

FIRST EDITION

FOUNDATION OF COMMERCE AND MANAGEMENT

Dr.S.Jayakani

Professor

Department of commerce

Vels Institute of Science Technology and Advanced Studies, Chennai.

Dr. A. Meenakshi

Professor

Department of Commerce

Vels Institute of Science, Technology and Advanced Studies, Chennai.

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ABOUT THE AUTHOR



Dr.S.Jayakani has 18 years of teaching and Research experience. Now she is working as Professor in Department of commerce at Vels Institute of Science Technology and Advanced Studies, Chennai. She produced 11 Ph.D. and guiding 8 Ph.D. scholars. She has published book in Auditing HRM, FM, Company law etc. She has received Best researcher award, Best professor, Best faculty, Best academican award etc. She has also published 80 academic research articles in Scopus and UGC listed journals.



Dr. A. Meenakshi holds a Doctorate degree in Commerce, she has more than 18 years of teaching and research experience. Now she is working as Professor in Department of Commerce at Vels Institute of Science, Technology and Advanced Studies, Chennai. She received the Best Professor 2021 award for the rich experience in teaching and got Research Excellence 2024 award for her outstanding contribution in the research field, especially for authoring 40 academic research articles in Scopus and other UGC listed journals. She, as a competent result- oriented academican, possesses excellent interpersonal, communication and organizational skills with proven abilities to successfully manage a team and designing the curriculum. Dr. A. Meenakshi is a NAAC Criteria Co Ordinator and Dr. A. Meenakshi is a member of Discipline Committee, Cultural Committee, Examination Camp Officer, Grooming Coordinator Certificate and Price distribution Committee of Vels Institute of Science, Technology and Advanced Studies. She produced two PhD scholars and guiding 6 scholars for their Doctorate.

PREFACE

Commerce and Management form the backbone of modern business and economic development. In an era characterized by globalization, digital transformation, and rapid technological advancements, a strong foundation in commerce and management is essential for students, educators, researchers, entrepreneurs, and professionals alike. This book, **"Foundation of Commerce and Management,"** has been designed to provide a comprehensive understanding of the fundamental concepts, principles, and practices that govern the world of business and organizational management.

The objective of this book is to introduce readers to the core areas of commerce, including trade, business, accounting, finance, banking, marketing, entrepreneurship, and economics, while also exploring the essential functions of management such as planning, organizing, staffing, directing, coordinating, and controlling. The content is structured to bridge the gap between theoretical knowledge and practical applications, enabling readers to appreciate the dynamic nature of contemporary business environments.

In today's competitive and interconnected world, organizations face numerous challenges and opportunities arising from technological innovations, changing consumer preferences, evolving market structures, and global economic trends. Understanding the principles of commerce and management equips individuals with the knowledge and skills required to make informed decisions, solve business problems, and contribute effectively to organizational success. This book aims to develop analytical thinking, managerial competence, and entrepreneurial spirit among readers.

Special attention has been given to presenting the subject matter in a simple, systematic, and learner-friendly manner. Real-world examples, contemporary business practices, and emerging trends have been incorporated to enhance understanding and relevance. The book serves as a valuable resource for undergraduate and postgraduate students, competitive examination aspirants, educators, and anyone seeking a foundational understanding of commerce and management disciplines.

The editors express their sincere gratitude to all contributors, academicians, researchers, and industry experts whose valuable insights and scholarly contributions have enriched this publication. Their dedication and expertise have helped in creating a resource that promotes academic excellence and professional development.

It is our hope that this book will serve as a useful guide and reference for readers, fostering knowledge, critical thinking, and innovation in the fields of commerce and management. We believe that the concepts discussed herein will inspire learners to pursue excellence and contribute meaningfully to the growth and sustainability of businesses and society.

Dr.S.Jayakani
Dr. A. Meenakshi

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CHAPTER 1

Introduction to Commerce and Management

Meaning and Scope of Commerce

Commerce is an essential part of modern economic life and plays a significant role in the development of business and society. It acts as a bridge between producers and consumers by ensuring that goods and services are made available at the right place, at the right time, and in the right quantity. Commerce is one of the major branches of business activity and contributes greatly to economic growth by facilitating trade and removing barriers in the exchange of goods and services. It includes all those activities that help in the smooth distribution of products from manufacturers to final consumers. Commerce is not limited only to buying and selling; it also includes various supporting services such as transportation, banking, insurance, warehousing, advertising, and communication. These services help make trade easier and more effective.

In today's globalized world, commerce has expanded rapidly due to technological advancements, digital platforms, and international trade relations. It influences every sector of the economy and provides opportunities for employment, entrepreneurship, and innovation. Understanding the meaning and scope of commerce is important because it helps individuals understand how business transactions take place and how markets operate.

Meaning of Commerce

Commerce refers to the sum total of activities involved in the exchange of goods and services from producers to consumers. It includes all those activities that facilitate the transfer of ownership and movement of goods from one place to another. The term commerce is derived from the Latin word "commercium," which means trade and exchange. Commerce ensures that products reach consumers efficiently and satisfy their needs.

Commerce is often considered a subdivision of business. While business includes all economic activities such as production, trade, and services, commerce specifically focuses on trade and the supporting activities that make trade possible. It deals with the distribution aspect of business. For example, a manufacturer may produce goods, but commerce ensures that

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these goods are transported, stored, marketed, financed, and delivered to the final consumer.

Commerce creates place utility by transporting goods to areas where they are needed, time utility by storing goods until they are required, and possession utility by transferring ownership to consumers through trade. Therefore, commerce is a vital link between production and consumption.

Definition of Commerce

Commerce can be defined as the process of buying and selling goods and services along with all auxiliary activities that support trade. It covers all activities that remove obstacles in the exchange and distribution process.

According to business experts, commerce includes trade and aids to trade. Trade refers to the actual buying and selling of goods and services, while aids to trade include services such as transport, warehousing, banking, insurance, advertising, and communication that support and facilitate trade activities.

This definition highlights that commerce is broader than trade because it includes all the activities that help make the exchange process smooth and efficient.

Nature of Commerce

Commerce is an economic activity because it is undertaken with the purpose of earning profit and satisfying human wants. It is directly related to the exchange of goods and services. Commerce is dynamic in nature as it changes according to market trends, technological developments, and consumer preferences.

Another important feature of commerce is that it involves continuous transactions. It is not a one-time activity but an ongoing process that supports regular business operations. Commerce also requires coordination among various departments and services to ensure the successful movement of goods.

Commerce is service-oriented because it provides various support services that facilitate trade. These services reduce risks, improve efficiency, and ensure customer satisfaction. Commerce also has a social dimension as it contributes to employment generation, consumer welfare, and national development.

Scope of Commerce

The scope of commerce is very wide as it covers all activities that help in the distribution of goods and services. It includes trade as well as the various services that support trade. The scope of commerce can be broadly classified into trade and aids to trade.

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Trade involves the buying and selling of goods and services. It can take place within a country or between different countries. Aids to trade include all supporting activities that facilitate the smooth conduct of trade.

The scope of commerce has expanded significantly with globalization and digitalization. Today, commerce includes traditional trade practices as well as modern electronic commerce, online banking, digital marketing, and international logistics.

Trade as a Part of Commerce

Trade is the central activity of commerce. It refers to the exchange of goods and services between buyers and sellers. Trade can be classified into internal trade and external trade.

Internal trade takes place within the geographical boundaries of a country. It includes wholesale trade and retail trade. Wholesale trade involves buying goods in large quantities from producers and selling them to retailers. Retail trade involves selling goods directly to consumers in smaller quantities.

External trade takes place between different countries and includes import trade, export trade, and entrepot trade. Import trade refers to buying goods from foreign countries, export trade refers to selling goods to foreign countries, and entrepot trade involves importing goods for re-export.

Trade helps in expanding markets, increasing production, and promoting specialization. It also enables consumers to access a wide variety of goods and services.

Aids to Trade

Aids to trade are auxiliary services that support trade activities and remove obstacles in the exchange process. These services are essential for the smooth functioning of commerce.

Transportation is one of the most important aids to trade. It helps in moving goods from the place of production to the place of consumption. Different modes of transport such as roadways, railways, airways, and waterways are used depending on the nature of goods and distance involved.

Warehousing is another important aid to trade. It provides storage facilities for goods until they are needed in the market. Warehousing helps maintain a regular supply of goods and protects them from damage.

Banking provides financial support to trade activities. Banks offer loans, credit facilities, and payment services that help businesses carry out transactions smoothly.

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Insurance reduces business risks by providing protection against losses caused by accidents, theft, fire, and other uncertainties. It gives confidence to traders and encourages commercial activities.

Advertising plays a vital role in promoting products and informing consumers about their features, prices, and availability. It helps create demand and increase sales.

Communication services such as the internet, telephone, and electronic media enable quick exchange of information and support efficient business operations.

Role of Commerce in Economic Development

Commerce plays a crucial role in the economic development of a country. It promotes production by creating demand for goods and services. It encourages specialization and large-scale production, which reduces costs and increases efficiency.

Commerce also generates employment opportunities in various sectors such as transportation, banking, insurance, retailing, and logistics. It contributes to national income and improves the standard of living of people.

International commerce promotes foreign trade and helps countries earn valuable foreign exchange. It strengthens economic relations between nations and supports global cooperation.

Commerce also ensures the proper distribution of goods and helps maintain price stability by balancing supply and demand. It contributes to consumer satisfaction by making products easily available.

Modern Scope of Commerce

The scope of commerce has widened in the modern era due to technological advancements. E-commerce has transformed the way business transactions are conducted. Consumers can now purchase goods and services online from anywhere in the world.

Digital payment systems, online banking, electronic data interchange, and internet-based marketing have made commerce faster and more efficient. Globalization has also expanded the scope of commerce by connecting markets across different countries.

Modern commerce includes activities such as online retailing, digital advertising, supply chain management, and international business operations. These developments have increased convenience for consumers and created new opportunities for businesses.

Meaning and Importance of Management

What Is Management?

Management is the process of planning and organising the resources, operations and workflow of a business to achieve specific goals in the most effective and efficient manner possible. Efficiency in management refers to the completion of tasks correctly and at minimal costs. Effectiveness in management relates to the completion of tasks within specific timelines to yield tangible results.

Characteristics Of Management

Some of the fundamental characteristics of management are as follows:

Multi-dimensional

Most management oversees and supervises a company or organisation's service or production cycle. Managers provide guidance and work closely with the members of their team. A manager considers a staff member both as an individual with diverse needs and as a component of the larger group. To be effective, managers influence their team members to apply their unique strengths toward achieving the organisation's goals.

Dynamic

Management is a dynamic function and evolves and adapts to changes in its environment, whether they are economic, socio-political or technological. For instance, a paper company could see a decline in sales because of the rapid adoption of screens and digital devices. Whether the company can still survive depends on how effectively its management can adapt to new market requirements.

Intangible

Management is not a tangible product, but its presence can change the way an organisation functions. Management consists of ideologies, policies and human interaction. Good management helps improve a company's target achievement ratios, employee gratification levels and overall ease in the company's operation.

Levels Of Management

Typically management roles come in three levels in an organisation. But, larger organisations may have more management roles within each level for better efficiency. The three main levels include:

1. Top management

Typically, the senior-most executives in a company are the chairman, chief executive officer, chief operating officer, president and vice-president. Their role lies in integrating diverse components of the company and coordinating activities of different departments. They also analyse the business

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environment and its implications to formulate goals in order to ensure the survival of the company and the welfare of its stakeholders.

2. Middle management

Mostly composed of division heads, the middle management links the operational management to the top management. Division/department heads receive guidance from top managers and are leaders to operational managers. Their job is to understand the policies framed by the top management and relay them to their respective divisions/departments to ensure that they follow through with company policies and decisions.

3. Operational management

Supervisors, section leads or forepersons directly oversee the efforts of the workforce. They are responsible for quality control and ensure that the work meets deadlines. The top management draws out the plans that define the authority and responsibility of supervisors.

Objectives of Commerce and Management

Objectives of Commerce

Commerce is an essential part of business activities that deals with the exchange and distribution of goods and services. It acts as a bridge between producers and consumers by ensuring that products reach the right place at the right time. Commerce includes all activities that facilitate trade, such as transportation, banking, insurance, warehousing, communication, and advertising. The objectives of commerce are designed to ensure smooth business transactions, satisfy consumer needs, and contribute to economic growth. Commerce plays a vital role in modern society because it supports production, creates employment opportunities, and promotes both national and international trade.

Satisfaction of Human Wants

The foremost objective of commerce is to satisfy human wants. Human wants are unlimited and diverse, while resources are limited. Commerce helps in making goods and services available to consumers according to their needs and preferences. It ensures that products manufactured in different places are distributed to people efficiently.

By facilitating the movement of goods from producers to consumers, commerce helps meet the daily requirements of society. It ensures that consumers have access to food, clothing, machinery, medicines, and other essential products. In this way, commerce contributes to improving the quality of life.

Facilitating Exchange of Goods and Services

Commerce aims to facilitate the exchange of goods and services between buyers and sellers. It creates opportunities for trade by providing a system through which goods can be bought and sold easily.

Through internal and external trade, commerce connects producers with markets. Wholesale and retail trade make it possible for products to move through different channels until they reach the final consumer. This exchange process ensures that products are available in every part of the market.

Creation of Place Utility

One of the major objectives of commerce is to create place utility. Goods are often produced in one location and needed in another. Commerce helps transport goods from areas of production to areas of consumption.

For example, agricultural products are grown in rural areas but are consumed in urban centers. Through transportation facilities such as roadways, railways, airways, and waterways, commerce ensures that goods reach consumers wherever they are required. This creates value by making products available at convenient places.

Creation of Time Utility

Commerce also creates time utility by storing goods until they are needed by consumers. Certain products are produced seasonally but are consumed throughout the year.

Warehousing and storage facilities preserve goods and make them available during times of demand. For example, grains harvested during a particular season are stored and supplied throughout the year. This objective helps maintain regular supply and prevents shortages.

Promotion of Economic Development

Commerce plays a significant role in promoting economic development. It encourages production by creating demand for goods and services. Increased production leads to industrial growth, higher income, and better employment opportunities.

Commerce also strengthens trade relationships between different regions and countries. International commerce helps nations exchange resources, technology, and products, leading to economic cooperation and development. It contributes to national income and improves the overall economic condition of a country.

Generation of Employment Opportunities

Commerce creates a wide range of employment opportunities in different sectors such as transportation, banking, insurance, advertising, warehousing, retailing, and communication.

As commercial activities expand, the need for skilled and unskilled workers increases. This helps reduce unemployment and improves the standard of living of people. Employment generation is one of the most valuable contributions of commerce to society.

Earning Profit

Profit earning is another important objective of commerce. Commercial activities are carried out with the aim of generating profit for business organizations.

Profit provides the financial resources needed for business expansion, innovation, and survival. It also acts as a reward for the risks undertaken by entrepreneurs. Through effective distribution and trade, commerce helps businesses increase sales and earn sustainable profits.

Ensuring Smooth Distribution

Commerce ensures the continuous and smooth flow of goods from producers to consumers. It removes barriers related to transportation, storage, finance, and risk.

Auxiliary services such as banking provide financial support, insurance protects against risks, and communication systems enable quick information exchange. These services make distribution efficient and reliable.

Objectives of Management

Management is the process of planning, organizing, directing, and controlling resources to achieve organizational goals effectively and efficiently. It is essential for the successful functioning of every organization, whether small or large. Management helps coordinate human and material resources in a systematic manner.

The objectives of management are aimed at ensuring smooth operations, maximizing productivity, achieving organizational goals, and promoting growth. Effective management is necessary for the survival and success of any business enterprise.

Achievement of Organizational Goals

The primary objective of management is to achieve organizational goals. Every organization is established with specific objectives such as earning profit, expanding market share, satisfying customers, and ensuring long-term growth.

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Management sets clear goals and formulates plans to achieve them. It ensures that all activities are directed toward accomplishing these objectives. Proper management provides a sense of direction and purpose to the organization.

Efficient Utilization of Resources

Management aims to make the best use of available resources such as manpower, money, materials, and machinery.

Resources are limited, and their wastage can reduce efficiency and profitability. Management ensures proper allocation and utilization of resources to maximize output and minimize costs. Efficient resource utilization improves productivity and strengthens organizational performance.

Increasing Productivity

Increasing productivity is another major objective of management. Productivity refers to the efficient use of resources to produce maximum output.

Management improves productivity by organizing work, assigning responsibilities, and supervising performance. It ensures that employees work efficiently and resources are used effectively. Higher productivity leads to greater profitability and competitiveness.

Ensuring Coordination

Management ensures coordination among different departments and activities of the organization. Every department performs specific functions, and their efforts must be integrated to achieve common goals.

Coordination helps avoid duplication of work, reduces conflicts, and improves efficiency. Management acts as a unifying force that brings together individual efforts for organizational success.

Motivating Employees

Employee motivation is an important objective of management. Motivated employees are more committed, productive, and innovative.

Management motivates employees by providing fair wages, incentives, recognition, training, and opportunities for growth. A motivated workforce contributes positively to organizational development and creates a healthy work environment.

Maintaining Discipline and Order

Management establishes rules, procedures, and standards to maintain discipline and order within the organization.

Discipline ensures smooth workflow and reduces misunderstandings among employees. Proper order helps maintain efficiency and creates a professional

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work atmosphere. It also ensures that organizational activities are carried out systematically.

Ensuring Customer Satisfaction

Customer satisfaction is a key objective of management. Organizations must provide quality products and services to meet customer expectations.

Management studies customer needs and market trends to improve products and services. Satisfied customers become loyal customers, which increases sales and strengthens the organization's reputation.

Encouraging Innovation and Development

Management promotes innovation by encouraging creativity and new ideas. In a competitive business environment, innovation is essential for growth and survival.

Management supports research, technological advancement, and process improvement. Innovation helps organizations introduce better products, improve efficiency, and adapt to changing market conditions.

Ensuring Stability and Growth

Management aims to ensure the long-term stability and growth of the organization. It identifies future opportunities and challenges and prepares strategies to deal with them.

Through effective planning and decision-making, management helps organizations remain competitive and sustainable. Stability ensures continuous operations, while growth leads to expansion and success.

Fulfilling Social Responsibilities

Management also focuses on fulfilling social responsibilities. Organizations are expected to act ethically and contribute to the welfare of society.

Management ensures fair treatment of employees, protection of consumer interests, environmental conservation, and compliance with legal regulations. Social responsibility improves goodwill and strengthens public trust.

Functions of Commerce

Commerce is an essential part of business activities that deals with the exchange and distribution of goods and services. It acts as a bridge between producers and consumers by ensuring that products reach the right place, at the right time, and in the right quantity. Commerce plays a vital role in the economic development of a country because it supports production, distribution, and consumption. It includes all activities that remove

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obstacles in the process of trade and make the smooth flow of goods possible.

The functions of commerce are broad and important because they facilitate business operations and help in satisfying human wants. Commerce performs several functions such as trade, transportation, warehousing, banking, insurance, advertising, communication, and market information. These functions ensure that goods move efficiently from manufacturers to final consumers. Understanding the functions of commerce is essential for understanding how businesses operate successfully in a modern economy.

Trade as the Primary Function of Commerce

Trade is the most important function of commerce. It involves the buying and selling of goods and services. Trade acts as the foundation of commerce because it enables the exchange of products between producers and consumers. Without trade, the movement of goods and services would not be possible.

Trade can be divided into internal trade and external trade. Internal trade takes place within the boundaries of a country and includes wholesale and retail trade. External trade takes place between different countries and includes imports, exports, and entrepôt trade.

Through trade, goods produced in one region can be supplied to consumers in another region. It helps in balancing demand and supply and promotes economic growth. Trade creates business opportunities and contributes to national income.

Transportation and Distribution of Goods

Transportation is another important function of commerce. It helps in moving goods from one place to another. Goods are often produced in one area and consumed in another. Transportation removes the barrier of distance and ensures that products reach consumers efficiently.

Various modes of transportation such as roadways, railways, airways, and waterways are used for the movement of goods. Each mode serves different purposes depending on cost, speed, and distance.

Transportation facilitates both domestic and international trade. It helps businesses reach wider markets and ensures that products are available to consumers in different locations. Efficient transportation reduces delays, lowers costs, and improves customer satisfaction.

Warehousing and Storage of Goods

Warehousing is the function of storing goods until they are needed by consumers. It creates time utility by making goods available at the right

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time. Goods are often produced in large quantities or during specific seasons, while demand may arise throughout the year.

Warehouses provide safe storage facilities for products and protect them from damage, theft, and spoilage. They help maintain a steady supply of goods in the market and prevent shortages.

Warehousing is especially important for agricultural products, seasonal goods, and perishable items. It allows businesses to store excess stock and release it according to market demand. This function helps stabilize prices and ensures regular availability of goods.

Banking and Financial Assistance

Banking is a significant function of commerce because it provides financial support to business activities. Business operations require capital for production, transportation, storage, and marketing. Banks provide loans, credit facilities, and other financial services to meet these needs.

Banking also facilitates payments through various methods such as cheques, drafts, online transfers, and digital transactions. It ensures smooth financial transactions between buyers and sellers.

Banks help businesses manage their funds, maintain liquidity, and invest in expansion. They also encourage savings and investment, which contribute to economic development. Without banking services, commercial activities would face financial difficulties.

Insurance and Risk Protection

Insurance is another essential function of commerce. Business activities involve various risks such as fire, theft, accidents, natural disasters, and transportation losses. Insurance provides protection against these uncertainties.

By paying a small premium, businesses can secure compensation for potential losses. This reduces fear and encourages entrepreneurs to undertake commercial activities confidently.

Insurance protects goods during transportation and storage. It also covers employees, machinery, and property. This function promotes business stability and reduces financial losses caused by unexpected events.

Advertising and Promotion

Advertising is an important function of commerce that helps in creating awareness about products and services. It informs consumers about product features, quality, price, and availability.

Advertising helps businesses attract customers and increase sales. It creates demand by influencing consumer preferences and encouraging them to purchase products.

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Different forms of advertising include newspapers, television, radio, internet, social media, and billboards. Effective advertising improves brand image and helps businesses compete in the market.

Promotion also includes sales campaigns, discounts, exhibitions, and public relations activities. These efforts strengthen the connection between businesses and consumers.

Communication and Information Flow

Communication is a vital function of commerce because it ensures the smooth flow of information between producers, sellers, and consumers. Effective communication helps businesses make informed decisions and respond quickly to market changes.

Modern communication methods such as telephone, email, internet, and video conferencing have made business communication faster and more efficient.

Communication helps in placing orders, negotiating prices, confirming payments, and resolving customer issues. It supports coordination among different departments and business partners.

Market information is also shared through communication channels. This helps businesses understand consumer needs and market trends.

Facilitating Exchange Through Market Information

Commerce provides valuable market information to producers and consumers. Market information includes details about demand, supply, prices, competition, and consumer preferences.

This information helps producers decide what to produce and how much to produce. It also helps consumers make informed purchasing decisions.

Accurate market information reduces uncertainty and improves planning. Businesses use this information to develop strategies and adapt to changing market conditions. This function increases efficiency and supports better decision-making.

Connecting Producers and Consumers

One of the major functions of commerce is to connect producers with consumers. Producers focus on manufacturing goods, while commerce ensures these goods reach the final users.

Through wholesalers, retailers, agents, and distributors, commerce creates a network for product distribution. This connection helps maintain a balance between production and consumption.

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It ensures that consumers receive products according to their needs while producers can reach larger markets. This function is essential for business growth and customer satisfaction.

Creating Utility

Commerce creates utility by increasing the usefulness of goods. It creates place utility by transporting goods to required locations and time utility by storing goods until they are needed.

It also creates possession utility through trade, where ownership of goods is transferred from sellers to buyers. These utilities add value to products and make them more useful to consumers.

The creation of utility is one of the most significant contributions of commerce to business and society.

Supporting Economic Development

Commerce supports the overall economic development of a country. It encourages industrial production, promotes trade, generates employment, and increases national income.

Commercial activities improve infrastructure such as roads, communication systems, banking services, and transportation networks. These developments strengthen the economy and improve living standards.

International commerce promotes foreign exchange earnings and strengthens economic relations between nations. Thus, commerce contributes greatly to national progress.

Nature of Management

Management is an essential part of every organization and plays a vital role in achieving organizational success. It is the process of planning, organizing, directing, and controlling resources to achieve specific goals effectively and efficiently. Management exists in every type of organization, whether it is a business enterprise, educational institution, government office, hospital, or non-profit organization. It helps in coordinating human and material resources to ensure smooth functioning.

The nature of management explains its characteristics and shows why it is considered important in modern organizations. It highlights the features that make management a unique discipline and a practical activity. Understanding the nature of management helps in understanding how organizations are guided toward success.

Management is Goal-Oriented

One of the most important characteristics of management is that it is goal-oriented. Every organization is established with certain objectives such as earning profit, providing services, achieving growth, or satisfying customer needs. Management directs all activities toward the achievement of these objectives.

Managers formulate plans and make decisions that help the organization move in the right direction. They ensure that all resources are used efficiently to accomplish predetermined goals. Without clear goals, management activities would lack direction and purpose.

Thus, the goal-oriented nature of management ensures that every effort contributes to organizational success.

Management is Universal

Management is universal in nature because it is required in all types of organizations. Whether it is a small business, multinational company, school, hospital, or government institution, management is necessary for effective functioning.

Although the methods and techniques of management may differ from one organization to another, the basic principles remain the same. Every organization requires planning, organizing, directing, and controlling.

This universality shows that management is not limited to business activities alone but is essential in every organized group effort.

Management is a Continuous Process

Management is a continuous and ongoing process. It does not stop after completing one activity or achieving one objective. Organizations operate continuously, and management functions are performed regularly to ensure smooth operations.

Managers constantly plan future activities, organize resources, direct employees, and monitor performance. They also make adjustments according to changing situations and market conditions.

This continuous nature ensures that organizations remain active, adaptable, and efficient in achieving long-term success.

Management is Dynamic

Management is dynamic because it adapts to changing environmental conditions. Business environments are constantly changing due to technological advancements, economic conditions, market trends, competition, and customer preferences.

Management responds to these changes by modifying strategies, introducing innovations, and adopting new methods. A dynamic management system helps organizations remain competitive and relevant.

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This flexibility allows organizations to face challenges effectively and seize new opportunities.

Management is a Group Activity

Management is a group activity because it involves coordinating the efforts of people working together toward common goals. No organization can function effectively without teamwork and cooperation.

Managers guide, supervise, and coordinate employees to ensure that their efforts are aligned with organizational objectives. Management encourages collaboration among different departments and individuals.

The group-oriented nature of management promotes unity, efficiency, and collective achievement.

Management is Both an Art and a Science

Management is considered both an art and a science. It is an art because it requires practical skills, creativity, experience, and the ability to deal with people effectively. Managers must use judgment and leadership skills to handle different situations.

At the same time, management is a science because it is based on established principles, theories, and systematic knowledge. It involves logical decision-making, analysis, and the application of scientific methods.

The combination of art and science makes management a balanced discipline that requires both knowledge and skill.

Management is Intangible

Management is intangible in nature because it cannot be seen or touched. Its presence is felt through the results it produces.

Effective management can be observed through smooth workflow, employee satisfaction, increased productivity, and achievement of goals. Poor management, on the other hand, is reflected in confusion, inefficiency, and failure.

Although management is not physically visible, its impact can be clearly experienced through organizational performance.

Management is a Social Process

Management is a social process because it involves working with people and understanding human behavior. Organizations consist of individuals with different attitudes, skills, and expectations.

Managers interact with employees, customers, suppliers, and other stakeholders. They must build good relationships, motivate employees, resolve conflicts, and maintain cooperation.

The social nature of management emphasizes the importance of communication, leadership, and interpersonal skills.

Management is a Coordinating Function

Coordination is one of the essential aspects of management. Different departments within an organization perform different activities, such as production, finance, marketing, and human resources.

Management ensures that all these activities are properly coordinated and directed toward common objectives. It integrates individual efforts and avoids duplication of work.

This coordinating nature helps maintain harmony and improves overall efficiency.

Management is Decision-Making

Management involves decision-making at every stage of organizational operations. Managers make decisions related to planning, resource allocation, employee management, problem-solving, and strategy formulation.

Effective decision-making requires careful analysis, judgment, and evaluation of alternatives. Good decisions lead to success, while poor decisions can create difficulties.

This decision-making nature highlights the intellectual and analytical role of management.

Management is Multi-Dimensional

Management is multi-dimensional because it involves managing different aspects of an organization. These dimensions include managing work, managing people, and managing operations.

Managing work involves completing tasks efficiently. Managing people involves motivating and guiding employees. Managing operations involves ensuring smooth processes and effective resource utilization.

The multi-dimensional nature of management makes it a comprehensive activity that covers all organizational functions.

Management is Essential for Development

Management is essential for organizational growth and development. It helps in setting goals, improving productivity, encouraging innovation, and maintaining stability.

Organizations cannot grow without effective management. It ensures proper planning for the future and helps in overcoming challenges.

The developmental nature of management makes it a key factor in achieving long-term success.

Management is Situational

Management is situational because no single management approach is suitable for all circumstances. Different situations require different strategies and decisions.

Managers must analyze the situation and choose the most appropriate action. Factors such as organizational size, nature of work, employee behavior, and external environment influence management decisions.

This situational nature makes management flexible and practical.

CHAPTER 2

Evolution of Commerce and Management

Historical Development of Commerce

The History of Commerce: From Trading Shells to Buying iPhones

In the early centuries of trade, markets functioned as a new meeting place. Where people used to coexist within their already determined familial, religious, and/or social communities, trade brought people (and wares) together from far and wide.

This exposure to new cultures, “products,” and ideas — all the tangible and intangible results of the act of trading — compounded the benefits of trade itself, creating its own unique etching on the rock of history.

The impact of the rise of commercial trade can be seen everywhere, whether you realize it or not.

For example, some say that commercial development can be credited for the establishment of a seven-day week. Author Eviatar Zerubavel poses that market culture created a specific need for a cycle of standardized length so that vendors and buyers could plan their next meetings.

Civilization, trade, and currency can be seen advancing over the centuries, starting with the cattle trade as far back as 10,000 B.C., all the way up to modern times — and it’s changing faster than ever.

10,000–5,000 B.C.: Cattle trade.

Cattle were one of the first mediums of exchange and were of considerable value — they could reproduce, and they could also eventually serve as food or clothing. The Latin word “pecunia,” which means money, is related to “pecus,” which is the Latin word for cattle.

Using cattle as currency is not the same as bartering. Cattle had a fixed value, whereas bartering relies on the “double coincidence of wants” — if you want a thing, you have to both a) find someone else who has that thing, and b) have a thing of equivalent value that the other party wants.

1,200 B.C.: Trading shells and precious materials.

The cowrie shell — the shell of a mollusk found at that time in the Pacific and Indian Oceans — is important to the history of currency because, as Glyn Davies writes, it “was current over a far greater space and for a far greater length of time than any other [form of money].”

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Cowrie shells made a good form of currency because they were durable, easy to transport, and difficult to forge or reproduce. Their impact was longlasting; Davies writes further that in ancient China, the cowrie pictograph “was adopted in their written language for ‘money.’”

Precious metals like copper, bronze, gold, and silver were also used as currency at various times and in various ways across the world.

1,000–500 B.C.: Currency.

The first coins, resembling the form of currency we know today, are believed to have originated in Sardis, Ancient Lydia (now Turkey).

At that time Sardis was a major commercial hub “for the traffic of goods and ideas between Mesopotamia and the Greek Ionian settlements.” Herodotus wrote of the Lydians,

“They were the first men whom we know who coined and used gold and silver currency; and they were the first to sell by retail.”

Their coins were created from electrum — a naturally occurring alloy of gold and silver — and stamped with the images of gods and emperors for authenticity.

B.C. The Silk Road.

The Silk Road is not really a road — not by modern standards, anyway. It was instead, according to author Valerie Hansen, a “stretch of shifting, unmarked paths across massive expanses of deserts and mountains” — connecting China and the Far East with the Middle East and Europe — that transmitted not just merchants’ wares but art, technology, and ideas.

Peter Frankopan writes that the cultures and people who lived in these areas advanced because “as they traded and exchanged ideas, they learnt and borrowed from each other, stimulating further advances in philosophy, the sciences, language and religion.”

The Silk Road was first used by the Han Dynasty in China to officially open foreign trade between Europe and the Far East. But parts of the path had already been used for trading for centuries. 300 years prior to the opening of the Silk Road, the Persians established the Royal Road, a 1,500-mile stretch connecting Susa (the capital of Persia) to Sardis.

As its name suggests, the Silk Road supported a lucrative silk trade from east to west, but a number of other commodities traveled the path as well, including paper and gunpowder — both Han Dynasty inventions.

Paper’s arrival into Europe via the Silk Road would go on to have a vast impact across the continent by establishing the written word as a key form of communication.

Markets.

Markets or marketplaces, common in cities considered to be hubs of transportation, are places where people gather regularly to buy and sell or trade livestock, provisions, and other wares. In their earliest appearances, markets were typically situated in the center of the city.

Prior to the eleventh century, not much is known about the development of marketplaces, but there is evidence that they go back much further. Trajan's Market in ancient Rome is one example. Likely built around 100 A.D., the complex included a covered market and various small shopfronts.

There is more evidence, however, of the rapid spread of markets and fairs throughout Europe between 1050–1330 A.D. The Domesday Book of 1086 lists 50 markets in England alone, but many historians say the number is likely higher.

And by the 13th–14th centuries, “Many trading practices, including strategies for attracting customers and displaying goods, as well as social practices associated with shopping, were well established.”

800: Paper currency.

Paper currency was first used by the Chinese during the Tang Dynasty as a form of promissory note, but it took another century or so for it to really catch on and evolve into the kind of currency we know today.

It wasn't until the 1100s, during the Song Dynasty, that government-produced paper money made an appearance.

One lure of paper currency was that it was easier to transport than heavy coins or shells. Particularly when it came to trade over long distances, merchants' lives were much simplified by the lighter load.

1400s: European exploration.

The beginning of the 15th century marks the dawn of the Age of Discovery — and Europeans' aggressive campaign of exploration.

Under the leadership of Prince Henry the Navigator, Portugal set out to explore Africa and the Atlantic. Shortly thereafter, Portuguese explorer Vasco de Gama became the first European to sail to India, connecting East and West by sea.

Strategic colonization of islands in the Atlantic, as well as points along the western coasts of Africa and India, and the eastern coast of South America, left Portugal with more control of nautical trade routes than any other nation at that time.

But Spain wasn't going to stand by quietly and let Portugal have all the fun. When Christopher Columbus landed in the “New World” in 1492, that accelerated the rivalry between the two countries and opened a floodgate of

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Spanish exploration. At the same time, Spanish industry was undergoing rapid development and riches brought back from the Americas ushered in a golden age of art and literature in Spain.

This wave of European exploration was one of the driving forces in the shift of global power from East to West.

1600s: East India Company.

The decline of Portuguese power and subsequent defeat of the Spanish Armada helped to galvanize English trade and led to the development of the British East India Company (EIC). Founded in 1600 through a charter from England's Queen Elizabeth I to participate in the East Indian spice trade, it also traded in cotton, silk, indigo, saltpeter, and tea, and transported slaves. The EIC didn't become profitable for several decades, but once it did, it achieved global dominance and held a monopoly on trade with India. As its power grew, so too did the power of its home country, England.

1600s–1800s: The modern corporation.

The East India Company was the first institution with what we think of today as a modern corporate structure. It was the first official joint-stock corporation — composed of investors who then receive dividends based on the company's profit and was established as a limited liability corporation (LLC) to protect those investors.

In 1776, a new development took place in America: Adam Smith published *Wealth of Nations*, which popularized many of the foundational ideas of classical economics. About a century later, courts in the United States recognized corporations as a 'natural person,' giving corporations greater rights and freeing them from many government regulations.

1821: Gold standard coins.

The gold standard refers to a monetary system in which the value of a nation's currency is directly related to the value of gold. The fixed price of gold, then, is used to determine a currency's value. England officially adopted the gold standard in 1821, and over the next 80 years the majority of developed nations eventually followed.

The outbreak of World War I marked the beginning of the end for the gold standard due to international instability. England stopped using the gold standard in 1931, and the U.S. followed in 1933.

1890s: Checks and Credit.

There are a lot of instances of something like a check being used as far back as Roman times, but checks and credit became widespread as we know them in the United States in the 1890s. By the 1950s, Americans were writing 28 million checks per day.

1946: Credit cards.

Credit cards today allow cardholders to carry a monthly balance forward for an added finance charge.

The first appearance of credit cards, in the mid-20th century, was from banker John Biggins, who introduced the Charg-It card. His bank became the middle man that reimbursed merchants and obtained payment from customers (this is called a “closed-loop system”).

In 1950, Diners Club released the first widely used card, which was primarily for travel and entertainment purposes. American Express introduced the first plastic card in 1959, replacing cardboard and celluloid.

1960s-1990s: Electronic Data Interchange.

Here is where the history of ecommerce specifically begins. Electronic Data Interchanges enabled the digital transfer of data, which paved the way for ecommerce businesses once the internet became more widespread in the early 1990s. The first ecommerce transaction is said to be an online sale of a Sting album in 1994.

1995: Amazon and eBay.

Amazon and eBay launched their sites in the mid-nineties, changing online buying forever. These were some of the first outlets for people to buy things not physically available in a particular geographic area. For example, brick-and-mortar bookstores could stock only around 200,000 titles, whereas Amazon could offer exponentially more.

eBay’s online auction format was one of the first marketplaces launched to facilitate peer-to-peer selling, or consumer-to-consumer (C2C) commerce.

2000s: Ecommerce growth.

By 1999, the Census began requesting ecommerce data as part of the overall economic picture. Most major stores had launched ecommerce shops and small businesses were beginning to develop their own. The evolution of online payments, like the launch of PayPal in 1998, helped rocket ecommerce’s popularity.

The number of people shopping online went from 13% in 2000 to 21% in 2001.

Amazon then launched its first mobile commerce site in 2001 and introduced Amazon Prime in 2005.

Late 2000s: Easier-to-build online stores.

BigCommerce, Shopify, and other top ecommerce platforms began to make online business transactions easier than ever. To compete with Amazon’s marketplace, ecommerce merchants have to build a memorable brand experience to differentiate themselves.

Present Day: More options than ever.

Today, consumers can buy just about anything, from just about anywhere — across the globe — and get it shipped to your front door through a simple online transaction. These transactions can even be conducted through various social media platforms.

And the popularity of shopping via a mobile device is growing fast.

In 2018, U.S. mobile retail commerce revenue reached over \$207 billion.

The Future of Commerce

Commerce today keeps evolving, taking advantage of similarly quick advances in technology that support new ways of buying and selling, and make it easier than ever for merchants to connect with customers via an online store. Here are some of the trends that are guiding the future of commerce.

1. Cryptocurrency and blockchain.

Cryptocurrency is “a digital money, created from code” or “an encrypted string of data or a hash, encoded to signify one unit of currency.” It’s the first decentralized currency not controlled by a particular organization or government, and is instead monitored by a peer-to-peer internet protocol.

Blockchain technology prevents counterfeiting and sends reversing payments. Third party services like OKEx help create and maintain users’ bitcoin wallets, while easily converting BTC to INR, USD or other fiat currency. Many ecommerce platforms, including BigCommerce, Shopify, and WooCommerce, offer integrations that allow payment with cryptocurrency.

2. Personalization.

Today, the market is full of opportunities to provide personalized service for every customer, no matter how difficult their needs are. This personalization is only going to increase in the future. 80% of shoppers say that they prefer to purchase from merchants who offer personalized online experiences.

3. Automation.

Goods and services have progressively gotten more and more automated. This allows ecommerce shops to automate rote tasks and spend more time devoted to the high level activities that help grow their business.

4. Faster everything.

Amazon has made 2-day delivery a standard. Improving web technologies has made shopping easier than ever, even from a mobile device, with faster

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page load times and easy payment options. Speed isn't just an advantage anymore — it's becoming table stakes.

Evolution of Management Thought

The evolution of management thought refers to the development of management ideas, principles, and practices over time. Management as a discipline did not emerge suddenly. It developed gradually through the contributions of various thinkers, scholars, and practitioners who studied organizational problems and suggested solutions to improve efficiency and productivity.

The history of management thought reflects the changing needs of organizations and society. As industries expanded and business operations became more complex, different management theories were introduced to deal with new challenges. Each stage of evolution added new ideas and improved earlier concepts. Understanding the evolution of management thought helps us understand how modern management practices developed and why management is considered an essential discipline today.

Early Period of Management Thought (Before 1880)

The earliest form of management can be traced back to ancient civilizations such as Egypt, Rome, China, and India. Large construction projects such as pyramids, roads, temples, and irrigation systems required planning, organization, and supervision. Although management was not recognized as a formal subject, people practiced basic management principles.

During this period, management activities were based mainly on personal experience, trial and error, and traditional methods. There was no scientific approach to managing organizations. Decisions were often made by rulers, military leaders, or business owners without any structured principles.

The Industrial Revolution during the eighteenth century marked a turning point in management thought. The growth of factories and large-scale production created the need for systematic management methods. This laid the foundation for modern management theories.

Scientific Management Era (1880–1920)

The scientific management era was the first formal phase in the evolution of management thought. This period focused on improving efficiency and productivity through scientific analysis of work processes.

The most important contributor to this period was Frederick Winslow Taylor, who is known as the Father of Scientific Management. He believed that work

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should be studied scientifically to determine the best way of performing tasks.

Taylor introduced principles such as scientific selection and training of workers, division of work, cooperation between workers and management, and standardization of tools and methods. His objective was to increase efficiency and reduce wastage.

Other contributors during this period included Frank B. Gilbreth and Lillian M. Gilbreth, who developed motion studies to improve work methods, and Henry L. Gantt, who introduced the Gantt chart for planning and scheduling work.

The scientific management era emphasized productivity, efficiency, and systematic work methods. It laid the foundation for modern industrial management.

Administrative Management Era (1920–1940)

The administrative management era focused on the overall management of organizations rather than just individual tasks. It emphasized principles that could be applied to all managerial activities.

The major contributor to this period was Henri Fayol, who is considered the Father of Administrative Management. He identified five functions of management: planning, organizing, commanding, coordinating, and controlling.

Fayol also proposed fourteen principles of management, including division of work, unity of command, discipline, authority and responsibility, and scalar chain. These principles provided a framework for managing organizations effectively.

Another important thinker was Max Weber, who introduced the theory of bureaucracy. He emphasized a formal organizational structure based on rules, hierarchy, specialization, and impersonal relationships.

This era contributed significantly to the development of management as a structured discipline and highlighted the importance of administrative processes.

Human Relations Era (1930–1950)

The human relations era marked a major shift in management thought. During this period, attention moved from machines and tasks to people and their behavior in organizations.

The most important contributor was Elton Mayo, whose famous Hawthorne Studies revealed that social and psychological factors influence worker productivity.

The studies showed that employees perform better when they feel valued, recognized, and involved in decision-making. This led to the development of

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the human relations approach, which emphasized employee satisfaction, motivation, communication, and teamwork.

This era recognized that workers are not just economic beings but also social beings with emotional and psychological needs. Managers were encouraged to build positive relationships with employees.

The human relations era changed management practices by highlighting the importance of leadership, motivation, and employee welfare.

Behavioral Science Era (1950–1970)

The behavioral science era expanded the ideas of the human relations movement by applying psychology, sociology, and anthropology to management.

This period focused on understanding human behavior in organizations. It aimed to improve organizational effectiveness by studying motivation, leadership, communication, group dynamics, and decision-making.

Important contributors included Abraham Maslow, who developed the hierarchy of needs theory; Douglas McGregor, who introduced Theory X and Theory Y; and Chris Argyris, who studied organizational learning.

Maslow explained that human needs progress from basic physical needs to self-actualization. McGregor suggested that managers' assumptions about workers influence management style.

This era helped managers understand employee behavior and adopt people-oriented approaches to management.

Quantitative Management Era (1940–1970)

The quantitative management era developed during and after the Second World War. It introduced mathematical and statistical techniques for decision-making.

This approach used operations research, linear programming, forecasting, inventory control, and quantitative analysis to solve management problems.

The focus was on improving decision-making through data analysis and logical models. Managers used these techniques to allocate resources efficiently and solve complex business problems.

This era contributed to the development of management information systems and modern analytical decision-making tools.

Systems Approach Era (1960–1980)

The systems approach viewed organizations as systems made up of interrelated parts working together to achieve common goals.

According to this approach, an organization consists of subsystems such as production, finance, marketing, and human resources. These subsystems are interconnected and depend on each other.

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Managers were encouraged to consider the organization as a whole rather than focusing on individual departments. Changes in one part affect the entire system.

The systems approach emphasized coordination, integration, and adaptability. It helped managers understand organizational complexity and improve overall efficiency.

Contingency Approach Era (1970–1990)

The contingency approach suggested that there is no single best way to manage an organization. Management practices should depend on the specific situation.

This approach emphasized flexibility and adaptability. Managers must analyze factors such as organizational size, technology, environment, and employee characteristics before making decisions.

The contingency approach rejected rigid management principles and encouraged situational decision-making.

This era helped managers understand that effective management depends on matching strategies with circumstances.

Modern Management Era (1990–Present)

The modern era of management focuses on innovation, globalization, technology, sustainability, and continuous improvement.

Modern management emphasizes strategic planning, customer orientation, teamwork, digital transformation, and ethical practices.

Concepts such as Total Quality Management, Business Process Reengineering, Knowledge Management, and Agile Management have become important.

Technology has transformed management practices through automation, artificial intelligence, data analytics, and online communication systems.

Modern managers must be flexible, innovative, and capable of handling rapid changes in the business environment.

Timeline of Evolution of Management Thought

The evolution of management thought can be understood through a clear timeline. Before 1880, management was informal and based on traditional practices. Between 1880 and 1920, scientific management introduced efficiency-based methods. From 1920 to 1940, administrative management focused on organizational structure and principles.

Between 1930 and 1950, the human relations movement highlighted employee welfare and motivation. From 1950 to 1970, behavioral science explored human behavior in organizations, while quantitative management introduced mathematical decision-making.

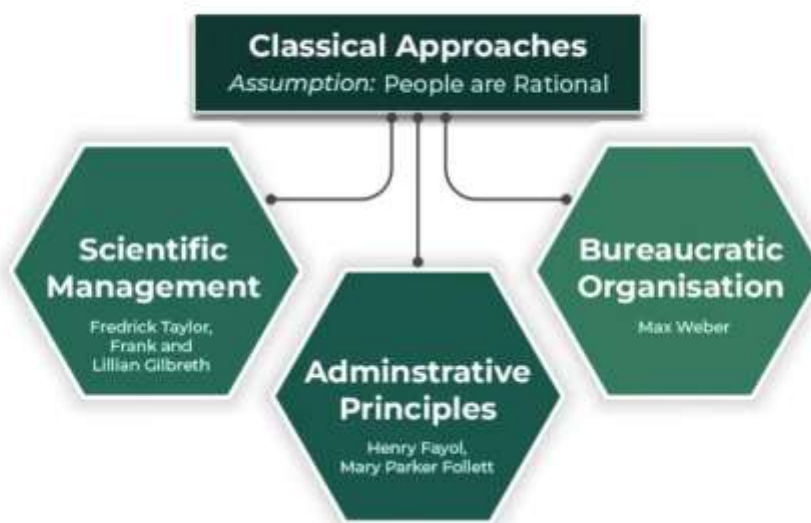
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The systems approach emerged during 1960 to 1980, followed by the contingency approach from 1970 to 1990. Since 1990, modern management has focused on innovation, technology, and global competitiveness.

Classical Theories of Management

The classical approach, also known as, the traditional or empirical approach, emerged through three main streams: *scientific management*, *administrative theory*, and *bureaucracy*.

Major Branches in the Classical Approach to Management



- Scientific management was pioneered by engineers and technicians like E.W. Taylor, Harrington Emerson, Henry Gantt, Frank Gilbreth, and Lillian Gilbreth. Their primary focus was on improving efficiency by applying scientific methods to analyze work processes and enhance the utilization of human resources and machinery. They approached management from a technical perspective, aiming to boost productivity and minimize wastage.
- **Administrative theory**, also known as the functional approach, was developed by management practitioners and thinkers such as Henry Fayol, Lyndall F. Urwick, James D. Mooney, Allan C. Reiley, and others. They expanded the viewpoint beyond technical aspects and emphasized the development of managerial functions and principles that could be universally applied. Their objective was to enhance overall efficiency in organisations, taking into account various factors beyond technical efficiency alone.

- **Bureaucracy**, formulated by the German sociologist Max Weber, envisions organisations as structured machines with a hierarchical system of authority, a set of rules and regulations, and impersonal control over individuals. It portrays the organisation as a well-defined entity with clear lines of authority and standardized procedures. Bureaucratic systems strive for consistency, predictability, and efficiency by establishing a network of rules and regulations that guide decision-making and actions.

To sum up, the classical approach to management encompasses scientific management, administrative theory, and bureaucracy. It combines technical efficiency, managerial functions, and hierarchical control to enhance productivity and effectiveness in organisations. These different streams have contributed to the development of management principles and frameworks that continue to shape contemporary management practices.

Features of Classical Approach to Management

The classical approach, also known as the traditional or empirical approach, encompasses several key features:

1. **Systematic Network of Interrelated Functions:** Management is seen as a systematic network of interconnected functions. The focus lies in understanding the nature, content, and interrelationships of these functions within an organisation.
2. **Development of Principles:** Principles are derived from the experiences of practising managers. These principles serve as guidelines for executives in their decision-making and management practices. The principles, functions, and skills of management are considered universal and applicable in various situations.
3. **Universal Applicability:** The principles and practices developed through the classical approach are believed to have universal applicability. They can be applied across different organisations and industries, providing a consistent framework for managerial actions.
4. **Importance of Education and Training:** Formal education and training play a significant role in developing managerial skills among aspiring managers. Case study methods are often utilized to enhance their understanding of practical management scenarios.
5. **Emphasis on Economic Efficiency:** The classical approach emphasizes achieving economic efficiency within organisations. The focus is on optimizing resources and improving the organisational structure to enhance productivity and effectiveness.
6. **Motivation through Economic Incentives:** Economic gains and incentives are seen as the primary motivators for individuals within an organisation. The classical approach suggests that organisations

should design control systems that align with economic incentives to drive employee motivation and performance.

Uses and Limitations of Classical Approach to Management

Following the uses of the Classical Approach:

1. **Education and Training:** The classical approach provides a useful framework for educating and training managers. It utilizes the observational method of case studies to extract common principles that can be applied in future situations.
2. **Understanding Managerial Roles:** This approach focuses on understanding what managers do in their roles. Studying real-life examples helps shed light on the practical tasks and responsibilities of managers.
3. **Universal Application:** The classical approach highlights the universal nature of management principles. It emphasizes that certain management concepts and practices can be applied across different organisations and industries.
4. **Scientific Basis:** This approach provides a scientific foundation for management practices. It offers a systematic and structured framework that allows for consistent decision-making and problem-solving.
5. **Research and Improvement:** The classical approach serves as a starting point for researchers to validate and improve the applicability of management knowledge. It provides a basis for further exploration and development in the field of management.

The followings are the limitations of the classical approach:

1. **Overlooking the Human Factor:** One limitation of the classical approach is its tendency to focus more on mechanistic structures and processes, overlooking the importance of the human factor in organisations. It fails to fully consider the impact of human behaviour, emotions, and individual differences.
2. **Neglecting Environmental Dynamics:** The classical approach often discounts the dynamic nature of the external environment and its influence on management practices. It may not adequately address the challenges and complexities posed by rapidly changing business environments.
3. **Limited Application of Past Experiences:** Relying solely on past experiences can be problematic as principles or techniques that worked well in the past may not be suitable for future situations. It is important to consider the context and evolving dynamics when applying management practices.

4. **Incomplete Representation:** Case studies, commonly used in the classical approach, may not fully capture the complexity of real-world situations. They may oversimplify or omit important variables, making it challenging to incorporate all relevant factors into decision-making processes.

Modern Approaches to Management

What Is The Modern Theory Of Management?

One of the many theories that businesses adopt is the modern theory of management. According to this view, technology may both contribute to and address the rapid change and increased complexity that modern businesses handle. This theory acknowledges that today's employees have multiple motivations for wanting to succeed in their jobs, including achieving satisfaction, happiness and desired lifestyles.

To create a working environment that is as productive as possible, this theory integrates technology and mathematical analysis with knowledge of human emotions and motivation. Using statistics, a manager can assess staff productivity and performance and attempt to comprehend what contributes to employee satisfaction at work. They can also better understand their employees' behaviours and needs.

Types Of Modern Management Theories

Managers can use a variety of contemporary management strategies within a business. Managers have the option of combining these strategies as a guide for leading their teams and advancing company goals. The following are the three methods of modern management:

Quantitative approach

To tackle complicated issues, the quantitative approach to management employs mathematical and statistical methods. Managers may evaluate performance using strategies like computer simulations or information models, depending on the company field. They can learn what is working in the company and what is not through this study and they can then create solutions to address or enhance the problems they identify. This approach consists of three branches:

- **Management science:** The application of mathematical and statistical techniques to create practical business solutions and accomplish objectives is the main focus of management science. The Program Evaluation Review Technique (PERT), the critical path method (CPM) and sampling are a few examples of these technologies.

- **Operations management:** Managers use this approach to put procedures into place that assist business and production processes to run more smoothly. This approach could necessitate that managers change or rearrange their procedures depending on the circumstance and employ a variety of instruments, such as project planning, quality control techniques and forecasting.
- **Management information system:** This is a database that organises the company's data. Managers utilise this system to make well-informed decisions, generate reports on things like finances, schedules, staff and inventory, monitor this data and utilise it to evaluate performance, develop solutions or make necessary modifications.

Contingency approach

According to the contingency management theory, there is not a single management strategy that works for every firm. It holds that the best management approach depends on the circumstances. Using this method, leaders recognise and deploy many management styles depending on the scenario rather than adopting a single management style. As a result, these leaders can acquire extra skills and abilities that allow them to be more adaptable and versatile in the workplace.

The contingency management theory lists three elements that can impact an organisation's structure, which are size, technology and leadership styles. An efficient manager is aware of these elements and understands how they could affect output. For instance, a small organisation might be more adaptable and have fewer divisions between departments than a larger organisation, which might be more complicated and fragmented. Due to their flexibility, small business managers may have more control over procedures and be able to change them more easily.

Systems approach

According to the systems approach to management, organisations are a sophisticated amalgam of many parts that cooperate to accomplish a single objective. Many subsystems, such as several departments, make up an organisation. Using this paradigm, managers look at how different subsystems relate to and impact one another rather than examining them independently. They also consider the surroundings and outside forces that shape these systems. An organisation is further defined by the systems approach by being broken down into its various parts. These elements show how the various divisions of the company cooperate to achieve a single objective.

In the systems approach, management staff members create objectives and procedures that support the overall goals and performance of their businesses. Department managers, for instance, can look to the department above them in the hierarchy to learn about the goals and priorities of their own division. They might set timelines for their team so that the other department can get started and finish the necessary tasks. The operations of one department can coordinate with the objectives of the following department to improve the effectiveness and efficiency of all organisational processes.

Benefits Of The Modern Management Theory

These are the advantages of using modern management theory:

Increases productivity

To evaluate performance within a company, modern management theory uses mathematical and statistical techniques. Managers can use this information to analyse employee behaviour and create strategies that fully utilise their workforce's potential. For instance, they might establish procedures that streamline employees' tasks or provide training courses to help them develop their abilities.

Facilitates decision-making

Making decisions is easier with modern management theories as they give managers insights into the variables they might consider while assessing their department or business. Knowing what to look for can help managers spot issues and start brainstorming potential fixes. They can then use this data to support their conclusions and decisions.

Enhances employee engagement

The modern management theory looks at employees' motivations beyond monetary benefit. Employing this approach, managers can decide which processes or procedures best suit their workforce's various needs and skills. When employees are happy in their jobs, it can increase their motivation and engagement and encourage them to stay on as employees.

Promotes objectivity

The modern management theory places a strong emphasis on the application of mathematical techniques. With these tools, managers can now base choices more on facts and figures than on subjective sentiments or judgments. Additionally, they make it possible to evaluate many solutions and determine which one can best assist the organisation. As a result, managers can then put the most beneficial procedures into practice.

Develops adaptability

The modern management theory recognises that firms often operate in quickly changing circumstances. This concept encourages managers to employ a variety of tactics to manage internal and external problems by

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emphasising the importance of understanding how these problems can affect a firm. For instance, managers can apply statistical modelling while creating solutions or use new technology to streamline procedures.

Limitations Of Modern Management Theory

The limitations of modern management theory are as follows:

Primarily focuses on higher-level management

The fundamental criticism of the modern management concept is that it primarily examines management from the perspective of top-level managers. The theory promotes that only top-level managers can play a crucial role in the success of an organisation. In reality, companies involve managers from all levels, but the theory places little importance on the role of the organisation's lower-level managers.

Defines management in isolation

The modern theory of management defines management in isolation from the employees. The modern era is an era of cooperative management and includes joint management. Currently, employees collaborate with management through their trade union representatives.

Less focus on the human aspect

The modern management theory is heavily reliant on the use of technology to change businesses. Managers who use this theory employ statistics to assess performance and encourage cross-functional collaboration. In doing so, they give less attention to, or sometimes entirely neglect, the use of human resources.

Role of Commerce in Economic Development

Commerce plays a vital role in the economic development of a nation. It is an essential part of business activities that deals with the exchange and distribution of goods and services. Commerce acts as a bridge between production and consumption by ensuring that goods reach consumers efficiently. It includes trade and auxiliary services such as transportation, banking, insurance, warehousing, communication, and advertising. These activities support the movement of goods and services and contribute significantly to the growth of the economy.

Economic development refers to the process of improving the economic well-being and quality of life of people through increased production, income, employment, and infrastructure. Commerce contributes to this process by facilitating trade, promoting industrial growth, creating employment opportunities, and strengthening domestic and international markets. The role of commerce in economic development is extensive and affects every sector of the economy.

Facilitating Trade and Exchange

One of the most important roles of commerce in economic development is facilitating trade and exchange. Commerce enables the smooth buying and selling of goods and services within a country and across international borders.

Trade allows producers to reach consumers efficiently and ensures that products are available in different regions. By facilitating exchange, commerce promotes specialization and large-scale production. Producers can focus on manufacturing goods while commerce takes responsibility for their distribution.

This smooth flow of goods encourages economic activities and contributes to market expansion. Increased trade leads to higher production, better utilization of resources, and greater economic growth.

Promoting Industrial Growth

Commerce supports industrial growth by creating demand for goods and ensuring their distribution to markets. Industries produce goods, but without commerce, these products cannot reach consumers effectively.

Commerce provides the necessary infrastructure and services that help industries operate smoothly. Transportation moves raw materials to factories and finished goods to markets. Banking provides financial assistance, while insurance reduces business risks.

The support provided by commerce encourages industries to expand production and invest in innovation. Industrial growth contributes to higher output, improved technology, and increased national income.

Generating Employment Opportunities

Commerce plays a significant role in generating employment opportunities. It creates jobs in various sectors such as trade, transportation, banking, insurance, warehousing, communication, marketing, and advertising.

As commercial activities expand, the demand for skilled and unskilled workers increases. Employment opportunities help reduce poverty and improve the standard of living.

Commerce also encourages self-employment through retail businesses, distribution services, and entrepreneurship. By creating jobs, commerce contributes to social stability and economic progress.

Increasing National Income

Commerce contributes directly to the increase in national income by promoting production and trade. The buying and selling of goods generate revenue for businesses and taxes for the government.

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Increased commercial activities lead to higher profits, wages, and investments. This improves the overall income of individuals and businesses.

A rise in national income allows governments to invest in public services such as education, healthcare, infrastructure, and social welfare. Thus, commerce supports both private and public sector development.

Encouraging International Trade

International trade is an important aspect of commerce that contributes to economic development. It allows countries to exchange goods and services based on their comparative advantages.

Through exports, countries earn foreign exchange, which can be used to import essential goods, technology, and machinery. This improves industrial efficiency and strengthens economic growth.

International commerce also creates global market opportunities for domestic producers. It promotes competition, quality improvement, and innovation.

By connecting economies worldwide, commerce strengthens international relations and supports global economic development.

Development of Infrastructure

Commerce contributes to the development of infrastructure such as roads, railways, ports, airports, communication networks, and storage facilities.

Efficient commercial activities require strong infrastructure for transportation and communication. Governments and private organizations invest in infrastructure to support trade and business operations.

Improved infrastructure benefits not only commerce but also other sectors such as agriculture, manufacturing, and services. It enhances connectivity, reduces costs, and supports overall economic growth.

Infrastructure development is a key indicator of economic progress, and commerce plays a major role in achieving it.

Enhancing Standard of Living

Commerce helps improve the standard of living by making a wide variety of goods and services available to people.

Consumers can access products from different regions and countries, increasing their choices and convenience. Commerce also ensures competitive pricing, which makes products affordable.

Employment opportunities created by commerce increase income levels, enabling people to enjoy better housing, education, healthcare, and other facilities.

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By improving access to goods and increasing income, commerce enhances the quality of life of individuals and communities.

Supporting Agricultural Development

Commerce plays an important role in agricultural development by connecting farmers with markets.

It ensures that agricultural products reach consumers through efficient transportation, storage, and distribution systems. Farmers receive fair prices for their produce, which encourages higher production.

Commerce also facilitates the supply of seeds, fertilizers, machinery, and modern technology to farmers.

Agricultural development strengthens food security, supports rural employment, and contributes to national economic growth.

Promoting Capital Formation

Capital formation refers to the accumulation of financial resources for investment and development.

Commerce promotes capital formation by encouraging savings, investments, and banking activities. Profits earned through commercial activities can be reinvested in business expansion and technological advancement.

Banks and financial institutions channel savings into productive investments, supporting industrial and commercial development.

Capital formation increases production capacity and drives long-term economic growth.

Encouraging Innovation and Technology

Commerce promotes innovation by creating competitive market conditions.

Businesses must improve products, services, and processes to meet consumer demands and remain competitive. This encourages research and technological advancement.

Modern commerce has adopted digital technologies such as e-commerce, online banking, automated logistics, and electronic communication.

Technological progress increases efficiency, reduces costs, and enhances productivity. This contributes significantly to economic development.

Ensuring Balanced Regional Development

Commerce helps in reducing regional economic disparities by connecting different areas through trade and distribution networks.

Products manufactured in one region can be supplied to another, ensuring equal access to goods and services.

Commercial activities encourage investment in less developed regions by creating business opportunities and infrastructure.

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Balanced regional development reduces migration pressure, improves local employment, and promotes social and economic stability.

Supporting Government Revenue

Commerce contributes to government revenue through taxes such as sales tax, customs duty, income tax, and corporate tax.

These revenues enable governments to fund development projects and public welfare programs.

A strong commercial sector strengthens the financial position of the government and supports national development initiatives.

Government revenue generated through commerce is essential for building a strong economy.

Strengthening Economic Stability

Commerce contributes to economic stability by maintaining the continuous flow of goods and services.

Efficient distribution systems prevent shortages, control inflation, and stabilize prices.

Banking and insurance services reduce financial uncertainties and support business continuity.

A stable commercial environment promotes investor confidence and encourages long-term economic growth.

CHAPTER 3

Business Environment

Meaning and Components of Business Environment

What is Business Environment?

Business Environment means the total of all individuals, institutions, and other forces that are outside the control of a business enterprise, but that may affect its performance. In other words, a business environment can be defined as all those conditions and forces under which a business is operated. These forces affect the working of business and it has to deal effectively with them. It encompasses the climate or the set of conditions: economic, social, political, or institutional, in which business operations are conducted.



Components of Business Environment

Dimensions of Business Environment

Dimension of the business environment involves the 'Micro and Macro' environment. Micro environment means small or pertaining to one item in the environment. It refers to those internal and external factors, which exercise a direct influence on the working and performance of an individual business organization. A micro environment is also called a *Direct Section Environment* or *Task Environment*. Micro environment may be classified into two broad categories: internal and external factors.

Whereas Macro environment refers to the general environment or remote environment under which a business enterprise and forces in its micro environment operate. The macro environment is not interacted with regularly or directly by any enterprise. The forces of micro environment create opportunities for the organization and pose threats to the company. The micro environment forces are less controllable than the macro forces. The macro environment consists of the following components- economic, social, technological, political, and legal environments. We will be studying all these components in detail.

1. Economic Environment

It refers to all these forces that have an economic impact on business activities. We know that business is an economic organization. Therefore, its survival and growth are dependent on economic factors. The economic environment includes various factors, such as inflation, interest rate, price level, money supply in the market, etc. These factors serve a business as an opportunity or as a threat to a business. Therefore, management always remains active to grab the opportunity and tries to change threats into opportunities.

For example, the rise in interest rate increases the production cost due to an increase in the price of raw materials and wages.

2. Social Environment

The social environment of a business involves customs, cultures, and traditions that have lasted for many years. Any change in the social environment will affect the demand for a product, supply of labour, and capital. Business is a part of the society in which it operates, and cooperation between business enterprises and society will see a boom and will help in the growth of the enterprise. Whereas any confrontation between them may lead to a disaster, resulting in dissatisfaction amongst its customers and rejection of its products. If the business enterprise failed to adapt to the changes, then its survival becomes difficult. They have to take care of the various forms of society and all economic activities must be focused on the scheme of social responsibility, like the same basis of wage payment for male and female workers, reservation of jobs for minorities, differently-abled people, and women.

For example, in India, various festive occasions, like Holi, Diwali, Eid, Christmas, New year, etc., provide lots of opportunities for manufacturing greeting cards and sweets, producing garments, and many other businesses and services. Social trends usually provide various opportunities and also threats to business enterprises, like at present there has been a health-conscious and fitness trend, especially amongst urban people that has brought in lots of change in this system.

3. Technological Environment

The technological environment of a business refers to the broad features of science and technology in which a business enterprise operates. It includes forces relating to innovation and scientific development, which provides a newer base for producing goods and services, and also effective methods and techniques for operating a business enterprise. Now, it is very common to see that retailers have a direct link with the suppliers who update their stocks when needed. By using the internet, people can look for flight timings, destinations, and fares and book tickets online. Technological development has made it possible to book railways tickets from home or office at a convenient time instead of standing in queues at the railway booking counters, and today almost all commercial banks have started internet banking services whereby account holders can view their account at any point in time. Technological advance creates new methods of production and production techniques. Therefore, a business enterprise must be adaptable to new technology for its survival.

For example, LED replace CRT monitors, and computers with multiple word processors replace single word processors. Digital watches have killed the business of traditional watches.

4. Political Environment

It refers to the broad features of the political system in which a business enterprise operates, including political conditions such as general stability and peace in the country, and specific attitudes that the elected government representatives hold towards the business enterprise. These forces significantly affect the day-to-day functioning of the business enterprise. Whenever there is political stability, it increases the confidence of businessmen towards the political parties as they function within the framework of the political environment. The business managers are required to understand the changes in the political environment and also respect the orders of the judiciary system that it gives from time to time. All business firms are affected by the policy and practices of the government. Therefore, the business firm must study and analyze the political environment to adjust it as per changes.

For example, after opening up the economies in the 90s, the government of India allowed MNCs to boost the various types of industries, namely food processing industries like Pepsi Coca. IT companies have found Hyderabad, Bangalore, Chennai, Pune, Noida, Kolkata, etc., to be the most suitable locations primarily due to the supportive political environment in these cities.

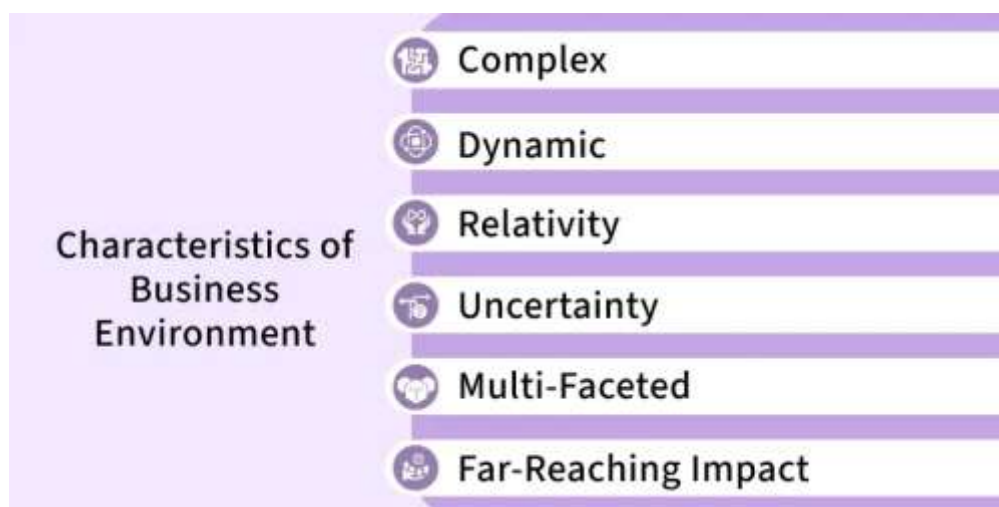
5. Legal Environment

It refers to the broad features of the legislature in which a business enterprise operates, including various legislations, which are placed and passed by the government in the parliament or state legislature. It also involves administrative orders issued by the government authorities, and courts, and also on recommendations made by the various committees. It is imperative for the management of all business enterprises to obey the law of the land for proper and smooth functioning. Non-compliance with the law will attract punishment as per the statutory provisions. Therefore, business managers must have adequate knowledge of various rules and regulations. In fact, such awareness and knowledge are pre-requisite for better business coordination and performance.

For example, the Companies Act, Consumer Protection Act, Trademark Act, Trade Union Act, etc. These acts have been passed by the parliament, which have to be followed by all organizations.

Characteristics of Business Environment

The business environment is complex and dynamic in nature. It is made up of several key characteristics that help us understand how it influences business activities.



1. Complex:

- The business environment consists of numerous interconnected economic, social, political, and technological factors.
- Each factor influences others in multiple ways, making it difficult to isolate their effects.
- Understanding their combined impact on business decisions requires careful analysis.

2. Dynamic:

- It keeps changing continuously due to innovations, government policies, competition, and global trends.
- These rapid changes can create both opportunities and threats for businesses.
- Firms must stay flexible and proactive to survive and grow in such conditions.

3. Relativity:

- The business environment varies across regions, industries, and countries.
- A condition favorable for one business may prove challenging for another.
- This relativity makes it essential to assess environmental factors within a specific context.

4. Uncertainty:

- Future changes in the environment cannot be predicted with complete accuracy.
- Sudden shifts in technology, consumer preferences, or government actions may occur unexpectedly.
- Businesses must be prepared to handle risks and adapt to unforeseen developments.

5. Multi-Faceted:

- The same change in the environment can have different impacts on different businesses.
- Its effect depends on each organization's nature, size, and response strategy.
- Hence, managers must analyze environmental changes from multiple perspectives.

6. Far-Reaching Impact:

- Environmental factors influence not only the business but also employees, consumers, and society as a whole.
- Their effects are broad, deep, and often long-term in nature.
- A single major change can transform industries, reshape markets, and redefine business strategies.

Importance of Business Environment

A business environment cannot exist in isolation rather each business enterprise exists, survive, and grows within various forces of the business environment. The enterprises have insignificant or no control over the environment and are left with no other alternative, but to adapt themselves according to these forces. A detailed understanding of the environment by the business enables them not only to identify and evaluate, but also to

react to these changing external forces in order to survive, and grow a good analysis by a business manager. This helps them to take suitable actions at the right time by formulating the right strategies, which help in improving business performance, looping with the changes to increase profits, combat competitors, and maintain the existing market share. The importance of the business environment has arisen due to the following benefits:

1. It enables the firm to identify opportunities and get the first-mover advantage:

A business environment provides numerous opportunities for the success of the business. Here, opportunities refer to the positive external changes or trends that will help in improving the performance of the business enterprise, and early identification of environmental opportunities will help the enterprise to capitalize or exploit the opportunities by being the first to exploit instead of losing the opportunities to the competitors.

For example, Maruti Suzuki India Ltd. became the leader of the small car segment in India because it was the first to recognize the need for low maintenance, low mileage, and small family cars in an environment with rising petroleum prices and an increasing middle-class population, likewise Tata Motor made the low priced car. Later other automobile manufacturers came up with similar products, but they were unable to exploit the market to the extent Tata Motors did.

2. Helps the firm to identify threats and early warning signals:

Besides opportunities, a business environment is also a source of varied threats of crisis. Threats refer to that trend or changes in the external environment, which hinders the performance of the business enterprise. A proper environmental understanding and awareness can help business managers to recognize various threats on time, which also serves as a warning signal.

For example, especially in India, they come up with many innovative products and substitutes, so the existing business enterprise must consider this as a warning signal and must handle the threat proactively well ahead of the launch of the MNCs products. They must adopt various methods, like improving the quality of the product identifying areas where the cost of production can be due, and engaging in aggressive advertising, publicity and sales promotion.

When other car manufacturing companies entered the small and mid-segment cars, Maruti Suzuki increased the production of its cars to make faster delivery. This way company could become a market leader.

3. Helps in tapping useful resources:

Business enterprises depend upon the environment as a source of input or resources (such as raw materials, water, labour, machines, finance, etc.) and as outlets for their output (goods and services). The business managers must design the policies that allow the enterprise to get the resources so that they can convert them into outputs that the consumers desire. Business arranges for payments of taxes to the government, providing reasonable and fair returns to their investors, fulfilling corporate social responsibilities, and so on. All these can be done very effectively by understanding what the environment has to offer and what it needs.

For example, with the rise in demand for LED, the company started arranging raw materials for LED instead of a CRT monitor.

4. Helps in coping with rapid changes:

The business environment should be monitored regularly by the organizations in order to remain updated. The business Environment enables the business to cope with the changes in the external environment and make relevant changes in their external environment. Besides, decision-making should be faster and procedural delays should be eliminated.

For example, the management of Google is continuously busy adding new features to its search engine to remain ahead of changes made by other competitive search engines.

5. Helps in better reputation or building corporate image:

An understanding of the business environment helps business managers to make realistic plans and policies, and also ensure their effective implementation. Consequently, the business environment will surely achieve its goals smoothly and consistently, and this fact also generates a feeling amongst the people that the business environment is sensitive to its environment, and as a result, the reputation gets enhanced.

For example, earlier General Electric Company had various products, including air condensers, computers, etc., but they discontinued making A.C and computers, as they could not achieve reasonable market share. General Electric had the policy that either captures major market share for their products supplying best to its customers or else moves out from the concerned business.

6. Help in continuous learning and improving performance:

All types of business environments are facing an increasingly dynamic business environment where changes are taking place at a fast pace. Rapid changes in technology, instant global competitors, more demanding

customers, low brand loyalty, division and subdivision of markets are just a few of the images that describe the present business environment, and the future of the business environment is closely associated with what is happening in the environment, so the business environment that continuously monitors the environment, and adopts suitable ways of action based on their environment learning experience will be the one to succeed in the market for a longer period.

For example, Indigo is a low-cost airway affordable to the masses. They fly their planes on time, and that becomes their strength. The company used to collect feedback from the customers about their preferred timings and set their flight timings accordingly to get seats filled up. People choose Indigo over full-price airlines for their reliability. This is how they improved their performance.

Internal Environment

What Is An Internal Environment?

An internal environment refers to the immediate surroundings of an individual, organisation or entity. It both promotes and is subject to change and it plays a huge factor in how someone behaves or develops. In an organisation, it refers to the internal factors, policies, practices and shared values that help shape the organisation's culture. It is a combination of several components of the business environment that help determine the corporate identity and the overall direction the company takes.

Organisations can try and influence these various factors to improve the work environment. They aim to cultivate a healthy internal environment that encourages employees to grow as individuals and professionals. This results in higher employee satisfaction, morale and productivity, which leads to the progress and growth of the business. Due to this, companies take a hands-on approach in identifying all the ways they can improve working conditions and strengthen their corporate culture.

Components Contributing To An Internal Environment

Multiple aspects govern the **internal environment** of an organisation. A company and its decisions directly or indirectly regulate and influence all of these aspects. A few of these elements are easily changeable, while others can be more complex and take longer to adjust. Here are some key components:

Organisational structure

The company culture or organisational culture of an organisation is a broad term that includes a variety of different aspects, such as its beliefs, priorities and value system. These internal factors help give it a unique sense of identity, encapsulating its essential ethos. This affects the internal environment as it indirectly determines employees' dynamics and their ability to communicate ideas and concerns to their peers and management. A positive corporate culture directly affects retention and employee morale. When a business promotes healthy and pleasant practices and quickly resolves employee concerns, personnel are more likely to remain rather than explore a new market. A good work environment also helps attract talented candidates and enhances the organisation's culture.

Company culture

The corporate culture of an organisation is a broad term that includes a variety of different aspects, such as its beliefs, priorities and values. These components help give it a unique sense of identity, encapsulating all of its essential ethos. This affects the internal atmosphere as it indirectly determines employees' dynamics and their ability to communicate ideas and concerns to their peers and management.

A work culture also directly affects retention. When a business promotes healthy and pleasant practices and quickly resolves employee concerns, personnel are more likely to want to stay with the company long-term, rather than looking for better opportunities. Similarly, having a positive work culture makes an organisation appealing to work in and can help attract talented candidates. Furthermore, a good work culture improves staff morale resulting in increased productivity.

Human resource environments

Human resources (HR) refer to the human resources management practices and processes that help maintain a stable, secure and productive workplace. They regulate the internal environment by managing the tangible assets of the workforce — hiring, onboarding, compensation, and misconduct. HR teams drive initiatives that improve employee satisfaction and uphold ethical standards. The department also oversees resource allocation and plays a key role in shaping the corporate culture and ensuring sustainability in people practices.

Physical resources

Another factor affecting an organisation's environment is the physical resources it has access to and can obtain. These refer to all the tangible equipment that an organisation possesses. This can include workplace furniture, machinery, instruments, tools and technology. It also comprises

the offices that the company owns. All of these components form the physical environment and thus directly affect an organisation's atmosphere. Businesses with access to higher-quality physical resources tend to have a competitive advantage over establishments that do not have access to similar elements.

Technological resources

Technological resources also play an essential part in forming an environment. This refers to the access of technology and the knowledge to use it effectively. Digital tools, computers and the Internet have made communicating, collaborating and remote working much easier. When organisations use these tools efficiently, they can benefit greatly, so it is important for leaders to consider how familiar employees are with modern technology and to gauge their competency and capabilities. As a manager, you could look for ways to continually improve employees' technical knowledge, as this can aid their professional development and benefit the business.

Knowing how to effectively use an organisation's technological resources is important for employees. Companies often provide training and seminars on how staff members can get the most benefit from the resources that it offers. The dynamic and flexible nature of modern technology makes it possible to automate a lot of manual processes with successful results. Workplaces that put a higher emphasis on reducing manual labour and encouraging employees to adopt technology in their work are typically preferable to work at.

Tips For Establishing A Positive Environment

An affirmative work setting can help an organisation in many ways. Some of the steps a company can take to leverage its control of these factors to ultimately improve their environment are as follows:

Enforce and design organisational structure

Organisations can better define individual responsibilities by clearly demarcating different roles. By doing this, individuals are aware of their duties and the level of influence they possess. This helps orient them towards the common business goals and focuses their energy on the tasks the company has assigned to them. When implementing this model, ensure that all employees respect the defined hierarchy. This helps maintain a positive work atmosphere and boost morale.

Prioritise human resources

The HR department supports the success of an organisation, as it cares about the human aspect of the business—the employees and the overall workforce. Its fundamental principle is to look after the workforce's needs and welfare. Doing so allows the employees to focus more on their work, impacting the organisation as a whole. Maintaining an environment is a huge responsibility for an HR team. Their approach is holistic and takes into consideration multiple factors, such as the ones listed previously. They integrate all these elements into their practices and processes to ensure a successful and healthy work environment.

Support and maintain a positive corporate culture

As previously discussed, the work culture plays a large part in defining and setting up an environment. Organisations can set up a positive, employee-friendly culture by considering the human needs of the workforce and prioritising the fulfilment of these. As a manager, emphasising the importance of support, trust and transparency in the company's culture can prompt employees to feel more comfortable interacting with management and it may inspire them to meet their productivity goals. Setting up employee-first policies is a good way to modify the work culture of an organisation. These can include good compensation practices, insurance policies, maternal or paternal leaves and growth opportunities. It is also beneficial to integrate regulations that curb misuse of freedom, such as anti-harassment and anti-corruption policies and the prevention of sexual harassment.

External Environment

External Environment refers to the part of the business environment which comprises all the outside elements or forces that affect the business operations. As a business cannot survive in isolation, it has to act or react effectively to every happening, just to keep the business going

What are external environmental factors?

External environmental factors are elements that exist outside of a company's internal environment that can affect the company's operations. These outside forces can help the business or present challenges to its current processes. Managers often keep track of external environmental factors so they can recognize and resolve the issues the factors cause and make appropriate changes. The external environment of a company changes constantly in ways beyond the company's control, but executives and managers can track these changes and minimize their consequences.

Choosing to monitor the dynamic nature of external environmental factors allows businesses to protect themselves against predictable events and mitigate the effects of unexpected changes.

9 types of external environmental factors

Here are the nine types of external environmental factors that affect businesses:

1. Technological factors

As technology continues to advance, companies can benefit from these breakthroughs or face challenges in competing with them. For example, a company that manufactures GPS devices for personal cars may experience a decline in business because of the integration of GPS on mobile devices, but it can confront these challenges by developing new products. Other companies, such as healthcare providers, can use modernized methods to collect information from their patients, keep patient records and streamline patient care.

2. Economic factors

The state of the economy plays an important role in every aspect of daily life from the well-being of personnel to the ability of a company to thrive. When the economy trends downward and unemployment rises, businesses may have to work harder to keep their staff and change their processes to continue earning revenue. If the company produces products for retail sale, for instance, it may consider lowering the price to increase sales and positively affect its revenue.

3. Political and legal factors

As political officials leave office and new ones replace them, the policies they implement often affect businesses in relevant industries. Because of the inconsistent nature of politics, businesses monitor legislative bills closely to prepare for potential changes. Policies that can have long-term effects on companies include:

- taxation
- tariffs
- employment law
- competition regulation
- import restrictions
- intellectual property law

Companies affected by political decisions must modify their processes to comply with new legislation and regulations but doing so can keep them in business.

4. Demographic factors

Companies with successful products and services evaluate the demographics of their target market to ensure they meet the needs of those

who benefit from their offerings. They also perform tests to measure how well they serve their customers. This helps them understand if their target market has changed and how they can develop better ways to serve their loyal customers and earn new ones.

5. Social factors

Where people live, their personal values and their socioeconomic status affect what, where and why people make purchases. Businesses take social factors into consideration when developing and marketing products, and many use current events, movements and social issues to appeal to their customers.

6. Competitive factors

Businesses can increase their market share and stay relevant to their customers by keeping track of their competitors. They can identify and evaluate successes and challenges, thus learning what to incorporate into their own processes and how to prevent revenue loss. They can also use the information they gather to develop ideas for product changes, product relaunches and new product development.

7. Global factors

Executives keep track of both domestic and global issues, especially if they conduct business internationally. By learning about social issues that affect those in other countries and their cultural norms, consumer trends and economic status, company leaders can provide their teams with relevant training. This enables them to develop products or offer services that meet the needs of international customers by providing solutions to challenges they face as consumers.

8. Ethical factors

Ethical factors, such as social norms and values, may also have an impact on businesses and their employees. One important option to consider is creating a code of ethics that can help managers establish guidelines and address issues as they arise.

9. Natural factors

As environmental awareness continues to grow, more consumers have realized the effects of business processes on the planet. Some consumers have used their purchases to support companies that develop ecologically friendly practices, such as using compostable packaging and solar energy. By paying attention to these external concerns and changing their operations, businesses can make changes that help them protect the environment, retain customers and increase revenue.

Economic Environment

What is an economic environment?

The answer to 'What is an economic environment?' is essentially the various economic factors that can affect a company's profit and performance. These are different depending on the nature of the business in question. For example, factors such as the weather might affect an agricultural business, as significant changes could affect the growth of the crops. For a newspaper business, factors such as the rise of the Internet would be more likely to have an effect because online media competes with newspapers when advertising business. The economic environment a company operates in includes both macroeconomic (large-scale) and microeconomic (small-scale) factors.

Microeconomic factors

The microeconomic environment refers to factors that have an effect at the individual company or consumer level. They don't affect the whole economy but can have an effect on particular companies. Examples of microeconomic factors include:

- **Competitors:** Companies may see an impact on their profits when the number of competitors in the market changes. For example, if a new company opens that sells a similar product at a lower rate, the more expensive company might lose business.
- **Demand:** Various external factors can affect how much demand there is for a company's products or services, which can significantly affect its bottom line. For example, a company that makes accessories for a piece of technology would be likely to rethink its strategy if that technology became obsolete.
- **Market size:** Market size refers to the total possible number of sales a company can make, often over the course of a year or other economic period. If the market changes, it can affect the company's profits.
- **Suppliers:** Companies that sell products may experience changes to their microeconomic environment if there is a change in the materials or services that their suppliers can provide. This might mean that they decide to find a new supplier.
- **Supply:** Changes to the availability of a particular material that a company uses to make its products might influence its profit margins.
- **Distribution chain:** Companies use various methods to distribute their products, for example, by selling them over the Internet or in shops. If there are any changes to these distribution methods, such as a chain of shops going out of business, this can affect the company's financial performance.

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- **Availability of employees:** All businesses need employees to make, promote and sell their products or services, and a change in the availability of people with the right skills can have a big effect on a company. For example, tech companies might need employees with very specific skills, which could cause a problem if these become less readily available.
- **Availability of investors:** Many companies rely on shareholders and investors to provide funding. If an investor drops out or there are fewer people investing in companies in a certain area or business, this could badly affect a company's ability to do business.
- **Media and community:** The way in which local media and the community more widely perceive a company can also have an effect on the company's success. Bad press can negatively affect a company's bottom-line, while companies that provide employment, pay taxes and operate with social and environmental awareness are likely to be respected within their community.

Macroeconomic factors

The macroeconomic environment concerns the economy and includes large-scale factors that can affect many different companies. Examples of macroeconomic factors include:

- **Unemployment rates:** A country's employment rate can have an effect on the economy. A low rate of unemployment generally indicates that the economy is healthier.
- **Inflation:** Inflation describes an increase in the cost of goods in an economy that occurs over time. Rapid inflation is generally seen as a sign of economic instability, while gradual inflation is a normal economic factor.
- **Interest rates:** Interest rates refer to the amount of return that money invested in a country's financial system generates. High-interest rates indicate that the country's currency has a higher value.
- **GDP growth:** GDP, or gross domestic product, is the overall value of the goods and services that a country produces. Economists usually calculate this annually as a way of measuring the health of the general economy in a country.
- **Taxes:** Companies are liable for various taxes and charges that the government sets. Changes to the rates companies pay can have an effect on the economy.
- **Exchange rates:** It's a normal factor of the economy that exchange rates between different currencies fluctuate over time. A rapid change in the exchange rate can indicate a weak economy.

- **Customers' discretionary income:** Societal changes can affect the amount of extra income that customers have available after paying expenses such as rent and utilities. This can have an effect on the economy, which can become weaker if consumers have less money to spend.
- **Retail sales:** Retail sales indicate how much the population of a country is spending as a whole and is an indicator of an economy's health. Business traders can watch spending reports to determine whether retail sales have dropped, which could show that the economy is in trouble.
- **International trade:** The level of international trade that a country is doing can also be a clue as to the state of the economy. Countries that export more products than they import can raise the price of their goods as there is a strong demand for them, indicating a healthy economy.
- **Environmental factors:** Environmental factors, such as natural disasters, can also have an impact on the economy. For example, spending in certain industries might decrease after a natural disaster, such as an earthquake, while other industries might experience an increase in sales.

Economic environment examples

The economic environment can be a complex concept to understand. Here are some examples to help further your understanding:

Example

A small shop, Bert's Greengrocer, is a high street shop that sells fruits and vegetables to consumers. There are various microeconomic and macroeconomic factors that can affect their turnover and profit. For example, if another greengrocer opened on the next street and was able to sell their products cheaper because of lower rent or other factors, this would create competition for Bert's Greengrocer and affect the company's profit. This is an example of a microeconomic factor. There are also larger-scale factors that might affect the company. For example, a macroeconomic factor that could affect the business would be if there was an increase in unemployment in the area, which meant that Bert's Greengrocer's customers had less disposable income to spend in more expensive local stores and started shopping in a nearby discount supermarket instead.

Example

Another company, CLT Security, manufactures tapes for CCTV cameras and has several large contracts with national high street chains. A change in the taxes the company was liable for would be an example of a macroeconomic factor that could affect their profit and would also affect lots of other

companies. There are also microeconomic factors that may affect them. For example, because of technological advancements, many stores now capture and store CCTV footage digitally, which means they no longer have a need for physical tapes. This might mean that CLT Security loses contracts and has to reassess its business model.

Social and Technological Environment

Social Environment

The social environment refers to the surroundings created by society that influence business activities and decision-making. It includes the customs, traditions, beliefs, values, culture, education, lifestyle, and attitudes of people. Every business operates within a society, and its success depends on how well it understands and responds to social factors. The social environment shapes consumer behavior and determines the demand for products and services.

Components of Social Environment

The social environment is made up of several important elements such as population, family structure, education level, cultural practices, social values, and consumer preferences. Population size and age distribution influence market demand. Education affects awareness and buying decisions. Cultural practices and traditions determine the acceptance of products in different regions. Social values guide ethical business practices and customer expectations.

Importance of Social Environment in Business

The social environment is important because it helps businesses understand the needs and expectations of society. By studying social trends, businesses can design products and services that satisfy customer demands. It also helps organizations maintain good relationships with customers and communities. A positive social image improves brand reputation and customer loyalty.

Impact of Social Changes on Business

Social changes such as changing lifestyles, urbanization, increasing literacy, and growing awareness of health and environmental issues have a direct impact on business operations. For example, the increasing preference for healthy food has encouraged food companies to introduce organic and low-calorie products. Businesses that fail to adapt to social changes may lose relevance in the market.

Social Responsibility of Business

Businesses have a responsibility to contribute positively to society. They must provide quality products, ensure fair treatment of employees, protect consumer interests, and support social welfare activities. Corporate social responsibility helps businesses build trust and long-term goodwill among customers and society.

Role of Social Environment in Economic Development

The social environment plays a significant role in economic growth. A socially aware and educated population supports innovation, entrepreneurship, and productive business activities. Strong social values such as honesty, discipline, and cooperation contribute to the development of a healthy business environment.

Technological Environment

Meaning

The technological environment refers to the level of scientific knowledge, innovation, and technological advancement that affects business activities. It includes new inventions, machinery, production methods, communication systems, research and development, and digital technologies. Technology plays a vital role in improving business efficiency and competitiveness.

Components of Technological Environment

The technological environment consists of factors such as research and development, automation, information technology, internet facilities, software systems, and modern communication tools. These components help businesses improve production processes, reduce costs, and deliver better services to customers.

Importance of Technological Environment in Business

Technology is important because it helps businesses increase productivity, improve quality, and reduce operational costs. Modern technology enables faster communication, efficient management, and better customer service. Businesses that adopt advanced technology gain a competitive advantage in the market and can respond quickly to changing customer needs.

Impact of Technological Changes on Business

Technological changes bring major transformations in business operations. Automation has reduced manual work and increased production speed. E-commerce platforms have changed the way businesses sell products. Digital payment systems have made transactions easier and more secure. However, rapid technological changes also require businesses to invest in training and upgrading systems.

Advantages of Technological Development

Technological development offers many benefits such as increased efficiency, innovation, accuracy, and global connectivity. It allows businesses to reach customers worldwide through online platforms. Advanced data analysis helps companies make better decisions and improve customer satisfaction.

Challenges of Technological Environment

Despite its advantages, technology also creates challenges such as high investment costs, risk of cyber threats, and the need for continuous updates. Businesses must regularly upgrade their systems to remain competitive. Employees may also require training to adapt to new technologies.

Role of Technological Environment in Business Growth

The technological environment supports business growth by encouraging innovation and improving operational efficiency. It enables businesses to develop new products, expand into global markets, and provide better customer experiences. Technology has become essential for survival and success in the modern business world.

CHAPTER 4

Principles and Functions of Management

Planning

What is Planning?

Planning is a blueprint of the course of action to be followed in the future. It is also a mental exercise that requires imagination, foresight, and sound judgment. It is thinking before doing. It is a preparatory step and refers to detailed programs regarding the future course of action. Simply put, planning is the basic management function that involves forecasting, laying down objectives, analyzing the different courses of action, and deciding the best alternative to perform different managerial functions to achieve pre-determined goals. Thus, it is a continuous process that involves decision-making; i.e., deciding the course of action for framing and achieving objectives.

"Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen." -Koontz and O'Donnell

Features of Planning

By analyzing the above meaning and definition, we can reveal the following features of planning:

1. Planning Focuses on Achieving Objectives: Planning is a goal-oriented work because its purpose is to achieve organizational objectives quickly and economically. These objectives are purposeful, as they provide basic guidelines for planning activities by identifying the actions which lead to desired results.

2. Planning is a Primary Function of Management: Planning is the primary function of management as it serves as a base for all other management functions because it provides the basic framework within which all other management functions are performed. We consider it to be a blueprint, as it provides the foundation for managerial actions.

3. Planning is Pervasive: It is pervasive as it is required at all levels of management and in all types of organizations. However, the scope of

planning varies from one level to another, while supervisors at the lowest level formulate day-to-day operational programs and middle-level managers prepare departmental plans, and the top management plans for the organization as a whole.

4. Planning is a Continuous Process: Planning is an ongoing process. Plans are prepared for a specific period and at the end of that period, there is a need for a new plan based on the new situation. Since the future is uncertain, there are various assumptions about the future that may change. Therefore, the original plan may have to be revised in light of changing conditions.

5. Planning is Futuristic: Planning involves looking into the future, and it predicts the best advantage of an organization. Managers plan to manage future events to the best of their capacity. Planning also involves thinking about the future for doing in the present. It essentially involves scientific anticipation of future events; i.e., forecasting.

6. Planning involves Decision-Making: Planning is the process of making choices from various alternatives to achieve the specified objectives. The need for planning arises only when alternatives are available, and in actual practice, planning presupposes the existence of alternatives. Thus, decision-making is an integral part of planning, as it involves a choice from various alternative courses of action. But, if there is only one alternative, then there is no need for planning.

7. Planning is a Mental Exercise: Planning is an intellectual process that is related to thinking before doing involving imagination and creativity. It is an activity of thinking based on logical reasoning rather than guessing and doing work. The success of planning depends on the performance of a planner. So, a planner must have intelligent imagination and sound judgment capacity.

Importance of Planning



1. Planning Provides Direction: Planning is involved in deciding the future course of action. Fixing goals and objectives is the priority of any organization. By stating the objective in advance, planning provides unity of direction. Proper planning makes goals clear and specific. It helps the manager to focus on the purpose for which various activities are to be undertaken. It means planning reduces aimless activity and makes actions more meaningful.

2. Planning Reduces the Risk of Uncertainty: Every business enterprise has to operate in an uncertain environment. Planning helps a firm to survive in this uncertain environment by eliminating unnecessary action. It also helps to anticipate the future, and prepare for the risk by making necessary provisions.

3. Planning Reduces Overlapping and Wasteful Activity: Plans are formulated after keeping in mind the objective of the organization. An effective plan integrates the activity of all the departments. In this way, planning reduces overlapping and wasteful activities.

4. Planning Promotes Creativity and Innovative Ideas: Planning encourages creativity, and helps the organization in various ways. Managers develop new ideas and apply the same to create new products and services leading to overall growth and expansion of the business. Therefore, it is rightly said that a good planning process will promote more individual participation by throwing up various new ideas and encouraging managers to think differently.

5. Planning Facilitates Decision-Making: Decision-making means searching for various alternatives and selecting the best one. Planning helps the manager to look into the future, and choose among various alternative forces of action. Planning provides guidelines for sound and effective decision-making.

6. Planning Establishes a Standard for Controlling: Planning lays down the standards against which actual performance can be evaluated and measured. Comparison between the actual performance and pre-determined standards help to point out the deviation, and take corrective actions to ensure that events confront plans. In case of any deviation, the management can take remedial measures to improve the results.

Limitations of Planning

Following are the limitations of planning:

1. Rigidity: Planning brings rigidity to work as employees are required to strictly follow pre-determined policies. There is a tendency that by strictly following these predetermined policies, people become more concerned

about complying with these plans rather than achieving the goals. Sometimes planning discourages individual initiative and creativity. It restricts their freedom and new opportunities are ignored.

2. Planning may not Work in a Dynamic Environment: Planning has to operate in an external environment, such as government policies, technology, etc., which is beyond the control of the organization. In any situation, changes in the environment make the plan inoperative and ineffective. So planning does not provide a positive result when such changes are not accurately forecasted.

3. Planning Reduces Creativity: Planning involves the determination of policies and procedures in advance. Employees are required to strictly follow them, and deviations are considered to be highly undesirable. As a result, employees do not show their skills, and it reduces their initiative and creativity.

4. Planning Involves Huge Costs: Planning is an expensive process because a lot of money is spent on gathering and analyzing information. It also involves the cost of experts, as experts are paid for planning. Efforts should be made to benefit from the analysis and ensure that benefits derived from planning should be more than their cost. If the cost of planning does not justify the benefit, then planning should be avoided.

5. Planning is Time-Consuming: It takes a lot of time in collecting, analyzing, and interpreting information relevant to planning. This causes a delay in decision making. Therefore during crises and emergencies, which call for an immediate decision, planning does not work. Sometimes, advance planning may lead to a delay in actions making, which may result in the loss of profitable opportunities.

6. Planning does not Guarantee Success: Planning may create a false sense of security in the organization. Managers tend to adopt previously tested plans, but it is not necessary that a plan which has worked before will work again in this competitive environment. So, we cannot say that planning guarantees success.

7. Resistance to Change: The employee becomes familiar with the method of doing work. So they resist change and do not want to adopt a new method of doing work. Such unwillingness may lead to the failure of the plan.

One of the reasons why we need planning is again the 18/20 rule. It is well established that for unplanned activity, 80% of the effort is less than 20% of the outcomes. One should spend much time deciding what to do, when to do and how to do it. Otherwise, it may result in taking many unnecessary, unfocused and inefficient steps. Limitations of planning indicate the problems in the planning process, but with limited careful steps, these limitations of planning can be overcome. It is much easier to adjust a plan to avoid a coming rise rather than to deal with the crisis when it comes.

Organizing

What is Organising in Management?

Organising refers to a process consisting of a series of steps to identify and group various activities, collect or assemble various resources and establish authority relationships with responsibility amongst job positions. It can be mentioned as collecting and utilizing human and non-human resources to implement plans in a highly effective and efficient manner. It is to achieve the overall plan of the organisation. In other words, it refers to the process of arranging people to work together and accomplish a common goal. It is a process of identifying activities to be performed, grouping these activities into work units, assembling tasks for the various job positions, defining rules, and establishing the authority, responsibility, and relationship amongst them.

Definition of Organising

- "Organising is a process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organising function, the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed." - **Theo Haimann**
- "Organizing is a function by which the concern is able to define the role positions, the jobs related and the coordination between authority and responsibility." - **Chester I. Barnard**
- "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them." - **Luther Gulick**

Importance of Organising

Following are the importance of organising:

1. Benefits of Specialization:

In an organisation, work is divided into units and departments. This division of work leads to specialization in various activities of the concern. The entire philosophy of the organisation is based on the concept of division of work into compact jobs. This leads to systematic allocation of jobs amongst staff, which enhances productivity and reduces the workload. Division of work refers to assigning responsibility for each organisational component to a specific individual or group. This, in turn leads to specialization, efficiency and speed in job performance.

2. Clarity in a Working Relationship:

After identification of a job, organising also clarifies the authority and responsibility of individuals of different departments. It is a means of

creating coordination among different departments of enterprises. It aims at creating clear-cut responsibility, and authority relationships amongst different levels and ensuring cooperation amongst individuals and groups. Harmony of work is brought by the high level of management. Every employee knows his superior from whom he has to take the order, and to whom he has to report. This working relationship helps in fixing responsibility and helps to avoid confusion.

3. Optimum Utilization of Resources:

Organising ensures the optimum utilization of human and material resources. In organising, work is assigned as per skill and knowledge. The clarity in the job in advance of what the employees are supposed to do avoids confusion and motivates employees to put in their best.

4. Adaption to Change:

The process of organising allows an organisation to accommodate changes in a business environment. So the organisation structure is suitably modified and the revision of the job position and relationships plan the way for smooth transactions. Thus, organising provide flexibility and stability to an organisation. It helps an organisation to survive and grow, despite people leaving and joining. It also helps to adapt to changes in technology, new methods of work, etc.

5. Effective Administration:

Organising provides a clear description of the jobs and working relationships. It helps in effective administration by avoiding confusion and duplication of work. Organising also reduces the workload of the top management by delegating authority. As a result, top management is relieved from routine work and can concentrate on the administration of the company.

6. Development of Personnel:

In the process of organising, a managerial person is trained to acquire a wide experience in diverse activities through delegation of authority. Delegation allows manager to reduce their work by assigning future jobs to subordinates. It also gives time to concentrate on important work. The delegation also develops a sense of responsibility in the subordinates and motivates them to do more challenging work.

7. Expansion and Growth:

An organisation's growth is totally dependent on how efficiently and smoothly it works. The organising process creates a favorable condition for expansion and diversification of enterprise by enabling it to deviate from existing norms and take up a new challenge. Organising allows a business enterprise to access more job positions and departments, and even diversifies its product lines. It helps in the expansion and growth of the business.

Steps in the Organising Process



The steps involved in the process of organising are as follows:

1. Identification and Division of Work:

The function of organising starts with the identification of the total work which is to be done to achieve the organisational goal. The work is divided systematically so that each person gets a separate task to perform. This helps to avoid unnecessary duplication and wastage of efforts and facilitates the specialization of efforts and skills.

2. Departmentalisation:

Once the identification and division of work are done. The next step is to combine group-related activities into units and departments. This process of grouping similar and related activities into groups of large independent units or departments is known as departmentalisation. The grouping may be done on the basis of function, product, customer, etc.

3. Assignment of Duty:

After grouping various activities into departments, the next step is necessary to allocate the work of different employees. Duty should be assigned based on the knowledge, qualification, experience, and capability of the individual. There should be a proper match between job requirements and the capabilities of employees.

4. Establishing Reporting Relationship:

After assigning duty, the next step is to clearly define the authority and responsibility of the employees. If two or more person is working together for a common goal, then it is necessary to define the relationship between them in clear terms. There is a need to create a hierarchical structure and help in coordination among various departments.

Staffing

What is Staffing?

Staffing is that part of management concerned with obtaining, utilizing, and maintaining capable people to fill all positions in the organization from top level to bottom level. It involves the scientific and systematic procurement, allocation, utilization, conservation, and development of human resources. It is the art of acquiring, developing, and maintaining a satisfactory and satisfied workforce. Staffing is that function by which a manager builds an organization through the recruitment, selection, and development of the individual, which also includes a series of activities. It ensures that the organization has the right number of people and the right kind of people at the right places, at the right time, and performing the right thing.

Definitions of Staffing

- "The managerial function of staffing involves manning the organizational structure through the proper and effective selection, appraisal, and development of personnel to fill roles designed into the structure."-**Koontz and O' Donell**
- "The placement, growth, development of all those members of the organization whose function is to get things done through the efforts of other individuals."-**Theo Haimann**
- "Staffing is the function by which managers build an organization through the recruitment, selection and development of individuals as capable employees."-**Mc Farland**

Features of Staffing

Following are the features of staffing:

- **Staffing is an integral part of management:** Staffing is an integral part of management because an organization cannot exist without human resources.
- **Pervasive:** It is pervasive because staffing is performed by all managers at all levels and in every department.
- **Continuous Process:** Staffing is a continuous process because it continues throughout the life of the organization. It is required to meet the growing needs of an organization.
- **Deals with a human being:** Staffing deals with people because it is concerned with the people at work and their relationships.
- **Wide scope:** Staffing has a wide scope because it includes a series of activities, like workforce planning, recruitment, selection, and training.

- **Multiple objective activity:** It is a multiple objective activity because it has to fulfill its responsibility towards the organization, employees and society.

Importance of Staffing

Following are the importance of staffing:

- **Filling job with competent personnel:** Staffing involve with proper arrangement of people through proper recruitment and selection process. It helps with obtaining competent staff for various jobs.
- **Better performance:** The performance of an organization depends on the quality of persons employed in the organization. The function of staffing is significant because it ensures higher performance by putting the right person in the right job at the right time.
- **Survival and growth:** Staffing is a very important function of management in comparison to other functions because all the functions of an organization are performed by the people. Competent and efficient workers bring an organization into existence and ensure its survival and growth.
- **Optimum utilization of human resources:** The staffing process helps to ensure optimum use of human resources by avoiding overstaffing. It prevents the underutilization of personnel and higher labor cost. It also helps in avoiding disruption of work by indicating in advance the shortage of personnel.
- **Improve job satisfaction and morale:** Proper staffing improves job satisfaction and morale of employees through objective assessment and fair rewarding for their contribution. It provides right kind of work atmosphere and culture to employees.

The principal assets of an enterprise that lay down the foundation of any organization are talented and hardworking people. For any organization's growth and development, continuous infusion of quality staff is required. Therefore, appropriate human resources or staffing is very important for any organization's success. It is believed that an organization can achieve its objectives only when it has the right persons in the right positions.

Directing

What is Directing?

The process of instructing, guiding, counselling, motivating, and leading people in an organisation to achieve the organisational goals is known as **Directing**.

Directing not only includes order and instructions by a superior to the subordinates but also includes guiding and inspiring them. It encompassed

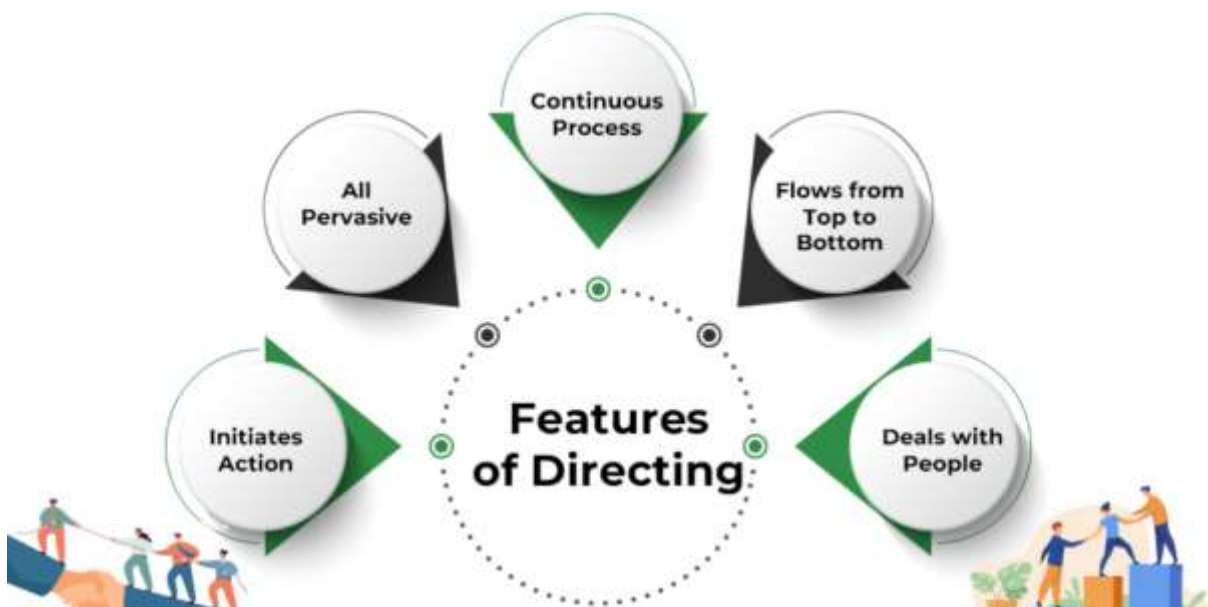
FOUNDATION OF COMMERCE AND MANAGEMENT

many elements like motivation, leadership, supervision, besides communication. It is a managerial function which is performed throughout the life of an organisation.

In the words of Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability".

In the words of Theo Haimann, "Directing consists of the process and techniques utilised in issuing instructions and making certain that operations are carried on as originally planned".

After planning, organising the structure of the organisation and arranging the necessary human force, the next important step is directing. Directing aims to ensure that activities of all the employees are mobilised towards the organisational goals. It is the connecting link between the functions of management, i.e., planning, organising, staffing and controlling.



Features or Characteristics of Directing

The characteristics of Directing are as follows:

- **Directing initiates action:** The other functions of management, i.e., planning, organising, staffing, etc., create conditions for managers to take appropriate actions, whereas directing function initiates actions in an organisation. It converts plans into action. It is the key managerial function performed by the managers.
- **Directing is pervasive:** It is pervasive as it takes place at every level of management. It takes place wherever superior-subordinate

relations exist. Every manager has a subordinate who works under him and is responsible for getting things done.

- **Directing is a continuous process:** Directing is an ongoing activity. It takes place throughout the life of an organisation, irrespective of the people in the organisation. Managers give orders to their subordinates, motivate them, and guide them on a continuous basis.
- **Directing flows from top to bottom:** It flows from top to bottom through the organisational hierarchy. In directing, every manager directs his subordinates and takes instructions from his immediate boss. It is a function of a superior, i.e., the superior motivates, guides, and supervises his subordinates to achieve the organisational goals.
- **Directing deals with people:** It is concerned with the direction of human efforts towards organisational goals. It can be said that directing is a delicate function, as it deals with people, and human behaviour is complex and highly unpredictable.

Importance of Directing

The importance of directing are as follows:

- **Directing Initiates action:** Directing sets an organisation into motion, and helps other managerial functions to initiate and activate. It helps the managers to supervise, communicate, lead, guide and motivate the subordinates to achieve the organisational goals. For example, a superior guides his subordinates and explains the task, which will help the subordinates to start the work and achieve the goal.
- **Directing leads to integrated group activity:** The organisational objectives can be achieved only when individual efforts are integrated. Directing integrates employees' efforts in such a way that every individual effort contributes to organisational performance. For example, a leader can convince his subordinates that group efforts will help to achieve organisational goals.
- **Directing attempts to get maximum out of individuals:** Directing helps superiors to realise the potential and identify the capabilities of individuals by motivating and guiding them. By using the elements of directing, i.e., supervision, motivation, leadership, and communication, the efficiency of employees can be raised.
- **Directing helps to implement changes:** Directing helps to introduce changes in an organisation. Generally, people in an organisation resist changes. Effective communication, supervision, motivation and guidance help to overcome such resistance at the workplace. For example, the introduction of a new method of doing a particular task in a factory is resisted by workers, but when managers explain the

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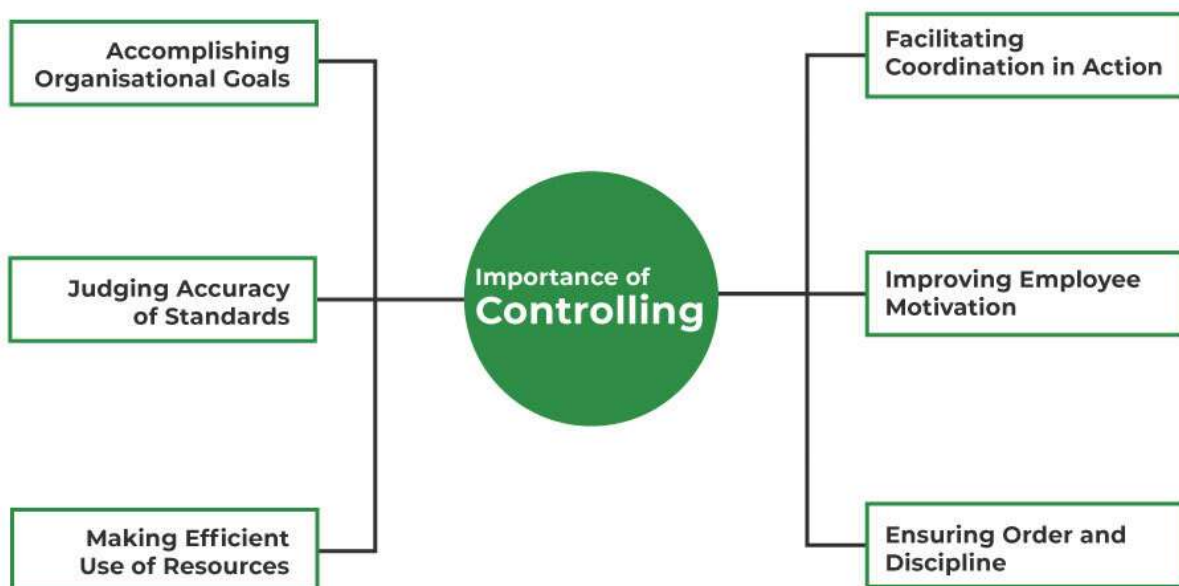
purpose, guide and provide them training and rewards, it can be easily accepted by the workers.

- **Directing provides stability and balance in the organisation:** Stability and balance are maintained in an organisation with the help of directing because it fosters cooperation and commitment amongst employees, and helps to achieve balance amongst various groups, departments, units, etc. For example, every individual has personal goals, but the managers integrate the efforts of all the individuals towards the achievement of organisational goals through guidance, motivation, supervision and communication.

Controlling

What is Controlling in Management?

Every organisation aims at achieving some goals from its business activities and it is essential to ensure whether or not the firm is performing activities according to the pre-determined goals. The controlling function of management helps an organisation in ensuring the same. Hence, **Controlling** means comparing the actual performance of an organisation with the planned performance and taking corrective actions if the actual performance does not match the planned performance. Controlling cannot prevent the deviation in actual and planned performance; however, it can minimise the deviations by taking corrective actions and decisions that can reduce their recurrence.



Definitions of Controlling:

- "Managerial Control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans." - **Koontz and O'Donnell**
- "Control is the process of bringing about conformity of performance with planned action." - **Dale Henning**

Nature of Controlling

1. Controlling is a **goal-oriented** function of management. It aims at ensuring that the resources of the organisation are used effectively and efficiently for the achievement of pre-determined organisational goals.
2. Controlling is a **continuous** process. It means that once the actual performance and standard performance of a business are compared and corrective actions are taken, the controlling process does not end. Instead, the firms have to continuously review the performance and revise the standards.
3. Controlling is **all-pervasive**. It means that the controlling function is exercised by the firms at all levels of management. The extent of control and nature of the function may vary at every level. Also, a controlling process is required in both non-business and business organisations.
4. Controlling process is both a **forward-looking** and **backward-looking** function. As a forward-looking function, it aims at improving the future performance of an organisation on the basis of its past experiences. However, as a backward-looking function, it measures and compares the actual performance and planned performance (fixed in past) of the organisation.

Importance of Controlling

Controlling function is important for every organisation due to the following reasons:

1. Accomplishing Organisational Goals

Controlling is a goal-oriented process as it aims at determining whether the pre-determined plans are being performed accordingly and whether required progress is made towards the achievement of the objectives. With the help of controlling, an organisation can keep the business activities on the right track and can achieve the organisational goals effectively and efficiently, and take the necessary corrective actions if required.

2. Judging Accuracy of Standards

An effective controlling process can help an organisation in verifying whether or not the firm has set the standards accurate. It also helps in

keeping a check on the changes taking place in the business environment and making required changes in the standards whenever it is necessary.

3. Making Efficient Use of Resources

Controlling helps an organisation in reducing wastage of resources, as it aims at ensuring that every activity of the firm is performed according to the pre-determined goals.

4. Improving Employee Motivation

As controlling process includes comparing the pre-determined goals of an organisation with its actual performance, it properly communicates the role of employees in advance. It means that the employees know in advance on what standards their performance will be measured, compared, and appraised. This set of pre-determined goals motivates them to give a better performance.

5. Ensuring Order and Discipline

An efficient control system in an organisation can help its managers in creating an atmosphere of discipline and order in the firm. Besides, controlling also helps in keeping a continuous check on the employees so they can minimise undesirable activities, such as theft, corruption, fraud, etc.

6. Facilitating Coordination in Action

Controlling process also helps an organisation in facilitating coordination between different divisions and departments by providing the employees with unity of direction. In other words, every employee and department of the organisation is governed by a pre-determined set of goals. It also motivates employees in achieving these common goals through coordination to avoid duplication of efforts.

Features of a Good Control System

1. **Suitable:** A good control system should be suitable for the needs and nature of the organisation.
2. **Simple:** A good controlling system should be easy to operate and understand.
3. **Economical:** The cost of setting, implementing, and maintaining a control system should not be more than the benefits gained from it.
4. **Flexible:** A good control system should have the ability to adjust according to the changing business environment and internal conditions.
5. **Forward Looking:** A good control system should move in a forward direction so that the managers can easily determine the deviations before they actually happen in the organisation.

6. **Objective:** *The standards of the organisation, its measurement of performance, and corrective actions should be impersonal and objective.*
7. **Management by exception:** *A good control system should focus its attention on the significant deviations which are crucial for the organisation, instead of looking for the deviation which does not have much impact on the business.*

Limitations of Controlling

1. Difficulty in Setting Quantitative Standards

When an organisation cannot define its standards in quantitative terms, the controlling system becomes less effective. **For example**, it is difficult to measure the human behaviour of employees in quantitative terms, which makes it difficult for the firm to measure their performance from the standards.

2. Little Control on External Factors

The controlling system of an organisation can effectively control the internal factors; however, it is not easy to control the external factors of an organisation. **For example**, a firm can check and control any change in its production (internal factor), but cannot keep a check on the changing technological advancement, government policies, etc. (external factors).

3. Resistance from employees

The effectiveness of the controlling system highly depends on whether or not the employees have accepted the process. It means that if the employees think of the control system as a restriction on their freedom, they will resist the system. **For example**, the employees of an organisation might object when they are kept under various restrictions making them feel their freedom is being taken.

4. Costly Affair

Controlling is an expensive process, which means that every employee's performance has to be measured and reported to the higher authorities, which requires a lot of costs, time, and effort. Because of this reason, it becomes difficult for small business firms to afford such an expensive system. Besides, a controlling system is effective only when the benefits gained from it exceed the expenses made on them.

Business Organization

Forms of Business Organization

A business organization refers to how a business enterprise is structured and managed to achieve its goals. It defines ownership, control, and responsibility among the people involved. The right form of organization helps ensure efficiency, stability, and growth.

The main forms of business organization are:



Have you ever wondered how your favorite cafe, neighborhood store, or a big company like Reliance operates? Each of these runs as a different form of business organization. The form chosen depends on how many people own it, how much risk they are willing to take, and how profits are shared. Understanding these forms helps us see how businesses of all sizes work, from small shops to multinational corporations.

Sole Proprietorship

A sole proprietorship is a type of business that is owned, controlled, and managed by a single individual. It is the oldest and simplest form of business organization and is common among small-scale traders, shopkeepers, and service providers. The owner takes all business decisions

independently and enjoys all the profits, but also bears the entire risk of losses.

Because it requires very little legal formalities and capital, it's perfect for small businesses that want flexibility and personal control. However, the biggest disadvantage is unlimited liability, meaning the owner's personal assets can be used to pay off business debts.

Features:

- Easy to start and close with minimum legal restrictions.
- The owner has complete control and quick decision-making power.
- Unlimited liability of the proprietor.
- Direct personal contact with customers, ensuring better service.

Example:

A small bakery, tailor's shop, or neighborhood grocery store.

Joint Hindu Family Business

A Joint Hindu Family Business (JHFB) is a traditional form of business organization unique to India. It operates under the Hindu Undivided Family (HUF) system and is governed by Hindu Law. The business is controlled by the Karta — the eldest male member of the family — who manages all operations on behalf of the family. Other male members are known as coparceners.

This form is based on inheritance, where membership is acquired by birth, not agreement. The Karta's authority ensures unity and stability, though it may limit the participation of other members in decision-making.

Features:

- Membership by birth — all male members of the family automatically become co-owners.
- Centralized control under the Karta.
- Unlimited liability of the Karta; others have limited liability.
- Stability of business due to continuity across generations.

Example:

Family-run jewelry stores, textile businesses, or ancestral trade ventures.

Partnership

A partnership is formed when two or more people agree to carry on a business together and share its profits and losses. It combines the skills, capital, and knowledge of multiple individuals, leading to better decision-making and growth opportunities. Partnerships are governed by the Indian Partnership Act, 1932.

Partnerships are best suited for medium-sized businesses that need more resources and expertise than a sole proprietorship but want flexibility and

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personal involvement. However, partners face unlimited liability, meaning they are personally responsible for the firm's debts.

Features:

- Minimum of two and maximum of twenty partners.
- Formed through a written or oral partnership agreement.
- Shared profits, losses, and responsibilities.
- Unlimited liability of partners.
- Mutual trust and cooperation are essential for success.

Example:

Law firms, accounting firms, and small startups managed jointly by partners.

Cooperative Society

A cooperative society is a voluntary organization of people who come together to achieve common economic or social goals. Instead of focusing on profit, its main aim is to serve the members' interests. Cooperatives work on the principles of mutual help, equality, and democracy, making them ideal for people with limited financial means.

They are registered under the Cooperative Societies Act, and members contribute funds to run the business collectively. The control lies with all members, and each has one vote, regardless of their investment amount.

Features:

- Voluntary membership — anyone can join or leave freely.
- Democratic management — “one member, one vote.”
- Limited liability of members.
- Service motive — profit is secondary to member welfare.
- Government support and assistance are often available.

Example:

Dairy cooperatives like Amul, consumer cooperatives, and housing societies.

Joint Stock Company

A joint stock company is a large business organization where capital is divided into shares owned by shareholders. It is established under the Companies Act and has a separate legal identity distinct from its owners. The company is managed by a Board of Directors, elected by the shareholders.

This form is suitable for businesses that require large capital investments, continuity, and professional management. The main advantage is limited liability, meaning shareholders risk losing only the amount they invested, not their personal assets. However, it involves more legal procedures and regulations compared to other forms.

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Features:

- Separate legal entity and perpetual existence.
- Limited liability of shareholders.
- Transferability of shares allows easy ownership changes.
- Managed by professionals through a Board of Directors.
- Can raise large capital through public investment.

Example:

Major corporations such as Reliance Industries, Infosys, and Tata Motors.

Did you know?

When Flipkart started in 2007, it began as a partnership firm between two founders, Sachin and Binny Bansal. As the company grew, it converted into a private limited company, a form of joint stock company, to raise funds and expand. This shows how businesses evolve as they grow!

Comparison of Different Forms

Form of Organization	Ownership	Liability	Decision Making	Suitable For
Sole Proprietorship	One person	Unlimited	Fast	Small businesses
Joint Hindu Family	Family members	Karta – Unlimited	Karta decides	Traditional family businesses
Partnership	2–20 partners	Unlimited	Shared	Medium-sized firms
Cooperative Society	Members	Limited	Democratic	Welfare-based activities
Joint Stock Company	Shareholders	Limited	Managed by the board	Large-scale businesses

Choosing the Right Form

The choice of business form depends on several factors such as the size of the business, capital required, level of risk, and control desired. For example, small local businesses may prefer a proprietorship, while large companies with high investment needs usually form joint stock companies.

Sole Proprietorship

What is Sole Proprietorship ?

A sole proprietorship is the most popular, oldest and simplest form of business organization. It is basically made up of two words, one is 'sole', which means "one" and the second is 'proprietor', which means "owner". So, Sole Proprietorship means a business with a single owner, also known as a sole proprietor. Sole proprietorship is defined as a form of business

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organization in which the business is owned, managed, and controlled by a single person. The sole proprietor is the sole recipient of all profits and bearer of all losses of the business. It is suitable for enterprises that require personal attention, personalized services, and limited capital, such as Grocery Shops, beauty parlours, boutiques, etc. Other names of the sole proprietorship are Individual Entrepreneurship, Sole Trader, and Individual Proprietorship.

The sole owner of the business cannot share the ownership with any other person, but he/she can appoint employees and take help from other people. Besides, only the owner can invest money in the business, and can raise the capital through loans from other sources of finance.

Definition of Sole Proprietorship

The sole proprietorship is the form of business organization, at the head of which stands an individual as one who is responsible, who directs its operations and who alone runs the risk of failure. - L.H. Haney

A sole proprietorship is a person who carries on business exclusively by and for himself. He is not only the owner of the capital of the undertaking, but is usually the organizer and manager and takes all the profits or responsibility for losses. - James Stephenson

Features of Sole Proprietorship

The features of Sole Proprietorship are as follows:

1. Formation and Closure of business

This type of business organization is simple to form as no legal formalities are required to start the business. But, in some cases, a license or certification is required to carry out the sole proprietor business. For example, if a person wants to open a pharmacy business, then he/she requires a 'drug license'. Also, registration of business is not required, as there is no separate law that governs sole proprietorship. The owner can easily close the business anytime at his own discretion. Thus, it is easy and simple to form and close this kind of business.

2. Unlimited Liability

In a sole proprietorship, the owner has unlimited liability, i.e., the proprietor is personally responsible to pay all the debts. In other words, if in the business, funds are not sufficient to pay the debt, then the personal assets of the owner may be used to pay off all the liabilities.

3. No separate legal entity

A sole proprietorship business has no separate legal entity from that of its owners, like in partnership and company. In the eyes of law, there is no

distinction between the owner and his business. It means that the owner of the business bears the responsibility for all the business activities.

4. No sharing of profit or loss

There is no sharing of profit or loss, like partnership and company because the business is solely run by a single individual, who provides capital in the business, directs its operation and who alone runs the risk of failure.

5. Risk bearer

All the risk of the firm is borne by a single owner only. The single individual is the sole beneficiary of all the profits. Likewise, if losses occur in the business, then he alone has to bear all the risks.

6. Control

The sole proprietor is the only owner of the firm and has full control over its business. All the rights, responsibilities, and decisions are in the hands of the owner himself. No one can interfere in the business without the permission of the owner.

7. Lack of Business Continuity

Since business and owner are one and exist together, so in case of death, imprisonment, insolvency, or bankruptcy of the sole owner, the business can not be continued and has to shut down. However, there is an exception to this feature, i.e., if there is a beneficiary, then a successor or nominee or legal heir of the owner can run the business.

8. Single Ownership

This form of business organization is owned wholly by a single person. He/she provides capital in the business either from his own wealth or from borrowed capital.

How to create a sole proprietorship

While each state has different requirements for a sole proprietorship, the following are the steps that most individuals take to form this type of business:

1. Choose what kind of business you want

There are several types of businesses that can benefit from being a sole proprietorship. Most individuals choose to start their businesses as sole proprietorships and then later convert the company into a more complex organization as it expands. Examples of common businesses/individuals that begin as sole proprietorships include:

- Daycares
- Freelance writers and editors
- Caterers
- Landscaping companies
- Tutors
- Consultants

- Fitness trainers
- Housekeepers
- Pet sitters
- Nannies
- Virtual assistants

Determining which type of business you will have is the first step to starting a sole proprietorship.

2. Determine if a sole proprietorship is right for you

Once you have decided on which type of company you will start, you can then determine if a sole proprietorship is the best option for your company. You should weigh the pros and cons of the various types of businesses you can have before deciding on which one is right for you. The most common business types include sole proprietorships, limited liability companies (LLCs), partnerships, cooperatives and corporations. Most small businesses begin as either a limited liability company or a sole proprietorship depending on their needs.

3. Determine your state's sole proprietorship requirements

Each state varies as to its requirements for running a sole proprietorship. You should inquire about the steps you need to take to start your company in county, city and state before establishing your business. Most counties and cities have a Small Business Development Center that will have this information.

4. Choose a name

A sole proprietorship can be run under the owner's name or under a fictitious name (i.e. Cindy's Candies). Before settling on a name, you should ensure that it has not already been trademarked by another company. You can check whether the name you want to use is trademarked by inquiring at the United States Patent and Trademark Office.

5. File for a business license

Sole proprietorships must register for a business license in order to legally operate. You can register with your city or county to obtain a business license. If you plan to run your business from your home, you will also need to obtain the necessary permissions from your locality.

6. Set up a domain

Most small businesses choose to set up a website for their company. A website can help draw traffic to your company and help bring in new customers. Buying a domain is fairly simple and should be done as soon as you determine the name of your company to ensure that no one else purchases a domain with the same name.

7. Open a bank account for your business

The final step for most sole proprietors is to set up a separate bank account for their business. This ensures that business and personal income and spending are kept separate and can provide protection for business cash flow.

Advantages of Sole Proprietorship

The advantages of Sole Proprietorship are as follows:

1. Quick Decision Making

Total Management and control of the firm lies in the hands of the sole proprietor. He enjoys the freedom of action, and has all the authority to make decisions and run the business in the way, he/she desires. It leads to quick decision-making as the owner does not have to consult with others, and can take all minor and major decisions. Besides, timely decisions also help the owner in taking advantage of different market opportunities.

2. Easy to Form and Dissolve

In a sole proprietorship, hardly any legal formalities are required for setting up the business, except in some cases where a license is required. For example, in the case of pharmacy business, Drug License is required. Also, the owner can close the business whenever he desires by paying back its debts. Therefore, it is easy to form and close this type of business organization.

3. Personal Touch

In a sole proprietorship, all the work is done by the owner himself. So, he is in direct contact with the employees and customers of the organization and can make changes in the product according to the demands of the customer. Also, he will be able to solve the problems faced by the employees easily.

4. Maximum Incentive

In this type of business organization, there is a direct relationship between rewards and efforts. If the proprietor puts extra effort into the business, then the profits increase and the proprietor get an extra reward for the efforts. Similarly, the owner gets maximum incentive, if he/she performs better.

5. Confidentiality of Information

To make the business successful, it is essential for the owner to maintain secrecy within the organization. The sole proprietor does not have to share the information with others and can keep it confidential, as he/she has the sole decision-making authority. Also, it is not legally required for the owner to publish business accounts. So, it is easy for him/her to maintain secrecy.

Disadvantages of Sole Proprietorship

The disadvantages of Sole Proprietorship are as follows:

1. Limited Resources

It is very difficult to raise capital in a sole proprietorship as compared to a partnership and corporation because a sole proprietor has limited resources to the extent of his personal assets and borrowings. The credit-raising capacity of the owner is also limited, which reduces the scope for business growth.

2. Unlimited Liability

This is one of the biggest disadvantages of sole proprietorship. The sole proprietor has unlimited liability, which means the personal assets of the owner can be used to pay the debts of the business. This puts a financial burden on the owner. If the business does not have adequate funds to pay for obligations, the personal assets of the owner will be used to pay off the debts.

3. Lack of Continuity of Business

The life of a business depends on the sole proprietor only because the law considers the owner and the business as the same (no separate legal entity). Therefore, if the proprietor falls ill, becomes bankrupt or insolvent, or dies, then the business may come to an end.

4. Lack of Professional Skills and Expertise

The proprietor may lack professional skills and talent. His knowledge is only limited to his area of study and may not have the necessary skills to face competition to cope with changes taking place in the environment, like changes in fashion, technology, etc. For example, an owner may be a good salesperson, but not a good manager. It is very difficult to find all the skills in one person. The sole proprietors cannot afford to appoint expert employees. Thus, the proprietor is burdened with too many tasks.

5. Risk of Wrong Decisions

The sole proprietor is the only owner of the organization, and he has to take every decision on what to do, when to do it, and how to do it. Also, he does not have experts in the organization from whom he can take advice. Therefore, there is a possibility that he will make the wrong decisions, which can lead to problems in the business. *Even though sole proprietorship has many disadvantages, it is chosen by many because of its vast advantages. This form of business organization is suitable for small-scale businesses, where the owner has to fulfil the personalized demands of consumers.*

Partnership

What is a partnership?

A partnership is a legally binding agreement between two or more people who agree to share responsibilities, ownership and company management.

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These professionals, commonly referred to as partners, combine their resources, expertise and skills to start a business or company. People start a partnership for many reasons, such as for growing their business or increasing their customer base.

What are the different types of partnerships?

Depending on their needs and goals, people choose a partnership that is suitable for their business structure. There are four types of partnerships. These are:

General partnership

A general partnership is an arrangement between two or more people who agree to manage the company's assets, profits and legal and financial liabilities. A general partnership includes a minimum of two people and the pair must agree to every incurred cost, meaning you can't make the decision on your own.

Professionals in general partnerships handle their liabilities, including income tax returns and partnership income. A great advantage of general partnerships is that it offers flexibility. This means business owners have the freedom to structure their businesses according to their original plan and can monitor their business operations closely.

Limited partnership

There's a similarity between a limited partnership and a general partnership, but a limited partnership allows several people called 'limited partners' to become investors. With a limited partnership, limited partners have no control over the business and are not responsible for the same liabilities as general partners. A limited partnership offers advantages like:

- **Protection of personal assets:** There's liability protection for the company's investments.
- **Investment opportunities:** In a limited partnership, you can add more limited partners to generate more capital investments.
- **Complete control:** The partners have full management control of how to run the limited partnership.
- **Pass-through taxation:** With a limited partnership, the profits and losses the business earns is 'passed through' to the partners and reported on their individual tax returns.

Limited liability partnership

This is a type of partnership that offers protection for the personal assets of the partners. If the partnership doesn't succeed, creditors cannot interfere with the partners' income or personal assets. A limited liability partnership

also protects the partnership's name by preventing another company or partnership from registering a similar name.

Joint venture

A joint venture is a business agreement between two or more people who agree to combine their assets to accomplish a specific project. Every person is liable for the costs, profits and losses. Even though a joint venture is a partnership, it's flexible. It can take on any form of legal structure such as a limited liability company (LLC), Corporation and other business entities. With joint ventures, both small and large business owners can agree to participate in one or many projects.

Should I form a partnership?

To decide if you should form a partnership, consider what reasons you have for wanting to form a business relationship. Common reasons why many people form partnerships include:

- **New customers:** You may want to start a partnership to attract new customers or expand to new markets by serving larger regions without investing in more additional costs.
- **Little resources:** If you have the knowledge and skills to make your business successful but lack of finances is causing stagnation, forming a partnership is an excellent way of looking for a partner who can invest in your business.
- **Limited skills:** If you have the resources but don't have enough skills to run your business, you can form a partnership with someone who has the required skills to make your business successful.

What should I look for in a partner?

You should look for a partner who aligns with your company's vision and goals to produce outcomes that benefit both of you. Other factors to consider when picking a partner:

- **Brand alignment:** You must know the business structure of the person before getting into a partnership with them to see how their brand aligns with yours.
- **Respect and trust:** Successful partnerships are a result of having mutual respect and trust between the partners. It's helpful to trust your partner's vision, decision-making skills and goals to work in a tension-free environment. Your partner should reciprocate the respect and trust you have for them too.
- **Share similar goals and values:** Form a partnership agreement with a partner that shares your goals and values. Ask yourself if you can collaborate with the partner daily without major conflicts.

- **Financial stability:** Choosing a partner that's financially stable can help you make lucrative financial decisions and lower the partnership risk.

What is a partnership agreement?

A partnership agreement is a legal document that demonstrates how a business should operate and details the relationship between the partners with the partnership. These agreements often include information such as the percentage of ownership each partner holds, the length of the partnership, how to resolve disputes and the protocol for the event if one partner withdraws from the relationship. As the partnership progresses, you can return to the agreement and make adjustments to reflect the current relationship.

What are the benefits of forming a partnership?

There are various advantages a partnership offers, like increasing the credibility and image of your business. Other advantages include:

- Lower start-up costs
- Increased customer base
- Ability to change your business structure due to circumstances
- Access to more resources and skill sets
- Business growth increases at a faster rate because customers are getting quality services due to your additional help

Joint Stock Company

What is Joint Stock Company?

An association of different individuals formed to carry out business activities is known as a joint stock company. This form of organization has an independent legal status from its members. Basically, a joint stock company is an artificial individual with a separate legal entity, common seal, and perpetual succession. The Joint Stock Company form of organization is governed by the Companies Act, 2013. The shareholders of the company are its owners; however, the Board of Directors is elected by the shareholders and is the chief managing body of the company. Usually, the shareholders or the owners of the company have indirect control over its operations.

Joint Stock Company is meant as an association of many persons who contribute money or money's worth to a common stock and employ it for some common purpose. - **Justice Lindley**

A Joint Stock Company is an artificial person, invisible, intangible and existing only in the eyes of law. - **Chief Justice Marshall**



Features of Joint Stock Company

The main characteristics of a joint stock company are as follows:

- 1. Separate Legal Existence:** A company has a separate legal existence, which means that it can carry on the business activities in its own name, and can buy and sell goods, assets, etc., in its own name. A company can also enter into a contract with outsiders in its own name. Also, the company and its members are separate individuals.
- 2. Artificial Person:** Like a human being, a company does not have a physical body; instead by law, it is an artificial person. It means that the operations of a company are performed by the elected representatives of the members, also known as **directors**. However, the business is run in the name of the company.
- 3. Registration:** Getting registered under the Companies Act, 2013 is legally compulsory for a company. It means that a company cannot come into existence without registration.
- 4. Perpetual Succession:** A company's existence is independent of its members. A company is formed by law and can only end by law, i.e., the death, incapacity or insolvency of any of the members of the company does not have any effect on its existence. In simple terms, members may come and go, but the company goes on forever, and the life of the company can come to an end only through the legal process of winding up.
- 5. Common Seal:** As a company is an artificial person, it cannot sign any contract, etc., therefore, every company needs a common seal with its name engraved on it. A group of members performs different activities of the company, and those people acting on behalf of the company can use the

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common seal as signature of the company. It means that any document that does not contain the common seal of the company is not binding on the company.

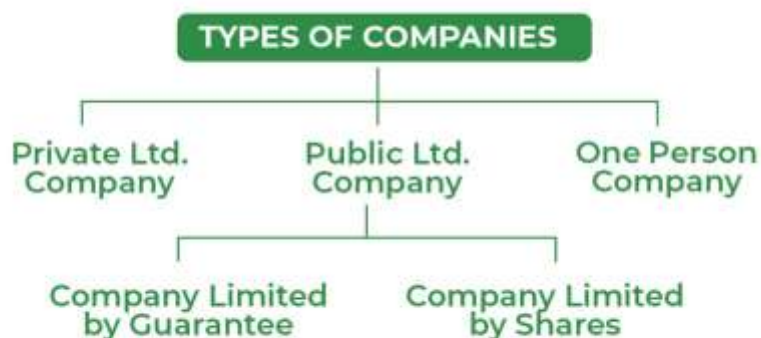
6. Transferability: A company's capital is divided into shares and the members of the company can freely transfer those shares. The shareholders can easily free themselves from their membership by selling their shares. However, the shares of a private limited company are not easily transferable.

7. Separation of Ownership and Control: The owner of a company are its shareholders who elect their representatives, also known as **directors of the company**. The directors of the company are responsible for the management and control of business activities and they do so by appointing professional experts in different fields.

8. Limited Liability: The liability of the members of a company is limited to the extent of the share contributed by them in the company. For instance, if a member has contributed ₹1,00,000 (1000 shares of ₹100 each), then the member will be liable up to ₹1,00,000 only in case of insolvency or winding up of the business, etc.

Types of Companies

Based on ownership, there are three categories of companies; viz., **Private Ltd. Company, Public Ltd. Company, and One Person Company.**



1. Private Ltd. Company

According to Section 2(68) of the Indian Companies Act, 2013, a Private Company by its article is a company which:

1. Restricts the rights to transfer its shares.

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2. Has a minimum 2 and a maximum of 200 members, excluding the present and past employees.
3. Prohibits any invitation to the public to subscribe for a company's securities.

2. Public Ltd. Company

A company which is not a private company is a Public Ltd. Company; however, a private company which is a subsidiary of a public company is treated as a public company. According to the Companies Act, a public company is a company which :

1. Has minimum 7 members and no limit on the maximum number of members.
2. Has no restriction on the transfer of securities.
3. Is not prohibited to invite the general public to subscribe to its securities.

A. Company Limited by Guarantee

A company with no shareholders, which is owned by the members, also known as **guarantors** is known as a Company Limited by Guarantee or a Guarantee Company. The guarantors agree to pay a nominal amount to the company if it gets wound up. This form of business is usually used for non-profit organisations.

B. Company Limited by Shares

A company with members whose liability is limited to the amount unpaid (if any) on the shares held by them is known as a Company Limited by Shares.

3. One Person Company

According to the Companies Act, 2013, apart from a public or private limited company, one can also form a new type of entity, **One Person Company (OPC)**. As per section 3(1) of the Companies Act 2013, a One Person Company is a company which has only one person as its member. Rule 3(1) states that only a natural person who is also an Indian citizen and resident is eligible to incorporate One Person Company.

Besides, an individual cannot incorporate more than one OPC or become a nominee in more than one OPC. Also, if an OPC's paid-up share capital exceeds fifty lakh rupees or its average annual turnover during the relevant period exceeds two crore rupees, it has to compulsorily convert itself into a public or private company.

Cooperative Societies

What is Cooperative Society?

The word "**cooperative**" means to work together and cooperate with each other, similarly, in a cooperative society, a group of people forms a voluntary association to benefit the members and work for the betterment of society, especially for the weaker sections. The members of a cooperative society raise the capital through the issue of shares, and the members themselves purchase those shares. The main aim is to protect the economic interest of the people by eliminating the middlemen. One of its major functions includes providing loans at a low rate of interest to its members and weaker sections of society.

A cooperative society works with the aim of self-help basically for its members. It requires the agreement of at least ten adult members to form a society. For the smooth functioning of a cooperative society, an act was formed, and each cooperative society is governed by the rules and regulation of the act called "**The Cooperatives Societies Act 1912**". After successfully registering a Cooperative Society under the said Act, it acquires a distinct legal entity.

According to "The Cooperative Societies Act 1912" - Cooperative organization is "a society which has its objective for the promotion of economic interests of its members in accordance with cooperative principles.

Features of Cooperative Society

1. Separate Legal Entity

As registration of a Cooperative Society is compulsory, it has a separate legal entity that is distinct from its members. After registration, a cooperative society can hold property in its name and can enter into contracts, can sue, and be sued by others. All the transactions taking place in a cooperative society will be under the name of the society and not in the name of its members. As it holds a separate legal identity, it is not affected by the entry or exit of its members.

2. Democratic

The major decisions of a cooperative society are handled by an elected managing committee. The members of a cooperative society have the power to choose the members of the managing committee, which gives rise to the role of democracy. The members can choose their representatives as they have voting rights.

3. Limited Liability

A cooperative society is a convenient form of association in which the liability of any member is limited to the extent of capital contributed by

them. Therefore, with minimum risk, any member can protect their economic interest through a cooperative society.

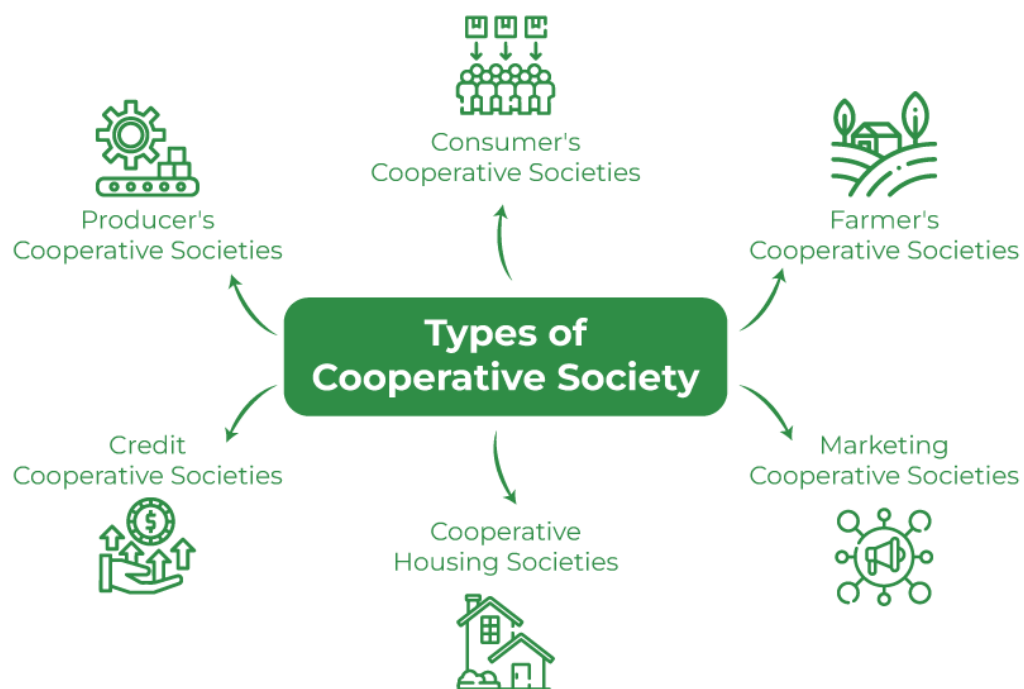
4. Free Entry and Exit

A cooperative society is a voluntary association; therefore, an individual is free to join or leave the society according to their will. It works according to a democratic society, i.e., it is open to all irrespective of their caste religion and gender.

5. Social Welfare

A cooperative society works for the economic welfare of poor or weaker sections of society. Its main aim is to eliminate middlemen and protect the interest of its members and society. Hence, it can be said that a cooperative society works for a service motive. If any surplus is left, then it is distributed amongst its members as a dividend according to the rules and procedures of the society.

Types of Cooperative Societies



1. Producer's Cooperative Societies:

Many small producers want to produce on a large scale, but they lack in monetary terms and cannot meet their goals. The Producer's Cooperative Society works for those producers who want to sell products on a large scale, but do not have the required resources. In Producers' Cooperative

Societies, the members are the producers and they collectively produce the goods and meet the demands of consumers. This society is formed to fight against the capitalist section of society, which has large capital and a lot of resources. It works as a supplier and as a buyer for raw materials, overheads and other equipment. Generally, profit is distributed amongst the members according to their investment in the resources.

2. Consumer's Cooperative Societies:

Such societies are formed for the welfare of consumers, and it comprises those members who are willing to pay reasonable prices for good quality products. It purchases products directly from the wholesalers, eliminates the middlemen, and sells the goods directly to the consumers. If there is any profit from the sales, it is distributed amongst the members according to their capital contribution or purchases made by each of the members. In simple terms, a consumer's cooperative society protects the interests of consumers.

3. Farmer's Cooperative Societies:

The farmers, who are willing to produce on a large scale, form a cooperative society and jointly take up the farming activities. Anything produced in bulk would cost less. The main aim of a Farmer's Cooperative Society is to earn a profit by increasing productivity through less cost. When different farmers join together, they get an opportunity to combine their land, which solves the problem of fragmented landholdings. These societies focus on modern methods of farming, HYV seeds, fertilizers, machinery, and other modern equipment, which help in improving the yields and return.

4. Credit Cooperative Societies:

The Credit Cooperative Societies provide economic assistance to its members by providing loans at a low rate of interest. Its main aim is to protect loan seekers from the exploitation of money lenders, who charges a high rate of interest on the loan. These loans are provided to the members out of the amount collected by them as capital at a low rate of interest. This helps the members in getting easy credits.

5. Cooperative Housing Societies:

Cooperative Housing Society works for those who want to construct houses for themselves, but do not have the required money for such construction and procurement. It offers the members to pay the amount in installments and provide them with the desired plot or land on which the members could construct the house according to their choice. There are different types of housing societies, some build new houses, some are formed to buy existing properties, and others upgrade houses and infrastructure.

6. Marketing Cooperative Societies:

A Marketing Cooperative Society consists of producers who want to get a reasonable amount for their produce. Therefore, this society helps these small producers by pooling the amount contributed by each of the members and performing functions like warehousing, packaging, transportation, etc. The major aim of a marketing cooperative society is to remove the middlemen from the chain of distribution and improve the competitive position of the producer members. The profits earned through the sale of these products are distributed among the members of the society as per the amount contributed by them to the pool of output.

Advantages of Cooperative Society

1. Easy to Form: There are no big formalities for the formation of a Cooperative Society. Moreover, it is voluntary, so there is no compulsion to any organization person or business associate to form, and join any cooperative society. A minimum of ten members can start a cooperative society, and there's no limit to the maximum number of members in a cooperative society.

2. Limited Liability: The risk factor of members is limited to the extent of capital brought by them in the cooperative society. In case of insolvency or dissolution, the personal assets of the members are not liable for repayment of debts, which makes the members of a cooperative society feel safe and protects their economic interests.

3. Stability: As the cooperative society holds the position of a separate legal entity, it is not affected by the death, retirement, or admission of any member. A cooperative society is not much affected by its members as they have to work on the basis of the rules and regulations provided in the act. Even though members have a voting right in choosing the managing committee member, it does not have much effect on the working of the business.

4. Equality in Voting Right: Each member in a cooperative society has one vote to elect the member of the managing committee, as it follows the principle of 'ONE MAN ONE VOTE'. Every member has an equal voting right, no matter whether they have contributed less or huge capital to the business. Having a say in the matters of the business also puts a great emphasis on them. Besides, a cooperative society is a democratic association, which means that it treats everyone the same irrespective of their caste, gender, or creed.

5. Support from the Government: As a cooperative society works majorly for the benefit of poor and weaker sections of the society, it gets great support from the government in the form of low taxes, subsidies, loans with low rates of interest, etc.

Disadvantages of Cooperative Society

1. Conflict and Disputes: As the members of a cooperative society belong to different cultural and social aspects their thinking varies, which leads to a greater possibility of conflicts. Members try to make personal gains and keep aside the service motive, which hampers the working of a cooperative society. In other words, the difference in personal motive and social motive of the members of the society results in conflicts among them affecting the overall business.

2. Lack of Privacy: As there are different members in a cooperative society, it is difficult to maintain a level of secrecy. Every decision is taken in a meeting with an open discussion, which makes it difficult to maintain confidentiality about the operations of the business. Besides, a cooperative society has an obligation to disclose the decisions of the meeting under the Societies Act (7).

3. Lack of Efficiency: It is difficult for the cooperative society to earn and make a profit on a large scale because it works for welfare motives. The amount of profit earned by the society is not sufficient to appoint skilled and experienced members for proper management. Even if any of the members agree to give honorary services to the cooperative societies, they do not have sufficient means to handle it well.

4. Government Control: When a cooperative society grows and develops into a big unit, then the government would interfere in its operations. The cooperative society has to comply with rules and regulations related to auditing of accounts, profit, etc., which affects the freedom of operations.

5. Limited Resources: Each member brings limited capital and expects a higher return, which is difficult for a cooperative society to provide at an early stage. Moreover, it is formed for the welfare of society and its members; therefore, the profit motive is ignored to some extent.

Marketing Management

Meaning and Importance of Marketing

Marketing is an important functional area of management that involves activities undertaken by an organisation for the promotion of buying and selling of a good or service. The meaning of marketing is different in the traditional sense and modern sense.



In the **traditional sense**, it means the performance of business activities directing the flow of goods and services from manufacturers to consumers. In simple terms, the traditional meaning of marketing focuses on selling a good after it has been manufactured. In the **modern sense**, marketing means a social process through which an individual gets what he/she wants by creating offerings and the free exchange of products and services with others.

According to the **American Marketing Association**, “Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user”.

According to **Philip Kotler**, “Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other”.

What Is The Importance Of Marketing For A Business?

Businesses understand and value the importance of marketing, as it helps accomplish their three primary goals, which are customer needs, social responsibilities and profits. Multiple business functions, including strategy, research and development, finance, sales and marketing, information technology, customer service and human resources, contribute to profits. While some functions have a limited role, marketing helps businesses in a number of ways.

Marketing aims to help businesses grow efficiently and reach their highest potential ROI by promoting their brand, products and services. Marketing promotions usually focus on boosting content engagement, increasing sales of products and services and growing brand awareness. Marketing helps a business in the following ways:

Increasing brand awareness

Brand awareness refers to an individual's ability to recognise a business and identify distinctive qualities of its products, services, culture and reputation. It helps the end-user differentiate between similar products that competing companies offer. Brand awareness is important because consumers often want something with which they are familiar. A consumer who is used to a specific toothpaste brand, for example, may purchase a familiar product even if it is more expensive when compared to an unfamiliar product that may be cheaper and has the same ingredients.

Marketing efforts focus on creating brand awareness for a business in the early stages or when it introduces a new product or service. Marketing ensures that a brand does not fade from a customer's memory, creates trust and fosters a loyal relationship. A company can choose the right marketing strategies and techniques to increase brand awareness based on its target customer base. Some effective marketing techniques that help create brand awareness are:

- Advertising
- Hiring a brand ambassador
- Choosing an image or logo representing the company
- Creating a catchy slogan
- Campaigning on print and social media

Enabling engagement marketing

Engagement marketing uses content strategically to engage customers and create effective and meaningful interactions. Unlike traditional marketing, where a company would reach a potential customer, engagement marketing encourages voluntary consumer participation. When a potential customer begins interacting and communicating with a company, the company

responds to their queries, fulfils their needs and simultaneously achieves organisational goals. Engagement marketing combines email and social media marketing and uses automation to create new programmes for internet users.

Engagement marketing uses continuous interactions to help the user make a purchase decision and become a repeat customer. Companies hire specialists who analyse the behaviour of internet users and create marketing strategies to promote their products and services. Users may recommend their products and services to people in their network.

Some popular engagement marketing techniques you can incorporate in a business include:

- Campaigns in professional and social networks
- Campaigns in messaging platforms
- Surveys
- Live chats on a website
- Video chats for customer queries
- Email newsletters
- Chatbots
- Co-browsing systems
- Website analytics to study customer behaviour
- Knowledge bases like manuals, guides and documents

Allowing personalisation

Personalisation is when businesses customise experiences for individual customers. Email communication to a customer may address them directly by name. Customers may receive special promotions based on their relationship with the business if they are life or premium members. Consumers are more likely to read an entire email if a business addresses them directly. Email service providers may also mark random marketing emails as spam.

Another way you can use personalised marketing is by letting customers choose which advertisement they want to view. For example, if a business is paying for an ad on a streaming service, they may give viewers the option to choose between two ads based on a short preview. This allows the ad experience to feel more personalised, building loyalty and interest. If your business wants to personalise its marketing strategies, consider:

- Creating customised messages
- Sending targeted emails
- Targeting customers based on location
- Promoting similar products

- Marketing on social media

Increasing sales

Both marketing and sales can identify potential customers, communicate with them and convince them to buy a company's products or services. Marketing is necessary for a sales team to reach the right customer quickly. With its shared goal of revenue generation, marketing is crucial for increasing sales. Though an organisation can sell its products directly to customers, marketing helps create awareness about new and existing products to a larger customer base, directly impacting sales. An organisation that aligns its sales and marketing functions is more likely to be successful in selling its offerings to generate a net profit.

Aligning promotional campaigns to business objectives

The goal of an organisation's marketing campaign may be to improve brand reputation, create demand, gather market analytics and enable sales. A marketing campaign works towards these goals in a scalable and repeatable manner. A marketing team executes these campaigns by identifying user needs, identifying target segments and creating and nurturing demand which can directly impact revenue. A well-planned marketing strategy can increase conversion rates. Marketing metrics can help business owners and management staff optimise investment on the most effective tools that can help them reach their business goals.

Increasing online visibility

More and more companies adopt marketing strategies to increase their visibility on online platforms. The right marketing strategy can create trust for the brand, as online campaigns are more transparent with little scope for manipulation. Marketing can connect with a potential customer instantly and increase the scope of a user sharing the product within their network.

Creating a level playing field for every business type

A large and a small company may be rivals selling a similar product or service. Marketing helps small businesses compete with big businesses and large retailers. With extensive use of social media, customers prefer to build a relationship with a brand. They may no longer choose a product based on price or the company's size. An informed customer considers multiple factors like reliability, ease of use, popularity, brand image, social acceptance, online reviews and affordability. Effective marketing can address these aspects and create a level playing field for every type of business.

Aiding decision-making

Marketing analytics can provide data and numbers to help professionals make informed marketing decisions to achieve the greatest ROI. A business may use marketing analytics to identify audiences who previously did not engage with their business and develop future campaigns that specifically target those audiences to engage them. Strategically using information from marketing analytics may help maximise a company's chances of increasing sales or consumer engagement. Businesses can also use marketing analytics to document their growth and share statistics with investors or board directors.

Other ways to use marketing analytics include:

- Identifying market changes
- Tracking customer engagement
- Examining sales and market trends
- Widening customer base

An effective marketing strategy can position a company's product and present it to the right audience. Market research can identify the right market segment for your product and help you identify potential customers by studying demographics, customer behaviour and buying habits. With sufficient data, marketing strategies can help you identify similar audiences across a wider geographical area and enable you to work with a large customer base.

Marketing Functions

Features of Marketing:

- **Need and want:** Marketing focuses on need and wants of customers. All the activities in the market are carried out with the motive of satisfying needs and wants of customers.
- **Creating a market offering:** Offering a product or service by specifying its features, shape, size, colour, etc., is known as market offering. A good market offer should keep in mind the satisfaction of customers. For example, Detergents are available in various sizes depending upon the needs of the customers.
- **Customer value:** A customer is ready to give a price for a product only when he is satisfied or when the product is offering utilities matching the price. On the basis of satisfaction and service offered, a product is valued by customer. Customers prefer a product over the competitors' product only, when a marketer adds to the value of product.
- **Exchange mechanism:** The process involving exchange of products and services for money or money's worth is known as **exchange**

mechanism. It can take place either between manufacturer and customer or through middlemen.

Conditions which are necessary for Exchange Mechanism:

1. There should be involvement of both the parties, like buyers and sellers or consumers and middlemen.
2. Both parties should be capable of offering something of value to each other.
3. Both parties should have the ability to communicate and deliver the product or service.
4. Both parties should have the freedom to accept or reject the offer.
5. Both parties should be willing to enter into transaction.

What can be Marketed?

Anything that can be of value to the buyer is termed a product in marketing. A product is a bundle of utilities which satisfies the needs and wants of humans. All the products, which are of some value to the people can be marketed.

Following are examples of all that can be marketed:

- **Physical Products** like TV, fridges, mobile phones, etc.
- **Services** like insurance, banking, warehousing, etc.
- **Ideas** like Covid Vaccination, family planning, etc.
- **Persons** for election of candidates
- **Places** like Visit Kashmir - the Heaven on Earth
- **Experiences** like trekking Mt Everest
- **Events** like food festivals, exhibitions, etc.

Functions of Marketing:

- **Gathering and analysing market information:** Collecting adequate, reliable and timely market information about the market is one of the most important functions of a marketer. It involves studying market conditions, to determine needs, priorities and preferences of the customers. The main motive behind gathering and analysing the market is to identify products and services which lead to customer satisfaction.
- **Market planning:** After gathering and analysing the market information, the next step is to develop plans according to the market conditions so that marketing objectives can be achieved. Making plans for increasing production level, plans for promotion, etc. are included in market planning.
- **Product planning and development:** The main aim of a product is to satisfy the needs and wants of people. If the product satisfies the needs and wants of people, then it is said to be successfully marketed. All the decisions regarding feature, shape, size, etc., are involved in

product planning and development. Unique design, features, colour, etc., make a product attractive and more demanding.

- **Standardisation and grading:** Producing goods of predetermined specifications to achieve uniformity and consistency in the output is known as Standardisation. Assurance about the quality, price and packaging of the product is provided by standardisation. Classifying products into different groups having the same characteristics is known as grading. It is done on the basis of quality, size, shape, etc. It is usually done in agricultural products like wheat, oranges, dry fruits, etc.
- **Packaging and Labelling:** The act of designing and producing the container and wrapper of a product is known as packaging. It plays a very important role in today's world as packaging can be a reason for the success or failure of many products. Appropriate containers and wrappers provide protection and convenience in handling the products. For example, juices, soft drinks, etc., are packed in containers, milk, oil, etc., are packed in tetra packs. The part of the product or a tag which is attached directly or indirectly and carries information about the product or the seller is known as a Label. Labels provide information to the customer. The process of putting identification marks on the package is known as Labelling. Labelling includes information like the name of the products, expiry and manufacturing date, instruction for use, weight, price, etc.
- **Branding:** Branding is one of the most important components of product mix as a marketer has to make an important decision on whether the product of the firm will be marketed under its generic name or brand name. Here, the **Generic name** means the name of the whole class of the firm's product. **For example**, laptop is a generic name but Dell, Acer, and Lenovo are brand names.
- **Customer support services:** Customer support services play a very important role in the success of a firm in this highly competitive world. To achieve repetitive buying and develop a brand image, services like after-sale services, handling customer complaints, providing credit facilities, etc., are used by the firms.
- **Pricing of product:** Price is the value of a product or service passed on by the buyer to the seller. As a customer is very sensitive about the price of a product, it is a crucial element of the marketing mix. **Price Mix** is an important decision and is related to the fixing of the price of a product or service. The decisions under price mix are related to demand of the commodity, price of competitors, etc.
- **Promotion:** Promotion includes activities undertaken by the marketer to communicate with the customers and distribution channels so that

they can enhance the sales of the firm. Through promotional communication, an organisation's aim is to inform and persuade the customer to purchase the goods and inform him/her regarding the benefits of the product. The four major elements of the promotion mix are Advertising, Sales Promotion, Personal Selling, and Public Relations.

- **Physical distribution:** Physical distribution involves deciding the distribution of goods and services from the place of production to the place of consumption. Decisions regarding channels of distribution and physical movement of goods are two important decisions to be taken by the marketer. It makes the product or service available to the customer at the right place and at the right time.
- **Transportation:** The physical movement of goods from one place to another is known as transportation. It is one of the most important elements of physical distribution as it adds value to the products by making them available at the required place. Different modes of transportation, like airways, railways, waterways, pipelines, etc., are used to transport goods from one place to another. Various factors are considered by the marketer while transporting goods, like nature of goods, cost, location of market, etc.
- **Storage or warehousing:** The process of holding and preserving goods till they are delivered to the buyers is known as warehousing. Warehousing is needed when there is a time gap between the production and consumption of goods. This time gap is bridged by warehousing and time utility is created. The efficiency of the firms in serving their customers is directly affected by warehousing. For example, if the number of warehouses is more, then better services are provided to customers, as less time is required to serve customers at different locations.

Marketing Mix

What is Marketing Mix ?

The tools or ingredients or the variables mixed together by the marketers to interact with a specific market are known as **Marketing Mix**. It is the essence of any marketing endeavour and is the main building block of the marketing efforts of an organisation. The concept of marketing says that on the side there is the producer or marketer and on the other side there is the customer. The organisation wants to have a transaction with the customers and to do so it has to first develop or produce a product or service, design it, pack it, price it, name it, label it, promote it, and distribute it. Every one of

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these decisions is the core of a marketing mix, which consists of four elements; viz., **Product, Price, Place, and Promotion.**

According to **Phillip Kotler**, "Marketing mix are the set of marketing tools that firm uses to pursue its marketing objectives in the target market."

According to **William J. Stanton**, "Marketing mix is the term used to describe the combination of four inputs which constitute the core of a company's marketing system, the product, the price structure, the promotional activities



and the distribution system."

Elements of Marketing Mix: 4Ps

According to **McCarthy**, the four elements of the marketing mix are as follows:

1. Product

The first element of the marketing mix is Product, and it depicts the tangible or intangible goods offered by organisations to customers to satisfy their needs and wants. In simple terms, it is a bundle of utilities. **Product Mix** means the important decisions related to a product like the design of the product, quality of the product, the quantity of the product, packaging of the product, etc. Besides these decisions, product assortment is also an essential part of the product mix. In simple terms, it means the number or volume of products and items a specific producer offers to the market. **For example**, ITC is an FMCG company and is dealing with different food products.

The essential components of the product mix are **Branding, Packaging, and Labelling.**

i) Branding: Under product mix, branding is one of the most important decisions taken by a marketer. Branding involves deciding whether the product of the firm will be marketed under a generic name or a brand name. The generic name is the name of the whole class of products. **For example,** soft drink is a generic name and Coca-Cola is a brand name.

ii) Packaging: It is the basic activity of every organisation and can be defined as a set of activities or tasks related to the designing, and production of an appropriate container, wrapper, bag, or box of the product. Packaging involves three levels; viz., Primary Packaging, Secondary Packaging, and Transportation Packaging.

iii) Labelling: It means putting identification marks on the package of the product. A label is basically the carrier of information regarding the product. The information provided on the label of a product includes the name of the product, its price, date of manufacturing, date of expiry, ingredients, warnings(if any), weight, etc.

2. Price

Price is the value of a product or service passed on by the buyer to the seller. As a customer is very sensitive about the price of a product, it is a crucial element of the marketing mix. A slight shift by the organisation in the price of a product can shift the customers towards the competitor's product. Therefore, **Price Mix** is an important decision and is related to the fixing of the price of a product or service. The decisions under price mix are related to demand of the commodity, price of competitors, etc.

While fixing the price of a commodity, the marketer should keep some factors in mind, such as pricing objectives, product cost, the extent of competition in the market, customer's demand and utility, government and legal regulations, and marketing methods used.

3. Place/Physical Distribution

It is essential to make the product or service available to the customer at the right place and at the right time, then only the customer would be able to purchase the product or service. Place is an element of marketing and is a process of transferring goods from the place of production to the place of consumption. Therefore, **Place Mix** is an important decision and is related to the physical distribution of the goods and services to the customers. The decisions under place mix include deciding the market for distribution, the channel of distribution, etc. Hence, the place mix consists of Channels of Distribution and Physical Movement of Goods. The two different channels of distribution are direct channel and indirect channel. And the components of

physical distribution include order processing, transportation, warehousing, and inventory.

4. Promotion

The last element of the marketing mix is promotion, which includes activities undertaken by the marketer to communicate with the customers and distribution channels so they can enhance the sales of the firm. Through promotional communication, an organisation's aim is to inform and persuade the customer to purchase the goods and inform him/her regarding the benefits of the product. Hence, **Promotion Mix** is an important decision and includes all decisions of an organisation related to the promotion of a sale of goods and services. Some of the important decisions under promotion mix are selecting a media to advertise the product, selecting promotional techniques, public relations, etc.

The four major elements of the promotion mix are **Advertising, Sales Promotion, Personal Selling, and Public Relations.**

i) Advertising: Advertising means promoting the idea of a product or service through a non-personal presentation by an identified sponsor. It is a paid form of promotional activity, and helps an organisation in connecting with the customers indirectly. The basic features of advertising are reach, choice, legitimacy, expressiveness, economy, and enhancing customer satisfaction.

ii) Sales Promotion: Sales Promotion is a short-term use of the incentives or other promotional activities of an organisation that helps in stimulating the customer in buying the product. Some of the sales promotion techniques used by organisations are refunds, discounts, rebates, gifts or premiums, samples, contests, usable benefits, etc.

iii) Personal Selling: As the name suggests, personal selling means selling products personally. It involves face-to-face communication and interaction between the buyer and the seller with the motive of sale. Personal selling does not mean influencing the buyer in purchasing what the seller is selling, but to provide satisfaction to the customer. Some of the basic features of personal selling are better response, personal interaction, relationships, etc.

iv) Public Relations: Public Relations means maintaining public relations with the public and by doing so, the organisations can create goodwill. According to the Chartered Institute of Public Relations, **Public Relations** is a strategic management function that adds value to an organisation by helping it to manage its reputation.

Consumer Behavior

What is consumer behavior?

Consumer behavior is the actions and decisions that people or households make when they choose, buy, use, and dispose of a product or service. Many psychological, sociological, and cultural elements play a role in how consumers engage with the market.

It is a multi-stage process that involves identifying problems, collecting data, exploring options, making a decision to buy, and evaluating the experience afterward. Consumers may be impacted during these stages by things including personal views and values, social conventions, marketing campaigns, product features, and environmental conditions.

Understanding consumer behavior is essential for businesses to create marketing plans that work and to supply goods and services that satisfy customers' wants and needs. To see trends and patterns, forecast demand, and make wise choices regarding product design, price, promotion, and distribution, marketers must analyze and understand data on customer behavior.

Consumer behavior in marketing

Consumer behavior is important in marketing because it explains how consumers make decisions about what products to buy when to buy them, and from whom to buy them.

Marketers can develop effective marketing strategies that target the right consumers with the right message at the right time by understanding consumer behavior.

Here are some examples of how consumer behavior affects marketing:

- **Segmentation**

Consumer behavior research helps marketers behavioral segment markets. Marketers can modify their marketing messages and strategies to better appeal to each demographic by recognizing these segments.

- **Product design**

Understanding consumer behavior can also aid in product development. Marketers can create products that better meet consumer needs and preferences by analyzing customer requirements and tastes, leading to increased sales and customer satisfaction.

- **Pricing Strategies**

Marketers can use consumer behavior data to determine the price points at which customers are willing to pay for a product, as well as the pricing strategies most likely to appeal to each market segment.

- **Branding**

Consumer behavior research helps in the development of branding strategies. Marketers can create brand messages and strategies that

resonate with consumers and build brand loyalty by understanding consumer attitudes and perceptions of brands.

Why is consumer behavior so important?

Businesses invest a lot of time and resources in their product or service. Hence, it is absolutely essential that their offerings cater to the needs of their customers. Or they will incur huge amounts of losses.

So, in order to make sure that the products, as well as the brand, are well-accepted by the consumers, it is important to first know what consumers want and are likely to buy.

- **Better marketing and communications**

As living standards, trends, and technology keep changing, consumers' choices also keep varying. Understanding how these factors affect customers' buying habits helps organizations design their messaging accordingly. Thus, having insights into consumers' purchase behavior can help marketers in meeting their objectives.

- **Improve customer retention**

It is far more beneficial to retain an existing customer than to gain new customers. It's easier to sell new products and services to your existing customers than to find new ones.

Entrepreneurs who are able to retain their customers and create strong relationships manage to create strong new brand loyalty for their businesses. Customer loyalty can prove to be a promoter of your business and spread positive word of mouth. Satisfied customers share their happy experiences with their friends and family.

So, retaining as many customers as possible should be the goal of entrepreneurs interested in growing their companies.

- **Increase customer loyalty**

Understanding customer behavior helps in finding out ways to boost customer loyalty, which in turn, will lead to higher sales and a strong brand. Analyzing trends in sales can aid in offering discounts as well as suggesting the best products and services to them.

- **Better plan inventory**

Researching customer attitudes helps companies plan inventory and stock raw materials. In the case of a service-based business, the management team can better plan their human resources. If businesses see a trend in demand for specific products, they are likely to send more purchase orders to their suppliers. Consumer behavior data can help them to balance demand and supply.

- **Increase sales**

A company always aims to satisfy specific market niches. Even if the company operates in different sectors, it should target potential buyers in each segment. If you know your customers well, you can have better conversations with a high probability of closing the deal.

Knowing who you are selling to makes it possible to clearly define your objectives in the market. Learning more about consumer behaviors helps to define the main customers that come directly to the company. Your inventory should be stocked with products that meet the requirements of your potential buyers.

Instead of taking random shots and trying to sell to anyone, having knowledge about your customers' likes and dislikes helps in making smarter decisions. Such a strategy has a higher chance of generating sales.

- **Research competition**

Studying consumer buying behavior helps in understanding the competitive market. You can plan on how to position your products and services to offer competitive advantages. Find out answers to questions like:

- Is the customer already using a competitor brand?
- What drives a consumer to buy from your competitor?
- Are potential customers happy with the competitor brands?
- What are the gaps between your products and that of competitors?

4 Types of Consumer Behavior for effective marketing strategies

Marketers must understand several types of consumer behavior to create effective marketing strategies and meet customer needs. This section will look at the four types of customer behavior and how they affect businesses.

1. Complex buying behavior

When customers are actively involved in the purchasing decision process and are aware of the significant differences between the various brands, this happens. Before making purchasing decisions, consumers conduct extensive research, gather information, and evaluate alternatives.

2. Dissonance-reducing buying behavior

This type of behavior happens when people make expensive or risky purchases and then feel uncomfortable or confused about their decision. Consumers may seek reassurance, information, or feedback from others to reduce confusion.

3. Habitual buying behavior

This happens when customers make purchases with minimal decision-making and marketing efforts or information search. Based on prior

experiences, they have developed brand and customer loyalty also buying habits, and they may buy things out of habit, convenience, or familiarity.

4. Variety-seeking buying behavior

This type of behavior happens when customers are not deeply involved in the purchase decisions but seek variety or uniqueness in their purchases. They may most often change brands or products to satisfy their curiosity or need for variety.

Modern Marketing Trends

What are trends in marketing?

A marketing trend is anything that changes the area your organisation operates within. It's important to pay attention to and utilise these trends to help your company succeed and stay ahead of the competition. Marketing trends usually focus on technology, customer interaction, social media and privacy. Understanding what the trends in marketing are can strengthen your company and help expand your client base.

19 types of marketing trends

Here are 19 types of marketing trends you can implement in your marketing campaigns:

1. Interactive content

Adding interactive content is an effective way to allow potential customers to interact with a company and feel connected to the brand. There are several ways to achieve this level of interaction, including:

- interactive 360-videos where users can move the camera
- various quizzes and polls related to the products
- interactive augmented reality ads
- polls on issues related to the company's products or its areas of activity

2. Mobile expansion

Marketing on mobile platforms is becoming more important as consumers spend more and more time on their mobile devices. Ads differ in the way they appear on mobile devices, such as cell phones, tablets and other smart appliances, versus desktops, so strategies that work on one don't always work as well on the other. Implementing creative strategies is necessary when addressing these differences.

3. Social messaging apps

People usually use social messaging apps for private conversations, but they can also be an effective marketing tool. Adding a messaging component to a company's website can make consumers feel closer to the brand as they get

the opportunity to interact and communicate directly with the company. Companies can make this process easier by creating automated messaging for the most frequently asked questions.

4. Audio content

Audio content is becoming much more common online. Audio chatrooms and podcasts are a way for people to feel connected and allow for a new form of interaction. The audio format enables brands to focus on more long-form and in-depth content. Audio content also tends to increase brand awareness among companies.

5. Influencer marketing

Influencer marketing is a powerful marketing tool where a company hires a recognisable person to promote their products or brand. Often, these influencers have a large social media following, so when they partner with a company, the company often gains more fans and brand awareness. Consumers consider influencers to be regular people whose opinions and recommendations they can trust.

6. Automation

Using artificial intelligence (AI) technology to automate some of a company's marketing efforts saves time and money and remains an effective way to get people's attention. By utilising customer data and other analytics, a company can automate various processes in a way that enhances customer personalisation and gives the marketing team time to focus on the customer experience. One way to use AI-based technology is by setting up a chatbot for the website that's programmed to have conversations with visitors regarding the brand and products.

7. Prioritising social responsibility

The modern consumer values a company that prioritises social responsibility, which means having a code of business ethics and following it. It also means having transparency regarding business transactions to increase consumer trust. Customers are more likely to support companies that treat their customers and their employees fairly. A company can prove its social responsibility by making its values public and upholding them.

8. Live video streaming

Live videos draw significantly larger audiences than pre-recorded videos. Companies can occasionally stream live videos on their social media channels to interact with existing and potential customers. The purpose of a live video could be to launch a new product, share a relevant piece of information or teach the audience how to use a certain product.

9. Shorter content

Shorter content is key when appealing to people on the Internet. Many social media apps thrive on short, 60-second videos, as people often divide their attention on the Internet among different sites. While longer videos can offer more information about a product or brand, a shorter video that gets directly to the point can be more effective. Producing shorter content also means freeing up employees to focus on other things.

10. User-generated content

Encouraging customers to create and post various types of content related to a product is a great way to make users feel more involved and connected to a company. The content can be user videos, reviews, social media posts and any other form of shareable media. A company can encourage user-generated content in various ways, like asking customers to film themselves using a certain product or asking for their opinion on how future products may look.

11. Experiential marketing

Experiential marketing allows customers to interact with the product or brand at an event. An example of this could be an ice cream brand setting up a pop-up ice cream parlour in the middle of a big city, allowing potential consumers to try the new flavour. These events are fun and highly shareable on social media. A company can receive free advertising when attendees feature it on their social media pages.

12. Story-driven content

People pay more attention to content that includes stories and narratives than they do to content that only contains facts. A company that explains its history or how it makes products can see an increase in engagement and interest. For example, companies could create a short video explaining their history or get real-life testimonials from previous customers.

13. Virtual reality experiences

Virtual reality is a computer-generated experience that allows a person to interact and explore a three-dimensional environment. This can help consumers imagine an environment or scenario and think of products and services that may be beneficial. For example, a company that sells hiking boots may have a virtual reality experience where customers can hike a famous trail or summit. This can inspire them to visit these places in reality and encourage them to purchase new hiking boots in preparation.

14. Privacy-focused marketing

To create personalised marketing campaigns, potential users are usually required to consent to companies using their data. This may make customers feel uneasy or distrustful of the company. To overcome this,

companies can have their privacy guidelines readily available on the company website so consumers can judge for themselves.

15. Native advertising

Native advertising, sometimes referred to as sponsored content, is advertising that matches the style and form of the platform on which it appears. For example, a paint company may write an article in a home improvement magazine about projects customers can complete with a new brand of paint. This type of marketing sees higher levels of engagement from potential customers as it's seen as more relevant and interesting than traditional advertising.

16. Voice search

As voice recognition gets more and more accurate, potential customers choose to use their voice when they search for something online. Voice searches differ from text-based searches in the sense that people use longer sentences than they would in text. Being prepared for voice-based marketing ensures that customer searches related to the company's products and services get accurate and direct answers.

17. SEO keyword optimisation

Search engine optimisation (SEO) focuses on improving the quantity and quality of web traffic to a company's website through search engines. As search algorithms develop, companies are investing more time and money in SEO strategies and even hiring SEO experts to help with insight reports. These reports can help companies determine search-driven keywords related to their company. Using relevant keywords is an easy and inexpensive way to drive more traffic to a company's website.

18. Focus on customer retention and loyalty

It is usually less expensive for companies to get existing consumers to continue to do business with them than it is to attract new customers. Because companies usually have more information regarding existing customers than potential ones, they can use that information to personalise the relationship between the company and customers to make them feel like the company values their loyalty.

19. Lasting social media posts

Lasting social media posts that stay on a company's site for over 24 hours can create steady engagement and long-term brand awareness. While temporary social media posts are more urgent and topical, permanent posts create an established source of information for customers, and this can eventually turn into trust and brand loyalty.

Financial Management

Meaning and Importance of Finance

What is Finance?

Finance includes the administration of funds, investments, and other financial instruments. Finance involves the investigation and administration of numerous aspects associated with the procurement, distribution, and application of resources, primarily financial resources. The financial industry is dynamic and ever-changing, driven by shifts in the global market, regulations, technology, and economic conditions. Financial experts, including accountants, investment bankers, financial analysts, and planners, are crucial in assisting people and businesses in making wise financial decisions.

History of Finance

- 1. Barter System:** Bartering was the direct exchange of goods and services in human civilizations. It became clear that the barter system had its limitations as communities became advanced.
- 2. Emergence of Money:** A variety of payment instruments, including coins and commodity money (such as gold and silver), were developed to replace barter as a means of exchange.
- 3. Italian Banking:** Italian city-states like Florence and Venice saw a boom in banking activity during the Middle Ages and the Renaissance. Bankers performed currency exchanges, loan provisions, and facilitated trading.
- 4. Introduction of Double-Entry Bookkeeping System:** In the later part of the 15th century, an Italian mathematician named Luca Pacioli brought forth the double-entry bookkeeping system. The basis for modern financial accounting continues to be this accounting technique.
- 5. Creation of Stock Exchanges:** The Amsterdam Stock Market is regarded as the first recognised stock market, having been founded in 1602. Following in 1698, the London Stock Exchange formalized the trading of securities.
- 6. Joint-Stock Companies:** The emergence of joint-stock firms facilitated the pooling of funds among investors for ambitious projects, hence playing a role in the expansion of contemporary corporations.
- 7. Industrial Revolution:** With rising productivity and a greater requirement for capital, the Industrial Revolution brought about several important economic changes. Banking institutions were essential in helping to finance the expansion of the financial markets and the industrial sector.

8. Railway Mania: Speculative bubbles, like the one that occurred in the United Kingdom in the 1840s, demonstrated the possibility of financial markets producing both profit and risk.

9. Great Depression: Global finance was significantly impacted by the 1929 stock market crash and the ensuing Great Depression. Financial restrictions, such as the 1933 Glass-Steagall Act and the 1933 U.S. Securities Act, were developed as a result of it.

10. Bretton Woods Agreement: Following World War II, this agreement created the foundation for the global monetary system, giving rise to organizations like the World Bank and the International Monetary Fund (IMF).

11. Deregulation: Many nations adopted financial deregulation beginning in the late 20th century, which encouraged innovation but also fostered financial crises.

12. Globalization: The expansion of financial markets was made possible by developments in communication and technology. Global transactions could now happen in real-time.

13. Financial Crises: The early 2000s saw the dot-com bubble burst and the global financial crisis in 2007–2008 were among the major financial crises of the early 21st century. These events prompted legislation and reforms.

Types of Finance

1. Personal Finance: It refers to the administration of a person's or a family's financial assets. It covers debt management, retirement planning, investing, saving, and budgeting.

2. Corporate Finance: It is the study of how corporations manage their finances. This covers financial planning, risk management, capital investment choices, and managing the business's cash resources to optimize shareholder value.

3. Public Finance: It is the study of how governments and other public bodies manage their finances. It covers taxation, spending by the government, budgeting, and public fund management.

4. Sharia-Compliant Finance: Operating in compliance with Islamic norms, which prohibit taking part in excessive uncertainty (gharar) and charging interest (usury).

5. Project Finance: Getting money for big initiatives that frequently have long-term revenue sources (building power plants, roadways, etc.).

6. Behavioral Finance: Psychological variables: Research the ways in which biases and heuristics, among other psychological variables, affect financial decision-making.

7. Retail Finance: It is the provision of financial services and goods, like credit cards, mortgages, and loans, to individual consumers.

8. Small-Scale Lending Finance: Offering financial services to those living in underprivileged areas, such as savings accounts and small loans.

9 Green Finance: Concentrating on investments that are socially and environmentally responsible.

10. Financial Technology (Fintech): Utilizing technology to deliver cutting-edge financial services, such as robo-advisors, digital payments, and online banking.

11. Real Estate Finance: Finance for real estate transactions, involving both residential and commercial properties.

Purpose of Finance

1. Allocation of Resources: Finance makes resource allocation easier by directing money towards the most beneficial applications. Choosing where to invest money in order to get the best returns is part of this.

2. Risk Control: Finance assists people and organizations in detecting, evaluating, and controlling risks. This covers methods for mitigating the effects of uncertainty and safeguarding against monetary losses.

3. Capital Formation: When it comes to capital formation, the process of gathering money for useful purposes, finance is a key component. Investments in technology, infrastructure, and other resources that support economic expansion can fall under this category.

4. Encouraging Transactions: The technology and infrastructure needed to support financial transactions are provided by the finance industry. This covers how payment systems, banking services, and financial markets function.

5. Money's Time Value: The time value of money is recognized in finance, meaning that a sum of money now is worth more than the same amount in the future. Numerous financial concepts, including interest, discounting, and present value computations, are based on this idea.

Is Finance an Art or a Science?

Both science and art are present in the nature of finance and many aspects of the industry can be described by combining parts of both.

I. Finance as Science

- **Quantitative Analysis:** To analyze data, forecast outcomes and assess financial instruments, finance professionals use statistical software, mathematical models, and analytical techniques.
- **Empirical Evidence:** For an understanding of financial markets, investment trends, and economic indicators, the field is dependent on empirical research and data-driven analysis.

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- **Financial Models:** To assess risk, assign value to assets, and make systematic investment decisions, financial analysts employ models and algorithms.

II. Finance as Art

- **Judgment and Intuition:** Financial decisions frequently call for the use of both judgment and intuition, particularly in situations when there is a lot of uncertainty. Financial planners, investment managers, and traders may base their choices on their emotions and experience.
- **Creativity:** When creating investment plans, arranging transactions, and coming up with novel solutions to financial problems, financial professionals need to be creative.
- **Qualitative Factors:** Although quantitative analysis is crucial, qualitative elements like industry trends, market mood, and geopolitical developments are also important when making decisions.

Sources of Business Finance

What is Business Finance

Finance required by the business to establish and run its operations is known as **Business Finance**. No business can function without an adequate amount of funds for undertaking various activities. To be able to produce goods or provide services, any business needs money. Longer goals of expansion and growth can only be achieved with the help of the required amount of funds.

The financial needs of a business can be categorised into two parts-

1. **Fixed Capital Requirement:** To establish a business, a firm needs to invest money in the fixed nature of assets. Funds are required to purchase fixed assets like Plant & Machinery, Land & Building, Furniture and Fixtures, etc. The funds invested in fixed assets will remain invested for a long period.
2. **Working Capital Requirement:** The funds required for day-to-day business are known as working capital. It is used for holding current assets and paying off the current liabilities of the business.

The amount of Fixed or Working Capital requirement differs from business to business. A business involved in the day to day trading will require less fixed capital but more working capital whereas a business involved in manufacturing will always need to invest more in fixed capital and less in working capital.

Sources of Business Finance

Unlike Partnership or Sole Proprietorship, a Company has many options from where it can arrange funds to operate a business. In Proprietorship and Partnership concerns, the funds may be raised either from friends and family or as a loan from a bank. But in the Company form of business, funds can be arranged from various sources. Various sources of Finance can be classified into three major categories, which are-

1. On the Basis of Period

- **Long-term:** The long-term sources fulfil the financial requirement of an enterprise for a period exceeding 5 years. It includes sources such as shares and debentures, long-term borrowing and loans from a financial institution.
- **Medium-term:** When funds are required for more than 1 year but less than 5 years then the company opt for medium-term finance options. These sources include borrowings from commercial banks, public deposits etc.
- **Short-term:** Short-term funds are those which are required for a period not exceeding one year. Trade credits, loans from commercial banks and commercial papers are some examples of short-term funds.

2. On the Basis of Ownership

- **Owner's Fund:** Those funds which are provided by the owner of the enterprise are called Owner's Fund. Shares and retained earnings are some examples of the Owner's Fund.
- **Borrowed Fund:** Those funds which are borrowed from the outsiders as loans or borrowings are called Borrowed Funds.

3. On the Basis of Source of Generation

- **Internal Source:** Those funds which are generated from inside the business are called Internal Sources of Fund. Collection of receivables, disposing of surplus inventories are some examples of internal sources.
- **External Source:** External Sources of funds include those sources that lie outside the organisation such as suppliers, lenders and investors.

Budgeting

What is Budgeting?

Budgeting is the process of outlining the estimated income and expenses over a specific period. The process involves planning, organizing, and controlling the financial resources of an organisation or an individual to

achieve specific goals within a defined period. The objective of budgeting is to guide in making financial decisions and to ensure that available resources are used efficiently and effectively. It helps to navigate the financial performance and stability of the business and encourages to work towards achieving an end goal.

Purpose of Budgeting

- 1. Allocation of Resources:** Budgeting ensures that individuals and entities allocate their resources efficiently by utilizing their income wisely to meet financial objectives.
- 2. Tracking Expenses:** Maintaining a budget helps to track the expenses and identify areas where spending can be optimized. Budgeting provides an outline to spend the money efficiently.
- 3. Saving:** Individuals usually prepare a budget to allocate their limited resources in a systematic manner which eventually leads them towards saving a portion of their income.
- 4. Systematic Approach:** Budgeting provides individuals and businesses with a systematic and organised approach to managing their finances.
- 5. Decision Making:** It helps to make informed decisions according to the end goal of the business. Entities will sometimes be faced with large decisions that will impact their inflow and outflow of cash. With a budget, it would be easy to make better decisions.
- 6. Financial Stability:** Preparing a well-planned budget helps in better planning and contributes to the overall financial stability of the business. A structured budget suggests a strategy to spend the money which reduces the financial stress of the business and provides a sense of security.

Importance of Budgeting

- 1. Setting of Goals:** Budgeting involves planning. It serves as a roadmap to achieve the end goal of an individual or an entity. It prioritizes the objectives and provides a strategy to allocate the available resources accordingly. A goal can be to expand the business, save, generate more revenue, etc.
- 2. Financial Stability:** Preparing a well-planned budget helps in better planning and contributes to the overall financial stability of the business. A structured budget suggests a strategy to spend the money which reduces the financial stress of the business and provides a sense of security.
- 3. Decision-Making:** As said earlier, a budget is a roadmap to achieve the goal of the business, it also helps to make informed decisions according to the end goal of the business. Entities will sometimes be faced with large decisions that will impact their inflow and outflow of cash. With a budget, it would be easy to make better decisions.

4. Identify Income and Expenses: Identifying all the sources of income and categorizing all expenses ensures that a business has a comprehensive view of its financial inflows and outflows. It helps in determining the area where the spending needs to be controlled.

5. Coordination: It encourages managers to build relationships with the other parts of the organisation and understand how the various departments interact with each other. This maintains coordination among various departments in an organisation.

Types of Budgets

1. Operational Budget: An operational budget states the expected income and losses of a business over a specific period, generally a fiscal year. Its purpose is to focus on the core business activities. Operational budgets are used to predict the revenue and expenses of the business. A business can plan the strategy accordingly based on the operational budget.

2. Financial Budget: It is a budget that outlines the detailed plan on the income and expenses of a business or an individual and their financial goal over a specific period. It helps to provide a proper strategy for the utilisation of resources and to maintain financial stability. A financial budget focuses on the monetary aspect of an entity and helps in identifying various sources of income and ways to reduce expenses.

3. Master Budget: A master budget is a comprehensive financial plan that serves as a strategic roadmap by consolidating all smaller budgets within an organization to provide a comprehensive overview of the organization's financial performance. It is an essential tool for planning, coordinating, and controlling the financial activities of an entity.

4. Static Budget: Static budgets are those budgets that remain intact or unchanged during a fiscal year regardless of the actual performance of the business. These budgets serve as a benchmark against which actual financial results can be compared.

5. Flexible Budget: Unlike the static budget, a flexible budget is a budget that changes according to the level of activity or business condition. It helps a business to change financial plans depending on the fluctuations in production, sales, or other elements.

6. Sales Budget: A sales budget provides a detailed estimation of the sales revenue for a specific period. The budget is maintained by analyzing the historical sales data, market trends and other essential factors. It is one of the most important budgets as it affects inventory, production and operational decisions.

Budgeting Process

The process of budgeting includes the following steps:

1. Objective: The foremost step in creating a budget is to identify the ultimate goal of the business. It is one of the most important phases in this process. A business should set out the list of goals that are to be achieved whether short-term or long-term.

2. Historical data: A business needs to learn from its past performance. It must analyse its historical data to identify the trend in the performance of the business. Historical data helps in forecasting the position of the business and to identify threats and opportunities.

3. Relevant Information: Before preparing a budget, it is necessary to keep in mind every relevant data that has a direct impact on the end goal of the business. Information can be gathered by collaborating with different department heads of an organisation. It will help in calculating the estimated revenue.

4. Preparation: After analysing the previous record of the business and gathering all the relevant data. It is time to prepare the budget by estimating the income of the business, identifying fixed and variable expenses and adjusting figures as needed to align with financial goals. It is also necessary to determine the timeframe of the budget.

5. Communication: Once the budget is prepared, the organisation must communicate the budget to its stakeholders, its employees and other departmental heads. If the stakeholders raise any queries or issues with the budget, those queries must be considered and issues shall be sorted out.

6. Monitor: The last step is to finalize the budget with the approval of the stakeholders and closely monitor financial performance against the budgeted figures. Businesses should regularly review and compare the actual performance with the budgeted amounts.

Budgeting Strategy

1. Setting Clear Goals: The purpose of creating a budget is to meet financial goals, such as savings goals, and generate revenue now and into the future. Having clear objectives provides direction for your budget. It is one of the most important phases in this process.

2. Identifying Income and Expenses: Identifying all the sources of income and categorizing all expenses ensures that a business has a comprehensive view of its financial inflows and outflows. It helps in determining the area where the spending needs to be controlled.

3. Track Monthly Expenses: It is important to track expenses because it helps in reducing the irrelevant spending of money. Businesses prefer tracking their monthly expenses by using spreadsheets or other available software.

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4. Saving Goals: A person or an entity should have a saving goal. Budgeting helps in allocating resources in a more useful and efficient way which helps individuals and entities to save money and reduce the cost.

5. Creating Emergency Funds: Funds are the part of the budget which are allocated to an emergency fund. It ensures financial safety for the business in uncertain situations.

Difference Between Static Budgets and Flexible Budgets

Basis	Static Budgets	Flexible Budgets
Nature	Static budgets are those budgets that remain intact or unchanged during a fiscal year.	A Flexible budget is a budget that changes according to the level of activity or business conditions.
Adaptability	Static budgets are not adaptable to changes in business conditions. Sometimes, they become less relevant for decision-making	Flexible budgets are adaptable to changes in production, sales, or other departments. They are useful in decision-making.
Application	These budgets are useful in a business where the business conditions are stable and are not affected by external changes.	These are particularly useful in industries where activity levels may change due to various factors.
Usage	Static budgets are used for performance evaluation by comparing actual performance with the budget.	Flexible budgets allow for a better understanding of the impact of volume changes on costs.

Financial Planning

Financial Planning is essential for the preparation of a financial blueprint for a business organization. Its main objective is to ensure that ample funds are available at right time. If enough funds are not available the firm will not be able to honour its commitments and carry out its plans. On the other hand, if more funds are available, it will add costs and encourage wasteful expenditure. Financial management aims to choose the best investment and financing alternatives by focusing on their cost and benefits. Having an objective to increase the shareholder's wealth. Financial planning, on the other hand, aims at smooth operation by emphasizing fund requirements and their availability in the light of the financial decision. It tries to forecast all the items which are likely to change.

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Financial planning is the process of estimating the requirement of finance of a business specifying the sources and ensuring the availability of enough funds at the right time.

The following three questions should be kept in mind while making financial plans for the business:

- How much capital is needed in the business?
- What should be the methods of meeting the financial needs of the business?
- How can the firm utilize the available funds in the best possible manner?

Financial Planning includes three main aspects:

- **Estimation of quantum of finance**, i.e., total finance requirements of the business.
- **Determination of pattern of financing**, i.e., form and proportion of various securities to be issued to raise the required amount.
- **Utilization of finance**, by laying down policies and procedures.

Objectives of Financial Planning

Financial planning focuses on achieving the following two objectives:

- **To ensure availability of funds whenever required:** The main objective of financial planning is that sufficient funds should be available in the company for different purposes such as the purchase of long-term assets, to meet day-to-day expenses, etc. It ensures the timely availability of finance.
- **To see that firm does not raise resources unnecessarily:** Excess funding is as bad as inadequate or shortage of funds. If there is surplus money, financial planning must invest it in the best possible manner. As keeping financier resources ideal is a great loss for an organization.

Financial planning includes both short-term as well as long-term planning. Long-term planning focuses on a capital expenditure plan. It is normally done for 3 to 5 years. Whereas short-term financial plans are called budgets, and they are for one year or less.

Importance of Financial Planning

Sound financial planning is essential for the success of any business enterprise. Its need is felt because of the following reasons:

- **Prepares for future challenges:** It helps in forecasting what may happen in the future under different business situations. It also

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facilitates smooth functioning and running of the business by preparing them to face future challenges.

- **Helps in avoiding business shocks and surprises:** By preparing a blueprint to face different types of situations, financial planning helps businesses in avoiding business shocks and surprises.
- **Coordinate various functions:** It helps in coordinating various functions, production, sales, etc by providing clear policies and procedures.
- **Proper utilization of finance:** Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.
- **Acts as a link:** It tries to link the present with the future by anticipating sales, growth, etc. It also links the investment and financing decisions continuously
- **Evaluates actual performance:** By spelling out the detailed objective for various business segments. It makes the evaluation of actual performance easier.

Capital Management

Capital management is one of the most important aspects of financial management in any business organization. It refers to the process of planning, organizing, controlling, and monitoring the financial resources of a business to ensure efficient utilization and long-term stability. Every business requires capital for starting operations, purchasing assets, meeting daily expenses, and expanding its activities. Proper management of capital ensures that funds are available at the right time and are used effectively for achieving business objectives.

Capital management is essential because it helps organizations maintain financial balance between available resources and business requirements. It focuses on maximizing returns, minimizing risks, and ensuring that the company remains financially strong. Without proper capital management, businesses may face financial difficulties, poor cash flow, and even failure.

Meaning of Capital Management

Capital management refers to the effective management of a company's financial resources to achieve maximum efficiency and profitability. It involves making decisions about raising funds, allocating them to various activities, and maintaining an appropriate balance between debt and equity. In simple terms, capital management is the process of ensuring that a business has sufficient funds to meet its operational needs while also maintaining financial stability. It helps organizations decide how much

capital is needed, where it should be invested, and how it can be used productively.

The main objective of capital management is to optimize the use of financial resources so that the organization can generate higher returns and sustain long-term growth.

Importance of Capital Management

Capital management is important because it ensures the smooth functioning of business operations. Every business activity requires funds, and proper capital management ensures that these funds are available when needed.

It helps in maintaining liquidity, which means the ability of a business to meet its short-term obligations. Adequate capital management prevents financial shortages and ensures uninterrupted operations.

Capital management also supports business growth and expansion. It enables organizations to invest in new projects, adopt advanced technology, and enter new markets. Proper management of capital ensures that such investments are profitable and sustainable.

Another important benefit is risk reduction. By carefully planning and controlling capital, businesses can avoid excessive borrowing, reduce financial stress, and maintain stability during uncertain economic conditions.

Objectives of Capital Management

The primary objective of capital management is to ensure the availability of sufficient funds for business activities. This helps in maintaining continuous operations without financial interruptions.

Another objective is to maximize profitability by using financial resources efficiently. Proper allocation of capital allows businesses to generate higher returns on investments.

Capital management also aims to maintain an optimum capital structure. This means achieving the right balance between owned funds and borrowed funds to minimize financial costs and maximize shareholder value.

It also focuses on ensuring financial stability by maintaining adequate liquidity and solvency. This helps businesses survive during economic downturns and market uncertainties.

Components of Capital Management

Capital management consists of different components that work together to ensure efficient financial performance.

Working Capital Management

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Working capital management involves managing short-term assets and liabilities such as cash, inventory, and receivables. It ensures that the business has enough liquidity to meet daily operational needs.

Proper working capital management helps in maintaining smooth business operations and avoiding cash shortages.

Fixed Capital Management

Fixed capital management deals with long-term investments in assets such as land, buildings, machinery, and equipment. These assets are necessary for production and business growth.

Efficient fixed capital management ensures that long-term investments generate adequate returns.

Capital Structure Management

Capital structure management focuses on maintaining the right mix of debt and equity. Too much debt increases financial risk, while too much equity may reduce profitability.

An effective capital structure helps in minimizing the cost of capital and maximizing business value.

Functions of Capital Management

One of the major functions of capital management is financial planning. It involves estimating future capital requirements and arranging funds accordingly.

Another function is capital allocation. This means deciding how funds should be distributed among various projects and activities to achieve maximum returns.

Capital management also involves monitoring and controlling financial performance. This helps businesses evaluate whether resources are being used efficiently.

Risk management is another important function. It helps organizations identify financial risks and take measures to minimize them.

Role of Capital Management in Business Growth

Capital management plays a crucial role in supporting business growth and development. It provides the financial foundation required for expansion and innovation.

Businesses need capital to launch new products, increase production capacity, and enter competitive markets. Proper capital management ensures that these growth opportunities are supported with adequate financial resources.

It also helps in building investor confidence. Investors prefer organizations with strong capital management practices because they indicate financial discipline and long-term sustainability.

Challenges in Capital Management

Capital management involves several challenges. One of the major challenges is maintaining the right balance between liquidity and profitability. Excess liquidity may reduce returns, while insufficient liquidity may create financial difficulties.

Another challenge is managing financial risks arising from market fluctuations, interest rate changes, and economic uncertainties.

Raising sufficient capital at a reasonable cost is also a difficult task for many businesses. Poor decisions in capital management can increase debt burden and affect profitability.

CHAPTER 8

Human Resource Management

Meaning and Importance of HRM

Human Resource Management is a process that brings people and organizations together so that organizational and individual goals can be achieved. Human resource management can be defined as the art of procuring, developing, and maintaining a competent workforce to achieve the goal of an organization effectively and efficiently. In the present business environment, no business can exist without appropriate human resources. So, human resources management has become the main focus of every organization.



*Human Resource Management is defined by **Edwin Flippo** as “planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”*

What Is Human Resource Management?

It is important to know the answer to 'What is human resource management?' to understand its function in an organisation. Human resource management is a group that manages a company's employees, including other human resources staff. The duties of a human resource manager include managing operations, policy and procedures, onboarding and training. An organisation's structure and the responsibilities of each department depend on the HR managers and their staff. These experts draft job descriptions, are familiar with pay scales and keep track of employees'

movements and activities. Human resource managers also stay updated on labour laws, national requirements, demographics and company culture.

How Does Human Resource Management Work?

Human resource management is typically an entire department within each organisation that helps employees achieve better performance. HR departments vary in size, structure and nature across organisations. It is common for smaller organisations to have several HR employees, each of whom performs a wide range of functions. Individual employees may focus on functions like visa handling, immigration, talent management, recruiting, compensation and benefits.

Human resource personnel are partly responsible for ensuring that the organisation has a shared mission, vision and values that provide an overarching reason for employees to want to work for them. These elements can be motivating and make employees feel like they are a valuable part of the organisation. Human resource management has evolved over time and now it typically entails contributing to a company's strategic direction and using metrics to measure efforts and demonstrate value.

Functions Of Human Resource Management

Human resource management professionals and departments engage in a variety of activities to execute their roles. It is possible to divide their activities into four functional groups, each with its own set of legal responsibilities. These are some functions of Human resource management:

Acquisition

Human resource staff utilise a process known as talent acquisition to find, track and interview job prospects and onboard and train new hires. Finding and employing the proper staff is a critical component of every organisation's business plan and may have a direct impact on the future performance of the company. Therefore, talent acquisition is important. The hiring process includes tasks like creating evaluation tools and interviewing techniques as part of the acquisition function.

The main objective is to hire the most accomplished individuals without violating any laws. Some firms' HR management departments may decide to offer personality or honesty tests and sometimes even drug tests for prospective employees. Besides checking for honesty and compliance with stringent regulatory requirements around discrimination and privacy, recruitment tasks also include vetting new hires to make sure they fit the firm.

Development

Human resource development includes actions like performance reviews and training. Giving employees performance feedback is the fundamental purpose of an appraisal. By receiving feedback, they can assess whether their actions are acceptable to their superiors and colleagues, strengthen their contributions and address any deficiencies. HR professionals create common criteria for performance reviews, create review procedures, train managers to administer the evaluations and then assess and monitor the success of performance reviews.

Activities related to training and development include choosing, creating, executing and evaluating educational programmes. For instance, companies frequently require orientation sessions to introduce new personnel to the business. Depending on the nature and scope of various programmes, a wide range of tasks may come under the purview of the HR training and education position. In any event, the HR professional requires knowledge about the principles of motivation and learning to carefully create effective training and development initiatives. Apprenticeship, internship, work rotation, mentoring and new skill development programmes are a few examples of training initiatives.

Compensation

Compensation refers to HR responsibilities like paying employees and giving them incentives. HR management specialists create salary structures that meet particular company goals, including employee satisfaction, quality and retention. In the end, they decide on pay scales that maximise the company's investment with respect to its objectives.

They can do this through the use of performance-based incentives. HR managers, in particular, might learn how to establish compensation equality inside the company that does not detract from morale and offers enough financial incentives. Effective HR managers create programmes that reward employees by satisfying their emotional demands, like as praise for good work, besides financial compensation and fringe benefits.

Maintenance

Maintenance of human resources includes HR management operations pertaining to employee benefits, their safety and employee-management interactions. Employee benefits, such as free parking and health insurance, are non-incentive-oriented forms of pay that companies frequently use to give employees non-taxable income. Employee services, including purchasing plans, leisure activities, legal services, holidays and other permitted absences and insurance, retirement and health benefits are the main types of benefits HR managers control.

Activities for maintaining human resources that are concerned with safety and health typically require adhering to laws that shield employees from risks at work. HR managers also establish preventative safety and training programmes to reduce any risks that the firm may face. They also work on creating intricate protocols for managing and documenting injuries. Working with labour unions, managing complaints about misconduct like theft or harassment and creating procedures to promote cooperation are the main maintenance activities related to employee-management interactions.

Recruitment and Selection

What is Recruitment?

Recruitment refers to a process of simulating applicants for a vacant job position and finding qualified applicants for the job. It attracts and encourages a large number of candidates to apply for a job. So, it is considered a positive process/approach.

- It attempts to reject unsuitable candidates and select suitable candidates.
- The main objective of recruitment is to create a pool of eligible candidates for the purpose of selection.
- It precedes the selection process, i.e. it is the initial process that takes place before selection.
- It is a simple process as it does not include many steps or processes.
- It is an economical method as less time and money is required.
- In this, no contractual relation for the service is created.

What is Selection?

Selection refers to the process of shortlisting the applicants and selecting the best applicants who are suitable for that job position. It attempts to reject unsuitable candidates and select suitable candidates. So, it is considered a negative process/approach.

- It involves choosing the right candidate from the applications received.
- The main objective of selection is to get the best candidates selected for the job role.
- It follows recruitment, i.e., it is the final process that takes place after selection.
- It is a complicated process because it includes many steps and processes.
- It is an expensive method as a lot of money and time is required.
- After being selected for a particular job role, a contractual relationship for service is created.

What is Selection in HRM?

Selection in HRM is the process of identifying prospective employees at the right time, acquiring work ability data about applicants, making a choice of the employees to be hired and extending job offers to them.

Recruitment in HRM (Human Resource Management) is the overall process of identifying and sourcing the right candidates for a certain organizational position by scrutinizing candidates according to one's level of qualification. It involves evaluating the suitability of the candidates on the basis of their training, experience and skills along with their compatibility of organizational work culture and the nature of the jobs. It is to screen the candidates who are likely to perform well on the job and add value to the organization.

Objectives of Recruitment and Selection

Here are following objectives of Recruitment and selection:

Objectives of Recruitment

- **Attract a Wide Pool of Candidates:** Selection seeks to select as many candidates as possible in order to increase chances of getting qualified candidates.
- **Identify Suitable Candidates:** The process aims at finding people who can offer their services in organization and possess the qualifications for the job.
- **Generate Interest in the Organization:** Recruitment should build and improve on the image of the organization in the eyes of prospective employees.
- **Reduce Turnover:** Recruitment leads to the identification of suitable and promising candidates hence reduces churning in the future and its costs.

Objectives of Selection

- **Choose the Best Candidate:** Recruitment's main goal is to screen the most suitable candidate who meets the job specifications in terms of his qualifications and experience.
- **Ensure Organizational Fit:** It evaluates the compatibility of individuals with the organizational culture and organisational requirement.
- **Minimize Hiring Risks:** Selection minimizes the possibility of low performer and also minimizes the chances of a high turnover.
- **Establish a Contractual Relationship:** If so desired, successful candidates come into an employment contract specifying the terms of contract and service.

What is Selection Criteria for Recruitment?

Candidate characteristics are the relative attributes, competencies and other factors in a candidate that focuses on the specific needs of a certain job content. These criteria are applied during short listing and selection of the candidates to be given offers. They typically include:

- **Educational Qualifications:** The academic qualifications of the person required for the position such as the degrees or certification needed.
- **Experience:** Appropriate actual employment and previous positions held on the job.
- **Skills and Competencies:** Responsibilities, competencies and knowledge necessary in order to successfully perform the job.
- **Personality Traits:** Skills, values, and personality dimensions that are compatible with the existing organizational culture and the requirement of the position.
- **Performance in Assessment:** These include test scores, interviews and any other test method that the team may have come up with.

Importance of Recruitment and Selection

Recruitment and selection are crucial for several reasons:

- **Talent Acquisition (Recruitment and Selection):** It is responsible for having the right people in the organization in order to fulfill the set strategies.
- **Employee Performance:** If the candidates are well selected then they are likely to deliver and impact positively.
- **Organizational Growth:** Recruiting the right talent and staff acquisition help in improving on the overall organizational performance and competitiveness.
- **Cost Efficiency:** Recruitment and selection help reduce turnover and related costs hence an improved financial position.

Recruitment and Selection Methods

Here are some of the Recruitment and Selection Methods:

Recruitment Methods

- **Job Portals:** Recruitment site, which imply bringing together a large number of applicants for a certain vacancy.
- **Social Media:** Recruiting through these social media networks such as LinkedIn and face book.
- **Employee Referrals:** The practice of utilizing existing employees in the seeking of candidates to fill available vacancies..
- **Recruitment Agencies:** Intermediary organizations which assist in the procurement and selection process of candidates.

Selection Methods

- **Application Screening:** Screening of resumes and application in order to come up with a shortlist.
- **Interviews:** Holding one on one or group interviews in order to test the suitability of the candidates.
- **Psychometric Tests:** Cognitive assessment: Cognition involves evaluation of intelligence, personality and other system's suitability for a given job.
- **Background Checks:** Authentication of candidate's qualification, experience and references from past employers.
- **Assessment Centers:** Assessing children's skills through performing typical tasks with their help and using tests the children pass successfully to assess their skills at work.

Training and Development

Training and Development are one of the most important aspects of staffing. Training and development play an important role in improving the effectiveness and efficiency of the organisation and the employees. Training increases job skills while development shapes attitude. Training focuses on developing the skills, which are already possessed by an employee, whereas development focuses on developing hidden qualities and talents of employees.

Meaning of Training

Training is a process by which the skills, talents, and capabilities of the employees of an organization are increased. Training helps employees to grasp new skills and utilize the knowledge provided. Training is not only required by the new employees, but it is also necessary for the current staff. Training is not a one-time job. It is a continuous process that helps increase the performance of the employees and prepares them for their new job or keeps them updated on their present job. It is a short-term systematic approach that guides the employees and teaches them how to handle the given responsibilities. Training employees is essential as they need to be updated on technological advances and the latest development.

Training Methods

There are several methods of training. These are mainly categorized into two groups: On-the-Job and Off-the-Job methods. On-the-Job methods are generally the methods that are applied to the workplace during the working of the employee. It means learning while working. Off-the-Job methods refer

to the methods that are used away from the workplace. It means learning before working.

On-the-Job Training Methods

Following are the On-The-Job methods:

- **Apprenticeship Programs:** Apprenticeship programs place the trainee under the guidance of well-trained personnel. These programs are designed to obtain skills and knowledge of higher levels. Such programs are necessary for people entering skilled jobs, like, plumbers, electricians, etc. These apprentices are trainees who enter into these programs and invest some time working under the guidance of a professional or a trainer. The trainees are required to spend a specified time here where both fast and slow learners are trained together. The slow learners may be provided with additional training.
- **Coaching:** In this method, the trainer who is known as the coach guides and instructs the trainee. The coach or the trainer sets the required goals with a mutual discussion, advises on how to achieve those goals, analyzes the trainees' progress from time to time, and suggests changes necessary in the attitude and performance. The trainee works under the senior manager and the manager takes full responsibility for the employees' training. The training is done to take the place of the senior manager so that he can be freed from some of his duties. This is also a chance for the trainee to learn about his job and the working of the organization.
- **Internship Training:** Internship training is a cooperation of educational institutions and business firms. These trainings are generally a joint program. The candidates who are selected continue to pursue their studies regularly and also work in a factory or office to gain the practical knowledge and skills required for a job.
- **Job Rotation:** Job rotation involves shifting trainees from one job to another or from one department to another. This allows the trainee to gain a better understanding of the working of the organization and all its parts. The rotation enables the trainee to indulge in all kinds of operations from different departments, and also allows them to enhance their knowledge and skills. This is also beneficial for the trainees, as they get to interact with other employees, which creates cooperation among different departments. Such training of employees makes it easier for the organization at the time of promotions, replacements, or transfers.

Off-the-Job Training Methods

Following are the Off-the-Job methods:

- **Class Room Lectures or Conferences:** The lecture or conference method is generally used for conveying specific information, rules, procedures, or methods. The use of audio-visual means makes a formal classroom presentation more interesting along with increasing the memory and proving an instrument for clearing difficulties or doubts.
- **Films:** Films supply information and show a definite display of skills that are not easily represented by other techniques. The use of films together with conference discussion is a very effective method in most cases.
- **Case Study:** Case studies are the actual experiences faced by the organization. They display the events that the managers have faced in real life. The trainees study these cases and analyze them sincerely to find out the problems and their causes, come up with possible solutions, select the best solution and at last, implement it.
- **Computer Modelling:** It encourages the work environment by developing a computer program that copies a few of the realities of the job and enables learning to take place securely. It also allows the organization to see the mistakes that may occur and how much they would cost. This saves the organization from making mistakes in such situations in real life.
- **Vestibule Training:** In vestibule training, the employees are given training on the equipment that they will be using during their jobs. Though the training is conducted away from the actual workplace, the trainees are provided with a work environment in which all the pieces of equipment, files, and materials to be used are present. This method is usually used when the employees need to handle advanced or complex equipment and machinery.
- **Programmed Instruction:** Such a method includes a predetermined and proposed acquisition of some definite skills or general knowledge. In this method, the information is divided into meaningful units, and these units are arranged in a proper way to form a logical and consecutive learning bundle or collection, i.e., from simple to complex. The trainee is required to answer the questions asked or by filling in the blanks.

What is Development?

Development refers to the overall growth of the employees. These are learning opportunities that are designed for employees to grow. These

include not only those activities which help to improve employees' performance but also help in employees' growth.

Development is a process that deals with the overall growth of the employees and the organization. It not only focuses on employees in learning new skills, but also helps them build their personality, become mature, and realize their potential, which will further lead them to become better employees and better people. It is a process that encourages employees to face their fears and find out their hidden talents. The organization must provide sufficient growth opportunities to the employee for the development of the employees, or else the employees may get discouraged.

The field of training and development is concerned with improving the performance of the employee as well as the organization. It deals with increasing the capacity of the employees, whether new or current, through learning. It is usually done by helping the employees to increase their skills and knowledge.

Importance of Training and Development

Back in the days, when the jobs were straightforward and the change in technology affecting the organization was minimum, there was very little need for the employees to enhance their skills. In the fast-changing business environment and rising complexities, organizations are under increased pressure to readapt the products and services being produced, the approach through which the products and services are being produced and supplied, the kinds of jobs necessary, and the skills essential to fulfil the requirements of jobs. Therefore, the need for training and development has increased due to the complexity of the jobs. Training and Development are required by both the employees as well as the organization.

Importance to the Organisation

The benefits of training and development are as follows:

- **Reduces cost of production:** Training is always better than hit and trial methods, which are mostly a waste of time and effort. On the other hand, training is a systematic approach for the employees to learn and gain knowledge. The employees work economically, using the resources efficiently, which prevents wastage of materials and reduces the cost of production.
- **Higher productivity:** Training strengthens the productivity of the employees both in qualitative and quantitative terms, which further leads to higher profits.
- **Prepares future managers:** Training benefits all employees whether they are new or old. It also trains the future manager who can take

charge of the organization in the absence of the present manager due to any kind of emergency.

- **Better response to fast-changing environment:** Training keeps the employees of the organization updated on the changes in the organization as well as increases their response to the rapid changes in the business environment, be it technical or economical.
- **Increases morale of employees:** Training helps increase the morale of the employee and also decreases absenteeism and employee turnover.
- **Reduces accidents:** Training helps to reduce accidents in the workplace as employees are given proper training on how to operate machinery or the system on which they are working.

Importance to the Employees

The following are the benefits of training and development for the employees of the organization:

- **Career Growth:** Training improves the knowledge and skills of the individuals making them efficient, which leads to growth in their careers.
- **Increased earnings:** Well-trained employees work efficiently and effectively, which increases the performance of the employee and encourages them to earn more.
- **Safety of employees:** Training makes the employees more adapted to the working of the machines, and they are able to handle them more efficiently. Hence, the employees are less exposed to accidents.
- **Higher morale:** Trained employees tend to know their job better, which helps increase the morale and satisfaction of the employees as they are able to perform better than others.

Employee Motivation

Why is it important to motivate employees?

Employee motivation is one of the main components of achieving company success. Making sure employees are consistently feeling happy, fulfilled and motivated can mean better performance, higher quality work and a greater likelihood that they want to stay with the company longer, which reduces the employee turnover rate and ultimately saves money. Additionally, a higher level of motivation and productivity means a quicker and more profitable business.

15 strategies for motivating employees

From setting attainable goals to providing continued opportunities for career advancement and growth, there are a number of effective techniques you can use to keep employees feeling motivated within their roles. Here are 15 motivational strategies that you can try:

1. Set attainable goals

Creating SMART (specific, measurable, actionable, relevant and time-bound) goals for employees is an excellent motivational technique. These goals outline the criteria needed for attainable success, giving employees something specific to strive for. When creating team-based SMART goals, identify each employee's role in the objectives so they know exactly how and what they can contribute.

2. Provide immediate praise for accomplishments

While formal reviews are useful for giving detailed feedback, you can boost overall morale by providing positive praise to other employees when they've done a great job on a project or completed an assignment ahead of time. Employees often respond well to praise, which motivates them to continue working hard. Taking time to provide individuals with praise or recognition for their accomplishments lets them know they're valuable to the company. It also provides them with positive reinforcement that what they're doing is successful, leaving them with feelings of empowerment.

3. Create an employee incentive program

Another helpful strategy for improving employee motivation is creating an incentive program that directly rewards team members for their accomplishments. The promise of an incentive not only encourages employees to do their best work but also gives them something for which to strive. Raises are big motivators for many, but employees also appreciate other incentives, like bonuses, paid time off, trophies, gift cards and verbal recognition.

4. Ensure a healthy work-life balance

Maintaining a good work-life balance helps employees feel happier and more motivated within their roles. Some ways you can ensure a healthy work-life balance include:

- **Encouraging breaks:** Providing short breaks throughout the workday allows employees to rest. Feeling refreshed can greatly reduce the chances of burnout and lead to higher employee satisfaction and motivation.
- **Offering flexible scheduling:** Allowing employees to take time off for routine appointments, like doctor's visits, last-minute emergencies and self-care days helps employees feel more secure in their roles and also more productive.

- **Providing work-from-home options:** Employees who have the option to work remotely, even just one or two days a week, may feel better about their work-life balance. Working from home eliminates commute times and allows employees to work in environments that increase their productivity.

5. Create a positive work environment

A positive work environment supports enthusiasm, collaboration and motivation—all of which are vital to the success of a company. When creating an ideal environment for employees, it's beneficial to strive to be someone that you would want to work for. In addition to starting every day with a good attitude, there are several techniques you can employ to ensure a healthy work environment for employees, including:

- **Encouraging autonomy:** Most employees are capable of managing their schedules and completing their tasks. When you give them the freedom to use their time as they deem fit, they tend to feel happier and more motivated.
- **Inspiring creativity and innovation:** Empowering employees to create innovative solutions often gives them a greater sense of accomplishment than if they were to follow a standard process. Encouraging intrapreneurship within the workplace has many advantages, with increased motivation being one of them.
- **Celebrating both professional and personal milestones:** Whether an employee has just completed a difficult project or celebrated a birthday, acknowledging these events is a good practice.

6. Encourage an open-door policy within the workplace

How you interact with and respond to your team members on a day-to-day basis has a direct effect on motivation and productivity levels. Providing an open line of communication for team members to freely express questions, thoughts and concerns enable them to feel more comfortable and secure in their roles. It shows that you care about their opinions and are invested in their input.

7. Provide opportunities for career development and advancement

Employees who know they can advance in their current career path are more likely to feel productive. Making sure that employee growth and continued learning are priorities within the organization for which you work can create a positive work culture. Offering free on-the-job training and certification courses are a great way to keep employees feeling motivated, excited and happy about their work.

8. Promote team collaboration

It's beneficial for employees to feel a sense of teamwork and collaboration since employees typically spend about 40 hours a week interacting with one another. A few methods to promote team collaboration are:

- **Planning team-bonding activities:** Not only do team-building activities offer a fun break from your day-to-day routine, but they're an excellent way to motivate employees. Whether you opt for weekly happy hours or the occasional game night, these can help strengthen communication skills, improve problem-solving abilities and increase overall morale.
- **Teaching conflict-management skills:** Offering training on conflict management can help employees resolve challenges within their teams effectively. This can help team members communicate more openly, increasing collaboration and group productivity.

9. Offer mentorship opportunities

Providing mentorship opportunities can motivate employees to perform their jobs at a higher level. Offering opportunities like one-on-one coaching and mentoring within a small group setting can inspire employees to ask questions and set more advanced goals that may encourage them to work harder and continue learning and growing within their careers.

10. Build trust within the team

Showing your team members that you trust them to perform their jobs well can help foster a better sense of responsibility. Giving this trust to your colleagues can encourage them to offer you the same respect and may motivate them to meet your expectations. One way to promote trust as a manager is to offer more independence to team members.

11. Learn more about individuals

Learning more about each individual on the team can help you understand what challenges they may encounter and what their strengths are. To learn more about team members, consider playing icebreaker games and having one-on-one discussions to learn about their goals and personality. This can help you strategize how to motivate each individual.

12. Offer help with individual goals

Instead of focusing solely on team goals, it's helpful to also encourage your colleagues to pursue their own professional goals. Showing members of the team you lead that you care about their personal goals can help empower them for success. They also may become more productive and effective in their role as they work to achieve their goals.

13. Inform team members about company happenings

Ensuring that the team on which you work understands events and situations within the company, such as fiscal quarters, performance goals and market aspects that affect production, can help them feel more invested in the company. Providing this transparency is helpful for motivating your colleagues to understand more about the company. Those who understand how the company for which they work functions may be more likely to stay in their role, increasing employee retention.

14. Give frequent feedback

Providing frequent feedback can allow individuals to strategize for improvement. Offering praise and constructive criticism can help employees feel valued and respected. If the company for which you work has a consistent feedback and review schedule, it may motivate team members to strive for exceptional performance so they can receive praise during their reviews.

15. Assign manageable workloads

Assigning manageable workloads to team members can help ensure they can complete all their work without feeling stressed. Having smaller workloads can help individuals feel happier at work and ensure they have enough time to finish their tasks. Consider performing frequent check-ins with people on your team to ensure that they're happy with their workload.

Performance Appraisal

What Is A Performance Appraisal?

A performance appraisal is a timely assessment of an employee's contribution, productivity and performance at work. This method evaluates a professional's performance based on criteria predetermined by management staff. It considers things like an employee's expertise, attendance, work ethic and attitude in a role. These processes usually concern employees and their managers or supervisors.

What Is The Goal Of A Performance Appraisal?

The performance appraisal process identifies opportunities for employees to grow and develop professionally through training programmes, seminars, conferences and other avenues. A manager and the employee may collectively devise new responsibilities and mechanisms to aid growth in a particular role or prepare for a promotion. Companies use performance appraisals to pinpoint areas where their employees can improve and establish methods to support employee development. Managers can use appraisals as a tool to provide constructive feedback on how well individuals

are performing in their roles. This data can also assist in important decision-making about task assignments or promotions.

A manager may set goals and deadlines for an employee or allow the employee to choose their own objectives based on past performance or business needs. Performance appraisals can motivate individuals to maintain high standards and contribute significantly to the company's growth. The evaluation process supports employees in understanding managerial expectations while offering them the chance to showcase their achievements and gain recognition for their employee's contributions.

How Do Performance Appraisals Work?

Human resources departments usually design performance appraisal mechanisms to help employees advance in their careers. Individuals receive performance-related feedback from HR and managerial staff. This ensures that employee performance aligns with organisational expectations, and employees have a support system to address their weaknesses. Companies typically have limited resources to award incentives, such as bonuses or raises, and the performance appraisal process helps determine how best to allocate those resources. Appraisals can also identify opportunities for employees to expand their skill set and progress in their careers.

Employees and their managers can use performance appraisals to develop a structured plan for professional development, gradually increasing responsibilities and conducting targeted training programmes. Employees and managers typically communicate about the employee's contributions throughout the year, not just during the formal performance appraisal. Regular check-ins help build a comprehensive understanding of responsibilities, strengthen employee-manager relationships, and reduce stress for all parties involved. Appraisals also enable businesses to recognise employees who have significantly contributed to the company's goals, ensuring that top performers are rewarded appropriately.

8 Types Of Performance Appraisals

An organisation can employ a wide range of performance appraisal methods, depending on the nature of its business, the industry in which it operates, the scale of its operations and the specific duties and responsibilities of its employees. The choice of method often aligns with broader performance management practices and the organisation's overall objectives. Here are some common types of performance appraisals:

1. Negotiated Appraisal

Negotiated appraisals involve the use of a mediator during the employee evaluation process. Before offering any criticisms, the reviewer first

highlights the employee's strengths and what they are doing well. This type of performance evaluation is particularly beneficial in situations where there is tension or disagreement between the employee and their manager. Negotiated appraisals can contribute to a more balanced and constructive evaluation process, improving communication and maintaining professional relationships.

2. Management By Objectives

Management by Objectives (MBO) is a performance appraisal method that involves both the manager and the employee working together to set goals for the employee. Once the goals are established, both parties engage in regular discussions to review the employee's progress towards achieving them. At the end of the performance review period, the manager assesses whether the employee has met the agreed objectives and, in some cases, provides incentives for successful completion.

3. Assessment Centre

The assessment centre method enables employees to gain insight into how others perceive them, helping them understand the impact of their performance. Pre-assessment, assessment and post-assessment are the three stages involved in this performance evaluation approach. During the performance appraisal process, the manager places the employee in role-play scenarios and exercises to assess how effectively they perform in their current role and identify opportunities for further development.

4. Self-Appraisal

A self-appraisal involves an employee reflecting on their own performance and evaluating their contributions to the organisation. Through this employee evaluation method, individuals can identify their strengths and weaknesses, and highlight key achievements, such as completing a significant number of sales in a particular month. This type of performance appraisal typically involves filling out a questionnaire or form, after which the manager may choose to follow up with a one-on-one meeting based on the written self-assessment.

5. Peer reviews

Peer reviews involve team members acting as evaluators for a particular employee. This type of performance evaluation helps determine whether an individual collaborates effectively within a team and contributes fairly to the workload. The employee providing the review is typically someone who works closely with the individual and is familiar with their employee's skills, abilities and attitude. Peer reviews offer valuable insights into an employee's overall performance within the team structure.

6. Customer or client reviews

Customer or client reviews occur when those who use a company's product or service provide an evaluation. This gives the company insight into how

others perceive the employee and their company. This type of evaluation can aid in improving employee performance and customer interactions.

7. Behaviourally Anchored Rating Scale

Behaviourally Anchored Rating Scales (BARS) appraisals measure an employee's job performance by comparing it against specific behavioural examples. Organisations assign a score to each example, helping to gather both qualitative and quantitative metrics. This data assists managers in evaluating an employee's job performance against predetermined standards for their role, ensuring a structured and consistent performance appraisal process.

8. Human Resource Accounting

The human resource accounting method or cost accounting method looks at the monetary value an employee brings to a company. It also considers how much it costs the company to keep the employee on the payroll. Service value and interpersonal relationships are two factors that this type of appraisal considers and emphasises.

Benefits Of Performance Appraisals

Performance appraisals serve a variety of purposes, including recognising an employee's strengths. Conducting regular evaluations of team members can help managers and their employees communicate more effectively. It can also help create plans to address any areas where an employee needs improvement, and provide additional training to them accordingly. Some other advantages of performance appraisals include:

- Helping with human resource decisions, such as who to promote and whether to raise a professional's salary
- Developing employee skills and performance
- Determining the organisation's future goals and objectives
- Increasing employee morale
- Rewarding top performers

Drawbacks Of Performance Appraisals

While performance appraisals can be helpful tools for managers, they can also be challenging. Because the reviews are based on human judgement, there is a possibility of bias. Because performance appraisals typically happen every few months or once a year, the feedback may not accurately reflect an employee's current work and behaviour. Employers may also make generic remarks that lead to misunderstanding.

Other possible drawbacks of performance appraisals include:

- Taking a lot of time to conduct
- Developing unhealthy competition in the workplace
- Creating stressful work environments

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- Using the wrong type of performance appraisal
- Adopting unreasonable goals

To avoid these disadvantages, it is a good idea to think about which type of appraisal is best for a company. Allowing those conducting the appraisals enough time and resources can also improve the quality of the results and the experience that employees have with the appraisal process. You can also consider using the feedback you get from employees during their annual reviews to see if the metrics used for measuring employee performance are fair and current.

CHAPTER 9

Business Communication and Leadership

Meaning of Business Communication

What Is Business Communication?

Business communication includes each time a company or its employees are involved in an exchange of information. This type of communication typically includes in-person, face-to-face conversations. However, it also includes one-sided forms of communication, such as advertisement and promotional messaging. Examples of a business's internal and external communication include:

- When employees communicate with one another
- When management and employees discuss ideas or strategies
- When employees and customers interact
- When a company releases a new product
- When a business launches a marketing or advertising campaign

Why Is This Communication Important?

This type of communication is important because it allows a company to not only disseminate information and crucial operational details within the organisation but also share resources and promotional messaging with consumers. Effective communication can help an organisation achieve its goals, foster positive relationships with its employees and reach more members of its target audience. Many internal tasks, such as manufacturing, payroll and marketing, involve communication, so it is essential for employees to feel confident expressing their ideas and options in the workplace.

Types Of Business Communication

Here are the two primary types of communication a business may have with its employees and with consumers:

Internal communication

Internal communication happens between team members. When employees are able to share information effectively and ideas with one another, it can improve company-wide organisation and productivity. There are three primary types of internal communication a company may use:

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- **Upward communication:** Professionals share information up the chain of command, from an employee to someone higher in the company's hierarchy. Examples include surveys, feedback forms and Q&As in meetings.
- **Downward communication:** Professionals share information down the chain of command, from an executive or more senior employee to employees lower in a company's hierarchy. Examples of this include company-wide emails, instant message announcements from a manager to their team and department newsletters.
- **Lateral communication:** Professionals share information with individuals on a similar level within a business. Transparency about communication at the top levels of an organisation can result in improved employee trust. Examples of lateral communication include emails between people in different departments and manager-to-manager chats about their teams.

External communication

External communication includes interactions between employees and customers as well as any distribution of information to external stakeholders, vendors, clients, governments and the general public. Proper and accurate external communication for business depends on the organisation and effectiveness of a company's internal communications. External communication for business includes:

- **Conversations with employees:** External communication a business uses include discussions employees have with clients where they allow consumers to share their ideas, express their concerns and develop positive professional relationships with the organisation.
- **Meetings:** Organisations may host meetings with external clients and groups to review contracts, discuss production operations and complete projects.
- **Mass communication:** Companies may use a variety of resources, such as social media marketing and television advertisements, to reach members of their target audiences and motivate them to complete an action, such as making a purchase.

Methods Of Communication For Business

Although many companies and organisations still depend on face-to-face communication to conduct business, it is likely that a company may also rely on a variety of communication methods. Companies that are primarily remote may largely depend on video calls and instant messaging tools, and businesses that want to communicate with their employees regularly may

rely on phone calls and text messages. There are four standard methods of communication a business may use:

- **Verbal communication:** Verbal communication is the use of language to transfer information through speaking or sign language, including active listening. Examples of verbal communication in the workplace include virtual meetings, phone calls and in-person conversations.
- **Nonverbal communication:** Nonverbal communication is the use of gestures, facial expressions and other nonverbal cues to convey information to others. Nonverbal communication includes smiling or frowning, crossing your arms and nodding.
- **Written communication:** Organisations may deliver written communication through print or digital media. Examples include emails, letters, memos, reports and other documentation that clients read to learn about a brand or materials that employees share with each other to relay important information.
- **Visual communication:** is the use of images and graphics to convey information. Companies typically use visuals alongside verbal or written communication to provide helpful context and clarification. Visual communication can include charts, maps, infographics and videos.

Examples Of Communication Businesses Use

There are many different kinds of communications that companies use to improve their overall productivity. Here are a few examples:

1. Advertisements

Companies may use advertisements to communicate with potential customers and share their products or services with members of their target audiences. External examples include television or streaming video advertisements, marketing campaigns with social media influencers and sponsored content distributed by publishers. Advertisements may showcase the features of an item or the benefits consumers may yield from purchasing it.

2. Live chat

Many companies use live chat as an aspect of their customer service features. It allows consumers to contact the organisation via a website or text message and receive instant responses to their questions and concerns. For example, customers may use live chat to find out how to make a return or check the status of their order. Internal members of the company may also use live chat software to message each other. They may use this feature to prepare for a meeting, ask their supervisor a question or share their idea for a strategic development.

3. Intranet

Intranet is a website or portal employees can access to share and enter information to other professionals within the company. This technology can help foster communication amongst staff members and allow them to send messages, create content for the business, share documents and collaborate. Professionals may also use intranet to manage tasks and share project updates to ensure all team members meet their required deadlines.

4. Social media accounts

Companies may develop and use social media accounts to share promotional material and information with members of their target audience. They may create social media content to share details about an upcoming event or sale to motivate consumers to complete an action, such as purchasing a product or buying an event ticket. Businesses may also use social media to improve brand recognition and help consumers build a positive perception of their companies.

5. Websites

Websites are a vital tool for companies and organisations to sell products, disseminate information and foster positive customer interactions. For example, a well-designed webpage about company culture and benefits can help attract potential future employees. A website can also help potential clients learn more about a specific product or service the company offers so then can make an informed purchase.

Types of Communication

10 Different Types of Business Communication

Business communication has various types depending on its usage by different organizations. Here is a list of the 10 most common types of communication in business communication.

1. Verbal Communication

Verbal communication is the exchange of knowledge, concepts, ideas, and emotions through spoken or written words.

- It involves sending messages from one person to another using language.
- It can be spoken or written.
- Examples include face-to-face conversations, speeches, video conferences, phone calls, and presentations.
- It can also take the form of written messages like letters, emails, and text messages.
- It is essential in interpersonal interactions, business negotiations, professional contacts, education, public speaking, and other areas.
- It allows people to communicate, exchange ideas, collaborate, and build relationships.

2. Written Communication

Written communication is the transmission of information, concepts, thoughts, and messages through written language.

- It involves expressing ideas and communicating information using written symbols such as letters, words, phrases, and paragraphs.
- Examples include memoranda, reports, articles, books, emails, texts, social media postings, and memos.
- It provides a record of the information, allowing for reference and review.
- It allows for careful consideration and editing before delivering the message, leading to a clearer expression of thoughts.
- It is suitable for long-distance and asynchronous communication, enabling communication across boundaries and time zones.
- Compared to verbal communication, written communication offers a more controlled and enduring form of communication.

3. Nonverbal Communication

Nonverbal communication is the exchange of information, thoughts, and emotions without the use of words or verbal language.

- Examples include body language, facial expressions, gestures, posture, eye contact, touch, and voice intonation.
- It can support, reinforce, or contradict spoken communication in interpersonal relationships.
- It helps in interpreting the underlying meaning and emotions conveyed through spoken words.
- Nonverbal cues may have different meanings in different cultural contexts, highlighting the importance of considering cultural differences in nonverbal communication.
- The interpretation of nonverbal indicators take into account individual characteristics and societal conventions.

4. Electronic Communication

Electronic communication refers to the transmission of information, messages, and data using electronic devices and digital technology.

- It involves transmitting data in various formats, such as text, photographs, audio, and video, through electronic channels like the Internet, email, instant messaging, social media platforms, and telecommunications networks.
- It allows for rapid and extensive delivery of information across large distances.

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- It has become increasingly important in modern life, revolutionizing communication in areas, such as business, education, government, entertainment, and interpersonal connections.
- It has transformed how people connect, collaborate, and exchange information, enhancing the effectiveness and accessibility of communication.

5. Formal Communication

Formal communication in an organization refers to regulated and structured communication that follows predetermined channels, rules, and standards.

- It is used to convey precise messages on official topics, rules, processes, and work-related activities.
- It flows in a purposeful, organized, and systematic manner.
- The top-down hierarchical structure is often followed in formal communication.
- Examples include memos, reports, meetings, official emails, newsletters, and formal presentations.
- The language used in formal communication is typically formal, precise, and aligned with the accepted norms and standards of the company or industry.
- It is employed by organizations to establish strategic plans, share official information, assign responsibilities, and communicate major news.
- It ensures effective and efficient communication in the workplace by maintaining order, clarity, and accountability.

6. Informal Communication

Informal communication is the casual and unofficial exchange of information, ideas, and messages in an organization or social setting.

- It occurs through talks, unofficial meetings, social gatherings, phone calls, instant messaging, and casual contacts.
- It takes place outside formal channels and structures.
- Participants engage in informal communication in a casual and unstructured manner, often disregarding hierarchical norms.
- It facilitates the spontaneous sharing of ideas, viewpoints, and personal experiences, strengthening bonds of friendship and trust.
- It is important in organizations as it promotes employee engagement, cooperation, and the sharing of tacit knowledge.
- It fosters a positive work environment, trust, and interpersonal relationships.
- It serves as a form of social support, allowing individuals to seek advice, express concerns, and participate in informal mentoring.

7. Upward Communication

Upward communication refers to the flow of information from employees or lower-level members of an organization to their superiors or higher-level management. It comprises the exchange of messages and feedback in an upward direction within the organizational structure. Characteristics of upward communication include:

- **Feedback:** Employees share their views, ideas, and concerns about their work, projects, or organizational procedures.
- **Suggestions and Ideas:** Employees provide comments, ideas, and innovations to enhance productivity, work procedures, and organizational effectiveness.
- **Grievances or Concerns:** Employees may express grievances or concerns about the work environment, company rules, or interpersonal disputes.
- **Performance Reports:** Employees provide their bosses reports on their success, setbacks, and advancement for appraisal and criticism.
- **Seeking Clarification:** When it comes to problems at work, employees go to their superiors for advice, direction, or information.

8. Downward Communication

The transfer of information, guidelines, orders, criticism, and announcements from higher-level management or supervisors to employees or subordinates within an organization is referred to as downward communication. The following are characteristics of downward communication:

- **Instructions and Directives:** Management gives employees specific instructions, rules, and directions regarding their jobs, obligations, and expected outcomes.
- **Feedback on Performance:** When it comes to an employee's job performance, strengths, and areas for development, supervisors provide them feedback, assessments, and performance reviews.
- **Organizational Announcements:** Management informs staff members of any relevant updates, news, or changes to organizational policies.
- **Setting Goals and Objectives:** To ensure that employees' efforts are in line with the broader organizational vision, management communicates with them the organization's goals, objectives, and targets.

9. Lateral or Horizontal Communication

The flow of information, concepts, and messages between people or departments within the same organizational level is referred to as lateral or horizontal communication. The features of lateral communication include:

- **Peer-to-peer Communication:** Lateral communication takes place between people or groups within the same organizational level, without the involvement of superiors or inferiors.
- **Collaboration and Coordination:** It makes it easier for people or departments working toward a shared objective to coordinate their efforts, collaborate on initiatives, and share resources.
- **Sharing of Information:** Peers can exchange knowledge, skills, best practices, and lessons learned through lateral communication.
- **Problem-Solving:** It enables groups of people or departments to jointly address problems, generate ideas for solutions, and get feedback or counsel from peers.
- **Cross-Functional Communication:** In an organization, lateral communication frequently takes place between people or departments from several functional areas or departments, promoting interdisciplinary cooperation.

10. External Communication

The exchange of information, messaging, and communication between a company and external parties or stakeholders is referred to as external communication. It entails communication with stakeholders, including clients, partners, investors, the general public, regulatory agencies, and other parties with a stake in the company. Channels and techniques for external communication include:

- **Marketing and Advertising:** It uses a variety of marketing and advertising channels to reach consumers and the general public, including print media, television, radio, internet commercials, social media, and promotional campaigns.
- **Public Relations:** It influences public opinion and sustains a favorable public image. Public relations include interacting with the media, releasing press releases, planning events, and managing connections with journalists.
- **Customer Service:** Customer service is the process of interacting with consumers through a variety of channels, including live chat, emails, phone calls, and social media, to respond to their questions, offer assistance, and guarantee their happiness.
- **Investor Relations:** It provides information on a company's financial performance and operations to shareholders, potential investors, and financial analysts through reports, annual meetings, investor presentations, and other channels.
- **Government and Regulatory Communications:** This is done by getting in touch with governmental organizations, regulatory

authorities, and business groups to meet legal obligations, disseminate information, and promote the interests of the company.

Barriers to Communication

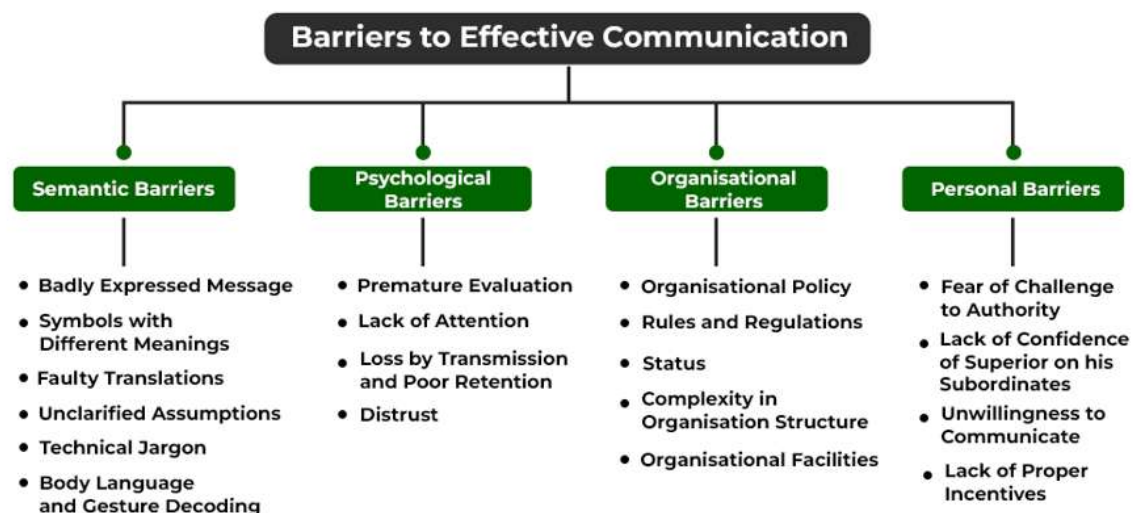
The factors which obstruct the effectiveness of communication is known as **Communication Barriers**. These barriers cause a mismatch between the understanding of the message by the sender and the receiver. These barriers can occur at any stage of the communication process.

Communication is an indispensable element in human relationships. Humans interact with one another through communication. The term 'communication' is derived from the Latin word 'communis', which means common. Therefore, communication is defined as an exchange of facts, ideas, opinions, or emotions to create mutual understanding. It is the sum of all things one person does in order to create understanding in the minds of others.

Classification of Barriers to Communication

The barriers to communication can be broadly classified as:

1. Semantic Barriers
2. Psychological Barriers
3. Organisational Barriers
4. Personal Barriers



1. Semantic Barriers

The branch of science that deals with the meaning of words and sentences is known as Semantic. The problems and obstructions in the process of encoding and decoding message into words or impressions is known as Semantic barriers. This barrier arises because different words mean different things to different people. A breakdown in communication can occur when two individuals attach different meanings to a word. For example, for organisations, 'Profits' may mean growth and efficiency, but for employees, it may mean excess funds generated by paying inadequate wages and benefits.

Some of the common forms of Semantic Barriers are as follows:

- **Badly Expressed Message:** When a message lacks clarity and precision, it is said to be a badly expressed message. Communication becomes ineffective when the language of the message is vague, imprecise, or there is the use of wrong words or omission of needed words.
- **Symbols with Different Meanings:** The same words may carry different meanings to different people, and can convey different meanings under different situations. *For example*, words like effect and affect, ideal and idle, advice and advice, bear and bare, etc., sounds similar, but they have different meanings.
- **Faulty Translations:** Sometimes, people do not understand the language in which a message is given by the sender. In such cases, it becomes necessary to translate the message into a language, which is understandable by the receiver. The translator should be proficient enough to translate the language, otherwise, this can also be a barrier to communication.
- **Unclear Assumptions:** The receiver may have different assumptions if the sender does not clarify the assumptions about the message. For example, a boss may say, 'Complete the work'. Here, the boss has not mentioned the day and date when the work has to be completed. He may mean to complete the work by tomorrow, but subordinates may understand it as a week's target.
- **Technical Jargon:** Technical Jargon or terminology are used by many experts and specialists to communicate messages. Such jargon is not understood by the common people, which leads to poor communication.
- **Body Language and Gesture Decoding:** Non-verbal or gestural communication is also an effective means of communication. Facial expressions, gestures, body language, etc., should correspond to the

language. The receiver may get confused and can misunderstand the message if verbal language does not match the body language.

2. Psychological Barriers

Barriers which arise on the account of emotional and psychological status of the sender and receiver of the message are known as **Psychological Barriers**. For example, a person who is under stress cannot communicate properly.

Some of the common forms of Psychological Barriers are as follows:

- **Premature Evaluation:** The tendency of forming a judgement before listening to the entire message is known as premature evaluation. This distorts understanding and acts as a barrier to effective communication. This can also lead to prejudices against communication.
- **Lack of Attention:** Communication can be less effective, and the message can be misunderstood if proper attention is not given to it. This inattention may arise due to the preoccupied mind of the receiver. **For example**, a superior gave instructions to operate a new software, however, the subordinate was preoccupied with other personal issues. Such lack of attention makes the communication process one-way and ineffective.
- **Loss by Transmission and Poor Retention:** There is loss of or transmission of inaccurate information when communication passes through various levels or channels in the organisation. It is more common in the case of oral communication. Poor retention also acts as a barrier when people are unable to retain the information for a long time.
- **Distrust:** Lack of mutual trust between the sender and the receiver also acts as a barrier to communication. Parties involved in communication cannot understand the message in an original sense when they do not believe each other.

3. Organisational Barriers

In an organisation, communication has to pass through various levels and channels, hence it may not reach the same place as it was sent by the sender. Organisation structure, rules and regulations, authority relationships, etc., act as a barrier to effective communication.

Some of the Organisational Barriers are as follows:

- **Organisational Policy: Effectiveness of communication is** affected by organisational policy. The communication process is hampered if the policy is not supportive of the free flow of communication. **For example**, in a centralised organisation, free communication is not

encouraged, and communication has to follow through a proper channel only.

- **Rules and Regulations:** The process of communication is affected by rigid and cumbersome rules and regulations. The channels and the subject matter are already prescribed through, which the messages are to be communicated. These prescribed rules, regulations, and channels are rigid and can act as barriers.
- **Status:** Psychological distance is created between superior and subordinate because of status. Such statuses stand in the way of true and accurate communication. Subordinates are also not allowed to express their feeling freely if the manager is status conscious.
- **Complexity in Organisation Structure:** Organisation structure can also act as a barrier to communication. If there are many managerial levels in an organisational structure, then communication gets delayed and distorted.
- **Organisational Facilities:** If facilities like frequent meetings, conferences, suggestion boxes, complaint boxes, etc., are absent in an organisation, then effective communication is hampered.

4. Personal Barriers

The effectiveness of communication is influenced by the personal factors of both sender and the receiver.

Some of the Personal Barriers are as follows:

- **Fear of Challenge to Authority:** If a superior fears that a particular communication can hamper his authority, then he may withhold such communication, as he always wants to maintain a higher position and prestige in the organisation.
- **Lack of Confidence of Superior on his Subordinates:** When superiors do not have faith or confidence on the competence of their subordinates, then communication is said to be hampered. When there is a lack of trust and confidence in subordinates, the superior may not take advice or suggestions from the subordinates.
- **Unwillingness to Communicate:** Unwillingness to communicate can be another reason for ineffective communication. Many times, subordinates do not communicate with their superiors because they believe that if the information is not correct or appropriate, it will adversely affect them.
- **Lack of Proper Incentives:** Subordinates also do not take initiative to communicate, when there is no motivation or incentives for communication. For example, if there is no reward for the suggestion given by the subordinates, then they will not take initiative.

Leadership Styles

The process of influencing the behaviour of people towards the achievement of organisational goals is known as **Leadership**. It indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute to achieving organisational objectives. An individual who has the attributes of leadership is known as a leader.

The behaviour pattern which is reflected by a leader in his role is known as the **Leadership style**. It is the result of the philosophy, personality, experience, and value system of a leader. The type of followers and the atmosphere prevailing in the organisation also affect leadership styles.

Types of Leadership Styles

1. Autocratic Leadership or Authoritative Leadership
2. Participative Leadership or Democratic Leadership
3. Free rein Leadership or Laissez-Faire Leadership

All the above-mentioned styles of leadership are used by a leader over a period of time. However, one style tends to predominate as his normal style of using power.

1. Autocratic Leadership or Authoritative Leadership



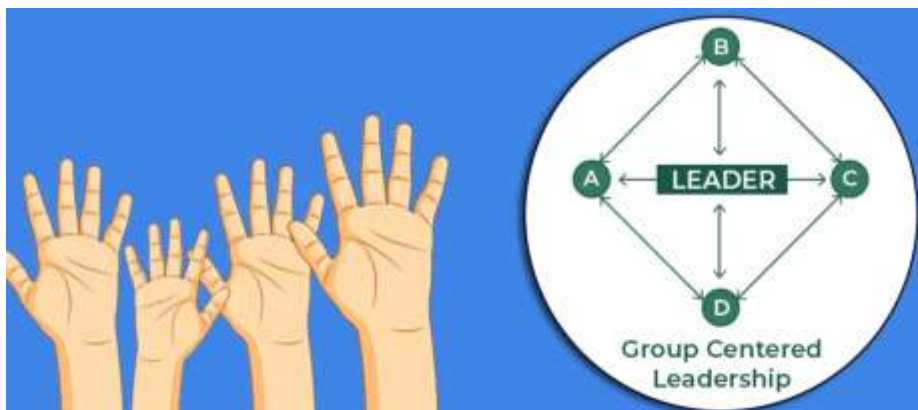
The leadership style under which a leader centralises all decision-making powers and exercises full control over his subordinates is known as Autocratic or Authoritative leadership. The leader here gives orders and makes sure that they are obeyed.

For example, if Sam assigns work and gives orders to complete the work as per his discretion without consulting his subordinates, then Sam is an Autocratic Leader.

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- Policies and plans are made by the autocratic leader without consulting subordinates. The employees are also not given information about future plans.
- Orders are given and tasks are assigned, and subordinates are not given the freedom to influence the decision of the leader. This situation is similar to "bossing people around".
- In such a leadership style, there is little or no concern for the welfare of the employees. Subordinates are compelled by the leaders to follow orders under the threat of penalties and punishments.
- Because of lack of freedom and threats of penalties and punishments, subordinates suffer from frustration and low morale. Subordinates avoid responsibility, lack initiative and become 'Yes Men'.
- This leadership style should be used on rare occasions.
- Such leadership styles are used in the Military.
- This style is also known as the 'Directive style of leadership'.

2. Participative Leadership or Democratic Leadership



The leadership style under which a leader consults subordinates in the decision-making process and encourages them to give suggestions in setting goals and implementing decisions. In this, the subordinates are allowed to participate in the decision-making process and their suggestions are welcomed by the leader.

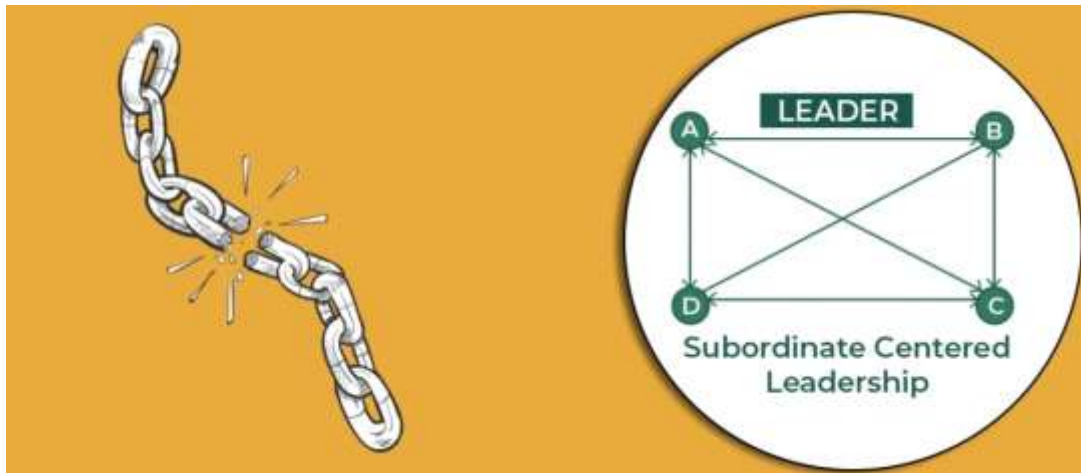
For example, if Satyam is discussing the work and taking suggestions to complete the work, then he is a Participative or Democratic Leader.

- Under the Participative leadership style, orders are given only after consulting the subordinates, and any plan or policies is carried forwards only after the acceptance of the subordinates.
- This style wins greater confidence, cooperation, loyalty and initiative of the group. The morale of the employees is also boosted.

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- Here, the subordinates are never asked to do things without working out long-term plans.
- The subordinates become part of the team and help the leader in making better decisions. Thus, it is a style of mutual benefit.

3. Free rein Leadership or Laissez-Faire Leadership



The leadership style under which a leader gives complete freedom to the subordinates is known as Free rein or Laissez-Faire.

For example, Sitaraman gives the responsibility of setting goals and devising plans to the subordinates, then here Sitaraman is practising free rein leadership.

- The leader depends on the group for setting goals and devising plans to achieve such goals.
- It can be said that this style is more of a non-leadership style than a leadership style, as the leader acts as an umpire and delegates the entire authority of decision-making to subordinates.
- Group members work as per their choice and competence. The leader acts as a contact man with the outsiders and collects information and resources required by the group to achieve the goals.
- This style is also known as "laissez-faire", which means no interference from others. "Laissez-faire" is a french phrase, which means "let them do".

Decision Making

What is Decision Making?

Decision-making is an integral part of everyday life and a crucial component of management in organizations. It involves selecting the best

action from various options by considering resources, outcomes, and personal preferences. This process includes **identifying a situation, gathering and analyzing information, evaluating the pros and cons, and choosing a path forward**. Decisions, whether made through rational analysis or instinct, significantly affect all involved parties.

Effective decision-making, which entails evaluating all possible outcomes and choosing the most beneficial one, is essential for personal, professional, and organizational success. Conversely, poor decisions can lead to losses and tarnish reputations. Thus, developing a structured approach to decision-making is vital for achieving favorable outcomes.

*“Decision-making is the selection based on some criteria from two or more possible alternatives.” - **George R. Terry***

*“A decision is an act of choice, wherein an executive form a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from several possible alternatives.” - **D.E. Mc. Farland***

7 Effective Steps of Decision-Making

1. Identifying the Decision

The initial step in decision-making is identifying the precise issue that needs resolution or the query that demands an answer. It's essential to accurately define the decision at hand. Incorrectly identifying the problem or choosing an overly broad issue can derail your decision-making efforts from the get-go. For goals associated with the decision, ensure they are quantifiable and bound by time.

2. Collecting Relevant Information

Once the decision has been identified, the next phase involves collecting relevant information to that decision. This includes an internal review to understand past successes and failures within your organization that relate to your decision. Additionally, acquiring information from external sources, such as academic research, market analysis, or possibly feedback from consulting services, is crucial. However, be wary of information overload, as it can overwhelm and complicate the decision-making process.

3. Exploring Possible Alternatives

Armed with the relevant data, it's now time to outline potential solutions to your problem. Typically, there are several avenues to consider for achieving a goal. For instance, if the aim is to boost social media engagement, alternatives could range from investing in paid social ads, tweaking your organic social media tactics, or employing a blend of both strategies.

4. Evaluating the Alternatives

Having pinpointed several potential solutions, the next step involves assessing the merits and demerits of these alternatives. Review past instances of success within similar contexts, and analyze your organization's past achievements and setbacks. Evaluate the risks associated with each option against the potential benefits.

5. Making a Choice

This stage is where the actual decision is made. Ideally, by this point, you've clearly identified the decision to be made, gathered all necessary information, and considered various possible directions. Now, you're equipped to make an informed choice.

6. Implementing the Decision

With the decision made, it's time to act. Formulate a plan to bring your decision to fruition. Create a detailed project plan based on your decision, assigning specific tasks to members of your team to execute the plan effectively.

7. Evaluating the Outcome

After a set period, which was determined in the first step, revisit your decision to evaluate its effectiveness. Did it address the problem? Did it achieve the intended goal? If the answer is yes, document the successful strategies for future reference. If not, take this as a learning opportunity to refine your decision-making process for future endeavors.

Nature of Decision-making

The nature of decision-making can be characterized by several key factors, including:

1. **Goal-oriented:** Effective decision-making hinges on setting clear goals and selecting strategies to achieve them, while remaining unbiased and avoiding personal prejudices that may affect judgment.
2. **Dynamic Process:** Decision-making is a dynamic process as it involves a time dimension and time lag. The techniques used for choice vary with the type of problem involved and the time available.
3. **Continuous or ongoing process:** It is a continuous and ongoing process as managers have to take a series of decisions.
4. **Intellectual or Rational process:** As decisions are products of reasoning, deliberation and evaluation, decision-making is an intellectual and rational process.
5. **Set of Alternatives:** Decision-making implies a set of alternatives as a decision problem arises only when there are two or more alternatives. No decision is to be made if there is only one alternative. Thus, decision-making is generally a complex and dynamic process that requires taking decisions that give the best-desired outcomes and

involves analyzing possibilities, taking risks into account, acquiring information, and working with others.

Role of Decision-making

Making decisions plays a key part in the life of an individual and any organization. The accomplishment of personal and organizational objectives, enhanced performance, risk minimization, and success maintenance all depend on effective decision-making. Here are some key roles of decision-making:

1. **Strategic planning:** Decision-making is an important element of strategic planning. It provides a framework for taking decisions that determine the goals or objectives of the organization.
2. **Problem-solving:** Decision-making helps individuals or organizations to identify all the possible solutions and decide the best course of action. It comprises evaluating the current situation, identifying the cause of the issue, balancing them, and selecting the best course of action.
3. **Opportunity identification:** Making decisions enables one to recognize and take advantage of opportunities. It allows for identifying potential advantages and determining if they are consistent with the objectives of the person or organization.
4. **Resource allocation:** Decision-making is essential for allocating resources effectively, whether it is the allocation of budget, time, or personnel. It requires evaluating the available resources, determining the priorities, and allocating resources to the situation and goals of the organization.
5. **Risk management:** Decision-making is also important in managing risks. Decision makers must analyze the potential risks and benefits of different options and make decisions based on the analysis done.
6. **Goal achievement:** Effective decision-making is an important tool for achieving personal and organizational goals. It involves setting goals, determining courses of action to achieve those goals, and evaluating progress along the way.
7. **Continuous improvement:** Good decision-making requires continuous improvement. Organizations must evaluate their performance, determine where they can make improvements, and then decide what adjustments will best improve their functioning.

Therefore, the general purpose of decision-making is to give people and organizations direction and advice so they may succeed by making decisions that are in line with their priorities.

CHAPTER 10

Entrepreneurship and Business Ethics

Meaning of Entrepreneurship

Entrepreneurship is the exciting journey of turning dreams into reality, fueled by passion, innovation, and unwavering determination. It is the art of transforming challenges into opportunities, creating something from nothing, and fearlessly navigating the dynamic seas of business. In this daring realm, visionaries craft their destinies, pushing boundaries, and sculpting a legacy that echoes in the corridors of success.

What is Entrepreneurship?

Entrepreneurship is the dynamic process of recognizing opportunities in the market, gathering and managing essential resources like land, labour, and capital, and taking calculated risks to pursue these profit opportunities. Entrepreneurs are innovative risk-takers who combine factors of production at certain prices to supply products or services and sell them at uncertain prices. Their ultimate aim is to earn profits by introducing new ideas and creating value in the market. In this context, the enterprise is the organisation or undertaking established for entrepreneurial activities. This process involves dealing with uncertainty and embracing risk while striving to achieve financial success through innovative ventures.

“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services.” – A.H. Cole (1959).

“Entrepreneurship is the dynamic process of creating incremental wealth.” – Robert C. Ronstadt (1984)

Entrepreneurship Development Process

The process of entrepreneurship development consists of the following stages:

1. Pre-training Stage: This initial stage involves several crucial steps. Firstly, potential candidates with the necessary attributes such as

knowledge, attitudes, values, and motivation for entrepreneurship are carefully selected. Infrastructure for the training program is established, and the content, techniques, and materials for the training are prepared. Trainers are also chosen and trained to deliver the program effectively. Publicity for the entrepreneurship development program is carried out through various channels like newspapers, handbills, pamphlets, banners, public meetings, and lectures. The target group for the Entrepreneurship Development Program (EDP) is thus formed.

2. Training Stage: In this stage, the selected participants undergo training to develop essential skills, competencies, and behavioural patterns required for entrepreneurship. They are guided in identifying business opportunities and choosing suitable products or services. Information about government agencies that provide support to entrepreneurs is given, and trainees are taught project report preparation and enterprise launching formalities, including necessary permits and licenses. Management skills are also developed to ensure effective business operations.

3. Post-Training Stage: This phase is crucial for the success of the EDP. Participants receive ongoing support and follow-up after completing the training. A designated person is responsible for providing support, sustaining motivation, guiding them in implementing their projects, and helping them overcome challenges. Regular follow-up meetings are conducted with the participants, involving representatives from banks, financial institutions, and other relevant agencies to ensure continued assistance. The trainer motivator may also engage with the trainees' families to gain their support. Feedback from the follow-up phase is used to assess the effectiveness of the training program and make necessary improvements to enhance the impact of the EDP. Infrastructural support, counselling, and assistance in establishing enterprises are also reviewed during this stage.

Thus, the process of entrepreneurship development encompasses stages from pre-training, where candidates are selected, and the program is prepared, to the actual training stage, where skills and knowledge are imparted, and finally, the post-training stage, where continuous support and follow-up are provided to ensure the success of the program participants in their entrepreneurial endeavours.

Need and Importance of Entrepreneurship

Entrepreneurship holds immense significance in fostering economic development, acting as a driving force for industrialisation and growth. According to Joseph Schumpeter, a nation's economic progress is intrinsically tied to its capacity for innovation, which, in turn, hinges on the

distribution of entrepreneurial talent within its population. While technical advancements are essential, their transformation into economic development relies on the entrepreneurial acumen of individuals who effectively organize and utilize capital, labour, and technology. Experts emphasize that economic development doesn't occur spontaneously based solely on favourable economic conditions; it necessitates entrepreneurial activity as a catalyst. The abundance of activities seen in prosperous countries can be attributed to the presence of enterprising individuals.

Entrepreneurs play a pivotal role in creating new enterprises that invigorate the economy and revitalizing established businesses, which collectively form the economic framework. Their impact on economic development manifests in several ways, as they initiate and sustain growth by bringing innovative ideas to life, creating job opportunities, and fostering competition, all of which contribute to a thriving economy. Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. Capital Formation: Entrepreneurs effectively mobilize idle savings from the public by issuing industrial securities. This results in the productive utilization of national resources, increasing the rate of capital formation, which is essential for rapid economic progress. They are instrumental in wealth creation.

2. Improvement in Per Capita Income: Entrepreneurs identify and capitalize on opportunities, converting latent and idle resources like land, labour, and capital into national income and wealth through the production of goods and services. This boosts the Net National Product and per capita income, important indicators of economic growth.

3. Generation of Employment: Entrepreneurs contribute to employment both directly and indirectly. Through self-employment and the establishment of various business units, they offer job opportunities to millions, helping to alleviate unemployment issues.

4. Balanced Regional Development: Entrepreneurs, both in the public and private sectors, play a crucial role in reducing regional disparities in economic development. They establish industries in underdeveloped areas, taking advantage of concessions and subsidies offered by the government. This has put lesser-known regions on the map of economic development.

5. Improvement in Living Standards: Industries set up by entrepreneurs alleviate the scarcity of essential commodities and introduce new products, ultimately improving the standard of living for the common people. Mass

production and the growth of small-scale industries contribute to increased variety and lower costs of goods.

6. Economic Independence: Entrepreneurship is vital for national self-reliance. By manufacturing indigenous substitutes for previously imported products and promoting exports, entrepreneurs reduce dependence on foreign countries. This ensures economic independence, which is crucial alongside political independence.

7. Backward and Forward Linkages: Entrepreneurial initiatives set off a chain reaction with several backward and forward linkages. For instance, the establishment of a steel plant leads to the growth of ancillary units and increased demand for raw materials like iron ore and coal. This expansion positively impacts various industries, creating a self-sustaining ecosystem.

Challenges of Entrepreneurship and Their Solutions

Entrepreneurs often encounter various challenges along their journey. Here are some common challenges they face, along with potential solutions for each:

1. Financial Constraints

- **Challenge:** Limited access to capital is a significant hurdle for many entrepreneurs, especially when starting a new venture or during the early stages of growth.
- **Solution:** To address this challenge, entrepreneurs can explore multiple funding sources, such as bootstrapping, seeking investments from family and friends, crowdfunding platforms, angel investors, venture capital firms, or even government grants and loans. Additionally, creating a well-thought-out business plan and demonstrating a clear path to profitability can increase the chances of securing external funding.

2. Market Uncertainty

- **Challenge:** Understanding the target market and accurately predicting consumer preferences can be difficult, leading to uncertainty about product or service demand.
- **Solution:** Entrepreneurs can conduct thorough market research to identify their target audience, assess their needs and preferences, and gather feedback on their offerings. Conducting pilot tests or surveys can help validate the product-market fit before committing significant resources. Staying agile and open to adapting the business model based on market feedback is crucial.

3. Competition

- **Challenge:** Entering a market with established competitors can be daunting, as it may be challenging to differentiate the business and attract customers.
- **Solution:** Entrepreneurs should focus on unique selling propositions (USPs) that set their products or services apart from the competition. Offering superior customer service, providing additional value through innovative features, or targeting a niche segment with specific needs can help gain a competitive edge. Building strong relationships with customers and fostering brand loyalty can also be valuable in staying ahead of the competition.

4. Time Management

- **Challenge:** Entrepreneurs often find themselves juggling multiple tasks and responsibilities, leading to time management issues.
- **Solution:** Effective time management is essential. Entrepreneurs can prioritize tasks based on urgency and importance, delegate responsibilities where possible, and automate repetitive processes. Adopting productivity tools, setting clear goals, and maintaining a well-organized schedule can help optimize time usage.

5. Hiring and Retaining Talent

- **Challenge:** Attracting and retaining skilled and dedicated employees can be challenging, particularly for startups with limited resources.
- **Solution:** To address this challenge, entrepreneurs should create an appealing company culture and offer competitive compensation packages, including potential equity or performance-based incentives. Leveraging social media and networking platforms can help reach potential candidates. Moreover, fostering a positive work environment and investing in employee development can improve retention rates.

6. Regulatory Compliance

- **Challenge:** Navigating complex and ever-changing regulations and legal requirements can be overwhelming for entrepreneurs.
- **Solution:** Seeking professional advice from legal experts or consultants with expertise in relevant industries can help entrepreneurs stay compliant. Staying informed about changes in laws and regulations and maintaining accurate records can also prevent potential legal issues.

7. Scaling the Business

- **Challenge:** Transitioning from a small operation to a larger, scalable business requires careful planning and resource management.

- **Solution:** Entrepreneurs should create a scalable business model from the outset, considering factors like production capacity, distribution channels, and marketing strategies. Building strategic partnerships, leveraging technology, and gradually expanding operations can facilitate a smooth scaling process.

8. Emotional Resilience

- **Challenge:** Entrepreneurship can be emotionally demanding, with highs and lows, and it's essential to maintain resilience in the face of challenges and setbacks.
- **Solution:** Building a support network of mentors, advisors, or fellow entrepreneurs can provide valuable guidance and encouragement during difficult times. Prioritizing self-care, maintaining a healthy work-life balance, and celebrating small successes can also contribute to emotional well-being.

Characteristics of an Entrepreneur

10 Characteristics Of An Entrepreneur

Entrepreneurs may lead different types of business ventures, but the basic characteristics of entrepreneurship are quite the same. The following traits, if nurtured, can help you become a successful entrepreneur:

1. Passion

More often than not, startup founders or small business entrepreneurs are extremely passionate about their work. It is this passion that maintains momentum during times of uncertainty. To become a more passionate business leader or successfully run your own business, you are required to focus more on the meaning of your work. Have a system to consistently remind yourself and your team that you are trying to solve a problem rather than just making more money. Knowing that your commitment makes an impact may give you the drive you require to continue when doubt settles in or when the business gets difficult. Passion is what keeps you focused on your objective.

2. Motivation

Entrepreneurs, including social entrepreneurs, need motivation to constantly push their skills to stay relevant in a dynamic market. To build motivation, you can start by looking at things at the micro-level. Set and achieve small goals to build a ladder towards larger ones. Maintain morale and confidence throughout your journey. Celebrate your small wins and keep a positive mindset. Optimism facilitates creativity. When coupled with motivation, it enables you to develop new concepts and ideas. Strong problem-solving abilities allow you to use every opportunity or failure to analyze your shortcomings and take conscious measures to avoid them in

the future. Entrepreneurs are dreamers with a plan of action. Keep your end goals in mind to stay motivated.

3. Product or service knowledge

For a successful business, entrepreneurs are required to know what new products or services they want to offer and who their target audience is. Clearly identify the category of your products or services and be very clear about how they are beneficial to your customers. Conduct thorough market research to study customer needs before building solutions. You are required to constantly study your market to understand what customers need and promote the exact features that set you apart from your competitors. Talk to your clients and use their feedback to make changes and adjust your position as and when required.

4. Risk management

Entrepreneurs inevitably need to take risks. When faced with a difficult situation, you must make informed decisions after planning for all eventualities. As an entrepreneur, risk-taking is essential if you want to surpass your competition. Over time, you improve at managing risks and recovering from failures, which increases your comfort level with challenges and helps you take your business to new heights. Treat your entrepreneurial journey as a learning process, giving equal importance to both your successes and failures, and continue engaging consistently. This mindset benefits not only business owners but also learners seeking to grow from real-world experience.

5. Self-confidence

Entrepreneurs invest their time and resources in a particular initiative because they are confident about creating something better than what the market has to offer. The road to their goals may have poorly defined grey areas, but ultimately, those who persevere are the ones who succeed. To bolster self-confidence, it helps to meditate upon your intent and speculate the future of your business venture. You can also practice affirmation by reminiscing your accomplishments and the hurdles you jumped en-route. Building self-belief and staying committed through uncertainty are key ingredients to entrepreneurial success.

6. Money management

Entrepreneurs require to keep track of the financial situation of their business, its past record and future targets. Even if you hire an accountant, you are the final decision maker. Business owners are required to be well aware of the financial situation of their business to be able to make sound decisions. Basic money management skill is an important characteristic and

they can be improved by preparing a budget and committing to it. Invest available funds into the development of your business, but take only calculated financial risks during investments. Consult experts to understand the impact of your financial decisions in detail. The internet is also a treasure trove for free financial advice and guidelines. You are required to select your sources carefully and spend time learning the basics of financial management. With consistent hard work, entrepreneurs can gain confidence in managing finances. Remember, financial success is often the result of smart planning combined with hard work and persistence.

7. Vision

Entrepreneurship involves knowing what you want to achieve, setting a goal and working towards it through tangible milestones. Vision is what defines the identity of an organisation. Not only does it keep you driven, but it also fuels general motivation across the workplace and encourages everyone involved to work towards the success of a venture. Whether you are launching a small business or scaling a larger one, a clear vision helps steer your efforts in the right direction. You may start by identifying what your professional goals are and how they align with your vision. Following this, you may set milestones and plan an achievable timeline to guide your actions. This allows you to witness your progression and helps keep you committed to your goals. Prioritising your tasks keeps you from feeling overwhelmed and lets you stay true to your vision in the long run.

8. Decision-making ability

Entrepreneurs often require to make quick decisions and take actions. To improve decision-making skills, always avoid reacting spontaneously to situations and circumstances. Understand all facets of a problem, inform yourself of its nuances and then proceed to action. Nurturing an entrepreneurial spirit helps you stay proactive and confident when navigating uncertainty. Assess the impact of a decision you intend to take and avoid rushing into it at all costs. You can also narrow your options through a simple pros and cons list.

9. Adaptability

In the early stages of a business, entrepreneurs often have to juggle multiple roles such as finance, marketing, and sales. Maintaining flexibility in both your schedule and mindset is essential to keep progressing in tough times. Cultivate a positive attitude by being open to new approaches, experimenting with different methods, and embracing emerging trends to boost adaptability and growth.

10. Ability to network

The ability to make connections and seize opportunities as they arise is essential to successful entrepreneurship. Interacting with new people opens doors to valuable resources, knowledge, and networking opportunities that might otherwise be out of reach. Building strong networking and communication skills is a key characteristic of successful entrepreneurs, helping you learn from others, promote your offerings, and expand your business. While many business relationships can be superficial, focus on developing genuine connections with clients and professionals in your industry. Creating friendships and fostering partnerships enhances your business, and if you introduce someone who can benefit from another person's network, they are likely to remember you and reciprocate in the future.

Business Ethics

Business Ethics refers to the set of moral principles, values, and standards that guide the behavior of individuals and organizations in the business world. It defines what is right and wrong in business practices and ensures that decisions are made fairly, honestly, and responsibly.



The term “ethics” originates from the Greek word ethos, meaning character or custom, and is closely associated with moral philosophy. Ethics deals with the principles of right conduct and helps individuals and organizations act with integrity and fairness in all their activities.

In the context of business, ethics influences every function from production and marketing to employee management and financial reporting. It ensures that all business operations remain transparent, lawful, and socially

responsible. Ethical behavior protects the interests of all stakeholders such as employees, customers, investors, and society, while also strengthening the organization's credibility and reputation.

Importance of Business Ethics

In today's competitive and rapidly changing business world, success is not only measured by profits but also by how those profits are achieved. The way a business conducts its operations, treats its employees, serves its customers, and fulfills its responsibilities toward society is equally important. This highlights the significance of business ethics as the moral foundation on which every responsible enterprise is built.

Some of the key reasons why business ethics are important are discussed below.

Improves Public Image

Ethical business practices help in building a good reputation in society. When a company is known for honesty, fairness, and transparency, people develop trust and confidence in its products and services. This enhances the goodwill and long-term stability of the business.

Builds Customer Trust and Loyalty

Ethical behavior attracts and retains customers. When businesses provide quality products at fair prices and remain truthful in their dealings, customers prefer them over others and stay loyal for a longer time.

Ensures Long-term Survival and Growth

Businesses that operate ethically are more likely to survive and grow in the long run. Ethical practices prevent unfair competition, reduce conflicts with stakeholders, and contribute to a stable business environment.

Promotes Employee Satisfaction

When a business treats its employees with respect and fairness, it creates a positive work culture. Ethical management practices motivate employees, improve productivity, and reduce turnover.

Reduces Legal Problems

Following ethical principles ensures compliance with laws and regulations. This minimizes the risk of penalties, corruption charges, and legal disputes, helping the business operate smoothly.

Contributes to Social Welfare

Ethical businesses recognize their responsibility towards society. They engage in social initiatives such as environmental protection, education, and community development, thereby contributing to the overall well-being of society.

Encourages Sustainable Development

Ethical decision-making ensures that business activities are carried out without harming the environment or exploiting resources. This helps in achieving long-term economic and social sustainability.

Types of Business Ethics

Business ethics can be viewed from different perspectives, which help businesses apply moral principles in decision-making and daily operations.



Normative Ethics

Normative ethics focuses on identifying the moral standards that should guide behavior. In other words, it answers the question: “What should a business do?” This type of ethics sets the rules and principles for determining right and wrong actions in business.

For example, a company following fair pricing, honesty in advertising, and transparency in financial reporting is practicing normative ethics.

Descriptive Ethics

Descriptive ethics studies how people or organizations actually behave in real-life situations rather than prescribing what they should do. It involves observing and analyzing the ethical practices and moral decisions of businesses.

For instance, a survey analyzing whether companies follow fair labor practices or comply with environmental laws would fall under descriptive ethics.

Applied Ethics

Applied ethics focuses on practical application of ethical principles in real business scenarios. It helps managers and employees make decisions when facing moral dilemmas.

***For example,** deciding how to handle a conflict of interest, whether to implement eco-friendly production methods, or how to treat customers fairly involves applied ethics.*

Meta-Ethics

Meta-ethics explores the philosophical basis of moral principles. It examines questions like why certain actions are considered right or wrong, what morality itself means, and how ethical values are formed.

***For businesses,** meta-ethics helps understand the foundation of ethical standards and why they are important for long-term trust and sustainability.*

Elements of Business Ethics

The elements of business ethics are discussed below:

Top Management Commitment

The top management of an organization plays a pivotal role in promoting business ethics. Leaders, including the CEO and senior managers, must demonstrate a strong commitment to ethical behavior. Their actions set an example for the rest of the employees, encouraging everyone to follow ethical practices. By leading with integrity, top management ensures that ethical conduct becomes an integral part of the organizational culture.

Publication of a Code of Conduct

An effective ethics program begins with a written code of conduct. This document outlines the organization's principles and standards, covering areas such as product quality and safety, honesty, adherence to laws, financial reporting, marketing practices, employment policies, and workplace health and safety. A clearly defined code serves as a reference for employees and guides the organization's decisions and actions.

Establishment of Compliance Mechanisms

Merely having a code of conduct is not enough. Organizations must establish mechanisms to ensure adherence to ethical standards. This can include evaluating the values and ethics of potential employees during recruitment, setting up communication channels for reporting unethical behavior, and implementing systems for monitoring compliance across all departments.

Involving Employees at All Levels

Employees are key to implementing ethical practices at every level of the business. Organizations should actively involve employees in the ethics program to make ethical behavior practical and meaningful. For instance,

companies can form small committees to discuss and review the ethics policies, assess employee understanding, and encourage participation in maintaining ethical standards.

Measuring Results

Measuring the effectiveness of an ethics program can be challenging, but it is essential for continuous improvement. Organizations can audit ethical practices, review employee behavior, and evaluate the overall adherence to ethical policies. After assessment, management and employees can discuss the results to identify areas for improvement and take necessary corrective actions.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an important concept in modern business management. It refers to the responsibility of companies to operate in an ethical manner while contributing positively to society and the environment. Businesses are not only expected to focus on earning profits but also to consider their impact on employees, customers, communities, and the natural environment.

In today's competitive business world, organizations are expected to act as responsible corporate citizens. Corporate Social Responsibility ensures that businesses conduct their activities in a way that benefits society while maintaining economic growth. It reflects the idea that companies should give back to society and contribute to sustainable development.

CSR has become an essential part of business strategy because it helps organizations build trust, improve reputation, and create long-term value for stakeholders.

Meaning of Corporate Social Responsibility

Corporate Social Responsibility can be defined as the ethical obligation of a business to contribute to the welfare of society while carrying out its operations. It involves taking responsibility for the social, environmental, and economic effects of business activities.

In simple terms, CSR means that companies should go beyond profit-making and actively participate in improving society. This includes supporting education, healthcare, environmental protection, employee welfare, and community development.

Corporate Social Responsibility encourages businesses to balance their economic goals with social and environmental responsibilities. It promotes

ethical practices and ensures that business growth does not come at the expense of society or nature.

Importance of Corporate Social Responsibility

Corporate Social Responsibility is important because it helps create a positive relationship between businesses and society. It builds trust and goodwill among customers, employees, investors, and the general public.

CSR improves the reputation of a company. Organizations that engage in socially responsible activities are viewed more favorably by customers and stakeholders. This can increase customer loyalty and enhance the company's brand image.

It also contributes to sustainable development by encouraging businesses to use resources responsibly and reduce environmental harm. Through CSR, companies can address social issues such as poverty, education, health, and inequality.

Another important aspect is employee satisfaction. Employees feel proud to work for socially responsible organizations, which improves motivation, productivity, and retention.

Objectives of Corporate Social Responsibility

The main objective of Corporate Social Responsibility is to contribute to social welfare and improve the quality of life of people.

Another objective is to ensure ethical business practices. CSR encourages organizations to operate honestly, fairly, and transparently.

It also aims to protect the environment by promoting sustainable use of natural resources and reducing pollution.

CSR seeks to strengthen relationships with stakeholders by addressing their needs and concerns. It creates mutual trust and long-term cooperation.

Additionally, CSR helps organizations achieve sustainable business growth by balancing profit-making with social responsibility.

Key Areas of Corporate Social Responsibility

Corporate Social Responsibility covers several important areas that focus on the overall welfare of society and the environment.

Environmental Responsibility

Environmental responsibility involves minimizing the negative impact of business activities on the environment. Companies adopt eco-friendly practices such as reducing waste, conserving energy, recycling materials, and controlling pollution.

Businesses also invest in renewable energy sources and sustainable production methods to protect natural resources for future generations.

Social Responsibility

Social responsibility focuses on improving the well-being of society. Companies contribute to education, healthcare, poverty reduction, and community development through various social welfare programs.

This includes funding schools, hospitals, skill development centers, and charitable activities.

Employee Responsibility

Organizations have a responsibility toward their employees. This includes providing fair wages, safe working conditions, equal opportunities, and employee development programs.

CSR promotes employee welfare by encouraging work-life balance, health benefits, and professional growth opportunities.

Ethical Responsibility

Ethical responsibility means conducting business with honesty, fairness, and integrity. It includes avoiding corruption, respecting human rights, and ensuring transparency in all business dealings.

Companies are expected to follow laws and maintain ethical standards in their operations.

Benefits of Corporate Social Responsibility

Corporate Social Responsibility provides several benefits to businesses and society.

One major benefit is enhanced brand reputation. Customers prefer companies that demonstrate social and environmental responsibility.

CSR also attracts investors because socially responsible businesses are considered more sustainable and reliable.

It improves customer loyalty as people are more likely to support companies that contribute positively to society.

Employee morale and productivity increase when workers feel that their organization is making a meaningful contribution to the world.

CSR also helps in reducing operational costs through efficient resource utilization and sustainable practices.

Challenges of Corporate Social Responsibility

Despite its advantages, Corporate Social Responsibility faces certain challenges.

One challenge is the cost involved in implementing CSR programs. Some organizations may find it difficult to allocate sufficient resources for social initiatives.

Another challenge is balancing profit objectives with social responsibilities. Businesses may face conflicts between financial goals and ethical considerations.

Measuring the impact of CSR activities can also be difficult. It is not always easy to evaluate the direct outcomes of social and environmental programs. Lack of awareness and commitment among management can further limit the effectiveness of CSR initiatives.

Role of CSR in Business Growth

Corporate Social Responsibility plays a significant role in long-term business success. It helps companies build a strong public image and gain competitive advantage.

By addressing social and environmental concerns, businesses can create a loyal customer base and strengthen stakeholder relationships.

CSR also encourages innovation as companies develop sustainable products and processes.

It reduces legal and reputational risks by ensuring compliance with ethical and environmental standards.

Thus, CSR contributes to sustainable growth by aligning business objectives with societal expectations.

Social Entrepreneurship

Social entrepreneurship is a modern approach to solving social problems through innovative business ideas and entrepreneurial practices. It combines the principles of business management with a strong commitment to social change. Unlike traditional businesses that mainly focus on earning profits, social entrepreneurship focuses on creating positive social impact while maintaining financial sustainability.

In today's world, many social issues such as poverty, unemployment, lack of education, environmental degradation, and healthcare challenges require creative solutions. Social entrepreneurship addresses these issues by developing sustainable business models that serve society. It plays an important role in improving the quality of life of people and promoting inclusive development.

Social entrepreneurship has gained significant importance because it provides practical and long-term solutions to social challenges rather than depending entirely on charity or government support.

Meaning of Social Entrepreneurship

Social entrepreneurship refers to the process of identifying social problems and using entrepreneurial skills to create innovative solutions that bring social change. It involves establishing organizations or enterprises that aim to achieve social objectives while also generating enough revenue to sustain their operations.

A social entrepreneur is a person who identifies opportunities to solve social issues and develops creative strategies to address them. Such entrepreneurs focus on improving society by creating products, services, or programs that benefit people, especially disadvantaged communities.

In simple terms, social entrepreneurship means using business methods to solve social, cultural, or environmental problems in a sustainable and effective way.

Characteristics of Social Entrepreneurship

Social entrepreneurship has several unique characteristics that distinguish it from traditional entrepreneurship.

One important characteristic is its social mission. The primary goal of social entrepreneurship is to create social value rather than maximize profits.

Innovation is another key feature. Social entrepreneurs develop new ideas, products, and services to address existing social challenges.

Sustainability is also essential. Social enterprises generate income to continue their activities without depending entirely on donations or external funding.

Social entrepreneurship is impact-driven. Success is measured by the positive changes created in society rather than only by financial performance.

It also involves strong commitment and leadership, as social entrepreneurs work with passion and dedication to bring meaningful change.

Importance of Social Entrepreneurship

Social entrepreneurship is important because it provides effective solutions to pressing social issues. It helps address challenges such as poverty, unemployment, illiteracy, and environmental problems.

It promotes innovation by encouraging creative thinking and problem-solving. Social entrepreneurs develop unique approaches to tackle issues that traditional systems may fail to solve.

Social entrepreneurship also creates employment opportunities, especially for marginalized and underprivileged communities. It empowers individuals by providing skills, income, and self-reliance.

Another important benefit is social inclusion. It ensures that vulnerable sections of society receive support and opportunities for development.

Social entrepreneurship contributes to sustainable development by balancing social welfare with economic growth.

Objectives of Social Entrepreneurship

The main objective of social entrepreneurship is to create positive social impact by addressing important societal challenges.

Another objective is to empower disadvantaged communities by providing access to education, employment, healthcare, and financial services.

Social entrepreneurship also aims to promote innovation in solving social problems. It encourages the development of practical and effective solutions. It seeks to ensure sustainability by generating enough revenue to continue social initiatives over the long term.

An additional objective is to create awareness and inspire others to participate in social development activities.

Types of Social Entrepreneurship

Social entrepreneurship can take different forms depending on its purpose and approach.

Community-Based Social Entrepreneurship

This type focuses on solving problems within a specific community. It works directly with local people to address issues such as education, sanitation, and employment.

Non-Profit Social Entrepreneurship

Non-profit social enterprises focus on social impact rather than profit. They reinvest any surplus funds into their social mission.

Hybrid Social Entrepreneurship

Hybrid social enterprises combine profit-making activities with social objectives. They generate income while also working toward social welfare.

Global Social Entrepreneurship

This type addresses social challenges at a national or international level, such as climate change, public health, and global poverty.

Benefits of Social Entrepreneurship

Social entrepreneurship offers several benefits to society and the economy. It improves the quality of life by providing solutions to social issues such as healthcare access, education, and employment opportunities.

It encourages self-reliance by helping communities become financially independent.

Social entrepreneurship promotes innovation and efficient use of resources. It also reduces dependency on government and charitable organizations by creating sustainable solutions.

Furthermore, it inspires social awareness and motivates people to contribute toward community development.

CHAPTER 11

Contemporary Trends in Commerce and Management

E-Commerce

E-commerce, also known as Electronic Commerce, refers to the purchase and sale of goods and services through the Internet. The first online transaction occurred in 1994 when a guy sold a Sting CD to a friend via his website Net Market, an American retail platform. This is the first case of a consumer purchasing a product from a business over the World Wide Web, sometimes known as e-commerce. After that, e-commerce evolved to make it easier to locate and purchase products through online merchants and marketplaces.

Types of E-commerce

E-commerce can be broadly classified into 4 types.

1. B2B Commerce

Both parties involved in e-commerce transactions are business firms, hence the name B2B, which stands for business-to-business.

The creation of utilities or the delivery of value requires the interaction of a business with a number of other business firms, which may be suppliers or vendors of various inputs, or they may be a part of the channel through which a firm distributes its products to consumers. For example, the production of an automobile requires the assembly of a large number of components, which are manufactured elsewhere, either locally or overseas.

A computer network is used to place orders, monitor the production and delivery of components, and make payments. Similarly, a company can strengthen and improve its distribution system by exercising real-time (as-it-happens) control over its stock-in-transit as well as that with various middlemen in various locations. For example, each shipment of goods from a warehouse and stock on hand can be tracked, and replenishments and reinforcements can be initiated as needed.

Around 80 per cent of the total share of transactions is comprised of B2B transactions. Sharing of information, Commercial negotiations and Distribution of goods are some of the B2B transactions.

2. B2C Commerce

B2C (business-to-customers) transactions involve business firms on one end and their customers on the other. Although online shopping is the first thing that comes to mind, it is important to remember that selling is the outcome of the marketing process. Marketing begins before a product is offered for sale and continues after the product is sold. As a result, B2C commerce entails a wide range of marketing activities such as identifying activities, promoting, and sometimes even delivering products that are carried out online.

e-business enables these activities to be carried out at a much lower cost but at a much faster pace. For example, an ATM helps to withdraw money 24x7 in a convenient and fast manner.

Furthermore, the B2C variant of e-commerce allows a company to communicate with its customers around the clock. Companies can use online surveys to find out who is buying what and how satisfied their customers are. C2B commerce is a reality that allows consumers to shop whenever and wherever they want. Customers can also use call centres set up by companies to make toll-free calls to make inquiries and lodge complaints 24 hours a day, seven days a week. Selling and Distribution of goods, conducting surveys, after-sale services, promotional activities, etc., are B2C transactions.

3. C2C Commerce

C2C Commerce consists of the transactions taking place between two or more customers. For example, you could sell used books or clothes for cash or in exchange for goods. People can search for potential buyers all over the world because of e-commerce. Quikr, OLX, are such platforms where customers sell their goods and services to other customers.

Furthermore, e-commerce technology provides market system security to such transactions, which would otherwise be missing if buyers and sellers interact in the anonymity of one-to-one transactions. An excellent example of this can be found on eBay, where consumers sell their goods and services to other consumers. Several technologies have emerged to improve the security and robustness of this activity. For beginners, eBay allows all sellers and buyers to rate one another.

The payment intermediary is another technology that has emerged to support C2C activities. PayPal is an excellent example of this type, rather than purchasing items directly from an unknown, untrustworthy seller; instead, the buyer can send the money to PayPal. The seller is then notified

by PayPal that the funds will be held for them until the goods have been shipped and accepted by the buyer.

4. Intra B-Commerce

The interaction and dealing among various departments and persons within the firm is known as Intra B-Commerce. An intranet is used to interact and deal between various departments and firms within a firm. Intra B-Commerce has facilitated flexible manufacturing. For example, finance department may interact regularly with marketing department within a firm. Intra-B-commerce transactions are conducted for Inventory and cash management, reporting by subordinates to superiors, human resource management, recruitment and selection, and for training, development, and education. Nowadays, companies use VPN, which is, Virtual Private Network technology, which helps employees access the organisation's network and enable work from anywhere through network.

Features of E-Commerce

One of the major features of E-Commerce is its global reach. Unlike traditional commerce, online businesses can serve customers from different parts of the world without establishing physical stores. This creates vast opportunities for business expansion.

Another important feature is convenience. Customers can browse products, compare prices, place orders, and make payments from the comfort of their homes. E-Commerce platforms are available twenty-four hours a day, allowing transactions at any time.

E-Commerce also offers speed and efficiency. Transactions are processed quickly, and digital systems reduce paperwork and manual effort. It provides transparency, as customers can track their orders and receive instant updates. Furthermore, E-Commerce enables personalized customer experiences through recommendations based on browsing history and preferences.

Advantages of E-Commerce

E-Commerce provides several benefits to both businesses and consumers. For businesses, it reduces operational costs by minimizing the need for physical stores, large staff, and inventory space. It allows companies to reach a larger customer base and operate continuously without time restrictions.

For consumers, E-Commerce offers a wide range of product choices and the ability to compare prices across different sellers. It saves time and effort by eliminating the need to visit physical stores. Customers also benefit from discounts, promotional offers, and easy access to product reviews.

Another major advantage is data collection and analysis. Businesses can gather customer information and purchasing patterns, which helps them improve products, marketing strategies, and customer service. This data-driven approach enhances decision-making and increases profitability.

Challenges of E-Commerce

Despite its advantages, E-Commerce also faces several challenges. Security concerns remain one of the biggest issues. Customers may hesitate to share personal and financial information online due to the risk of cybercrime, fraud, and data breaches.

Another challenge is the lack of physical inspection. Customers cannot touch or test products before purchasing, which may lead to dissatisfaction if the product does not meet expectations.

Logistics and delivery management can also create difficulties. Delayed deliveries, damaged goods, and shipping costs may affect customer satisfaction. In addition, intense competition among online businesses makes it difficult for new companies to establish themselves.

Technical issues such as website crashes, payment failures, and poor internet connectivity can disrupt transactions and negatively impact business operations.

Role of E-Commerce in Modern Business

E-Commerce plays a vital role in modern business management by improving operational efficiency and customer satisfaction. It helps businesses automate processes such as inventory management, payment processing, and order tracking. This reduces manual errors and increases productivity.

It also enhances customer relationship management. Businesses can interact with customers through emails, live chats, and social media, providing instant support and building trust.

Marketing has also been transformed through E-Commerce. Digital advertising, search engine optimization, and social media campaigns allow businesses to target specific customer groups effectively. This improves brand visibility and increases sales opportunities.

E-Commerce supports innovation by encouraging businesses to adopt modern technologies and adapt to changing consumer preferences. It has become a strategic tool for achieving competitive advantage in the global marketplace.

Impact of E-Commerce on Consumers

E-Commerce has significantly changed consumer behavior. Customers now prefer online shopping because of convenience, variety, and easy access to

information. Reviews and ratings help consumers make informed purchasing decisions.

It has also increased consumer expectations regarding service quality, delivery speed, and personalization. Businesses must continuously improve their digital services to meet these expectations.

The availability of mobile shopping has further influenced purchasing habits, allowing consumers to make quick buying decisions from anywhere. This has created a more connected and responsive marketplace.

Digital Business

What Is a Digital Business?

An enterprise that generates, uses, transmits, processes, stores, and administers its value chain using digital technologies like the internet, mobile devices, and data analytics is the digital business definition. With a web page, a mobile app, and social media accounts, these businesses create a powerful online presence.

They can connect with their customers on a personal level and reach international markets. Data analytics is a key power that digital businesses use to make informed decisions, improve processes, and enhance customer experiences.

They emphasize agility, flexibility, and innovation so as to remain competitive, drive growth, and stay ahead of the curve while the digital environment is changing. Agility allows companies to react swiftly and easily to market shifts. Flexibility means continuous adjustment to shifting markets and trying new techniques and technologies.

What are the Examples of Digital Business?

1.E-commerce Platforms

Emerging giants like Amazon, Alibaba, and eBay have rewritten the shopping culture, connecting customers with limitless choices at the spur of the moment.

2.Software as a Service (SaaS) Companies

Today, companies such as Salesforce, Slack, and Zoom offer cloud-based system administration services, making business operations and communication smoother.

3.Digital Content Providers

Some of the platforms offer their own digital academy and media through streaming services like Netflix, Spotify, and Kindle, thus cutting off traditional industries like publishing and broadcasting.

4.Fintech Startups

Now, tech companies such as Square, PayPal, and Robinhood are changing the way of finance management with their digital payment interfaces, investment circles, and peer-to-peer lending.

5.Telecommunications

Companies such as AT&T, Verizon, and T-Mobile present plans for cell phones, internet Wi-Fi, and smart televisions.

6.Healthcare Technology

New companies such as Teladoc, Doctor on Demand, and Fitbit give people the option of online health services and health-stage progress life-trackers to help them know their health and manage it from a distance.

7.Transportation and Mobility

Such platforms as Uber, Lyft, or Grab have reconfigured the urban landscape of the transport industry and given users a wide range of options and an easy way to schedule their transfers through digital tool kits.

8.Travel and Hospitality

Online travel services like Expedia, Booking.com, and Airbnb empower us to book flights, accommodations, and encounters without the need to consult any travel agent through a smartphone or computer. These sites are thus disrupting the method of planning and booking a trip.

9.Education Technology (EdTech)

With platforms such as Coursera, Udemy, and Khan Academy, it has become possible to study online courses, access resources, and be a part of interactive learning; thus, the democratization of the education system to the global level and ultimately lifelong learning are realized.

What are the Benefits of Digital Business?

These gains from digitally operating come in varied layers, with various parts of activities, client commitment, and overall growth. A comprehensive look at some of the main benefits follows:

1.Global Reach

Online businesses can go beyond geographical boundaries, engaging customers at any location and accessing several markets.

2.Scalability

A strong base is laid when it comes to setting up the advanced level, thus allowing organizations to grow rapidly and effectively to meet the increasing demand.

3.Data-Driven Insights

Digital technologies facilitate organizations to collect and decompose large volumes of data that can be converted into useful information about consumer behavior, industry trends, and organizational operations.

4.Enhanced Customer Experience

The digital business can emphasize the advantages to the customers through customized connections, consistent exchanges, and omnichannel commitment, based on which the customers' satisfaction and long-term benefits can be well obtained.

5. Agility and Innovation

Digital businesses are agile as well as omnidirectional, ready to respond to market dynamics and technological revolutions, forcing technology to march continuously.

4 Concepts of Digital Business

The conceptions of digital business contain major theses and approaches that are the cornerstones of digital technologies' adoption and usage and aim at innovation, change, and development. The following are a few key ideas fundamental to grasping the landscape of digital business:

1. Digital Transformation

The use of digital technologies that bring about a fundamental change in the way businesses are operated, processes are conducted, and customers are engaged is also known as digital transformation.

2. Platform Economy

Digital platforms act as intermediaries between producers and consumers, facilitating transactions that generate network effects.

3. Data Monetization

Value statements become data assets that are used to analyze, create insights, inform decisions, improve, and introduce new products, which in turn create new revenue.

4. Agile Methodology

This is a flexible approach to dealing with project management and software development, as it highlights collaboration, adaptation, and fast delivery of value.

What are the Components of Digital Business?

Digital business entails the use of technology to analyze data, identify market opportunity areas, enable the development and delivery of new products, offer customer support and brand management, and help with the high-level management of business functions. The following are essential components necessary for the operation of a digital business:

a. Digital Infrastructure

Robust IT infrastructure, consisting of hardware and software, networks, and cloud services, serves as the basis of digital operations.

b. Digital Marketing

Using channels such as blogs, affiliate marketing, email marketing, content marketing, and social media to draw, entertain, and hold customers.

c. E-commerce Platform

An online platform with a user-friendly interface for selling products and services, facilitating exchanges, storing and observing stocks, and making exceptional payments.

d. Data Analytics

It is a set of instruments and methods for dealing with the acquisition, management, and analysis of information to identify critical pieces of information and base data-informed actions on them.

e. Customer Relationship Management (CRM)

Software campaigns to manage client interactions, track leads, and build relationships with customers over time.

Globalization

Globalisation means connecting a country's economy with the rest of the world by reducing restrictions on trade and money flow. In simple words, it is the process where people, businesses, and governments from different countries interact and work together. It helps remove social, economic, and geographical barriers, making countries more connected and dependent on each other. Because of globalisation, events happening in one part of the world can affect countries like India.

Changes brought about by the Indian economy's globalisation

1. The New Economic Policy identified a list of high-tech and high-investment priority industries, which give automatic permission to foreign direct investment up to 51% of foreign equity.
2. Automatic approval is given for foreign technology agreements in high-priority industries up to a maximum of ₹1 crore. It is no longer necessary to obtain approval to hire foreign technicians or test locally developed technology abroad.
3. The rupee was devalued by around 20% in July 1991 to adjust the value of the Indian currency on a global scale. It increased the inflow of foreign capital, encouraged exports, and discouraged imports.
4. To further connect the Indian economy with the global economy, the Indian rupee was declared partially convertible in the Union Budget of 1992–1993 and then fully convertible in the 1993-1994 budget.
5. The government has launched a new export-import policy that would last for five years to set up the foundation for India's international commerce to become more globally oriented. The strategy eliminated all limitations and constraints on international trade and gave the market more power over exports and imports.
6. The government has significantly changed the customs tariff to push the Indian economy into the arena of international competition. As a

result, the budget for 2007–2008 reduced the peak rate of customs duty from 250 percent to 10 percent.

Causes of Globalisation

The following are the primary causes of globalisation:

1. Facilitating international travel with better transportation.
2. Making communication and information sharing easy through advances in technology.
3. Reduction of tariff barriers and promoting world trade.
4. Expanding the world's media.

Advantages of Globalisation

1. Employment Growth: The creation of Special Economic Zones (SEZs) has increased the number of new jobs that are available. It is highly beneficial to include the export processing zones (EPZs) centre in India in order to employ lakhs of people. India's affordable labour is an additional element. As a result, large corporations hire workers from other areas, which leads to an increase in employment.

2. Increase in Compensation: As a result of globalisation, international corporations now offer more skill and expertise than domestic companies, which has led to an increase in compensation. This opportunity also caused changes to the managerial structure.

3. High Level of Living: With globalisation, both the Indian economy and the average person's standard of living have improved. This shift is visible in a person's purchasing habits, particularly among those who work for overseas corporations. Thus, a higher standard of life and business development is occurring in many places.

4. Encourages Mutual Understanding across Cultures: It improves accessibility to travel and encountering diverse cultures as a good aspect of globalisation that can foster cooperation and peace on a global scale.

5. Encourages Economic Growth: Theoretically, globalisation provides less developed nations with access to capital and technology from abroad that they would not otherwise have. Foreign investment can raise the living standards of those countries' populations.

Disadvantages of Globalisation

1. Instability in the Market: The removal of trade restrictions and increased freedom of movement are cited as reasons why national policies and regional cultures are being undermined by proponents of globalisation. Labour markets are impacted when people cross borders in quest of higher-paying jobs or when businesses outsource work and positions to cheaper labour markets.

What is Outsourcing?

One of the significant effects of globalisation is outsourcing. Outsourcing is the practice of contracting out third-party activities that were previously handled by the organisation. **For instance**, many businesses now contract with other organisations to provide security services. Due to the development of faster methods of communication, especially the development of information technology, it has become more intense in recent times. Modern telecommunication systems allow digitized text, speech, and visual information related to these services to be transmitted in real-time across continents and national boundaries.

2. Causes Environmental Damage: Transporting products and people across borders releases greenhouse gases and has a negative impact on the environment. Industries like fishing and logging frequently relocate to areas with the best economic opportunities or rules, which has led to overfishing and deforestation in some regions of the world.

3. Encourages Worldwide Economic Recessions: A greater likelihood of global recessions exists in tightly integrated global markets. A good illustration of how interconnected global markets are and how financial issues in one country or region can quickly influence other parts of the world is the 2007–2009 financial crisis and the Great Recession. The ability of individual countries to effectively use monetary and fiscal policy to govern the national economy is diminished by globalisation.

Types of Globalisation

1. Economic Globalisation : The emphasis here is on the integration of international financial markets and the coordination of financial trade. Economic globalisation is represented through free trade agreements like the Trans-Pacific Partnership and the North American Free Trade Agreement. Economic globalisation is greatly influenced by multinational firms, which have business in two or more nations.

2. Political Globalisation: This type of globalisation includes policies made by the government that encourages and foster international cooperation on a political, economic, and cultural level. The UN and NATO, for example, are involved in the political globalisation process.

3. Cultural Globalisation: This element of globalisation mainly focuses on the sociological and technological elements that are generating cultural integration. These include improved communication, widespread use of social media, and access to better and faster transportation.

Innovation in Management

What is innovation management?

Innovation management is a process in which companies seek growth by introducing new procedures around innovation. These procedures guide the innovation process from the ideation stage through project completion. The primary idea behind innovation management is to use business structure and processes to enhance employees' ability to develop new ideas and processes. While managers and executives usually lead the process, a business practicing innovation management usually requires the participation of every employee.

Why is innovation management important?

Innovation management is important because it allows companies to develop new ideas and procedures more quickly and effectively. This can help companies remain sustainable and competitive by increasing their productivity, profitability and flexibility. By incorporating innovation management practices in a business, managers can ensure that all employees have the infrastructure they need to develop innovative ideas. Innovation can benefit a business in a variety of ways, from developing groundbreaking technology to creating a product that outpaces competitors.

Areas of innovation management

There are four areas that play a key role in innovation management, and those are:

1. Capabilities

Capabilities refer to a business's ability to innovate, including factors like talent, internal knowledge and available finances. The innovative capabilities of a workforce are an enormous factor in how much a business can innovate, so managers hoping to increase innovation may want to look at the strengths and weaknesses of the employees involved.

This might include formal training, specific aptitude or unique insights that an employee offers to a project, all of which can be quite valuable. A manager may ask employees to analyze what they can offer in order to get the entire team involved in brainstorming their capabilities. Finances can also affect a business's ability to innovate. A business that wants to innovate but can't afford it may struggle just as much as a business that is less interested in innovation but has plenty of resources. However, it is possible to use a lack of available funds as motivation, as employees may consider cheaper.

2. Structures

Structures refer to factors like infrastructure, policies, processes and organization that can positively or negatively affect employees' ability to innovate. Businesses that have effective innovation management usually have clear channels of communication, good policies for decision-making and an organizational structure that allows employees to be flexible and act as intrapreneurs. It's helpful for managers to identify the areas in which innovation is most important. Teams that are expected to find innovative ideas might benefit from more flexibility in decision-making, a reporting framework with less guidance and a structure that allows them to change directions quickly.

3. Culture

Culture plays an important role in a company's ability to innovate. A culture that doesn't reward creativity and innovation may encourage employees to withhold ideas or to look elsewhere for a job if they value innovation. While corporate culture usually starts with leaders and managers, employees can also affect how a company operates. If an employee sees room for improvement and would like more ability to innovate, it can be valuable for that employee to speak with management about shifting the company culture towards innovation. A company that has a culture that supports innovation usually has these attributes:

- Led more by vision and culture than oversight by management
- Prioritizes speed, experimentation and learning
- Gives employees freedom and responsibility to develop new ideas
- Values those employees that see the need for improvement
- Doesn't punish failure, but instead sees it as part of the innovation process

4. Strategy

Strategy is one way to direct innovation toward certain areas. For instance, if a company has a strategic plan to innovate in the vinyl record storage industry, management and employees wouldn't focus on developing a better computer monitor. Innovation is only as valuable as the company's ability to use that innovation strategically. Innovation requires a certain amount of freedom for all employees involved, so too much strategic oversight may limit creative solutions. It's helpful for managers to balance the need for freedom with the company's need to offer a certain type of product or remain in a certain industry.

Innovation management methods

There are three methods for innovation management, which a company can practice individually or all together for different types of projects. These methods include:

1. Incremental

Incremental innovation relies on steady, small improvements over time to a product, service, method or process. Companies that practice incremental innovation may prefer to offer their products and services regularly with smaller changes, as it seems more reliable. For instance, a computer company might decide that rather than trying to design a completely new computer product, it will instead focus on creating an improved computer model each year. These innovations may not make the news every time, but the steady improvement can grow the business and tempt repeat buyers.

2. Breakthrough

A breakthrough innovation is one that allows a company to change a product or service significantly while remaining in its industry. This is especially common in technology, where heavy competition and a high tempo of innovation make breakthroughs valuable. For instance, a cell phone manufacturer might develop a smaller and more advanced chip for its phones makes its next phone much more powerful than previous models. While this is more than incremental innovation, it's unlikely to change the entire industry.

3. Disruptive

A disruptive innovation is one that changes a market completely because it causes a significant gap that competitors can't easily close. A company that creates a disruptive innovation may get a considerable amount of press and might challenge consumers to understand and embrace the innovation. While disruptive innovation can have huge advantages, it's much more challenging to accomplish than other kinds of innovation. Examples of this include the rise of the smartphone and the rise of the hybrid car when gas-powered cars were the primary option.

Risks of innovation management

Innovation management has a wide variety of benefits, but it can come with some risks. These include:

- Creating a company culture that embraces innovation management may take a lot of time.
- If innovation hasn't been a priority previously, employees at any level may be resistant to the change.
- Innovation can be challenging for employees and companies that don't have a growth mindset.

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- A lack of funding or other limitations may keep employees from innovating or may make what they innovate impossible for the company to invest in.
- Innovative projects may fail if there isn't enough business support in other areas or if customers don't understand the product or service.
- Investing a lot into an innovative idea only for it to fail can be a waste of time and money.

Future Scope of Commerce and Management

Commerce and management are two essential pillars of economic development and business success. Commerce focuses on the exchange of goods and services, while management ensures the effective planning, organizing, directing, and controlling of resources to achieve organizational objectives. In the modern world, these fields are continuously evolving due to technological advancements, globalization, changing consumer behavior, and innovative business practices. The future scope of commerce and management is vast and promising because businesses across the world are adapting to new trends and transforming their operations to remain competitive.

The future of commerce and management will be shaped by digital transformation, sustainability, globalization, and innovation. As industries become more interconnected and technology-driven, professionals in these fields will have greater opportunities to contribute to organizational growth and economic progress. Commerce and management will continue to expand into new sectors, creating employment opportunities and encouraging entrepreneurial development.

Growth of Digital Commerce

One of the most significant future trends in commerce is the rapid growth of digital commerce. The increasing use of the internet, smartphones, and online payment systems has transformed traditional buying and selling activities into digital transactions. E-commerce platforms have become a major part of business operations, allowing organizations to reach customers across the world.

In the future, digital commerce will continue to grow as businesses adopt advanced technologies such as artificial intelligence, machine learning, and blockchain. These technologies will improve customer experiences by offering personalized recommendations, secure transactions, and faster services. Businesses will increasingly rely on online platforms for marketing, sales, customer service, and supply chain management.

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The growth of digital commerce will also create new career opportunities in digital marketing, e-commerce management, data analytics, and online customer relationship management. This makes commerce an attractive field for future professionals.

Expansion of Global Business Opportunities

Globalization has created new opportunities for businesses to expand beyond national boundaries. The future scope of commerce and management includes increased participation in international trade, cross-border partnerships, and global market operations.

Advancements in communication and transportation technologies have made it easier for businesses to operate internationally. Companies can now connect with suppliers, distributors, and customers across different countries. This global expansion requires skilled management professionals who understand international business strategies, cultural diversity, and global market trends.

In the future, commerce and management professionals will play a key role in managing international business relationships, negotiating trade agreements, and ensuring smooth global operations. The demand for expertise in international business management is expected to rise significantly.

Role of Technology in Business Transformation

Technology will continue to be a major driving force in the future of commerce and management. Automation, artificial intelligence, cloud computing, and big data analytics are transforming business operations and decision-making processes.

Businesses are increasingly using technology to improve efficiency, reduce operational costs, and enhance customer satisfaction. Management professionals must develop technological skills to manage digital systems and lead innovation within organizations.

Artificial intelligence will support decision-making by analyzing large amounts of data and identifying patterns. Automation will simplify routine tasks, allowing managers to focus on strategic planning and problem-solving. Cloud computing will improve communication and collaboration among teams working in different locations.

The future scope of commerce and management will therefore require professionals who can effectively combine business knowledge with technological expertise.

Increasing Importance of Entrepreneurship

Entrepreneurship is becoming an important area within commerce and management. The future will witness a rise in startups and innovative business ventures as individuals seek to create their own businesses rather than depend solely on traditional employment.

Management education equips individuals with the knowledge needed to plan, organize, finance, and operate business ventures successfully. Commerce provides an understanding of market structures, trade practices, and financial management, which are essential for entrepreneurship.

Governments and financial institutions are also encouraging entrepreneurship through funding programs, training initiatives, and startup support systems. This creates a favorable environment for aspiring entrepreneurs.

The future scope of commerce and management includes significant opportunities for individuals to become business leaders, innovators, and job creators through entrepreneurial activities.

Demand for Skilled Management Professionals

As businesses grow in complexity, the need for skilled management professionals will continue to increase. Organizations require managers who can handle challenges such as market competition, resource allocation, employee motivation, and strategic planning.

Future management roles will involve leading diverse teams, adapting to rapid changes, and making informed decisions in uncertain business environments. Professionals with expertise in leadership, communication, problem-solving, and analytical thinking will be highly valued.

Management specializations such as human resource management, financial management, operations management, marketing management, and project management will offer wide career opportunities. The demand for qualified managers will remain strong across industries including healthcare, education, manufacturing, information technology, and retail.

Sustainable Business Practices

Sustainability is becoming an important focus in modern business operations. The future scope of commerce and management includes the integration of sustainable practices into organizational strategies.

Businesses are increasingly expected to operate responsibly by reducing environmental impact, conserving resources, and contributing to social welfare. Management professionals will need to develop strategies that balance profitability with environmental and social responsibility.

Commerce will also evolve to support green products, ethical trade practices, and environmentally friendly supply chains. Consumers are becoming more

conscious of sustainability, and businesses must respond to these expectations.

This trend creates opportunities for professionals specializing in sustainable business management, corporate social responsibility, and environmental commerce.

Evolution of Financial Management

Financial management will remain a critical aspect of commerce and management in the future. Businesses will need efficient financial planning, investment strategies, and risk management practices to succeed in dynamic markets.

Technological innovations such as digital banking, financial technology, and cryptocurrency are changing traditional financial systems. Management professionals must understand these developments to make effective financial decisions.

The future scope includes opportunities in investment analysis, financial consulting, banking, insurance, and fintech management. Financial literacy and strategic decision-making will become even more important as markets become more competitive and interconnected.

Importance of Data-Driven Decision Making

The future of commerce and management will heavily depend on data-driven decision-making. Businesses collect vast amounts of data related to customer behavior, market trends, financial performance, and operational efficiency.

Managers must analyze this data to identify opportunities, solve problems, and improve organizational performance. Data analytics will become an essential skill for future professionals.

Businesses that effectively use data will gain competitive advantages by making accurate predictions and informed strategic decisions. This will create growing demand for experts in business analytics, market research, and information management.

Changing Consumer Behavior

Consumer preferences are changing rapidly due to technological advancements and increased access to information. Modern consumers expect convenience, quality, personalization, and quick service.

The future scope of commerce includes adapting to these changing expectations through innovative marketing strategies, digital engagement, and customer-focused business models.

Management professionals must understand consumer psychology and market trends to design products and services that meet customer needs.

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Businesses that respond effectively to consumer changes will achieve long-term success.

This evolving consumer landscape will create opportunities in marketing management, consumer research, and customer relationship management.

Career Opportunities in Commerce and Management

The future scope of commerce and management offers a wide range of career opportunities. Graduates can pursue careers in banking, finance, marketing, human resources, accounting, logistics, entrepreneurship, international business, and business consultancy.

The expansion of digital industries has also created new roles such as e-commerce manager, digital marketing specialist, financial analyst, supply chain manager, and business intelligence analyst.

Professional qualifications and continuous learning will enhance career growth in these fields. As businesses evolve, individuals with updated knowledge and practical skills will have strong career prospects.

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