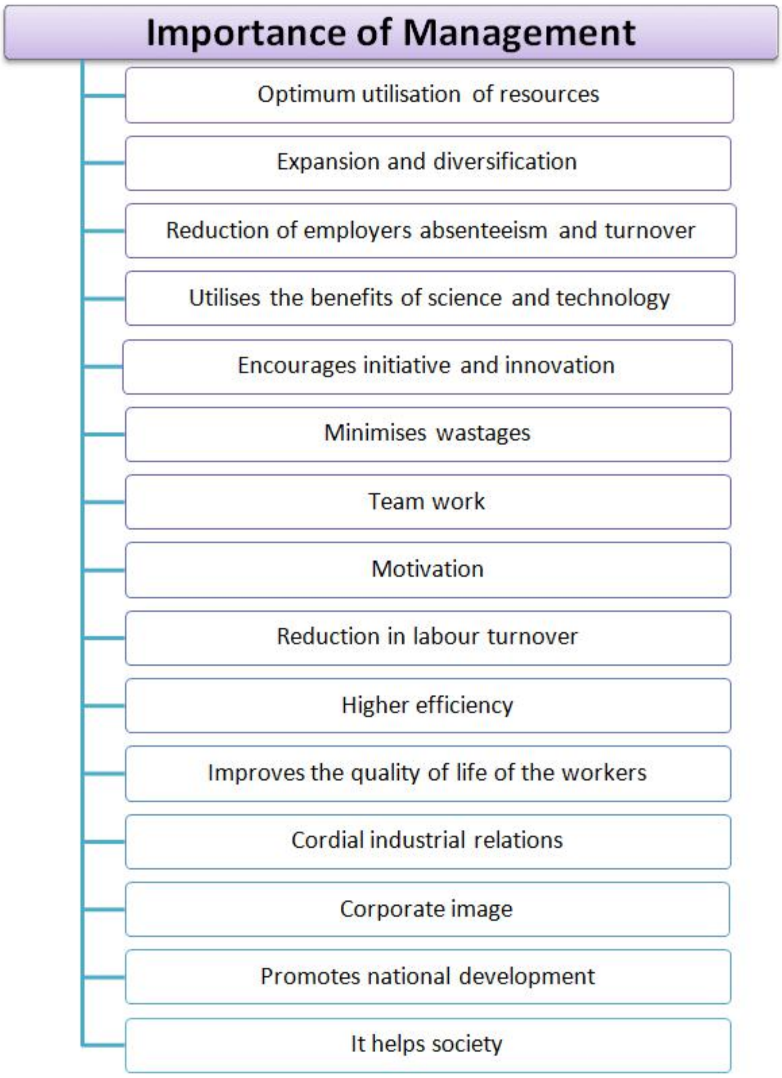
Koontz: "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims".

Mary Parker Follett: "Management is the art of getting things done through people".

George R. Terry: "Management is a process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by use of people and resources".

ILO: "Management is the complex of continuously coordinated activity by means of which any undertaking administration/public or private service conducts its business".

Lawrence A. Appley: "Management is guiding human and physical resources into a dynamic, hard hitting organization until that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service".



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The **need** of management are given below.↓

1. Optimum utilisation of resources,
2. Expansion and diversification,
3. Reduction of employers absenteeism and turnover,
4. Utilises the benefits of science and technology,
5. Encourages initiative and innovation,
6. Minimises wastages,
7. Team work,
8. Motivation,
9. Reduction in labour turnover,
10. Higher efficiency,
11. Improves the quality of life of the workers,
12. Cordial industrial relations,
13. Corporate image,
14. Promotes national development,
15. It helps society.

Importance of management are discussed below.↓

1. Optimum utilisation of resources

Management brings all the available resources together. All these available resources are important for achieving the objective of the organization which are:

- Men,
- Money,
- Machines,
- Methods,
- Optimum (best)
- Utilization (use)

2. Expansion and diversification

Management helps the organization to achieve its objectives efficiently, systematically, easily and quickly. It helps the organization to face the cut-throat competition to grow, expand and diversify.

3. Reduction of employers absenteeism and turnover

Management motivates people. It provides different incentives to the employees. This includes positive, negative, monetary and non financial incentives. These incentives increase the willingness and efficiency of the employees. This increases the productivity and profitability of the organization.

Management also develops team spirit and increases the efficiency within the organization. It in addition reduces labor turnover and absenteeism.

4. Utilises the benefits of science and technology

Man has made rapid progress within the field of Science and Technology. Management utilizes the benefits of this progress. It provides industries with the latest machines. It provides the consumers with the newest products.

5. Encourages initiative and innovation

Management spurs initiative. This means it initiative the employees to make their own plans and to execute these plans. It inspires the employees to give their suggestions. Initiative gives satisfaction to the laborers and success to the organization.

Management in addition encourages innovation. It brings innovative ideas, modern methods, latest techniques to the organization.

6. Minimises wastages

Management minimizes the wastages of human, waste materials and monetary resources. Work is done through arrangement, proper manufacturing and Control. Managers motivate subordinate to reduce wastages. Reduction in wastage's brings a higher return to firm.

7. Team work

Management always builds a team spirit in the organization. The combine effort of work and unity lead to the prosperity within the organization. Team work plays an important part in the success of organization.

8. Motivation

Management motivates employees by sharing their profits by the mean of bonus. They also give a good amount of incentives to the employees. This motivation zeal the employee to work harder, which results in higher efficiency in production.

9. Reduction in labour turnover

Management helps to reduce labor turnover in the organization. Employee turnover takes place when some employees leave the organization, and others join in their place. Frequent labor turnover increases selection and training cost.

Management creates a sense of responsibility among the employees who brings down labor turnover.

10. Higher efficiency

Management always wants that his employees should produce higher efficiency. Productivity is the relationship between returns and costs. Higher returns at minimum investment then the organization is said to be more proficient.

11. Improves the quality of life of the workers

Management provides bonus and incentive to the employees for their work. It gives a healthy work environment to the workers. It also provides medical and insurance faculties to worker and their families. It provides a financial stability which helps in boosting life of the workers.

12. Cordial industrial relations

Management ensures industrial peace. It gives more importance to the 'Human Element' in business. It applies positive motivation. All this improves the relations between the employees and the employers.

13. Corporate image

Efficient and effective management maintains a good image and goodwill of organization. This is because of quality of products and services offered by the organization and also due to the social responsibility of organization towards society.

14. Promotes national development

Management is regarded as a key to the economic development of nation. It puts resources to the optimum use. It leads to capital formation and tech advancement. It generates handsome revenue for government. It increases national income and standard of living of people. Thus, it leads to development across all sectors, and significant growth throughout the nation.

15. It helps society

In management, profit is not only the objective of business. Today, the managers are combining profit objective with social purposes. They are providing society with a regular supply of good quality goods and services at reasonable prices. They are also providing employment opportunities to people. They in addition pay high taxes to the government. These taxes are used for improving nations. Nowadays, managers are using part of their profits to build hospitals, schools, colleges, etc. for civilization. So it is helping humanity in many ways.

Conslusion: The need and importance of Management are universally accepted.

The survival progress and success of an organization greatly depend on its management. There is a wide gap between Europe and Asia. This gap is called the 'Science and Technology Gap.' Even so, in reality, it is the 'Management Gap.' Japan and Germany were totally destroyed in the second world war but today these countries are highly developed. This is because these countries are well managed.

So, management is required in all aspects of life.

FUNCTIONS OF MANAGEMENT

Though many authors have defined several functions of management, there are five essential and well accepted functions of management. They are:

- Planning.
- Organising.
- Staffing.
- Directing (leading) and
- Controlling.

PLANNING:

Planning is an executive function that is referred to as decision making. It involves missions and objectives and the actions to achieve them. This requires decision making, that is, choosing future courses of action from available alternatives. This involves the following:

- Setting short and long term goals for organization.
- Selecting objectives, strategies and policies for accomplishing the planned goals.
- Deciding in advance what to do, how to do, who has to do, when to do and where to do.
- Planning bridges the gap from where we are now to where we want be in future.

ORGANIZING:

Organizing is a part of management that involves in establishing an intentional structure of roles for people to fill in an organization. To organize a business well, it is required to provide all the useful things for its proper functioning. They are raw materials, tools, capital and personnel. The purpose of an organization structure is to help in creating an environment for human performance. This involves in:

- Determination of activities required to achieve goals.
- Grouping these activities into department.
- Assigning such groups of activities to managers.
- Forming delegation of authority.
- Making provisions for coordination of activities.

STAFFING:

Staffing is considered as an important function which makes provision for man power to fill different positions. It involves in building the human organization by filling, and keep filling the staff. This is done by identifying work-force requirements, taking inventory of people available, recruiting new staff, selecting, placing, promoting, apprising, planning their career, training the staff to accomplish their tasks effectively and efficiently. This involves in:

- Finding the right person for right job.
- Selecting the personnel.
- Placement, training and developing new skills required for present and future jobs.
- Creating new positions.
- Apprising the staff and planning their growth and promotions etc.

DIRECTING:

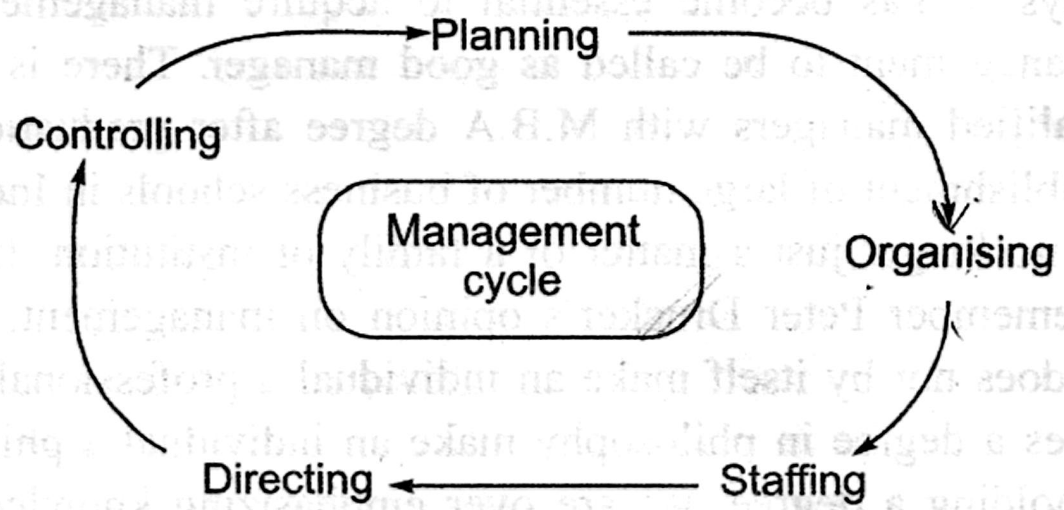
After planning, organizing and staffing, the next important function of management is directing or leading the people towards the defined objectives. Directing involves three sub-functions namely communication, leadership and motivation. Communication is the process of passing information and understanding from one person to another. Leadership is the process by which a manager guides and influences the work of his subordinates. Motivation means arousing desire in the minds of employees of an organization to perform their best. If properly motivated, the employees will put their best efforts with dedication, loyalty and carry out the assigned task effectively. There are two types of motivations viz., financial and non-financial. Financial motivations are in the form of salary, bonus, profit-sharing, rewards etc. The common non-financial motivations are job security, promotions, recognition, praise, felicitation etc.

CONTROLLING:

Controlling is measuring and correcting of activities of subordinates to make sure that the work is going on as per the plans. It measures performance against goals and plans, shows where short falls or deviations exist and takes necessary corrective actions to achieve the goals. Controlling generally relates to the measurement of achievement. This involves three elements.

- Establishing standards of performance.
- Measuring performance and comparing with established standards.
- Taking necessary corrective action to meet the set standards.

With accomplishment of this function, the "Management Cyele" is said to be complete.



Management Cycle

ROLES OF MANAGER

Manager in any organization plays variety of roles responding to a particular situation. The three important roles played by a manager are Interpersonal roles, Decision roles and Informational roles.

(i) Interpersonal roles: These includes figurehead, leader and liaison roles:

In figurehead role, the manager will perform some duties that are casual and informal ones like, receiving and greeting visiting dignitaries, attending to social functions of employees, entertaining customers by offering parties and lunches etc.

As a leader, managers motivate, direct and encourage his subordinates. He also reconciles the needs with the goals of the organization.

In the role of liaison, the manager works like a liaison officer between top management and the subordinate staff. He also develops contacts with outside people and collects useful information for the well being of the organization.

(ii) Decision roles: There are four decision roles played by a manager. They are resource provider, arbitrator, entrepreneur and negotiator.

As a resource allocator, the manager divides the work, provides required resources and facilities to carryout the allocated work and delegates required authority among his subordinates. He decides who has to do what and who gets what.

As a arbitrator, a manager works like a problem solver. He finds solutions of various un-anticipated problems both within and outside the organization.

As an entrepreneur, a manager continuously looks for new ideas and tries to improve the organization by going along with changing work environment.

He also acts as a negotiator negotiates with the employees and tries to resolve any internal problems like trade agreements, strikes and grievances of employees.

(iii) Information roles: A manager plays as monitor, spokesman and disseminator.

A manager monitors his environment and collects information through his personal contacts with colleagues and subordinates.

As a spokesman, he communicates the information/goals of organization to his staff, and the progress of work to his superiors. He also communicates the performance of company to shareholders and the rules and responsibilities to his subordinates.

As a disseminator, the manager passes some of the information directly to his subordinates and to his bosses.

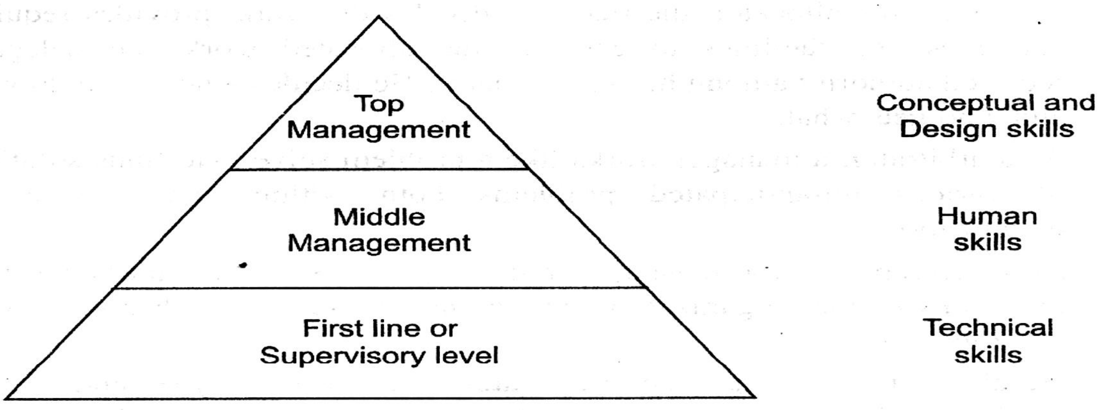
LEVELS OF MANAGEMENT

Although all managers perform almost the same functions of management - planning, organizing, directing and controlling, there are levels among them. These are top management, middle management and first line or supervisors. The top management consists of Chairman, Directors, Company Presidents, Vice-Presidents, CEO's. These are the people who make policies for the company, set goals and targets. They should possess conceptual and design skills.

Middle management is essentially a vast and diverse group that include finance manager, sales manager, marketing manager, personnel manager, departmental heads etc.

The lower level managers are the supervisors and foremen. They are basically one step above the workers

The various levels and skilled required at different management levels are shown below.



Skills at different Management level

MANAGERIAL SKILLS

To be a successful manager, you'll have to master a number of skills. To get an entry-level position, you'll have to be technically competent at the tasks you're asked to perform. To advance, you'll need to develop strong interpersonal and conceptual skills. The relative importance of different skills varies from job to job and organization to organization, but to some extent, you'll need them all to forge a managerial career. Throughout your career, you'll also be expected to communicate ideas clearly, use your time efficiently, and reach sound decisions.

Technical Skills

You'll probably be hired for your first job based on your technical skills—the ones you need to perform specific tasks—and you'll use them extensively during your early career. If your college major is accounting, you'll use what you've learned to prepare financial statements. If you have a marketing degree and you join an ad agency, you'll use what you know about promotion to prepare ad campaigns. Technical skills will come in handy when you move up to a first-line managerial job and oversee the task performance of subordinates. Technical skills, though developed through job training and work experience, are generally acquired during the course of your formal education.

Interpersonal Skills

As you move up the corporate ladder, you'll find that you can't do everything yourself: you'll have to rely on other people to help you achieve the goals for which you're responsible. That's why interpersonal skills—the ability to get along with and motivate other people—are critical for managers in mid-level positions. These managers play a pivotal role because they report to top-level managers while overseeing the activities of first-line managers. Thus, they need strong working relationships with individuals at all levels and in all areas. More than most other managers, they must use "people skills" to foster teamwork, build trust, manage conflict, and encourage improvement.

Conceptual Skills

Managers at the top, who are responsible for deciding what's good for the organization from the broadest perspective, rely on conceptual skills—the ability to reason abstractly and analyze complex situations. Senior executives are often called on to "think outside the box"—to arrive at creative solutions to complex, sometimes ambiguous problems. They need both strong analytical abilities and strong creative talents.

Communication Skills

Effective communication skills are crucial to just about everyone. At all levels of an organization, you'll often be judged on your ability to communicate, both orally and in writing. Whether you're talking informally or making a formal presentation, you must express yourself clearly and briefly. Talking too loudly, confused, and using poor grammar reduce your ability to influence others, as does poor written communication. Confusing and error-riddled documents, and they will reflect poorly on you.

Time-Management Skills

Managers face multiple demands on their time, and their days are usually filled with interruptions. Ironically, some technologies that were supposed to save time, such as voicemail and e-mail, have actually increased workloads. Unless you develop certain time-management skills, you risk reaching the end of the day feeling that you've worked a lot but accomplished little. What can managers do to ease the burden? Here are a few common-sense suggestions:

Decision-Making Skills

Every manager is expected to make decisions, whether alone or as part of a team. Drawing on your decision-making skills is often a process in which you must define a problem, analyze possible solutions, and select the best outcome

MANAGEMENT AND ADMINISTRATION

There is lack of concurrence among management writers over the meaning and use of the words management and administration.

One group of management writers feels that administration involves "thinking". It is a top level function that centers around the preparation of plans, rules, policies and objectives of an organization. Where as management involves "doing" and is a lower level function, concerning with execution and direction of policies and operations. Hence, administration is more important at lower levels.

Another group of management writers feels management as comprehensive general term that includes administration. Management is regarded as comprehensive general function covering entire process of planning, organizing, directing and controlling. Administration is regarded as a branch of management that comprises of two functions - planning and controlling. According to them, the function of management is divided into two categories - the upper level management usually called as administrative management and the lower level management which is termed as operative management.

According to Peter Drucker, the basic difference between management and administration lies in use of these terms in different fields. According to him, managing of business enterprises is called management and managing non business organizations is called administration. Hence financial performance plays key role in management. But in managing non business organizations

like educational institutions, government offices, military etc., administration is more priority than financial decisions.

Administration is the function in industry concerned with determination of the corporate policy, the coordination of finance, production and distribution, the settlement of compass of the organization under the ultimate control of the executives".

"Management is the function in industry concerned with the execution of polity within the limits setup by the administration and the employment of the organization for the particular objects set before it". (Oliver Sheldon)

"Administration is primarily the process and the agency used to establish the object or purpose which an undertaking and its staff are to achieve, secondarily, administration has to plan and stabilize the broad lines of principles which will govern action. These broad lines are in turn called policies. Management is the process and the agency through which the execution of policy is planned and supervised". (G.E. Milward)

"Administration is that phase of business enterprise that concerns with overall determination of institutional objectives and the policies necessary to be followed in achieving those objectives. Administration predetermines the specific goals and lays down the broad areas within which those goals are to be attained. Administration is a determinative function, management on the other hand is an executive function - which is primarily concerned with the carrying out of the broad policies laid down by the administration. (William R. Spriegal)

Thus administration is a "thinking" function and management is a "doing" function. According this concept, managers get salary and administration staff get dividends.

Administration determines the policies upon which the enterprise is to be conducted while the function of management is to carry out the policies that are laid down by the administrative group.

The differences between administration and management are listed below:

Characteristic	Administration	Management
1. Main functions	Planning, Organizing and Staffing	Leading, motivating and controlling.
2. Status	Acts as owner	Acts as an agency
3. Skills	Requires good administrative skills	Requires more technical skills.
4. Level in the organization	Top level	Lower level
5. Position	Managing Director, Owner, CEO, etc.,	Managers, Supervisors, Foremen etc.,
6. Objectives	Makes the policies, objectives and goals to be achieved.	Implements the plans and policies
7. Involvement	No direct involvement in production or services	Directly involves in the execution of plans and achieving goals.

MANAGEMENT AS A SCIENCE, ART OR PROFESSION

Managing, like any other practice - whether medicine, music composition, engineering, accounting or even cricket - is an art. It is a know-how. It is doing things in the light of the realities of a situation. Under 'art' one normally learns the "how" of a phenomenon. It is the art of getting things done through others in dynamic and mostly non-repetitive situations.

Science is an organized knowledge. A discipline can be called scientific if its methods of inquiry are systematic and practical, information can be accumulated and analysed and results are commutative and communicable. The essential feature of any science is the application of scientific methods to the development of knowledge. Being systematic means being orderly and unbiased. All the scientific information collected first as raw data is finally arranged in order and analysed with the help of statistical tools. Science is also cumulative in that what is discovered is added to that which has been found before. We learn from past mistakes and go in right direction in future. On the basis of the above discussions of science, it can be accepted that management is also a science.

It is seen that management is partly an art and partly a science. Management does not possess the characteristics of a profession. A profession is expected to have organized and systematic knowledge, formalized methods of acquiring training and experience, ethical code to regulate the behavior of the members of the profession, charging of fees based on service etc. Unlike medicine and law, the management does not have any fixed norms of managerial behavior. There is no uniform code of conduct or licensing of managers. Lawyers and doctors take up profession after obtaining a valid academic qualification where as a manager job is not restricted to individuals with a special academic degree only. Based on this, it can be concluded that management is not a profession. However, the present trend is towards the professionalisation of management.

Nowadays, it has become essential to acquire management degrees or training in management to be called as good manager. There is increased demand for qualified managers with M.B.A degree after graduation. This gave scope for establishment of large number of business schools in India. Managing a business is no longer just a matter of a family or institution. In this contest, one should remember Peter Drucker's opinion on management. "A degree in management does not by itself make an individual a professional manager any more than does a degree in philosophy make an individual a philosopher". By insisting on holding a degree, we are over emphasizing knowledge and completely over looking skill. This leads to loosing of good and skilled managers who do not have required degree. There have been good examples of efficient managers without any professional managerial degree. Some of them are, Ford of Ford Motors, Bill Gates of Microsoft, Jemshedji Tata, Birla, Dhiru Bhai Ambani of Reliance group etc.

But nowadays, management has become a profession than art or science.

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REVIEW QUESTIONS

1. Define Management. List and explain the functions of Management?
2. What are nature and characteristics of Management?
3. Explain the scope of Management?
4. Differentiate between administration and management?
5. Write about roles of management?
6. What are different levels of management? Explain them?
7. Is management a science, art or profession? Explain.
8. Explain top Management. What are its roles and functions?
9. Discuss in brief the nature of management.
10. Explain early management approaches.
11. Explain the modern management approaches.
12. Explain briefly the contingency approach of management.
13. What are the objectives of scientific management?

Technological Innovation Management & Entrepreneurship Development

B.E., V Semester, Electronics & Communication Engineering

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MODULE – 1b

PLANNING

PLANNING

NATURE OF PLANNING

Planning is the most basic function of management. It is referred to as "deciding in advance" as to what to do, how to do, when to do and who has to do it etc. It is an intellectual process, which requires a manager to think before acting. It is nothing but thinking in advance. As regarded by Koontz and O'Donnell, planning is a continuous process. A manager should continuously watch the progress of the plans like a navigator who constantly checks where his ship is going in the vast ocean. Planning involves selection of objectives and goals and determines the ways and means of achieving them. Thus planning bridges the gap from where we are to where we want to be. A plan is to be rigid in the sense that it should not be modified or altered under the influence of local disturbances. A plan should be flexible to change to adapt to the changing situating without undue cost. This calls for flexibility in the areas like technology, market, finance, personnel and organization. Planning is vital at all levels of an organization. Top level managers are concerned with long range planning involving 2 to 5 years, middle level managers are concerned with medium range planning involving few months to one year and lower level managers are concerned with planning the activities of daily or week or up to a month, where as a worker plans his day's work.

Nature of planning indicates essential quality or general characteristics of planning. Any planning involves four essential qualities:

(i) It must contribute to accomplish purpose and objectives.

(ii) It must be considered as parent exercise in all processes.

(iii) It must spread through all management functions and

(iv) It must be efficient in such a manner so as to achieve the designed goals at the least cost.

Planning is non-static and is basically a discrete exercise. It is dynamic in nature. It is a blue print to which the accomplishment must confirm.

IMPORTANCE OF PLANNING

Without planning, business decisions would become difficult. Planning is the beginning of all other functions of management. Planning is important because:

(i) It overcomes uncertainty and change and minimizes risk.
(ii) It facilitates effective control.
(iii) It focuses attention and concentration only on the objectives of enterprise.
(iv) It makes economic operation and leads to success.
(v) It forms the bridge between the present and the future.

(i) Uncertainty and minimize risk

In the today's complex organizations, decision making cannot be relied only upon intuition, planning plays a vital role in decision making in such complex situations. Planning provides logical facts and procedure to managers for making decisions. This logical decision making based on plans to organization minimizes uncertainty and risk. In a developing country like India, with rapidly changing social and economic conditions, planning helps the managers to cope up with uncertainty and risk.

(ii) Effective Control

Planning sets goals, targets and means to accomplish these goals. These goals and plans become standards or bench marks against which performance can be measured. Thus good plans help effective control on the activities.

(iii) Focuses attention and concentration on the objectives of the enterprise

Planning helps the manager to focus their attention on the goals and activities of organization. This makes the entire organization to walk towards the goals and create coordination in accomplishing the goals.

(iv) Economic operation and leads to success

Mere planning does not ensure success, but planning leads to success. This is because if the work is planned in advance, there will be no confusions arising and things will happen as per plan and achieve goals. This results in economical operation and reduces uncoated expenditure.

(v) Bridge between present and future

Plans bridge gap between present and future. There is a vast gap between what we are today and what we want to be in future. A proper and systematic plan forms the bridge between these two. Without plans, it is very difficult to accomplish goals. Hence planning is very important for success of any organization.

TYPES OF PLANS

Based on nature of planning, the planning is classified as strategic planning (long range planning) and tactical planning (short range planning). The strategic plans are done at top level of management and are generally long term plans, where as tactical plans and done at lower levels and are of short term in nature.

The differences between strategic and tactical planning are given below.

Strategic planning	Tactical planning
1. It is long term.	1. It is short term.
2. Done at top management.	2. Done at lower levels of management.
3. It consists of major goals and policies of an organization and resources and facilities to accomplish the goals.	3. It consists of use of facilities resources.
4. It is less detailed, focuses only on long term goals.	4. It is more detailed since it caters today-to-day operations and activities of the organization
5. It is based on long term goals. and is more uncertain.	5. It is based on performance and less uncertain.

For example, Tatas idea of marketing a car at a price of Rs. 1 lakh is a strategic plan. How to make that, what resources are required, how and where to manufacture, how to assemble, etc., are tactical plans.

Based on their use, plans are classified as single use plans and standing plans. Single use plans are developed to achieve a specific end. After reaching that target, that plan becomes useless. On the other hand, standing plans are designed for situations that often repeat. These plans can be used again and again.

Standing plans:

These are the policies, procedures, rules and methods of any organization.

(i) Policies:

As defined by Terry, "Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and direction in which managerial action will take place". Thus a policy is a general guideline for decision-making. They deal with "how to do" the work. They only provide a framework within which decisions must be made by the management in different areas of organization. There are several policies in different functions of any organization like personal policy, promotion policy, marketing policy, purchase policy, pricing policy, training policy, recruitment policy, distribution policy, payment policy, wages and incentives policy etc.

The policies are classified on the basis of sources like original policies, appealed policies, implied policies and externally imposed policies, or are classified on the basis of functions like personnel policy, promotion policy, pricing policy, distribution policy, investment policy etc., or may be on the basis of level of organization like: top level policy, departmental policy, shop level policy etc.

(ii) Procedures:

Procedures are the detailed guidelines that are used to carry out the policies. A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work. Procedures are to be followed every time when that activity is performed. Procedures may also exist for conducting meetings of board of directors, shareholders, issuing raw materials from stores, packaging of finished goods, inspection etc.

The difference between policy and procedures are given below:

Policy	Procedure
1. General guidelines of the organization.	1. General guidelines at the action level.
2. Top level activity.	2. Departmental activity.
3. Policies fulfill the objectives of an organization.	3. Procedures guide the way to implement the policies.
4. Policies are often made without any study or analysis.	4. Procedures are always made after thorough study and analysis of work.

(iii) Rules:

Rules are detailed and recorded instructions that a specific action must or must not be done under the given instructions. Reporting time to office, lunch time, availing of leaves, use of LTC facility etc., are some of the examples that follow rules. A rule is different from a policy or procedure.

Since it does not give a guide to thinking, it is not a policy. Since it is not a sequential procedure hence it is not a procedure.

(iv) Methods:

A method is a prescribed way in which one step of a procedure is to be carried out. Thus a method is a part of procedure. A procedure has a number of steps, each step may have number of methods to do it. Methods help in increasing the effectiveness of a procedure.

STEPS IN PLANNING AND PLANNING PREMISES

The main steps involved in planning are as follows:

1. Being aware of opportunities: This is very first step and starting point for planning. Once we are aware of opportunities, we can think of setting realistic objectives.
2. Establishing objectives: It is very important to establish objectives for the entire enterprise and the objectives for each subordinate work units. That is, the major objectives are broken down into departmental and individual objectives. It is a very crucial step in planning.
3. Developing planning premises: The third step in planning is to establish planning premises. It is the process of creating assumptions about the future on the basis of which the plan will be ultimately formulated. Planning premises are important for the success of planning as they reveal facts and information relating to the future such as economic conditions, production costs competition, availability of material, resources and capital, government policies, population trends etc. This tells about which plan is to be carried out. There three types of planning premises:

   (i) Internal and external premises: Internal premises are premises within the organization. Some of the examples are: policies, forecasts, investment, availability of equipment, capability of work force, funds flow etc. External premises are premises outside the organization. They include: Government policies, technological changes, business environment, economic conditions, population, buying power, political stability, sociological factors, demand etc.

   (ii) Tangible and intangible premises: Tangible premises are the measurable premises. For example, population, investment, demand etc., are tangible premises. Intangible premises are those which cannot be quantitatively measurable. Examples of this are: business environment, economic conditions, technological change etc.

   (iii) Controllable and uncontrollable premises: Some of the premises are

controllable like, technical man power, input technology, machinery, financial investment etc. Some other premises like, strikes, non-availability of raw material, change in government policies, socioeconomic changes, phase-shift in technology, wars etc., are uncontrollable by the organization.

4. Determination of alternative course: Next step is to search and identify some alternative courses of action. It is very rare that for a plan there will be no alternatives. In this step alternatives are listed.

5. Evaluating the alternatives and selecting the best course of action:
Once the alternatives are found, then the next step is to evaluate them with respect to the premises and goals. A desired and best suitable alternative is selected by comparative analysis with reference to cost, risk, and gain etc., keeping in mind the goals and objectives.

6. Formulating derivative plan: In order to complete the task, the selected plan must be translated into programs, working plans and financial requirements in the sub-units. These sub-derived plans from main plan are termed as derivative plans.

7. Monitoring and controlling the plan: This is the last step in planning. Each activity of plan is monitored on a continuous basis and if any deviation or shortfall is noticed, then the manager will initiate suitable corrective action.

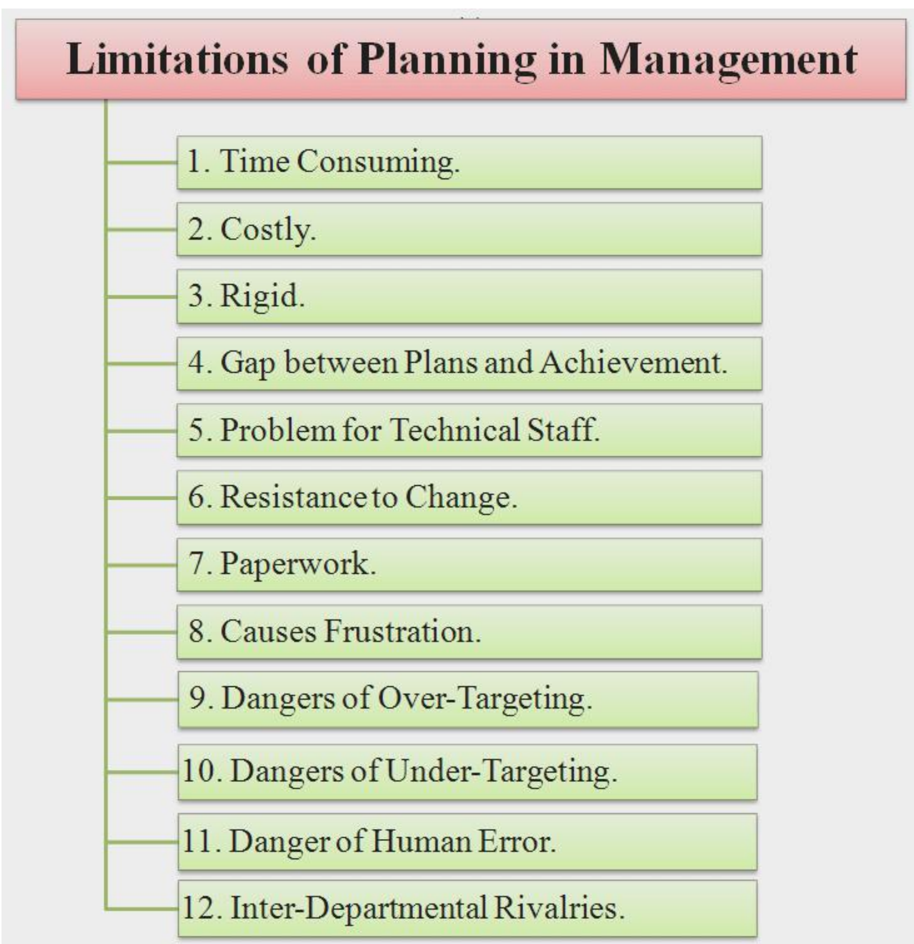
HIERARCHY OF PLANS(STEPS)

The plans are generally arranged in a hierarchy within any organization. It starts at the top with objectives and goals of an organization. The second level is strategies. As discussed earlier, there are two types of strategies namely single use plans and standing plans. The third level is action plans. The hiera

Hierarchy of plans

The top management sets the goals and objectives. These occupy the top priority. The goals or objectives include long-term plans and strategies of an organization. For example, a company aims to improve their production by 20% during next 2 years. Such objectives are very broad ideas and are achieved by strategies. Strategies are carried out by means of two types of plans known as single-use-plans and standing plans. Single use plans are developed to achieve a specific goal after reaching the goal, the plan is dissolved. Examples of single use plans are budgets, construction of a bridge, dam or a shopping complex etc. Whereas standing plans are developed for projects that happen again and again. Admission procedure in a college, overhauling procedure of an aircraft, recruitment procedure of an organization etc., are some of the examples of standing plans. Action plans are the plans executed by the lower level organization. These are routine plans executed by the foreman and supervisors of the shop.

LIMITATIONS OF PLANNING



1. Time Consuming

Planning involves the collection of data, analysis of data, forecasting, etc. All this consumes a lot of precious time. Therefore, planning is a time-consuming activity.

2. Costly

Planning is the work of experts. They get paid very high salaries to make good plans. Companies spend an enormous amount of money in collecting and analysing data. Therefore, planning is a costly affair.

3. Rigid

Most plans are very rigid. They don't change as per the changing environment. They neither get revised nor modified. The non-flexibility of plans creates many problems for the organisation.

4. Gap between Plans and Achievement

The workers do not make any plans. The managers make plans. The workers only execute these plans. So the workers are not entirely interested in achieving these plans. Therefore, there is a gap between plans and achievement.

5. Problem for Technical Staff

The technical or creative staff do not like planning. They feel it is only paperwork. It is so, since, it limits their creativity.

6. Resistance to Change

Planning brings many changes in the organisation. However, people do not like changes. So, they do not give full cooperation. Without their cooperation, the plans cannot succeed.

7. Paperwork

Planning requires a lot of paperwork. The plans are made and again remade. Copies of finalised plans are given to the top management and subordinates. There is also a need to prepare many reports.

8. Causes Frustration

Sometimes managers fail to achieve the planned targets despite putting their best efforts. This failure can frustrate them and lower their level of motivation. It can cause the managers to lose their initiative.

9. Dangers of Over-Targeting

Some managers do over-targeting. That is, they fix very high targets that are almost impossible to achieve. Such over expectations cause many problems.

10. Dangers of Under-Targeting

Some managers do under-targeting. That is, they fix lower targets that are easy to achieve. Such under expectations hinders the growth and performance of the organisation. The under targeting happens in the government institutions.

11. Danger of Human Error

Plans depend on forecasts. Forecasting requires a lot of experience and judgement. If the manager has less experience and is poor in judgement, then the predictions will be wrong. If the forecasts are wrong, it is obvious that the plans will fail. Even experienced managers make errors while forecasting and planning. So, there is a danger of human error.

12. Inter-Departmental Rivalries

Planning requires coordination and cooperation of all the departments. If there exist any inter-departmental rivalries and disputes, then the plans will fail. For example, Production Department wants to produce Product A, but the Marketing Department insists on selling Product B

DECISION MAKING

Planning is an intellectual process, which requires a manager to think before acting. Through planning, managers of any organization decide what to do, when to do, how to demand who has to do. Hence decision-making is an integral part of planning. It is defined as "the process of choosing among alternatives". Decision-making occurs at many stages of planning process. Decision-making and choosing the best alternative is probably the most important activity of the planning process.

Decision-making is part of all the functions of the management. In planning, through decision-making, objectives and goals are prepared. In organizing, the managers decide upon the choice of structure, type of organization, work allocation, delegation of authority and responsibility etc. In directing, managers decide the course of action, the instructions to be given, providing directions etc. In controlling the managers decide on fixing the standards, how to control, what to control etc.

TYPES OF DECISIONS

Decisions are classified as follows:

(i) Pragmatic and non-pragmatic decisions
(ii) Individual and collective decisions
(iii) Minor and major decisions
(iv) Strategic and routine decisions
(v) Simple and complex decisions
(vi) Temporary (Adhoc) and permanent decisions etc.

(i) Pragmatic decisions are those decisions taken within the purview of the policies, rules or procedures. These are also called programmed or routine decisions or structured decisions. These types of decisions are taken frequently and are repetitive in nature. Sanctioning an hour's permission, placing purchase order etc., are some examples of pragmatic decisions.

Non-pragmatic decisions are otherwise called as strategic decisions or non programmed decisions or policy decisions. These decisions involve heavy expenditure and are generally taken by top management.

(ii) Individual and collective decisions:

Decisions may be taken by an individual or a group of individuals. If the decisions are taken by single person, they are called individual decisions and if taken by a committee or group of people, than they are called collective decisions. Individual decisions are taken where the problem is of routine nature, and definite rules and procedures exist. Inter departmental decisions and important strategic decisions are generally taken by a group. Group decision-making has advantages like increased acceptance, better communication and better co-ordination. It has some disadvantages also like, delay in arriving at decision, groups may be indecisive, and groups may compromise or dominate. To utilize the advantages of group decisions and avoid its disadvantages, two new techniques are proposed known as 'Nominal group techniques' and Delphi Techniques.

In nominal group technique, the members independently generate their idea and give in writing. The ideas are summarised and discussed for clarity and evaluation. Finally each member silently gives his rating and opinion about each idea through voting system. The one with maximum vote is selected as the group's decision. In Delphi technique, persons who are physically dispersed and anonymous to one another are asked to send their opinion on a topic through mail. A carefully designed questionnaire is circulated for this purpose. The responses are summarized into a feedback report and sent back to them with a second questionnaire. A final summary is developed on the basis of replies received second time.

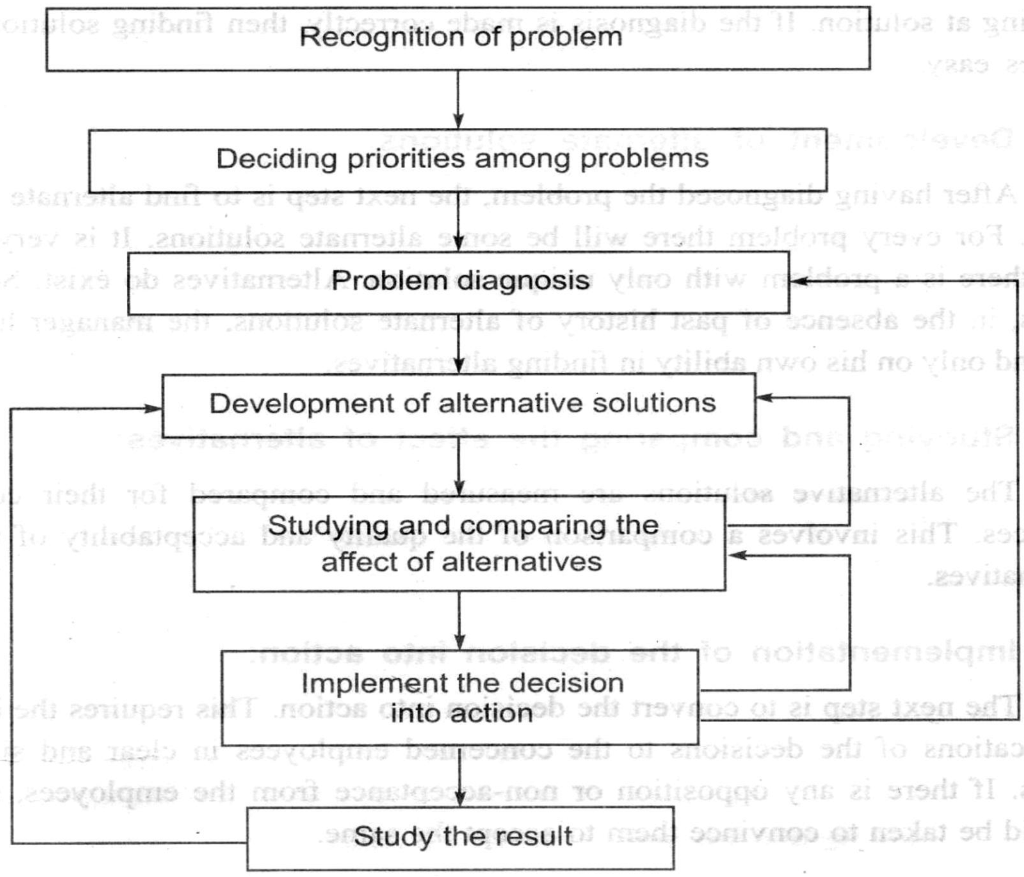
(iii) Minor and major decisions: Minor decisions are those decisions related to day-to-day and periodical occurrences. Purchase of stationary, granting leave and permissions etc., are some examples of minor decisions. Major decisions are those decisions generally taken by top management. Some of them are purchasing new machinery, employing new technology, hiring new people etc., are some of the major decisions.

(iv) Strategic and routine decisions: Strategic decisions are similar to major decisions and are generally taken by top management. Some examples are price increase/discount, change in product range etc. Routine decisions are decisions related to day-to-day operations of an organization that are routine in nature.

(v) Simple and complex decisions: A simple decision is one that is related to a problem with few number of variables. When there are many variables, the decisions making will be complex.

(vi) Temporary and permanent decisions: Some decisions are to be taken depending on situation till the solution is found. A decision is taken to meet an unexpected solutions are temporary in nature. These are generally taken by shop managers. Permanent decisions are taken on a permanent basis.

STEPS IN DECISION MAKING:



Steps in decision making

(i)

The first step in decision-making is the problem recognition. A problem may exist either due to a deviation from the past experience, a deviation from the plan, people bringing problems to the manager or problems arising from competition.

(ii) Deciding priorities among problem:

The manager should identify the problems which he can solve, the problems which he feels that his subordinates can solve and the problems which are to be referred to the higher officers. With this decision, the manager is left with very few problems to solve.

(iv) Problem diagnosis:

Correct diagnosis of the problem is very important for any manager. Managers should follow systems approach in diagnosing a problem. He should make a thorough study of all the sides of a problem coupled with organization before arriving at solution. If the diagnosis is made correctly, then finding solution becomes easy.

(iv) Development of alternate solutions:

After having diagnosed the problem, the next step is to find alternate solutions. For every problem there will be some alternate solutions. It is very rare that there is a problem with only unique solution. Alternatives do exist. Sometimes, in the absence of past history of alternate solutions, the manager has to depend only on his own ability in finding alternatives.

(v) Studying and comparing the affect of alternatives:

The alternative solutions are measured and compared for their consequences. This involves a comparison of the quality and acceptability of these alternatives.

(vi) Implementation of the decision into action:

The next step is to convert the decision into action. This requires the communications of the decisions to the concerned employees in clear and simple terms. If there is any opposition or non-acceptance from the employees, steps should be taken to convince them to accept the same.

(vii) Study of result:

After having implementing the decision, the manager has to carry out the follow up action. If the result is not satisfactory, the manager has to take necessary corrective action or modify his decision.

During the process of decision-making, the managers face many difficulties. Some of them are:

1. Incomplete information
2. Non-conducive environment
3. Opposition by subordinates
4. Improper communication
5. Wrong timing
6. Statutory regulations
7. Government policies
8. External influence
9. Lack of support.

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REVIEW QUESTIONS

1. **What is planning? Explain the steps involved in planning.**
2. **State and explain importance and purpose of planning process.**
3. **What are the objectives of planning? Explain.**
4. **Briefly explain the types of planning.**
6. **What is nature and purpose of planning?**
7. **Differentiate between strategic and tactical planning.**
8. **Explain process of decision-making.**
9. **State and explain the steps in decision-making.**
10. **Explain the difficulties faced by manager in decision-making process.**
11. **What are planning premises?**
12. **Explain hierarchy of plans.**
13. **What are different decisions taken by a manager?**

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TECHNOLOGICAL INNOVATION MANAGEMENT AND ENTREPRENEURSHIP
21EC61
Module – 3 Notes

Leadership and Social Responsibilities of Business

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2.15 Leadership

"The activity of leading a group of people or an organization or the ability to do this."

- Leadership styles are the patterns of behavior which a leader adopts in influencing the behavior of his followers (subordinates in the organizational context).
- These patterns emerge in the leader as he begins to respond in the same fashion under similar conditions: he develops habits of actions that become somewhat predictable to those who work with him.
- Various researchers have proposed different leadership styles. These styles are either based on either behavioral approach or situational approach as follows.

  ◦ Autocratic or Authoritative Style

  ◦ Democratic or Participative Style

  ◦ Laissez-faire or Free-rein Style

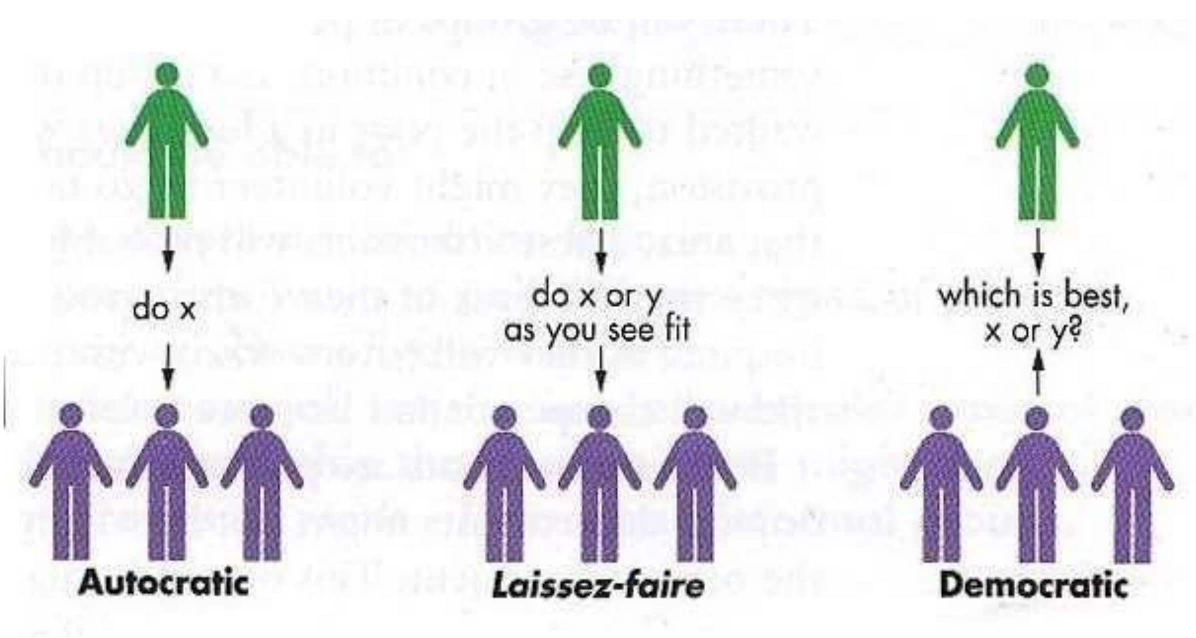


Fig.3: Leadership Styles.

Autocratic or Authoritative Style:

"The authoritarian leadership style keeps main emphasis on the distinction of the authoritarian leader and their followers."

- An autocratic leader is one who dominates and drives his subordinates through coercion, command and the instilling of fear in his followers.
- An autocratic leader alone determines policies, plans and makes decisions.

- He demands strict obedience. Such leaders love power and love to use it for promoting their own ends.
- They never like to delegate their power for they fear that they may loose their authority.

Merits:

◦ it can increase efficiency
◦ save time
◦ get quick results under emergency conditions
◦ chain of command and division of work are clear.

•Demerits:

◦ people are treated machine-like cogs without human dignity
◦ One-way communication without feedback.
◦ the leader receives little or no input from his sub-ordinates for his decision-making which is dangerous in the current dynamic environment.

Democratic or Participative Style:

"The democratic leadership style consists of the leader sharing the decision making abilities with group members by promoting the interests of the group members and by practicing social equality."

- Also known as participative leadership.
- In this style, the entire group is involved in goal setting and achieving it.
- A democratic leader follows the majority opinion as expressed by his group.
- Subordinates have considerable freedom of action.
- The leader shows greater concern for his people's interest, is friendly and helpful to them.
- He is always ready to defend their subordinates individually and collectively.

• **Merits**:

- leadership encourages people to develop and grow
- Receives information and ideas from his subordinates to make decisions
- boosts the morale of employees.

• **Demerits:**

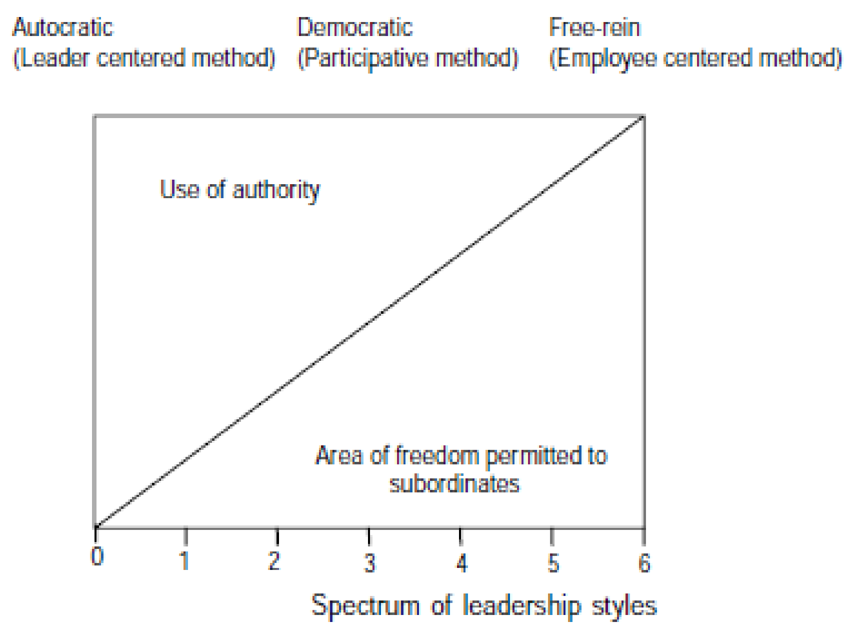
- Some leaders may use this style as a way of avoiding responsibility
- Can take enormous amount of time for making decisions.

Laissez-Faire or Free-Rein Style:

"The laissez-faire leadership style is where all the rights and power to make decisions is fully given to the worker."

- The leaders exercise absolutely no control.
- He only provides information, materials and facilities to his subordinates.

- Leadership is employee centered
- The subordinates are free to establish their own goals and chart out the course of action
- Leadership can be disaster if the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom.



Importance of leadership

- Leaders Guide & Inspire Subordinate
- Leaders Build good work environment
- Leaders Build confidence in followers
- Leaders secure cooperation from the group
- Leaders act as change agents
- Leaders are representatives of the followers
- Leaders develop great vision

COORDINATION

- According to Terry, "Coordination deals with the task of blending efforts in order to ensure successful attainment of an objective. It is accomplished by means of planning, organizing directing and controlling.
- Co-ordination refers to the orderly arrangement of individual and group efforts to ensure unity of action in the realization of common goals. **– Mooney and Reiley**
- Co-ordination means, to unite and correlate all activities. **– Henry Fayol**

Features of Co-ordination

- Co-ordination applies to group efforts, and not to individual effort. It involves the orderly arrangement of group efforts.
- Co-ordination does not result in a one-shot action. It is continuous action.
- Co-ordination is necessary not only within organization but also of the organization with the outside environment.

Managers can use a number of techniques to enlist coordination. Some of the techniques of coordination are discussed below:

• Clearly Defined Objectives

Each and every organization has its own objectives. These objectives would be clearly defined. Then the employees of all the organization should understand the objectives of the organization well. Unity of purpose is a must for achieving proper coordination.

• Effective Chain of Command

There is a line of authority in every enterprise which indicates as to who is accountable to whom. The line of authority and responsibility should be clearly defined to achieve coordination. Clear cut authority relationship helps in reducing conflicts among different positions, particularly line and staff which is essential for sound coordination.

• Precise and Comprehensive Programmes and Policies

Laying down well defined programmes and policies is another measure for achieving effective coordination. This brings uniformity of actions because everybody understands the programmes and policies in the same sense.

• Planning

Planning ensures coordinated efforts. Under planning, target of each department dovetail with the targets of all other departments. For example, fixing the target of 50,000 units of additional production and sale for production and sales department respectively, the head of the organization can be fairly sure that the work of the two departments would be coordinated since their targets so demand.

• **Cooperation**

Cooperation is the result of better relations among employees of the organization. Cooperation can be brought about by keeping harmonious relations among the people in the organization by encouraging informal contacts to supplement formal communication and using committees for exchange of ideas and views at the top level.

• **Liaison of Officers/Departments**

A person who acts as a link between two persons is called a liaison officer. The external coordination is obtained through him. Many large organizations depend on this officer to maintain cordial relations with government and outsiders. In some cases, where there is a large volume of contact between two departments, a liaison department evolves to handle the transactions. This typically occurs between sales and production departments. For example, a packaging company that is processing a large order of containers might have a liaison department to make sure that the production department is meeting the client's specifications and that the delivery will take place on time.

• **Induction**

Inducting the new employee into the new social setting of his work is also a coordinating mechanism. This device familiarizes the new employee with the organization's rules and regulations, its dominant norms of behaviour, values and beliefs and integrates his personnel goals with the organizational goals.

• **Incentives**

Incentives may be in the form of increments in the scale of pay, bonus, profit sharing etc. These schemes of incentives promote better team spirit which subsequently ensures better coordination. In particular, profit sharing promotes team spirit and better cooperation between superiors and subordinates, between employees and employers. Mutuality of interest reduces stride and ensures better coordination.

• **Workflow**

A workflow is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment. It is largely shaped by technological, economic and social considerations and helps in coordination.

Controlling:

• Control is checking current performance against predetermined standards contained in the plans, with the view to ensuring adequate progress and satisfactory performance.

• Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary applying corrective measures so that the performance takes place according to plans.

Steps in a Controlling:

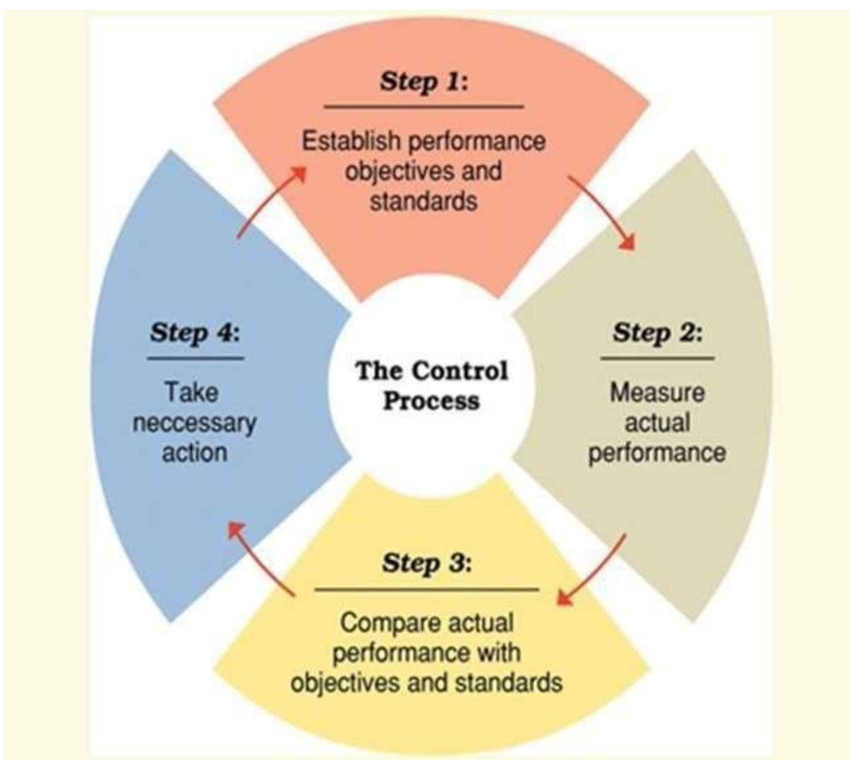


Fig.6: Steps in a Controlling

Step 1: Setting of standards:

- Standards are the targets against which actual performance will be compared.
- Standards are the criteria of performance; they serve as benchmarks as they specify acceptable levels of performance.
- Quantitative standards: production level, labour hour, expense, profit
- Qualitative standards: employee morale, company image, industrial relations

Step 2: Measurement of performance:

Completion:

◦ The actual performance measurement has to be complete in all respects.

◦ All aspects of the job have to be measured and not just the ones that are more evident.

Objective:

◦ Performance at work should be measured in an objective manner without fear, favour and bias.

Responsiveness:

◦ The management of any performance should support the belief that support and performance lead to improvement, both from the personal and organizational point of view.

Step 3: Comparison of actual performance with standards:

◦ The third step in control process is to compare the actual performances with established standards and ascertaining the causes of deviation.

◦ Deviations are thoroughly analyzed and properly presented.

◦ Statistical methods are usually adopted to look at deviation from a border perspective.

The final step in control process consists of taking remedial actions so that deviation may not occur again in future. Corrective steps are initiated so that any defects in the actual performance may be rectified.

Step 4: Taking corrective measures:

- The final step in control process consists of taking remedial actions so that deviation may not occur again in future.
- Corrective steps are initiated so that any defects in the actual performance may be rectified.

- ***Corrective actions may include the following activities:***
  - Change in methods, rules, procedures, strategies etc.
  - Introduce training programs.
  - Job redesign or Replacement of personnel.
  - Re-establishing budgets and standards.
  - Better compensation packages to employees.
  - Changing machinery and processes.
  - Identifying recurring bottle necks and avoiding them

Essentials of a Sound Control System

- Clear definition of objectives & standards.
- Selecting efficient control techniques.
- Suitability of control system
- Simplicity
- Focus on key area

- ◦ Flexibility
- ◦ Reasonable & practical
- ◦ Economical
- ◦ Self-control
- ◦ Acceptable to all

Methods of establishing control;

- Traditional Control Techniques
  - a. Budgetary control: written plan/program in monetary terms.
  - b. Standard costing: estimating most efficient cost of manufacturing a product.
- Modern Control Techniques
  - a. Break even analysis: Understanding the cost involved in producing a product & fixing selling price
  - b. PERT: Program Evaluation and Review Technique
  - c. CPM: Critical Path Method
  - d. SQC –Statistical Quality Analysis: Techniques to study deviation in actual performance against established standards.
  - e. Quality Circles: solve quality related problem
- Other Control Techniques
  - a. Policies & Procedures
  - b. Standing Rules, Limitation and Order
  - c. Self-Control
  - d. Group Control
  - e. Personal Observation
  - f. Disciplinary Action

SOCIAL RESPONSIBILITIES OF BUSINESS

MEANING OF SOCIAL RESPONSIBILITY

Social responsibility is a nebulous idea and hence is defined in various ways. Adoph Berle 1 has defined social responsibility as the manager's responsiveness to public consensus. This means that there cannot be the same set of social responsibilities applicable to all countries in all times. These would be determined in each case by the customs, religions, traditions, level of industrialization and a host of other norms and standards about which there is a public consensus at any given time in given society.

According to Keith Davis2, the term social responsibility refers to two types of business obligations, viz.

a) The socio-economic obligation

b) The socio-human obligation.

The socio –economic obligation of every business is to see that the economic consequences of its actions do not adversely affect public welfare.
This includes obligations to promote employment opportunities, to maintain competition, to curb inflation, etc.

The socio-human obligation of every business is to nurture and development human values (such as morale, cooperation, motivation and self-realization in work).

SOCIAL RESPONSIBILITIES OF BUSINESS TOWARDS DIFFERENT GROUPS

Every businessman is at the Centre of a network of relationships which consists of those between him at one end and his workers, employees, consumers, shareholders, other businesses, community and the government on the other.
A businessman's social responsibilities to each of these parties are briefly enumerated below.

TOWARDS THE CONSUMER AND THE COMMUNITY

1. Production of cheap and better-quality goods and services by developing new skills, innovations and techniques, by locating factories and markets at proper places and by rationalizing the use of capital and labour.

2. Leveling out seasonal variations in employment and production through accurate forecasts, production scheduling and product diversification.

3. Deciding priorities of production in the country's interest and conserving natural resources.

4. Providing for social audit (see section below).

5. Honoring contracts and following honest trade practices.

6. Making real consumer needs as the criterion for selecting messages to be given by product advertisements.

7. Preventing the creation of monopolies. Monopolies are bad in that they make the community face high prices, short supply and inferior quality of goods.

8. Providing for after-sale servicing.

9. Ensuring hygienic disposal of smoke and waste and voluntarily assisting in making the town environment aesthetically satisfying.

10. Achieving better public relations (that is, creating a more favourable attitude towards the enterprise) by giving to the community, true, adequate and easily intelligible information about its working.

11. Supporting education, slum clearance and similar other programmes.

TOWARDS EMPLOYEES AND WORKERS

1. A fair wage to the workers (and not merely one determined by market forces of supply and demand) which is possible only when the businessman is willing to accept a voluntary ceiling on his own profits.

2. Just selection, training and promotion (without any discrimination on grounds of sex, race, religion and physical appearance).

3. Social security measures and good quality of work life.

4. Good human relations (i.e. maintaining industrial peace, creating conditions

for collective bargaining, educating workers to produce their own leadership and participative management.)

5. Freedom, self-respect and self-realization.

6. Increase in productivity and efficiency by recognition of merit, by providing opportunities for creative talent and incentives.

TOWARDS SHAREHOLDERS AND OTHER BUSINESS

1. Promoting good governance through internal accountability and transparency.

2. Fairness in relations with competitors. Competitors with rival businessmen should always be fair and healthy.

TOWARDS THE STATE

1. Shunning active participation in and direct identification with any political party.

2. Observing all the laws of land which may have the following objectives

   a) To provide direction to economic and business life of the community.
   b) To bring about harmony between the limited enterprise interest and the wider social interest of the country.
   c) To provide safeguard against errant business practices.
   d) To compel business to play fair to all participants in the economy.
   e) To prevent oppression or exploitation of the weaker partners in business.
   f) To enforce maximum production according to the priority of sectors and production lines laid down by the government.
   g) To allocate limited resources according to social priorities and preferences
   h) To enforce distributive justice, especially to weaker sections of the community
   i) To implement rural uplift and secure balanced development of the country.

SOCIAL AUDIT

A social audit is a systematic study and evaluation of the organization's social performance as distinguished from its economic performance. The term Social performance refers to any organizational activity that effects the general welfare of society.

Benefits

1. It supplies data for comparison with the organizations social policies and standards. The management can determine how well it is living up to its social objectives.

2. It develops a sense of social awareness among all employees. In the process of preparing reports and responding to evaluations, employees become more aware of the social implications of their actions.

3. It provides data for comparing the effectiveness of different types of programmes.

4. It provides data about the cost of social programmes, so that the management can relate this data to budgets, available resources, company objectives, etc.

5. It provides information for effective response to external groups which make demands on the organization.

Limitations

A social audit is process audit rather than an audit of results. This means that a social audit determines only what an organization is doing in social areas and not the amount of social good that results from these activities. An audit of social results is not made because:

1. They are difficult to measure. If, for example, following a company's SC/ST employment programme in a certain region, there is a fall in the violent crime rate by 4 percent, it is difficult to measure how much of the benefit is caused by this programme.

2. Their classification under good or bad is not universally accepted. In other words, the same social result may be classed as good according to one opinion, and as bad according to another.

3. Most of them occur outside the organization, making it difficult for the organization to secure data from these outside sources.

BUSINESS ETHICS AND CORPORATE GOVERNANCE

Business Ethics

Business ethics is the application of moral principles to business problems. It knows the difference between what you have a right to do.

It thus, extends beyond the question of legality and involves the goodness or badness of an act. Therefore, an action may be legally right but ethically wrong. Sexual harassment, discrimination in pay and promotion and the right to privacy are some other issues especially relevant to the study of ethics.

Sexual harassment in the workplace can be defined as unwelcome sexual advances, sexual favour or other verbal or physical conduct of a sexual nature.

Discrimination against women in pay and promotion opportunities is also unethical, which continues to exist despite there being the Equal Remuneration Act, 1976.

Employees' right to privacy raises several questions, some of which are; 'Can a company refuse to hire smokers and/or make current smokers quit smoking? And 'Can a company conduct drug tests on its prospective employees?'

Corporate governance

The term 'corporate governance' is used to denote the extent to which companies run in an open and honest manner in the best interest of all stake-holders. The key elements of good corporate governance are transparency and accountability projected through a code which incorporates a system of checks and balances between all key players, viz.., board of directors, auditors and stake-holders.

In Britain, following corporate scandals in the early 1990's a committee was appointed in 1991 under the chairmanship of Sir Adrian Cadbury to prepare a code for best corporate governance.

Major recommendations of this committee are as under:

* Non –executive directors whose most important role is to bring an independent judgement to bear on issues of strategy, performance, resources, etc. should be picked through a formal selection process on merits.
* Companies should have remuneration committees consisting wholly or mainly of non executive directors which should recommend to the board executive director's emoluments.

* Companies should have audit committees consisting of minimum 3 non-executive directors to report on any matter relating to financial management.

* Audit partners should be rotated and there should be fuller disclosure of non –audit work.

This is a voluntary code and has only some moral pressure of the London Stock Exchange requiring companies to mention in their annual report whether they are following the code, and if not, why.

Benefits of Good Corporate Governance

1. It creates overall market confidence and long-term trust in the company.

2. It leads to an increase in companies share prices.

3. It ensures the integrity of company's financial reports.

4. It maximizes corporate security by acting as a whistle blower.

5. It limits the liability of top management by carefully articulating the decision-making process.

6. It improves strategic thinking at the top by inducting independent directors who bring a wealth of experience and a host of new ideas.