

BUSINESS ADMINISTRATION

Class XI

Study Material

| | |
|---|---|
| <p>1. Introduction to Business</p> | <p>1.1. Concept, Nature and Type of Business</p> <p>1.2. Forms and Structures of Business Organization.</p> <p>1.3. Learning Trade Associations and Chamber of Commerce.</p> |
| <p>2. Business Environment</p> | <p>2.1. Understanding business environment</p> <p>2.2. Constituents of business environment</p> <p>2.3. Internal and External Factor affecting functional decisions of Business</p> <p>2.4. SWOT & PEST analysis.</p> |
| <p>3. Business Plan</p> | <p>3.1. Understanding what is a business plan & its need in a business.</p> <p>3.2. Planning the required outcomes from a business plan.</p> <p>3.3. Writing a business plan & key ingredients of it.</p> <p>3.4. Updating & Enhancing a business plan</p> <p>3.5. Business plan tools & Sample business plan</p> |
| <p>4. Products & Services</p> | <p>4.1. Identifying Consumer needs</p> <p>4.2. Concept, Characteristics and Classification of Products.</p> |
| | <p>4.3. Introduction to Growth of</p> |

| | |
|--|---|
| | <p>Service sector</p> <p>4.4. Concept, Characteristics and Classification of Services.</p> <p>4.5. Difference between Products and Services.</p> |
| 5. Workplace Environment | <p>5.1. Communication</p> <p>5.2. Teamwork and Group dynamics</p> <p>5.3. Leadership and Motivation</p> <p>5.4. Human Resource</p> <p>5.5. Encourage trust and confidence</p> <p>5.6. Contribute to positive outcomes for organization.</p> |
| 6. Technology in Business | <p>6.1. Impact of Technology in Business.</p> <p>6.2. Introduction to MS Office.</p> <p>6.3. E- Commerce</p> <p>6.4. Working with Internet.</p> <p>6.5. Virtual Enterprise.</p> <p>6.6. Social Networking.</p> |
| 7. Value, Ethics & Environmental Issues | <p>7.1. Introduction to Business Ethics and Values.</p> <p>7.2. Environmental analysis and Strategic Management.</p> |

Unit 1 : Introduction to Business

1.1 Concept, Nature and Type of Business

- **Introduction:**

All Human beings where ever they may be require different type of goods and services to satisfy their needs. Business is a major economic activity in all modern societies concerned with production and sale of goods and services required by the people. It is aimed at earning money by satisfying human demands.

- **Meaning:**

Literal meaning of Business is “BUSY”.

Business is defined as an economic activity



involved in the production and sales of goods and services



undertaken with the motive of earning profit



by satisfying human needs in the society.

- **Characteristics of Business activities:**

- ❖ An Economic activity: It means an activity aimed at earning money. Business is also aimed at earning money or livelihood by satisfying human needs.
- ❖ Production and procurement of goods and services: Every business enterprise must either manufacture the goods or it acquires from producers. Goods may be consumer goods or Capital goods. Services means facility offered to consumers like banking, insurance etc.
- ❖ Sale or exchange of goods and services: Business involves transfer or exchange of goods and service for value.
- ❖ Dealing in goods and services on a regular basis: It should be a regular activity. One time sale or exchange will not be considered as business.

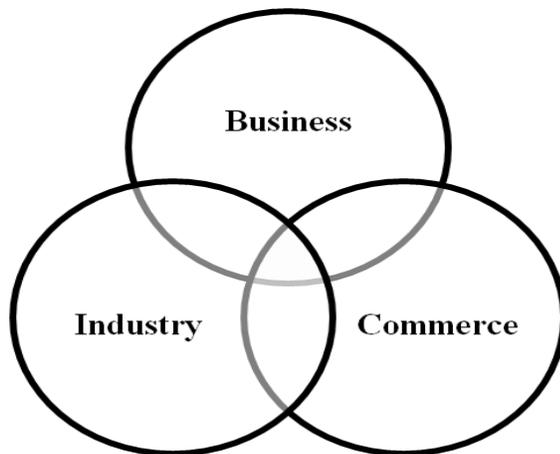
- ❖ Profit earning: Business always aims at earning profit.
- ❖ Uncertainty of earning: There is always a possibility of less amount of profit or even loss in business.
- ❖ Element of Risk: There is always a possibility of Uncertainty of earnings.

- **Comparison of Business, Profession and Employment:**

| Basis | Business | Profession | Employment |
|--|--|---|---|
| 1. How to Start? | Based on entrepreneurs /owners decision | Getting membership of a professional body | Getting an appointment letter |
| 2. What is its nature? | Providing goods and services to the public | Rendering of personalized expert services | Performing work as per service contract |
| 3. Qualification/Who can start? | No minimum qualification | Requires qualification and training in a specific field | Requires qualification and training |
| 4. Return/What will you get? | Profit | Professional Fees | Salary |
| 5. Capital/How much you need to start? | Requires capital as per the size of the Business | Requires limited capital | No capital required |
| 6. Risk involved | More risk | Less risk | No risk |
| 7. Transfer of Interest - Can you transfer? | Is possible with some formalities | Not possible | Not possible |

| | | | |
|---------------------------|----------------------------------|---|--|
| 8. Code of conduct | No code of conduct is prescribed | Professional code of conduct to be followed | Code of conduct is prescribed by the employer to be followed |
|---------------------------|----------------------------------|---|--|

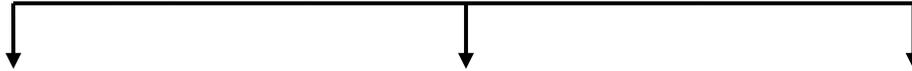
Classification of Business Activities:



- **Industry:** Production or processing of goods and services. It is concerned with changing the form of the products. It gives form utility to the products. It is classified into the following:

Industry

(Producing or processing of Goods as well as breeding of animals)



1. Primary

Extraction and production of natural resources and reproduction and development of living organisms, plants etc.

2. Secondary

Processing the materials got in the primary industries

3. Tertiary

Support services to primary and secondary industries

1. Primary Industry



a. Extractive Industry

Mining, lumbering, hunting and fishing operations

b. Genetic Industry

Breeding plants and animals, Poultry farming and fish hatchery

2. Secondary Industry



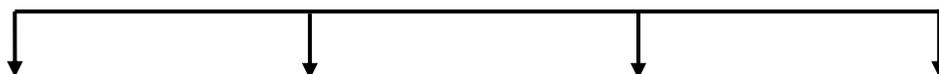
a. Manufacturing Industry

Production and processing of goods creating form utilities

b. Construction Industry

Construction of Buildings, dams, bridges, etc.,

2.a. Manufacturing Industry



(i). Analytical

(ii). Synthetical

(iii). Processing

(iv).

Assembling

Industry

Industry

Industry

I

Separates different elements from the same materials
Eg., Petrol, Diesel, etc..

Combines various ingredients
Eg., Cement, Textiles, etc.,

Involves series of activities
Eg., Sugar and Paper

Assembles different components
Eg., Television, Car, Computer,

- **Commerce:** It includes all those activities which are concerned with removing all the hindrances in the movement of goods from the manufacturer to the consumers. It includes the following activities.

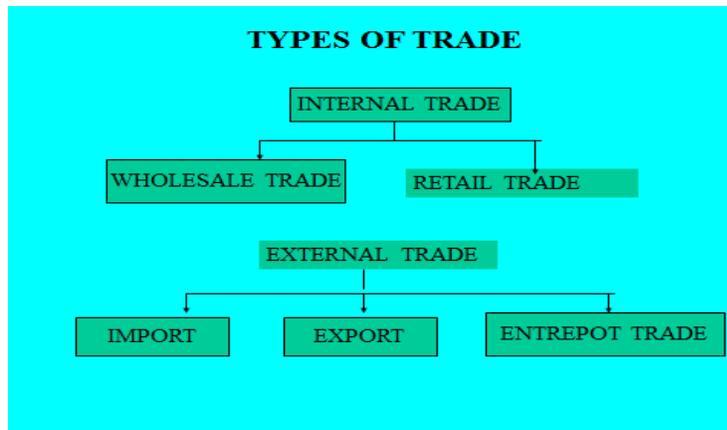
COMMERCE



Commerce includes the following activities :

1. Industry
2. Trade – Export, Import
3. Transport and communication
4. Banking
5. Insurance
6. Advertisement
7. Packaging
8. Warehousing etc.,

- **Trade** : Trade means exchange of goods and services between sellers and buyers with profit motive.



- **Auxiliaries to Trade:**

1. Transport and communication : Physical movement of goods from the place where there is no demand to the place where there is demand. Creates place utility to the product.

2. Banking and Finance : Helps in removing financial hindrances. Facilitates production, buying and selling by providing funds by way of loans.

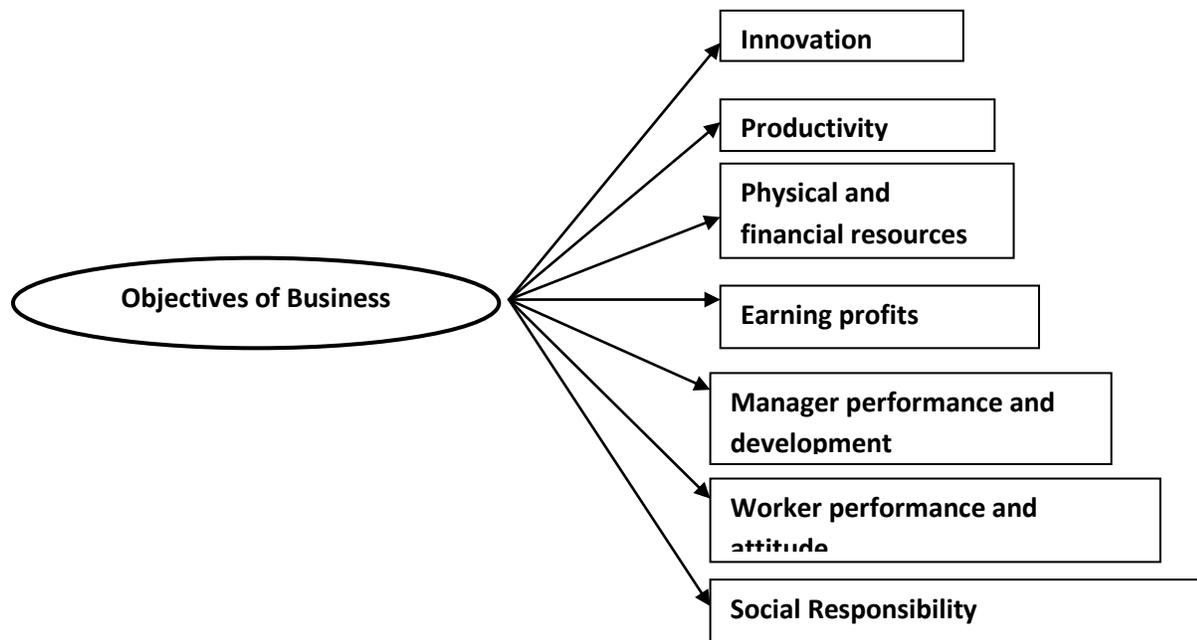
3. Insurance: It facilitates business by ensuring compensation for various types of risks.

4. Warehousing: It keeps the goods in tact till they are in demand. It creates time utility to the product.

5. Advertising: It provides information about availability of goods and services. It induces the consumers to buy the product.

- **Role of Profit in Business:**

- It is source of income for the business man.
- It provides funds for expansion
- It is an indicator of efficiency of business man.
- It builds up reputation.



- **Business Risk:** It refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events.

Nature Of Business Risks

- Business risks arise due to uncertainties
- Risk is an essential part of business
- Degree of risk depends upon the nature and size of business
- Profit is the reward for risk taking.

- **Causes of Business Risks:**

1. Natural Causes : Risk may be due to Flood, earth quake, lightning, heavy rains etc.
2. Human Causes: It includes dishonesty, carelessness or negligence of employees, strikes, riots, etc.
3. Economic Causes: It includes uncertainties relating to demand for goods, competition, price, collection of dues from customers, changes in economic policies etc.
4. Other Causes: It includes political disturbances, mechanical failures etc.

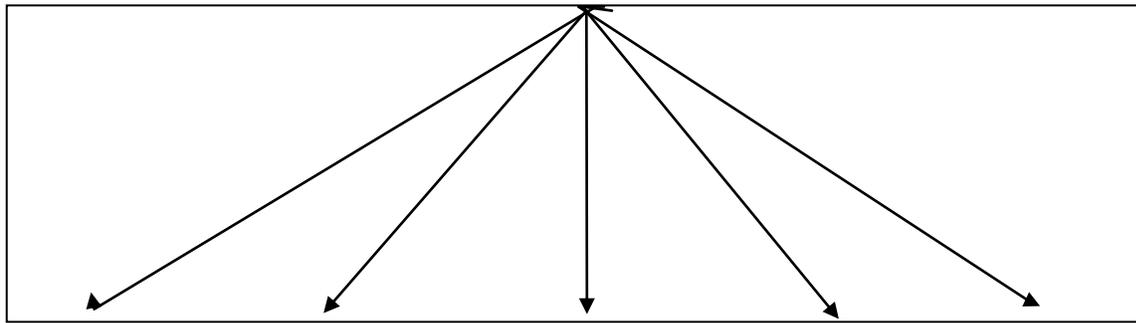
- **Basic factors to be considered before starting a Business:**

- 1. Selection of Line of Business:** Based on the requirements in the market nature and type of business to be selected.
- 2. Size of the Firm:** Based on the amount of funds available and demand for the product in the market size of the firm i.e small scale or medium or large scale to be decided.
- 3. Choice of form of ownership:** Based on the amount of capital required, legal formalities to be filled in, liability of the owner, etc. the form of ownership is to be decided.
- 4. Location of the Business enterprise:** Based on the availability of raw material and infrastructure facilities location of the Business is to be selected.
- 5. Financing the Proposition:** Requirement of Capital and its sources must be decided.
- 6. Physical facilities:** Availability of physical facilities including machines and equipment, building and supportive services to be considered before starting a business.
- 7. Plant layout:** Plant layout should draw to show the arrangement of these facilities.
- 8. Competent and committed worked force.:** Every business needs work force. So careful planning should be about selection, training and motivation of employees.

9. Tax Planning: Tax liability and its impact on business to be considered.

10. Launching the enterprise: After fulfilling the formalities entrepreneur can launch the business.

FORMS OF BUSINESS ORGANISATION



Sole proprietorship Partnership Hindu Undivided Co operative
Company

Family Society

Meaning Of Sole Proprietorship:

Sole means only

Proprietor means owner

Merits of sole proprietorship:

1. A sole proprietor can take decision quickly.
2. Information can be kept secretly without any leakage.
3. No need to share profits.
4. He gets self satisfaction for the work he has done.
5. Easy to start and to close because of less rules and regulations.

- **Partnership**

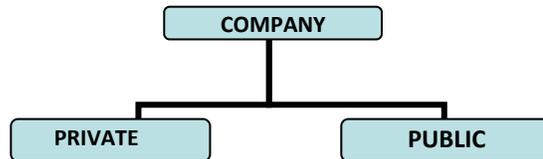
Types of Partners :

1. **Active partner:** An active partner is a partner who gives capital, participates in management, shares the profits and losses and has unlimited liability.
2. **Sleeping partner:** A Partner who do not take part in the business activities.
3. **Secret partner:** A partner who has association with the firm but unknown to the public.
4. **Nominal partner:** A partner who allows his name to be used by the firm
5. **Partner by estoppel:** A person who by behaviour sets an impression to others that he/she is a partner of the firm.
6. **Partner by holding out:** A person who is not a partner but allows himself to be represented as partner in a firm.

Consequences of Non Registration:

1. A Partner of an unregistered firm cannot file a case against the firm or other partners.
2. The firm cannot file a case against third parties.
3. The firm cannot file a case against the partners.

Types Of Companies



- **Public Company:**

1. Members: Minimum 7, Maximum unlimited
2. Minimum number of directors: 3
3. Minimum paid up capital: 5 lakhs.
4. Index of members: Compulsory.
5. Transfer of shares: Shares can be transferred easily from one person to another.
6. Invitation to public: It can invite the public to purchase the share and debentures

- **Private Company:**

1. Members: Minimum 2, Maximum -50.
2. Minimum number of directors: 2
3. Minimum paid up capital: 1 lakh
4. Index of members: Not compulsory.
5. Transfer of shares: Shares cannot be transferred from one person to another.
6. Invitation to public: It cannot invite the public to purchase the share and debentures.

- **Memorandum of Association:**

1. It defines the objects for which the company is formed.
2. This is the main document of the company.
3. This defines the relationship of the company with outsiders.
4. Every company has to file Memorandum of Association.
5. Alteration of Memorandum of Association is difficult.

Articles of Association:

1. It defines the objectives of the company that are to be achieved.
2. This is the subsidiary document of the company.
3. Articles define the relationship of the members and the company.
4. It is not necessary for the public limited company.
5. It can be altered by passing a special resolution.

Learning Trade Associations and Chamber of Commerce

Trade Associations

A **trade association**, also known as an **industry trade group**, **business association** or **sector association**, is an organization founded and funded by businesses that operate in a specific industry. An industry trade association participates in public relations activities such as advertising, education, political donations, lobbying and publishing, but its main focus is collaboration between companies, or standardization. Associations may offer other services, such as producing conferences, networking or charitable events or offering classes or educational materials. Many associations are non-profit organizations governed by laws and directed by officers who are also members.

Chamber of Commerce

Characteristics

A Chamber of Commerce and Industry is
an autonomous organisation of
businesses and individuals
aimed at promoting commerce and industry.

It may be a private set-up with voluntary membership (as in Singapore)

or one established under public law, with compulsory membership (as in Germany) *or* one regulated under public law status with voluntary membership (as in Japan).

It could take the form of ...

- a national establishment eg. the Thai Chamber of Commerce
- a provincial body eg. the West Java Chamber of Commerce and Industry
- a town or district setup eg. the Dhaka Chamber of Commerce
- an ethnic grouping eg. the Singapore Chinese Chamber of Commerce and Industry.

Mission

Despite their wide diversities, Chambers of Commerce and Industry generally share a common mission, which is to promote, develop and further the economic well-being of members by providing

- a collective voice in advocacy to represent and protect members' interests
- quality services to help members enhance their competitiveness and succeed in their businesses

thereby contributing significantly to the economic progress of the nation.

Agenda

To achieve their mission, Chambers of Commerce and Industry have on their agenda, a broad range of functions and services. These include ...

- representation
- networking
- information services
- business and trade development
- training and consultancy services
- membership development
- special export promotion services, etc.

The following table lists in general, the range of activities*¹ covered under the various functions .

| Functions | Activities |
|------------------|--|
| Representation | hold regular dialogues with government to advocate, provide feedback on, and help fine-tune policies and legislations affecting business practices |
| | serve on statutory boards and government committees to help formulate policy guidelines and set standards that will enhance business climate and members' competitiveness |
| Networking | forge strategic alliances with local and foreign business organisations to establish and develop mutually beneficial relationships via Memoranda of Understanding, Joint Consultative Committees, etc. |
| | join a global network of Chambers of Commerce to facilitate co-operation (eg. ASEAN-CCI, CACCI, etc) |
| | provide leadership to co-ordinate members' efforts to troubleshoot, address, solve common problems/issues affecting business operations |

| Functions | Activities |
|------------------------|--|
| Membership Development | <p>Build up a membership base through recruitment of new members and retention of existing ones. This is achieved by ...</p> <ul style="list-style-type: none"> • launching membership drives to supplement on-going recruitment • sustaining members' interest by offering quality services, enhancing membership status and privileges • encouraging co-operation and fraternity amongst members by organising social and sports events |
| Information Services | <p>provide relevant business information to members such as information on business opportunities, technological advancements, government rules and regulations, etc²</p> |
| | <p>maintain a trade library for members' use</p> |
| | <p>conduct market surveys and economic research and circulate findings to members through newsletters, economic bulletins, general membership circulars or IT tools</p> |

| Functions | Activities |
|-------------------------|--|
| Trade and Business | publish a directory of members, their businesses and capabilities |
| | process trade enquiries |
| Development | <p>operate a business matching center to provide services such as ...</p> <ul style="list-style-type: none"> • arranging buyer-seller meetings • providing facilities and secretarial services for meetings between trade visitors and members <p>identify trade and investment opportunities and help members maximise these through</p> <ul style="list-style-type: none"> • organising trade and investment missions • arranging meetings between members and visiting trade and investment missions • organising trade fairs and exhibitions • co-ordinating members' participation in trade shows <p>maintain a product display center to showcase members' products (product display centers are usually sited within the chamber's premises for easy access to trade visitors but if finances allow, they could be sited in major overseas markets as in the case of the Hongkong Trade Export Council)</p> |
| Special Export Services | issue certificates of origin, ATA carnets |

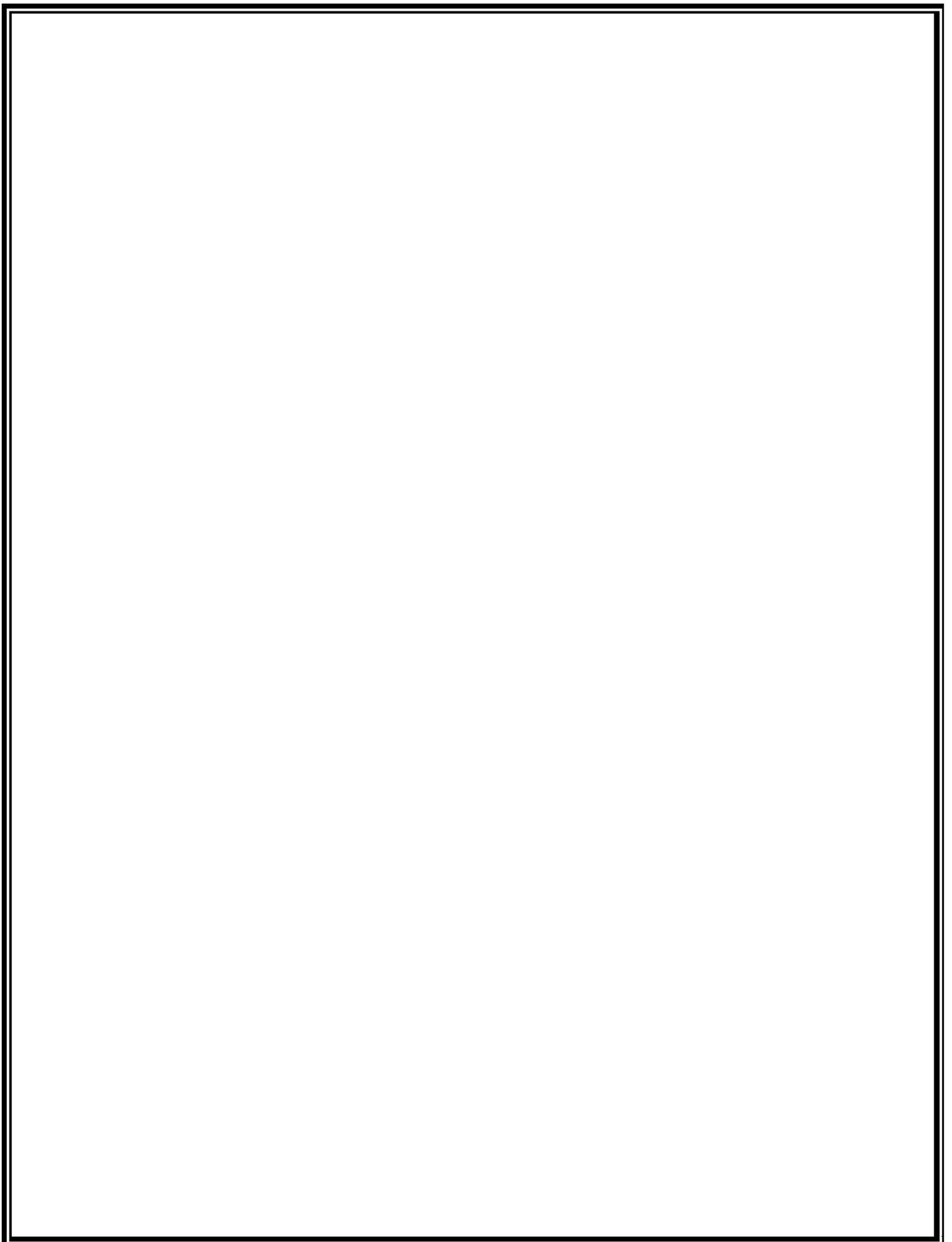
| Functions | Activities |
|---|--|
| Training and Consultancy/ Advisory Services | operate a training center* ³ that will offer human resource development programmes, skills and technological upgrading courses, etc |
| | organise meetings, conferences, workshops, seminars to provide members with fora for exchange of views and experiences |
| | encourage member companies to enhance competitiveness through <ul style="list-style-type: none"> • quality management - eg. set up quality circles; adopt "good housekeeping" practices; help members to attain ISO standards • improved product design - eg. organise competitions to reward good product and packaging designs |
| | encourage members to computerise their operations and take other IT initiatives to achieve greater efficiency |
| | maintain a list of consultants, resource personnel, professionals, etc to whom referrals can be made if members require their services |

| Functions | Activities |
|---|---|
| Training and Consultancy/ Advisory Services | render basic in-house consultancy services by Chamber staff - eg. on energy conservation, environmental issues, etc as in the case of the German Chambers of Small Businesses |
| (cont'd) | offer arbitration/mediation/conciliation services to help resolve trade disputes |

Other Services

In addition to the above list, some Chambers of Commerce and Industry offer special services, eg.

- the Singapore Confederation of Industries (formerly known as the Singapore Manufacturers' Association) operates the Singapore Article Numbering Council which issues bar-codes to members
- the Pune Chamber of India operates an employment service to help their members recruit qualified staff
- the Chamber of Commerce and Industry in Colombo conducts tea auctions
- the Chamber of Commerce and Industry in Angeles (Philippines) runs a credit program
- the provincial Chamber of Commerce and Industry in Jogjakarta (Indonesia) offers telecommunications facilities to its members and the general public.



CHAPTER TWO

BUSINESS ENVIRONMENT

COMPONENTS OF BUSINESS ENVIRONMENT

2. MEANING OF BUSINESS ENVIRONMENT

To begin with let's understand the meaning of business environment. We live in the world which is completely dynamic. Rapid changes keep taking place and are frequent because of the changes in social, political and economic environment.

These changes occur because of the advancement in technology



and education



so the new ideas for a better society enriched with high standard of living



demands the business to be adjustable to these changes and it demands the business to be very flexible to provide the right thing at right price at right time.

But the thing should be of high quality to ensure customer satisfaction.



So, these changes surround the business enterprise and influence it in various aspects.

A business organization is successful only when it quickly adapts itself to these changes. As per Keith Davis "Business Environment is the aggregate of all conditions, events and influences that surround and affect the business" It means that all the happening in the surroundings of the business, affect it. So it is important for the business to identify and understand these changes and change the business strategies accordingly. In the words of Bayard O. Wheeler "business environment is the total of all things external to business firms and industries which affect their organization and operations"

And In the words of Dunham and Pierce "business environment represents a set of conditions, circumstances and influences that surround and affect the functioning of the organization. This environment is made up of different individuals (like customers, local citizens etc); organizations (like suppliers, labor unions) and government bodies (like regulatory agencies, legislators etc.)"

Both the definitions highlight on the external factors affecting the business. The operations of the business enterprises are highly affected by the external environmental factors. Customers, suppliers, labor unions and government bodies form the business environment.

3. CURRENT INDIAN BUSINESS ENVIRONMENT

Before the Indian industrial policy of 1991, more about the current and more control of commerce and trade was in the hand of public sector. Lot of problems like bureaucracy and red tapism resulted in formation of Industrial policy of 1991 which emphasized on

Liberalization, Privatization and Globalization. Before the year 1991 India was hit by economic crisis and accelerated growth of economy was required.

The current Indian business environment is the result of the Indian industrial policy of

(Building Businesses Across India



1991.

Earlier lot of restrictions were imposed by the Indian government like price control, import license and foreign exchange control. This resulted in corruption.

inefficiency



and undue delay.



The industrial policy encouraged liberalization and removed all the barriers of unnecessary control and strict licensing. The liberalization encouraged simple licensing and have reduced unnecessary restrictions on trade.

Other countries like Korea, Thailand and Singapore have adopted the policy of liberalization for the growth of their economy.

The current Indian business environment is witnessing larger amount of foreign direct investment.

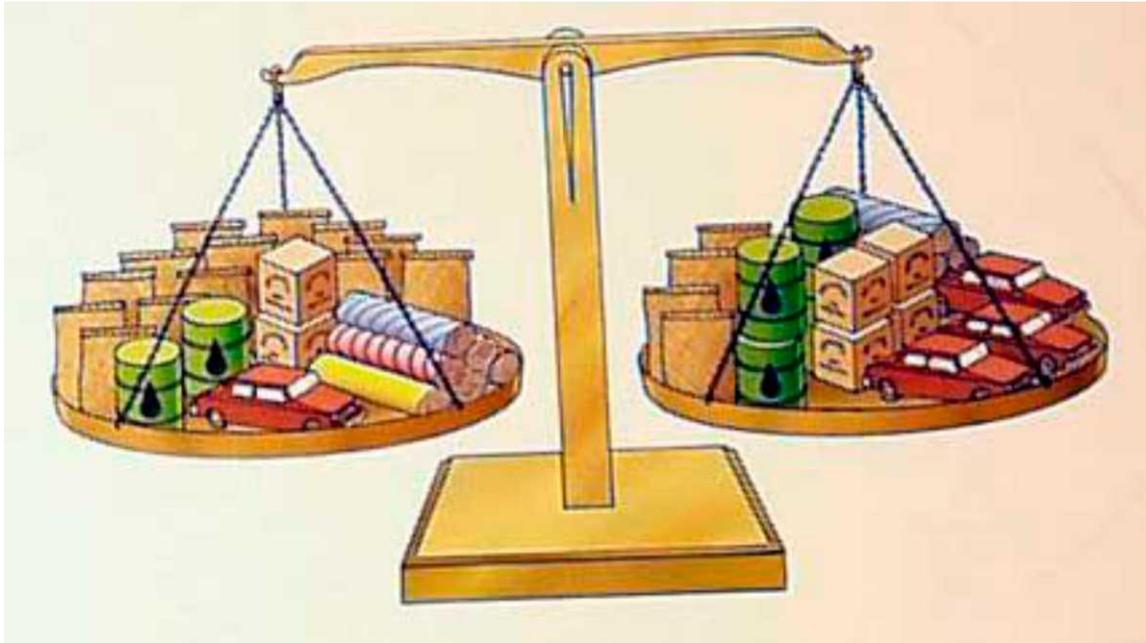


This is because of simple licensing. The corporate giants in India are doing research on the unexplored areas of trade. They are doing so to contribute to the Indian economy.

Privatization encourages private sector to set up more and more industries which were earlier reserved for the public sector. Through this private sector contributes a lot to the Indian economy. Globalization encourages free trade and exchange of goods, services, capital, labor, expertise and technology amongst different countries. Indian software engineers going abroad and foreign companies setting up production units in India is the example of globalization. Globalization should result in making the world a global village.



The Indian business environment is full of competition because of privatization and globalization. The domestic businesses as well as international businesses face cut throat competition to enter and survive in the Indian market. They can survive only through customer satisfaction and providing high quality products. The increased foreign direct investment in India has supplemented the domestic capital formation and has improved the balance of payment.



insurance,



communication,



transportation,



tourism,



health care,



education,



consultancy,



BPO



and other service sectors contribute more than half of the national income in India. As a member of WTO India will reduce the tariff and non-tariff barriers and reduce and repay the foreign debt.

Indian business environment is committed to the Indian economy through promoting increased living standards of the people in India.

The world economy witnessed recession in the year 2008-09. The stability of the banks and financial institutions was questioned. India's export sector, inflow of foreign investment, employment opportunities, capital markets, domestic demand of capital and consumer goods were affected due to economic slowdown. But the Indian private and public houses have struggled a lot to bring the Indian economy in the better position again. It is a fact that the Indian business environment is in much better position now and the Indian economy is growing at pace now.

RELATIONSHIP BETWEEN BUSINESS AND BUSINESS ENVIRONMENT

The next topic of this lecture is Relationship between business and business environment. Business environment are inter related. Environment can stop and promote the growth of the business. Environment provides a platform to the business to grow with the help of favorable changes. Environment can also create challenges or problems for the business to grow. So business and environment are co related and they share a mutual relationship.



For example, when there is high competition business goes for rigorous marketing and advertising and when the industry face recession then the production rate is cut down. In this way when all the industries or to kept in simple, when all the businesses come together they may pressurize the government to change the policies. In this situation, businesses together control the external environment so there is a mutual relationship between the business and the business environment. Business policies and strategies should be dynamic.

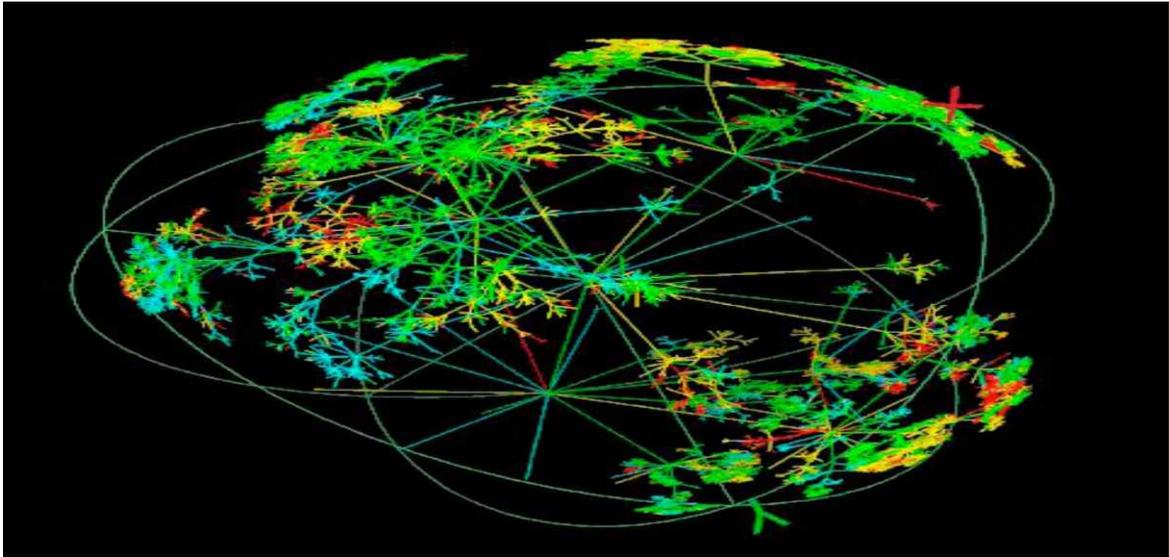
Because the external factors like socio- economic, legal, political, cultural and technological factors are not constant they keep changing and business should adjust itself to the changes. The external factors keep providing opportunities and threats to the business.

For example, government encourages business by imposing subsidy or reducing tax but government also increases tax at times and this creates hindrance in the path of growth for the business. So, it can be said that business and business environment are inter related and there is a continuous cycle of inter relationship between the two.

5. CHARACTERISTICS OF BUSINESS ENVIRONMENT

The next topic of this lecture is Characteristics of business environment. The various characteristics of business environment are:

- Complex



- Dynamic



- Affects other firms differently



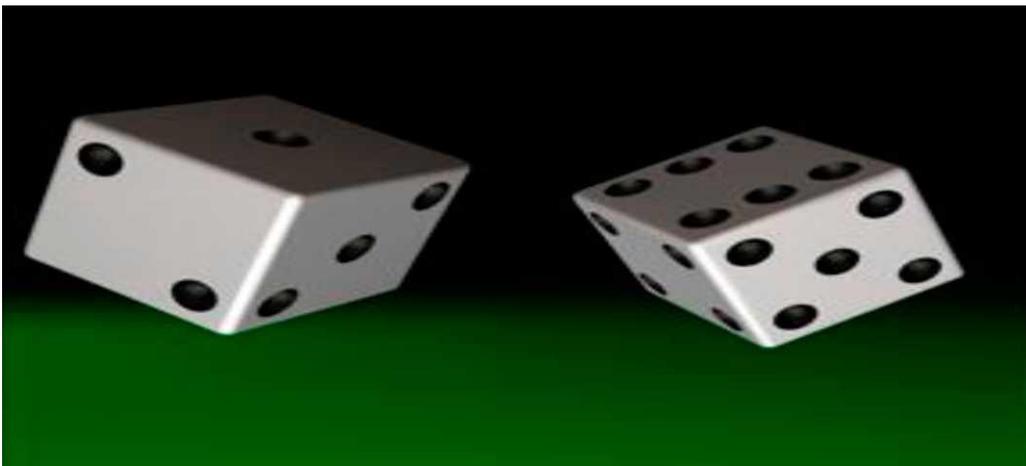
- Long and short term impact



- Effect of external environmental factors



- Uncertainty



- Interdependency of components

- Combination of both internal and external environment.



Let's talk about the first characteristics of the business environment that is complex. Business environment is complex because legal, political, socio cultural, economic and technological factors affect the business in different aspects. These factors are inseparable from the business so they are un-controllable and form the business environment. So business environment is said to be complex.

The next characteristic of the business environment is dynamic. The external factors affecting the business keep changing. So the business needs to frame policies and strategies accordingly. Business is required to keep pace with the changing environment.

The next characteristic of the business environment is it affects other firms differently. Different factors of the external environment affects different businesses differently. A change in external factor may be favorable for one business but it may be unfavorable for the other businesses.

The next characteristic of the business environment is long and short term impact. Every external environmental factor has both long and short term impact on the productivity, profitability and the growth of the business.

The next characteristic of the business environment is effect of external environmental factors. The effect of external factors on business is deep and is uncontrollable. Sometimes it may be so intense that the business has to close down its operation completely. For example, when government imposes ban on tobacco and alcohol, the industries may run in loss and may result in the closure of the business all together.

The next characteristic is uncertainty. The changes in business environment are constant and sudden. So the external factors are difficult to study and analyze.

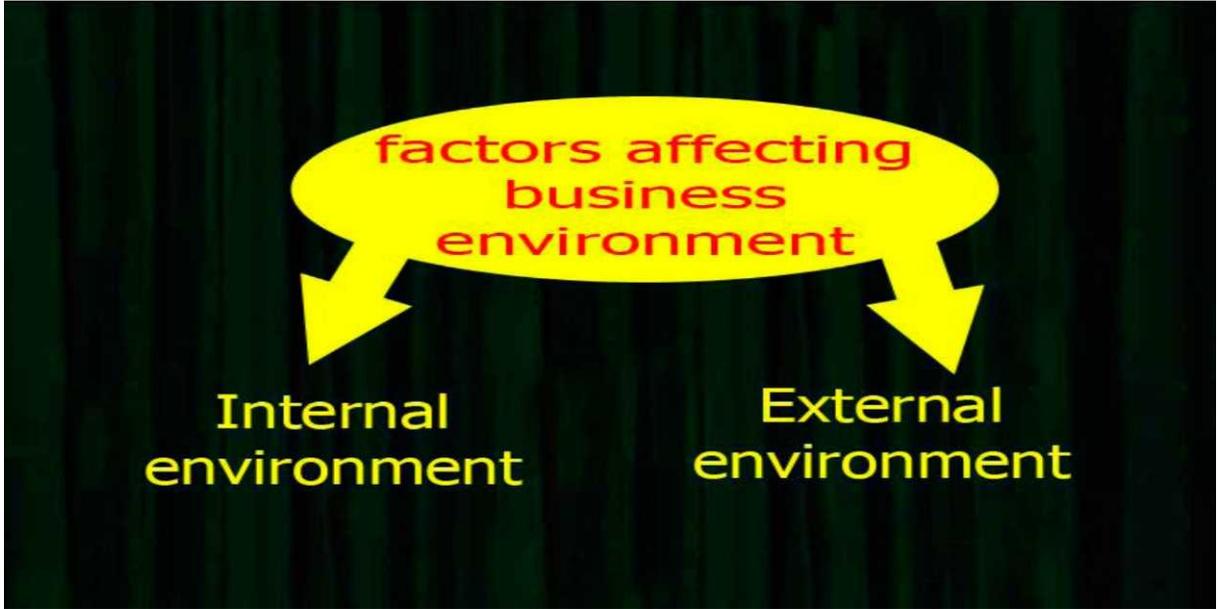
The next characteristic of the business environment is Interdependency of the components. The external factors of the business environment are interdependent on each other. For example, the economic factor affects the social factor and the social factor affects the economic factor.

The next characteristic is combination of both internal and external environment. Business environment is the combination of both internal and external environment and these factors surround the business as you can see here in this diagram. Business is surrounded by internal environment which is in control of the business and external environment which is not in control of the business. Together internal and external factors form the business environment. Business has to change its policies and strategies according to the changes in the external factors affecting the business. Business should be flexible and adaptable to these changes.

6. COMPONENTS OF BUSINESS ENVIRONMENT

The next topic of this lecture is Components of business environment. Now we will study the various factors affecting the business or the component of the business environment.

Look at this diagram:



The components of business environment or the factors affecting business environment are divided into internal and external environment.

The internal environment is sub categorized into: • Capital



- Human resources



- Business objectives



- Management policies



- Commitment of human resources



- Internal work environment



- Brand image



- Labor management relationship



- Research and development base



- Promotional strategies



Similarly the external environment is sub categorized into Micro and macro environment as you can see in this diagram.

Micro environment is categorized into:

- Customers



- Suppliers



- Intermediaries



- Competitors



- Public



Macro environment is categorized into the following factors: • Economic



- Political



- Socio- cultural



- Technological



- Natural



Demographic

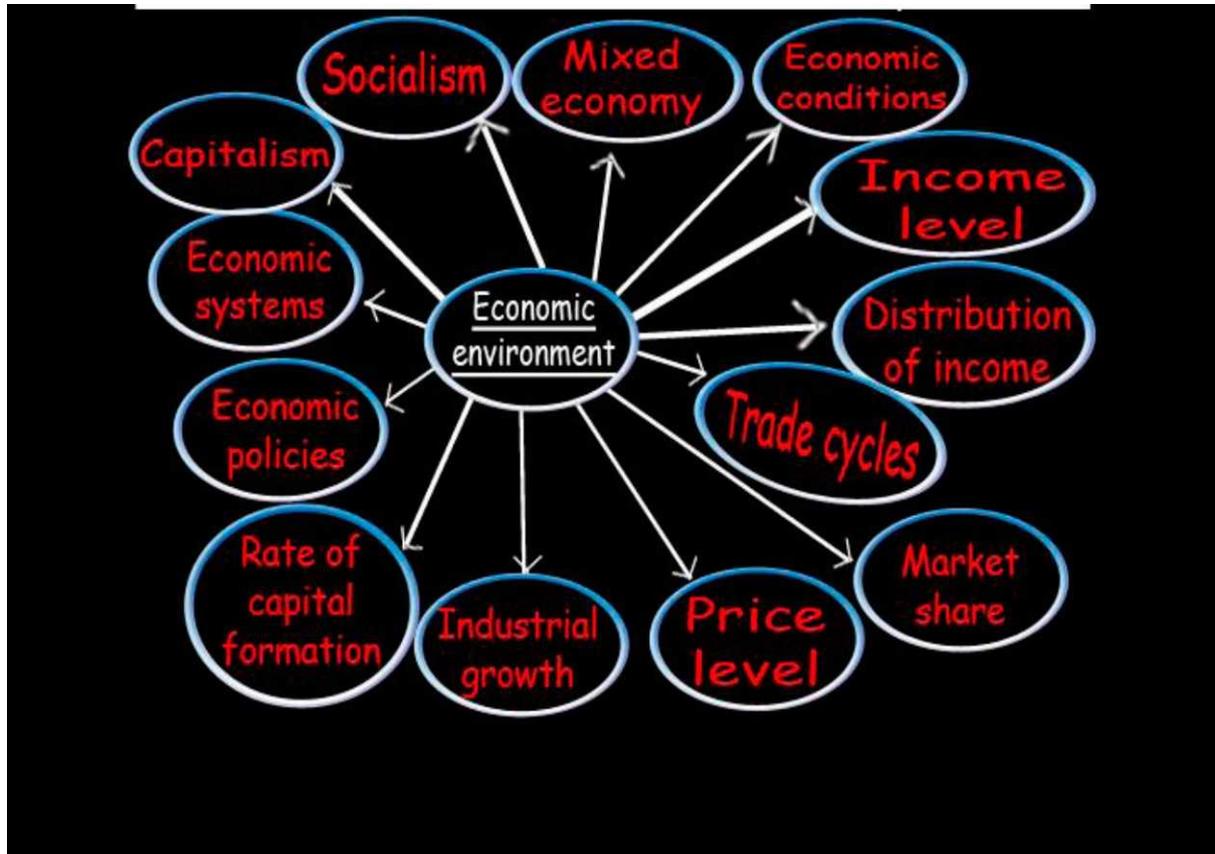


- International



Now look at this diagram,

The economic environment is composed of



This diagram will help you clearly understand what these factors in macro environment are composed of.

The economic environment is composed of:

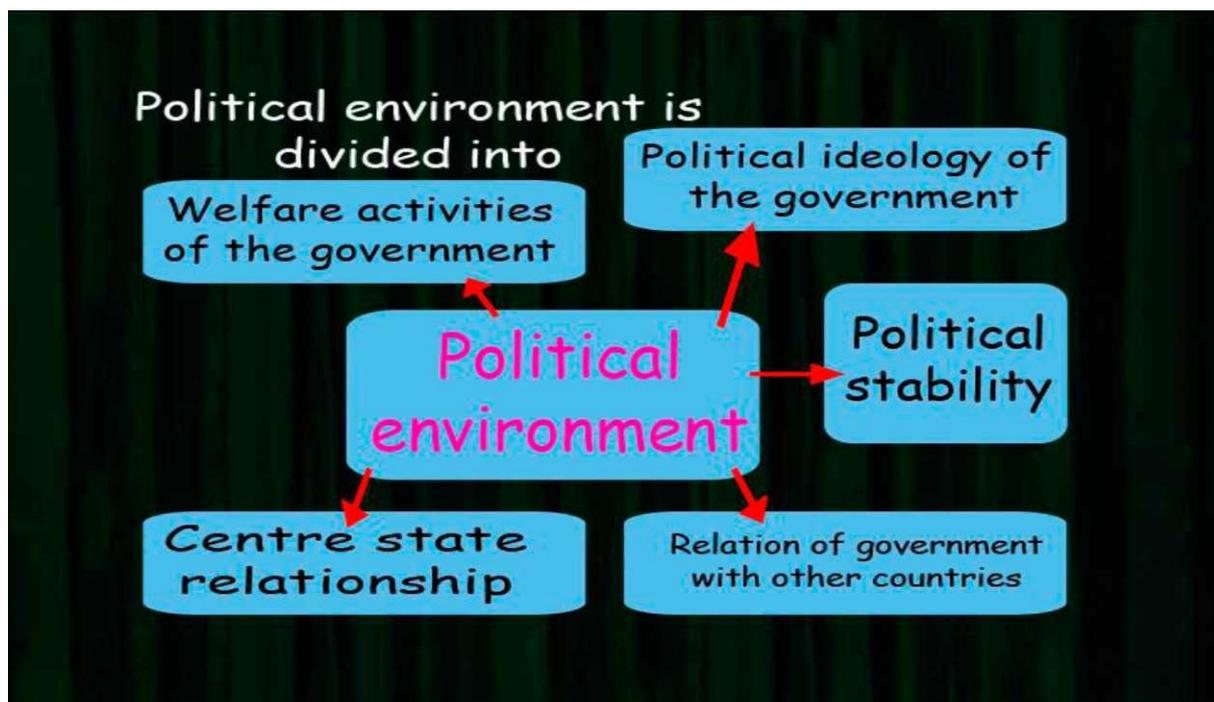
- Economic conditions
- Income level
- Distribution of income
- Trade cycles
- Market share
- Price level
- Industrial growth

- Rate of capital formation
- Economic policies
- Economic systems
- Capitalism
- Socialism
- Mixed economy

The other economic factors are divided in Banks, Insurance companies, Money market, Capital market, Transportation and communication.

Now let's discussed the Political environmental factors. Now let's talk about the political environment. Political environment is divided into:

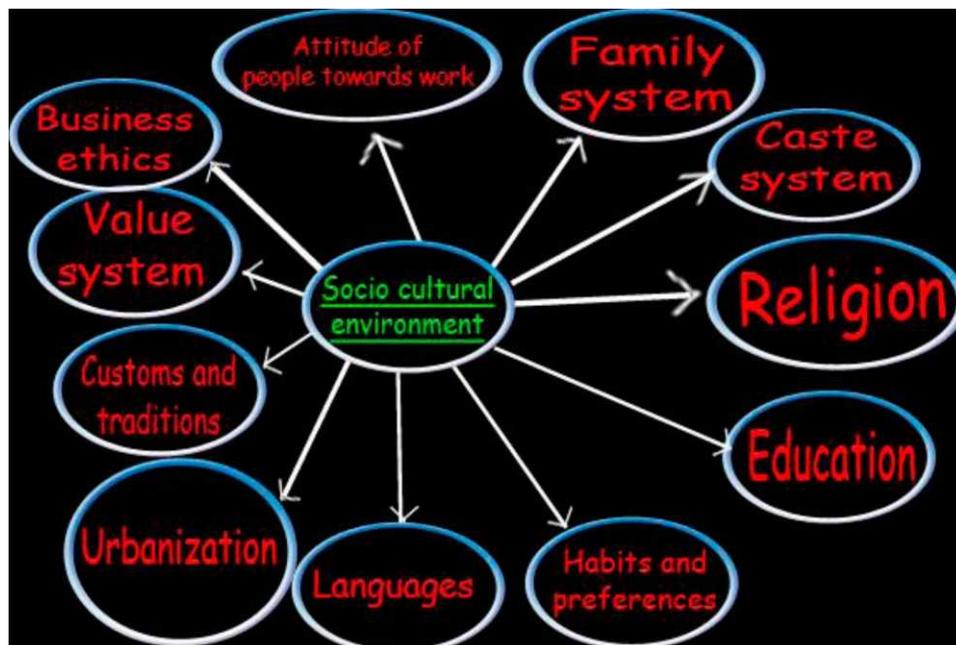
- Political ideology of the government
- Political stability
- Relation of government with other countries
- Centre state relationship
- Welfare activities of the government



Socio cultural environment is composed of:

- Attitude of people towards work
- Family system
- Caste system
- Religion
- Education
- Habits and preferences
- Languages
- Urbanization
- Customs and traditions
- Value system and
- Business ethics

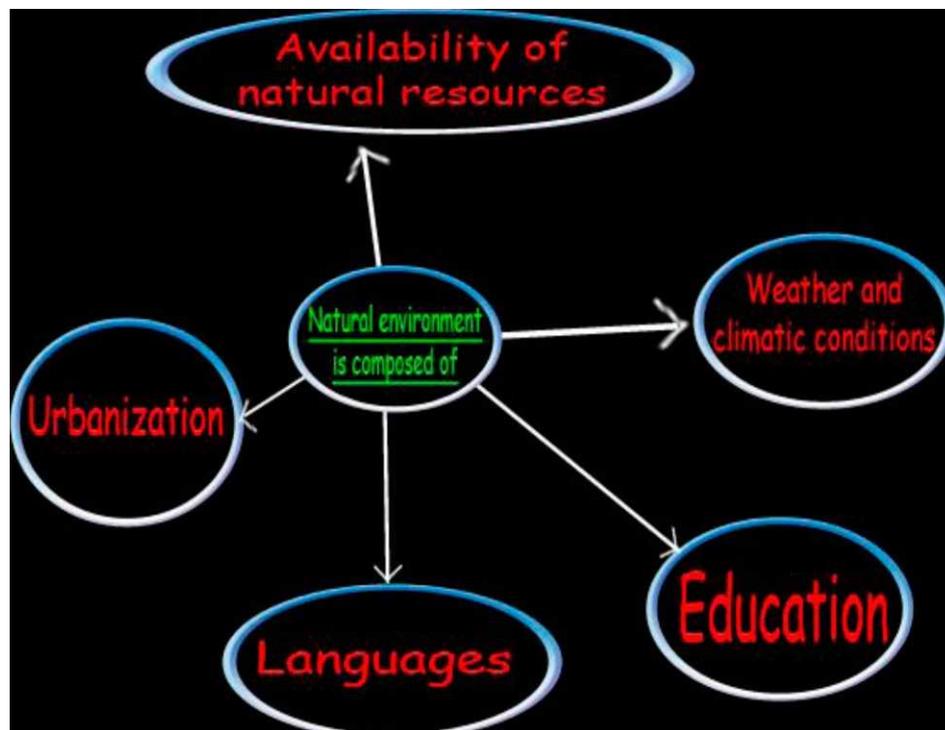
Socio cultural environment is composed of



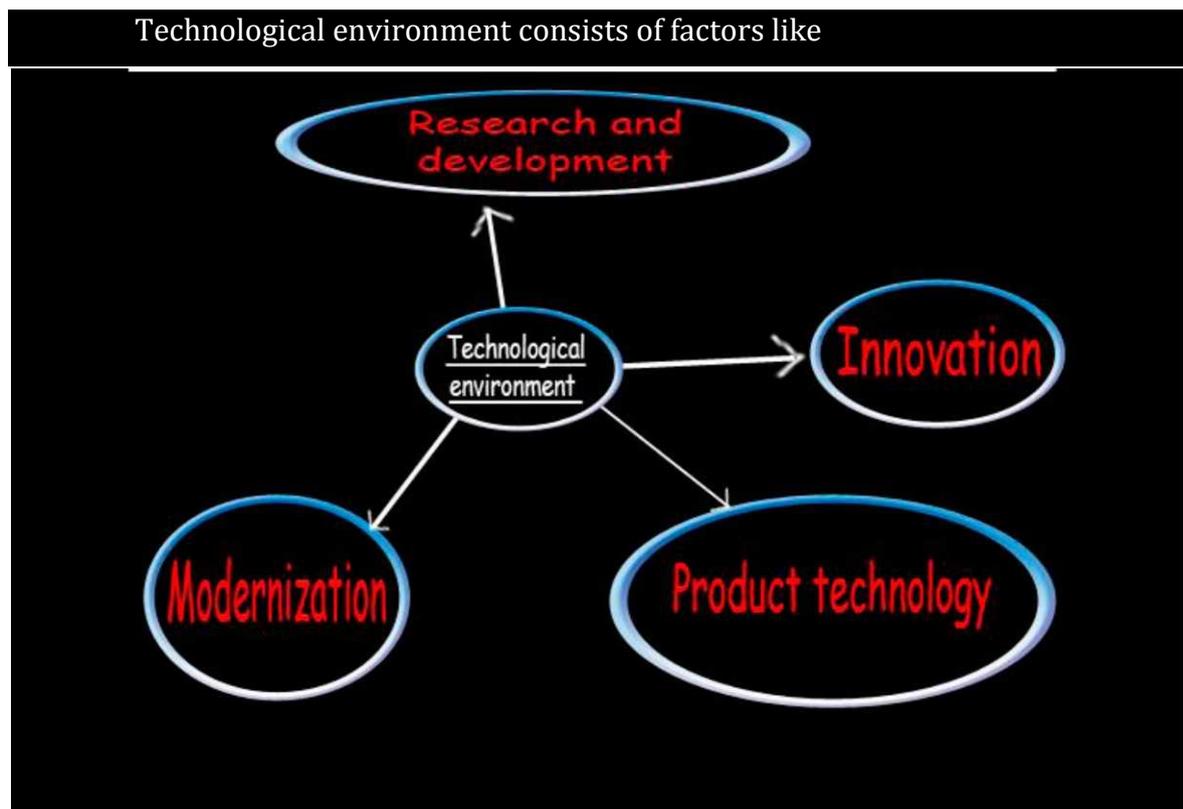
Natural environment is composed of:

- Availability of natural resources
- Weather and climatic conditions
- Topographic factors like soil, land, rainfall, sea, rivers
- Location aspects
- Ecological factors like pollution and its control

Natural environment is composed of



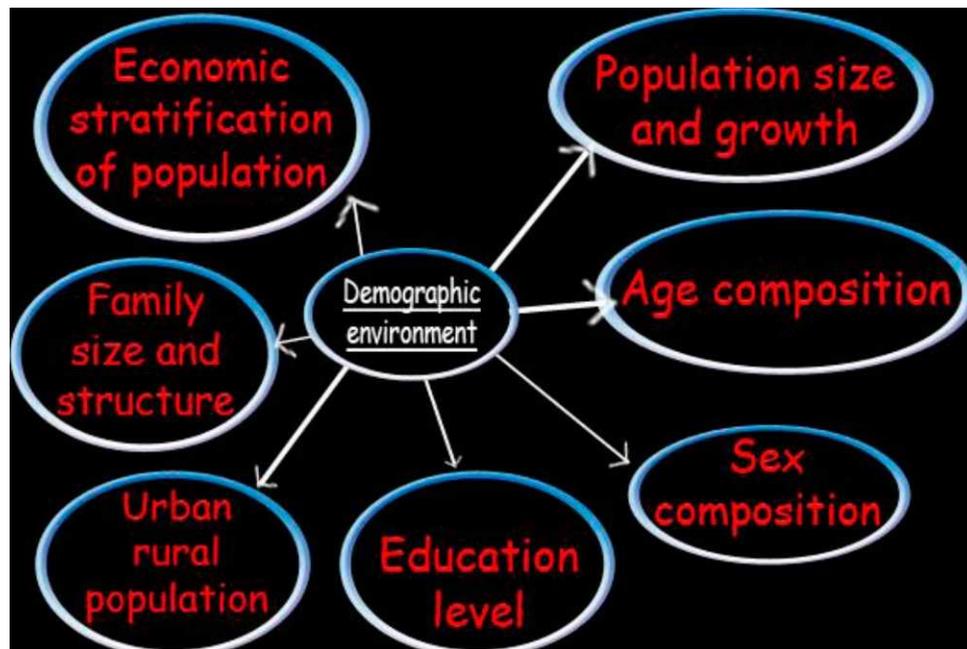
Technological environment consists of factors like: Research and development Innovation Product technology and Modernization



Demographic environment consists of: Population size and growth Age composition Sex composition Education level

- Urban rural population
- Family size and structure and
- Economic stratification of population

Demographic environment consists of



International environment consists of:

- Globalization
- International institutions like WTO, IMF and World Bank
- International agreements

- International terrorism
- Cultural exchange and
- Global financial crisis

International
environment consists of



So, these were the various components of the business environment and we will talk about each component later, in detail.

7. INTERNAL ENVIRONMENT

Based on the diagrams discussed earlier let's talk about the components of the internal environment. Internal environment consists of the factors which are in controlled of the business or we can say that the internal environment is the environment within the organization.

As you can see here in this diagram, business is surrounded by internal environment and the next layer is external environment together internal and external environment form the business environment.

The internal environment includes components like:

- Capital
 - Human resources
 - Business objectives
 - Management policies
 - Commitment of human resources
 - Internal work environment
 - Brand image
 - Labor management relationship
 - Research and development base
- and
- Promotional strategies

So, basically the internal environment consists of 5 M's which mean Man, Material, Money, Machinery and Management.

Let's talk about the first components affecting the internal environment that is capital. Capital or financial resources are required to start and maintain the business operations. Finance is the life blood of the business. The management is required to skillfully utilize the financial resources for the growth of the organization. It is in control of the business how to utilize the financial resources. Optimum utilization of the final resources should be done by the business management. So, it is the part of the internal environment as it is in control of the business.

The next component of internal environment is Human Resources. Efficient human resources of the business takes the business to great heights. The

quality of goods and services provided by the business depends entirely upon the human resources employed in the business. The brand image of the business is also depended on the human resources of the business. So again it is an internal factor which is control of the business.

The next component of internal environment is Business objective. The objectives of the business should be framed keeping in mind that the external environment is constantly changing so the business needs to adjust itself to the external environment. The interest of all the parties affecting the business should be kept in mind especially the interest of the society.

The next component of internal environment is Management policies. The board of directors and the executives should foresee the changes in the external environment and form the business strategies and policies accordingly. They should analyze properly the external factors affecting the business.

And they should promote the interest of workers, employees, business owner and should concentrate on the well being of the society.

The next component of internal environment is commitment of human resources. Unsatisfied workers results in low productivity and they may even go on strike and stopped the production of the goods and services altogether. This may adversely affect the business. So the management should time to time interact with the workers and employees, understand their genuine demands and at the same time reward them for their good job by the employees or the workers. This will promote them, motivate them and will ensure their commitment towards their job.

The next component of internal environment is Internal work environment. Business should promote healthier and happier environment inside the organization. It should encourage high standard of living of the workers and the employees. The

business should give them good working conditions to the workers and employees. This factor is internal and is in complete control of the business.

The next component of internal environment is brand image. Promoting the better brand image is in the hands of the business and it is completely in the control of the business to promote its brand. If the business succeeds in providing quality goods and services to the customers and make the customers happy then the business builds the best brand image. Remember customer is the king of the market.

The next component of internal environment is labor-management relationship. Labor management relationship as we discussed earlier is in complete control of the business. Management should interact with the workers on timely bases.

Management should provide best working conditions to the

workers. Management should reward them for their good work to keep them motivated and to ensure the growth of the business.

The next component of internal environment is research and development base. It is in the hands of the business to utilize the financial resources to encourage research and development in the organization to understand the taste and preferences of the customers. Marketing strategies of the business should be changed as per the research conducted by the business to understand the taste and preferences of the customers.

This will ensure winning of the business in the competition and larger market share of the business. It is important for the business to channelize its financial resources in the direction of research and development.

The next component affecting internal environment is promotional strategies. It is in

control of the business to formulate the strategies for the promotion of its quality goods and services. Top management should foresee the changes in external environment and formulate the policies and strategies by analyzing the external environment which are in the best interest of the business and they should keep in mind that business should be ahead in the competition. So these were the various components of the internal business environment. So, in this lecture we have discussed the meaning of business environment, the relationship between business and business environment. We have also discussed the current Indian business scenario. We have talked about the characteristics of business environment. We have also talked about the components of business environment and we have discussed the internal environment in detail.

SWOT analysis and PEST analysis

The SWOT analysis is an extremely useful tool for understanding and reviewing the company's position prior to making decisions about future company direction or the implementation of a new business idea. A SWOT analysis can be completed by an individual within the organization (provided they can take an overview of the current situation) but is often best completed in a team or group. The discussion itself is informative, and the quality of the output is better if perceptions are gathered from a number of people.

The PEST analysis is a tool to evaluate external factors. It is often helpful to complete a PEST analysis prior to a SWOT analysis, although it may be more useful to complete a PEST analysis as part of, or after, a SWOT analysis. A SWOT analysis measures a business unit; a PEST analysis measures trends and changes in the market.

A SWOT analysis is a subjective assessment of information about the business that is organized using the SWOT format into a logical order that helps understanding, presentation, discussion and decision-making. The four dimensions are a useful extension of a basic two heading list of pro's and con's. The SWOT analysis template is normally presented as a grid, comprising four sections, one for each of the SWOT headings: Strengths, Weaknesses, Opportunities, and Threats. The SWOT template below includes sample questions, whose answers are inserted into the relevant section of the SWOT grid. The questions are examples, or discussion points, and obviously can be altered depending on the subject of the SWOT analysis. Note that many of the SWOT questions are also talking points for other headings -use them as you find most helpful, and make up your own to suit the issue being analyzed.

A SWOT analysis can also be used to examine different aspects of the business, in our case examining the businesses solutions, customers, capabilities and organizational

capabilities. Each represents a different element of the business, and requires a separate assessment. In the template provided we suggest specific questions that need to be answered relevant to each aspect of the business. As you work with this framework you may add questions that are relevant to the specific context of your business. Importantly, the SWOT analysis can include many different ideas that make it difficult to process decisions. It is therefore useful to define the relevant level of significance you will consider when including a factor before completing the analysis. That said, it is important that you identify at least one factor to go in each box, even if you cannot determine the relative importance of a factor. At the evaluation stage you will be better able to determine this, and will have to do this when you use the summary sheet to incorporate the most important elements and prioritize the outcomes. The first time you perform a SWOT analysis it can be challenging, but like most things, the more you do it, the easier it gets.

A SWOT (2x2) matrix using internal/external categories

Here is a typical extension of the basic SWOT analysis grid into a useful 'action-based' 2x2 SWOT matrix. The SWOT analysis in this format acts as a quick decision-making tool, quite aside from the more detailed data that would typically be fed into business planning process for each of the SWOT factors. Here the 2x2 matrix model automatically suggests actions for issues arising from the SWOT analysis, according to four different categories:

| | <i>Strengths (internal)</i> | <i>Weaknesses (internal)</i> |
|---------------------------------|--|---|
| <i>Opportunities (external)</i> | <p><i>obvious natural priorities</i></p> <p>Likely to produce greatest ROI (Return On Investment)</p> <p>Likely to be quickest and easiest to implement.</p> <p>Probably justifying immediate action-planning or feasibility study.</p> <p>Executive question: "If we are not already looking at these areas and prioritizing them, then why not?"</p> | <p><i>potentially attractive options</i></p> <p>Likely to produce good returns if capability and implementation are viable.</p> <p>Potentially more exciting and stimulating and rewarding than S/O due to change, challenge, surprise tactics, and benefits from addressing and achieving improvements.</p> <p>Executive questions: "What's actually stopping us doing these things, provided they truly fit strategically and are realistic and substantial?"</p> |

| | | |
|---|--|---|
| <p><i>Threats</i> <i>(external)</i></p> | <p><i>easy to defend and counter</i></p> <p>Only basic awareness, planning, and implementation required to meet these challenges.</p> <p>Investment in these issues is generally safe and necessary.</p> <p>Executive question: "Are we properly informed and organized to deal with these issues, and are we certain there are no hidden surprises?" - and - "Since we are strong here, can any of these threats be turned into opportunities?"</p> | <p><i>potentially high risk</i></p> <p>Assessment of risk crucial.</p> <p>Where risk is low then we must ignore these issues and not be distracted by them.</p> <p>Where risk is high we must assess capability gaps and plan to defend/avert in very specific controlled ways.</p> <p>Executive question: "Have we accurately assessed the risks of these issues, and where the risks are high do we have specific controlled reliable plans to avoid/avert/defend?"</p> |
|---|--|---|

SWOT analysis template

Subject of SWOT analysis: (define the subject of the analysis here)

strengths

- Advantages of proposition?
- Capabilities?
- Competitive advantages?
- USP's (unique selling points)?
- Resources, Assets, People?
- Experience, knowledge, data?
- Financial reserves, likely returns?
- Marketing - reach, distribution, awareness?
- Innovative aspects?
- Location and geographical?
- Price, value, quality?
- Accreditations, qualifications, certifications?
- Processes, systems, IT, communications?
- Cultural, attitudinal, behavioural?
- Management cover, succession?

weaknesses

- Disadvantages of proposition?
- Gaps in capabilities?
- Lack of competitive strength?
- Reputation, presence and reach?
- Financials?
- Own known vulnerabilities?
- Timescales, deadlines and pressures?
- Cashflow, start-up cash-drain?
- Continuity, supply chain robustness?
- Effects on core activities, distraction?
- Reliability of data, plan predictability?
- Morale, commitment, leadership?
- Accreditations, etc?
- Processes and systems, etc?
- Management cover, succession?

opportunities

- Market developments?
- Competitors' vulnerabilities?
- Industry or lifestyle trends?
- Technology development and innovation?
- Global influences?
- New markets, vertical, horizontal?
- Niche target markets?
- Geographical, export, import?
- Market need for new USP's?
- Market response to tactics, e.g., surprise?
- Major contracts, tenders?
- Business and product development?
- Information and research?
- Partnerships, agencies, distribution?
- Market volume demand trends?
- Seasonal, weather, fashion influences?

threats

- Political effects?
- Legislative effects?
- Environmental effects?
- IT developments?
- Competitor intentions - various?
- Market demand?
- New technologies, services, ideas?
- Vital contracts and partners?
- Obstacles faced?
- Insurmountable weaknesses?
- Employment market?
- Financial and credit pressures?
- Economy - home, abroad?
- Seasonality, weather effects?

There is some overlap between PEST and SWOT. Similar factors appear in each. That said, PEST and SWOT are certainly two different perspectives:

PEST tends to assess a market, including competitors, from the standpoint of a particular proposition or a business. SWOT in business and marketing tends to be an assessment of a business or a proposition, whether it is your own business or (less commonly) a competitor's business or proposition.

Strategic planning is not a precise science - no tool is mandatory - it's a matter of pragmatic choice as to what helps best to identify and explain the issues. PEST analysis may be useful before SWOT analysis where it helps to identify SWOT factors. Alternatively PEST analysis may be incorporated within a SWOT analysis, to achieve the same effect. PEST becomes more useful and relevant the larger and more complex the business or proposition, but even for a very small local businesses a PEST analysis can still throw up one or two very significant issues that might otherwise be missed.

The four quadrants in PEST vary in significance depending on the type of business, for example, social factors are more obviously relevant to consumer businesses or a B2B (business-to-business) organization close to the consumer-end of the supply chain, whereas political factors are more obviously relevant to a global munitions supplier or aerosol propellant manufacturer. PEST analysis can be used for marketing and business development assessment and decision-making, and the PEST template encourages proactive thinking, rather than relying on habitual or instinctive reactions.

Here the PEST analysis template is presented as a grid, comprising four sections, one for each of the PEST headings: Political, Economic, Social and Technological. Other than the four main headings, the questions and issues in the template below are examples and not exhaustive - add your own and amend these prompts to suit your situation, the experience and skill level of whoever is completing the analysis, and what you aim to produce from the analysis. If helpful refer to a list of these other 'headings', for example: Ecological/ Environmental, Legislative/or Legal, Demographic, Ethical, Industry Analysis. Apply some strategic consideration and pressure to the points you list under these 'additional' headings. Ask yourself what the effects of each will be on the 'big four' (Political, Economic, Social, Technological). Often your answers will persuade

you that the original four-part PEST model is best and that using a more complex series of headings makes it more difficult to complete the analysis fully and strategically.

The analysis can be converted into a more scientific measurement by scoring the items in each of the sections. There are no established good or bad reference points - these are for you to decide. Scoring is particularly beneficial if more than one market is being analyzed, for the purpose of comparing which market or opportunity holds most potential and/or obstacles. This is useful when considering business development and investment options, i.e., whether to develop market A or B; whether to concentrate on local distribution or export; whether to acquire company X or company Y, etc. If helpful when comparing more than one different market analysis, scoring can also be weighted according to the more or less significant factors.

political

- ecological/environmental issues
- current legislation home market
- future legislation
- international legislation
- regulatory bodies and processes
- government policies
- government term and change
- trading policies
- funding, grants and initiatives
- home market lobbying/pressure groups
- international pressure groups
- wars and conflicts

economic

- home economy situation
- home economy trends
- overseas economies and trends
- general taxation issues
- taxation specific to product/services
- seasonality/weather issues
- market and trade cycles
- specific industry factors
- market routes and distribution trends
- customer/end-user drivers
- interest and exchange rates
- international trade/monetary issues

social

- lifestyle trends
- demographics
- consumer attitudes and opinions
- media views
- law changes affecting social factors
- brand, company, technology image
- consumer buying patterns
- fashion and role models
- major events and influences
- buying access and trends
- ethnic/religious factors
- advertising and publicity
- ethical issues

technological

- competing technology development
- research funding
- associated/dependent technologies
- replacement technology/solutions
- maturity of technology
- manufacturing maturity and capacity
- information and communications
- consumer buying mechanisms/technology
- technology legislation
- innovation potential
- technology access, licencing, patents
- intellectual property issues
- global communications

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All businesses benefit from a SWOT analysis, and all businesses benefit from completing a SWOT analysis of their main competitors, which interestingly can then provide some feed back into the economic aspects of the PEST analysis. The use of the compilation table allows you to extract the most important elements of the SWOT analysis, and then rank the relative importance of each in making strategic decisions.

CHAPTER - 3

BUSINESS PLAN

Chapter 1 - Introduction to Business Planning

Learning Objectives

By the end of this chapter, you should be able to:

- Define business planning.
- List the objectives and uses of a business plan.
- Explain how the objectives of a business plan intended for external audiences differ from those intended for internal audiences.
- List and describe the key components of a business plan.
- List and describe the key steps in the business planning process.
- Define the key requirements of an effective business plan.

As we approach the twenty-first century, the need for business planning has never been more apparent. Businesses today are confronted with increasing competitive pressures, ever more demanding customers, and accelerating and discontinuous change.

Given the new economic realities, planning cannot be an abstract exercise or a ritualistic activity. Planning must form the foundation for ensuring that the business takes those actions required to establish and sustain a competitive advantage.

Planning within organizations usually takes three forms and is done at three levels, as shown in Exhibit 1-1. Not all businesses engage in each form of planning. All businesses, however, do some planning, even if it only involves two business owners or managers thinking about and discussing what to do next. A safe generalization is that the larger and more complex the environment of the business, the more likely it is that the business will be engaged formally in all three types of planning.

Exhibit 1-1 - Planning Types and Levels

As the descriptions in Exhibit 1-1 suggest, all planning should flow from the company's strategic plan and be tied back to it. This course presumes that an organization has a strategic plan in place; it is designed to help implement a proactive and flexible approach to the development of the second form of planning—the annual business plan.

DEFINITION OF A BUSINESS PLAN

To understand the concept of a business plan and the business planning process in general, it is important to recognize that the plan is not a document. The plan may be presented through a planning document, but the business plan itself should be a set of management decisions about what a company will be doing to ensure success in the future. In its most basic form, business planning is the process whereby a company makes the following decisions:

- *What* products or services it will deliver
- *Where* it will compete
- *Why* the customer should do business with the company
- *How* it will organize and reengineer itself to accomplish its goals

Business planning is used, to some degree, by all organizations—large and small, for-profit and not-for-profit—regardless of the nature of the business. The scope and complexity of the business planning process and the resulting plan should mirror the size and complexity of the company and its business. For smaller companies that operate in a fairly stable business environment, the planning process may be an informal review of certain key aspects of the company's performance by a handful of top managers. As a company becomes larger, or as the business environment becomes less stable and less predictable, the planning process becomes more formal, comprehensive, and complex. More personnel are involved in reviewing and planning various aspects of the company's performance, and the time horizon addressed by planning decisions may extend farther into the future.

As an illustration of formal versus informal business planning, contrast the neighborhood gas station to an international petroleum company. For the neighborhood gas station, the planning issues include appropriate inventory levels of a limited range of products, product

or service pricing, and cash flow management. The time horizon of the plan is no more than 1 year and frequently is only 1 month. All of the required information and decision-making authority resides with the station owner.

In contrast, the planning process for the international petroleum company must address a much broader range of issues—for example, the acquisition of raw materials; appropriate inventory levels at several stages in a complex manufacturing process; cost control; pricing for a wide range of products; investments in capital equipment, facilities, and new product development; the search for nontraditional sources and alternative materials; the management and motivation of thousands of employees; and the distribution of hundreds of products to thousands of consumers. The information required for planning decisions exists in formal data systems and in the brains of hundreds of management personnel. The time horizon may extend more than 20 years into the future.

The key point is that, regardless of size, all businesses are engaged in some form of business planning.

OBJECTIVES AND USES OF A BUSINESS PLAN

In general, a business plan is necessary to provide a clear, precise, and meaningful sense of direction for a company for a specific period of time—usually 1 year. The preparation of an annual plan forces management to think through its intended actions and shows how they will affect various aspects of the business. Beyond these overriding purposes, a business plan can have several different objectives that, in turn, relate very closely to the plan's intended uses—both internal and external.

Internal Uses of a Business Plan

A business plan can provide several internal benefits for a company. First, it can improve performance by identifying the strengths and weaknesses of the company's operation and any potential or emerging problem areas. Improved performance also will result from developing strategies that simultaneously build on the company's strengths and correct its weaknesses.

Second, a business plan can communicate to management and staff clear expectations regarding the company's performance and priorities. Third, for companies with multiple divisions, units, or points of management responsibility, a business plan can effectively coordinate and ensure consistency in the plans and operations of the various units or divisions.

Fourth, a business plan provides a solid basis for measuring performance of the overall company and of individual units and managers. It establishes a standard for deciding if actual performance is good, bad, or indifferent. A business plan also establishes a framework for reviewing key decisions in the ongoing management of the company. As new developments and opportunities arise, a business plan provides a rational structure for evaluating their impact on the operations and performance of the overall company and its individual units.

Finally, and perhaps most important, a business plan and the process of developing it can be used to educate and motivate the key staff—such as managers and supervisors—of the company. Through participation in analyzing past performance, evaluating the impact of trends and developments, and developing action plans for the future, managers and other key staff can learn more about the total operation of a company and the relationship of their specific areas of responsibility to the achievement of the company's overall goals.

External Uses of a Business Plan

A business plan has several uses in relationships with significant parties outside the company. First, it can be used to educate outside parties regarding the objectives, structure, and performance of the company. This use becomes important if the support, either financial or nonfinancial, of outside parties is important to the company's success. A clear example is the support of current or potential stockholders or investors.

Second, a business plan can be used to secure funding from outside investors, either individual or institutional. If this use is intended, it is important to identify in advance the issues and types of information that are of primary concern and interest to the investors.

A business plan also can communicate planned actions, deflecting competitive or regulatory moves that may be under consideration by outside parties. By formalizing its intentions in a business plan, a company commits itself to action. By communicating this commitment to selected, significant outside parties, a company may preempt actions that could have a negative impact on its own plans and actions.

Given the many different objectives and uses of the business plan, management must decide whether it is desirable or necessary to distribute its plan. If the plan is to be distributed, the specific structure and content will be affected by the intended uses and target audience.

WHAT TO INCLUDE IN A BUSINESS PLAN

Every business plan—regardless of the company, the nature of its business, its size, or the intended uses of the plan—should address a number of basic issues. These issues can be organized according to five major business strategies:

1. Market strategy
2. Production or service strategy
3. Research and development (R&D) strategy
4. Organization and management strategy
5. Financial strategy

Descriptions of each strategy compose the major portion of a complete business plan. The five strategies define the areas in which management must make future-oriented decisions as part of an effective business planning process. Each strategy is highly interrelated and must be consistent with the others. This basic relationship is illustrated in Exhibit 1-2.

Exhibit 1-2 - The Business Plan



Market Strategy

A market strategy addresses the following critical issues:

- What products or services will the company sell?
- Who are, or will be, the target customers of the company?
- What will be the company's policies regarding product or service pricing, advertising and promotion, sales, and distribution?

By developing a market strategy, an organization is able to prepare estimates of revenues and selling costs—but not production costs—for its products and services.

Several very important analyses underlie the development of a market strategy, including the following:

- Preference, consumption, and purchasing behavior—that is, timing and volume—of customer segments
- Usefulness of products or services to customers
- Satisfaction of customers with products or services
- Degree of competition within the industry for the same customer segments

These analyses are important in developing realistic estimates of what can be sold to whom, when, in what quantities, and at what price, given the level of promotion, sales, and distribution effort.

Production or Service Strategy

A production or service strategy addresses several critical issues: the process and technology that will be used to produce and deliver the company's products or services;

the requirements for materials, equipment, and facilities; and the production schedule required to support sales goals. It enables the company to determine estimates of operating income profitability and to determine the level of sales and revenue that the organization must attain before it can become profitable—that is, the breakeven point.

Similar to the market strategy, several important analyses underlie the development of a production or service strategy:

- Identification and evaluation of both the fixed and variable production costs for each product or service.
- Evaluation of required lead times for acquiring materials and the time required for the actual production process.
- Assessment of supplier relationships regarding availability, quality, and cost of materials and services.
- Evaluation of production efficiency and quality control.
- Assessment of production cost efficiency and its impact on overall production costs.

These analyses are important to ensure that sales and revenue objectives are appropriately meshed with the production or service capability of the company.

If sales goals significantly exceed the current capacity of an organization, they must be adjusted downward or additional investments must be made to increase or expand the production or service capacity. Sales and revenue goals should be high enough to cover basic production and operating costs to ensure economic viability. If projected revenues do not cover estimated production and operating costs, sales and revenue goals must be adjusted upward or cost-cutting actions must be planned and undertaken. Reconciling and balancing both market and production strategies are processes that may require several iterations.

Research and Development Strategy

The R&D strategy addresses two key questions: What critical areas of the company's business operation must be developed, maintained, or expanded to sustain a competitive

edge? Given trends in the marketplace and the operating environment of the company, what investments are necessary to maintain or expand the competitive edge?

The need for a formal R&D strategy is determined, to a large degree, by the structure of the company's operating environment. If the company operates in a highly competitive environment, characterized by rapid and frequent technological change and requiring medium- to long-range planning horizons, a formal R&D strategy is an operating necessity. If the company operates in a more stable environment or in one where new product introduction is not a primary determinant of market success, a formal R&D strategy is less necessary. As the economy becomes more and more knowledge-and information-based, fewer and fewer companies will have the luxury of not developing some type of R&D strategy.

The need for and the scope of an R&D strategy flow from the market analysis. If the market analysis indicates that the purchasing behavior of target customers is influenced by factors other than price, the need for some level of R&D effort is indicated. The level of effort can range from long-term new product planning and introduction to fine-tuning adjustments of existing products and services.

Organization and Management Strategy

An organization and management strategy addresses several critical issues:

- Functions that must be performed and who will be responsible for performing them
- Organization of functions to promote overall effectiveness, efficiency, and productivity
- Management of the organization's processes and practices to ensure quality products or services
- Staffing requirements in terms of numbers, skills, qualifications, and promotional opportunities
- Procedures for guiding, motivating, and controlling the overall operation of the company

Through the organization and management strategy, the company begins the process of deciding how to implement its major business strategies. Who is in charge and who will do the work, particularly regarding critical functions, are important concerns to outside investors.

Several important analyses underlie the development of an organization and management strategy. These analyses are important to ensure that the company effectively addresses the "people" issues that are central to any company's success:

- Evaluation of management attitudes and beliefs regarding company values, the treatment of employees, and key measures of company success
- Availability and cost of required staff capabilities, both within and outside the company—for example, consultants and board members
- Historical strengths and weaknesses in the structure, organization, and management of the company, including communications, interunit cooperation, and employee morale and productivity

Financial Strategy

A financial strategy addresses three critical issues: (1) how business operations will be managed financially to generate an adequate profit or to ensure ongoing economic viability, (2) how excess revenues or profits will be used, and (3) how basic operating funds and funds required for key investments will be generated. In effect, the development of a financial strategy becomes a reality test for the other strategies in the business plan. A financial strategy answers the overall question of what investments or expenses can be made or incurred.

A financial strategy answers questions such as the following:

- Does the planned level of operations generate a sufficient level of revenues or profits to support the investment?
- Can the level of planned operations generate a sufficient cash flow to sustain operations? If not, can the shortfall be covered from other sources?

- Do the levels of investment (expenses) and returns (revenues) maintain economic solvency and viability?

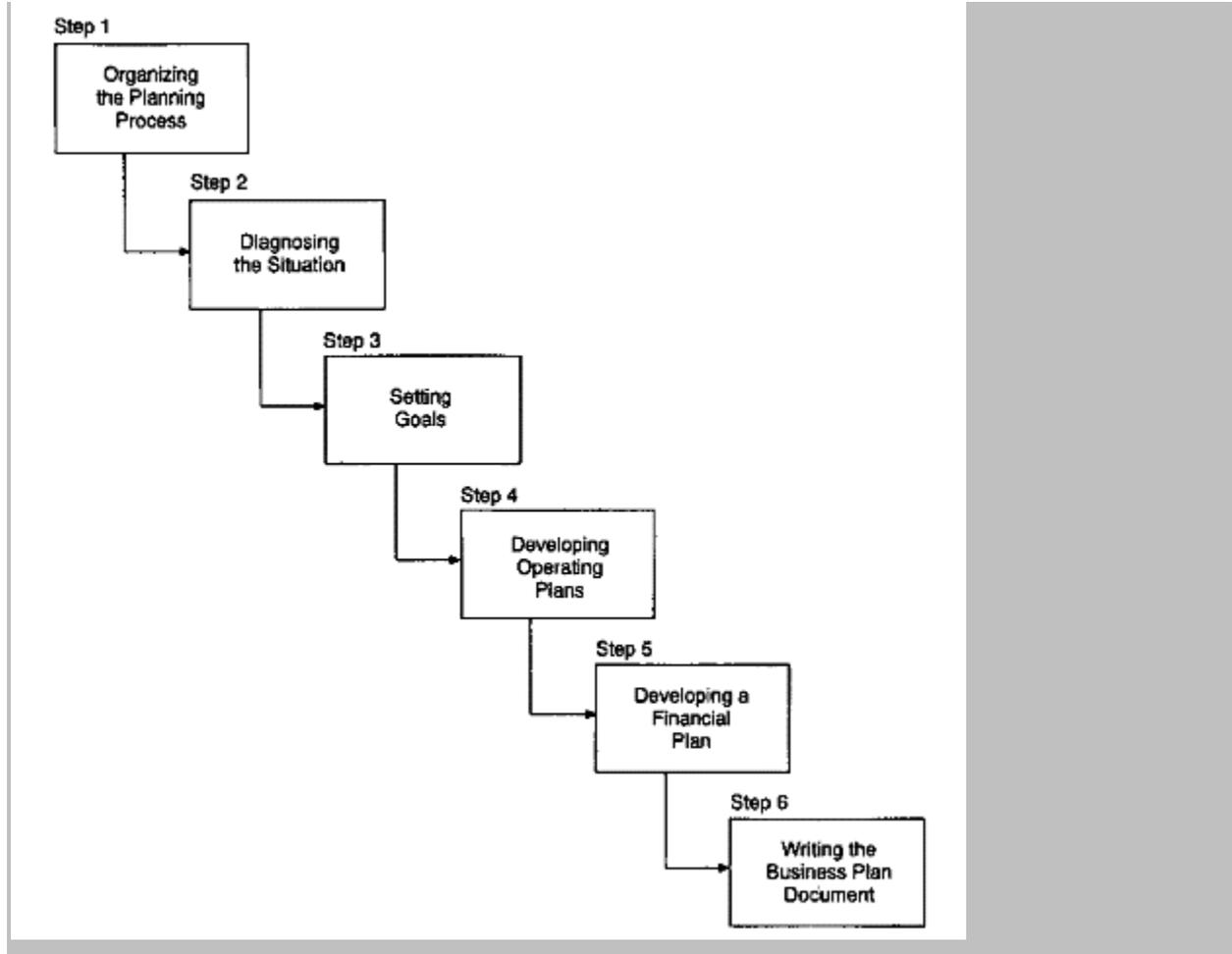
As with the other strategies, several analyses underlie the development of a financial strategy. They establish a framework for evaluating the financial viability of the marketing, production or service, R&D, and organization and management strategies. The analyses include the following:

- Historical information regarding the time relationship between the incurrence and payment of costs and the receipt of revenues—that is, the cash flow problem
- Policies of the company and its suppliers and customers regarding payments and collections
- Historical performance of the company on key financial indicators
- Composition of assets and liabilities, including future financial obligations
- Value and current usefulness of assets
- Cost and availability of funds from external sources

HOW TO PREPARE A BUSINESS PLAN

Although the business plan strategies are highly interrelated and the development of the individual strategies is definitely an iterative process, a basic series of steps can and should be followed in developing the plan. Exhibit 1-3 summarizes these steps.

Exhibit 3 - The Business Planning Process



Step 1: Organizing the Planning Process

Many business planning efforts fall flat because inadequate attention is given at the outset to organizing and energizing the planning activity. Several considerations are involved. First, a company's management must define and clearly communicate its commitment to the planning effort. This commitment should include a statement of the objectives and anticipated uses of the business plan. Second, all key parties must be involved in the planning process. Top management should identify who will be involved, including outside parties; determine the appropriate form and timing of the involvement; provide the opportunity for proper participation; and ensure that participation occurs. Third, responsibilities for developing and implementing the plan should be precisely defined and assigned. Finally, the steps and process for completing the plan should be timed and made an integral part of the work schedule. An overall timetable for developing the plan,

including intermediate milestones, should be established. Sufficient time should be incorporated into the timetable so that staff can effectively perform both planning and ongoing work responsibilities.

If these considerations are adequately addressed in the organizing phase, the planning process becomes a high priority and a feasible activity for the company and its staff. The result is a high-quality business plan with shared ownership.

Step 2: Diagnosing the Situation

The first analytical step in the planning process is to assess and evaluate what a company is currently doing in relation to its operating environment. The first part of this analysis is to assess the company's current capabilities— that is, its strengths, weaknesses, and historical performance. The second part is to assess external marketplace developments— that is, threats and opportunities—and their impact on the future performance of the company.

Information from both parts of the analysis is critical to an effective planning process. For some companies, it is important to monitor external developments continually and evaluate performance in light of responsiveness and adaptability to any developments. These companies typically have the resources as well as the desire to invest in a high level of research and analysis. Other companies prefer to evaluate marketplace developments in light of their specific impact on current performance and capabilities. This approach, which requires significantly less effort and resources, reflects a lower perceived need for timely external review. The specific approach that a company takes depends on the competitive setting, management's preferences, the availability of resources to support ongoing evaluations of the external environment, and the frequency and significance of external developments on the company's performance.

Step 3: Setting Goals

The situational diagnosis produces a set of findings about what is being done and an assessment of the adequacy of existing strategies in terms of current performance and

future developments. The results of the situational analysis are used in two separate, but related, ways in the goal-setting step of the planning process. First, the results define specific areas and levels of improvement in the company's operations and management. They also establish performance standards for each key dimension of the company's operations and management. By setting goals, the company is defining the parameters of its overall business strategies for the future.

Within each strategy—marketing, finance, and so forth—goals should be established for each operating dimension in which performance improvement is necessary or appropriate. Goals should address both current and potential strengths and weaknesses, as well as future or emerging opportunities. Across all strategies, goals should be supportive of each other and mutually attainable.

Typically, goals are first established for each strategy area. When viewed collectively, some of these goals may conflict with those of other strategies. Conflict often occurs with marketing and production goals, or with R&D and financial goals. For a business plan to work, conflicting goals must be reconciled and a consistent overall goal framework established.

Because assumptions on which the plan may be based are not perfect predictors of the future, the company should develop alternative goals and strategies based on other feasible assumptions. These alternatives are the bases for contingency planning. Adequate attention to these considerations should yield a good, feasible set of goals and performance standards for the company.

Step 4: Developing Operating Plans

Operating plans should be developed for each of the operational strategies— that is, marketing, production or service, research and development, and organization and management. The purpose of this step is to translate the strategies into specific business and operating plans for each of the operating components of the company. Each component's objectives and strategies will vary somewhat, but the operating plan for each component should spell out in fairly specific terms the performance objectives for the

component and provide a clear, overall indication of how the objectives will be accomplished.

Step 5: Developing a Financial Plan

The development of a financial plan flows from the performance objectives and strategies of each of the operating components. These objectives and strategies provide estimates of revenues and expenses. A financial plan must use this information to produce several pro forma and supporting schedules that can be used to evaluate and manage the financial performance of the company. Pro forma schedules are standard accounting statements prepared by the company's accounting department and are minimum requirements for internal management and external users. The three pro forma schedules are as follows:

1. Quarterly, and frequently monthly, income statements for the period addressed by the business plan, reflecting the relationship among revenues, expenses, and profits generated
2. Quarterly and annual balance sheets, reflecting the relationships among short- and long-term assets and liabilities and owners' equity or level of investment
3. Monthly cash flow summaries, reflecting the impact of business operations on the cash position of the company

Supporting schedules provide a more complete description or explanation of the financial figures included in the pro forma schedules. Two of the more common supporting schedules are the monthly sales and revenue projections. These projections are obtained from the marketing operating plan and monthly departmental budgets that reflect planned expenses and expenditures for production and overhead operations. Beyond these schedules, a financial plan should include summaries of planned financial performance according to selected indicators of profitability, growth, solvency, and return on investment.

The results of a financial analysis provide an indication of the adequacy and attainability of the operating objectives and strategies from the perspective of available financial resources. Based on the results of the financial analysis, it may be necessary to reevaluate

and revise the operating objectives to support more satisfactory and viable financial performance.

Step 6: Writing the Business Plan Document

The preparation of a formal business plan document is a requirement if external uses of the plan are anticipated. A formal document should be prepared, even if the intended uses of the business plan are strictly internal, in order to provide a written record of the management decisions that have been made during the planning process.

Preparing the planning document has three objectives. First, it brings closure to the planning process. Second, it communicates the seriousness of the planning process and a commitment to resultant objectives and strategies. Finally, the planning document provides a tangible framework for evaluating subsequent activities, accomplishments, and opportunities.

Preparing the business plan document is an exercise in writing, but not in creative writing. The document should simply and concisely present the analyses and decisions that have been made during the planning process. In general, the longer the planning document is and the more verbiage it contains, the more the document will reflect decisions that have not been made, rather than those that have.

The document should be organized according to the major strategies of the business plan or at least those strategies that are relevant to the company's operation. The document should begin with an executive summary, which briefly highlights each major section. The document also should include a brief assessment of the company's market position and business outlook. The assessment is important to validating the assumptions that will be reflected in the business plan strategies.

SUMMARY

A business plan is a set of management decisions that define what a business will do to try to be successful in the future. The business plan spells out goals and strategies in five key

areas: marketing, production or service, research and development, organization and management, and finance. The plan is developed employing a six-step process: (1) organize the planning process; (2) diagnose the situation; (3) set goals; (4) develop operating plans; (5) develop a financial plan; and (6) write the plan document.

Business Plan Tools and Sample Business Plan

This Template is a powerful interactive tool you can use to write your own business plan in a comfortable and easy step-by-step fashion. Simply read the **instructions and suggestions** accompanying each section and then answer the questions posed.

Writing a business plan in any mode is a demanding process that usually takes several weeks at the least. We suggest you write your business plan in stages, perhaps one section at a time, saving your data after each session as described above.

1. Before You Begin

We know you're anxious to begin writing, but we suggest you **read some useful information** on the length of a business plan and what's right for you.

2. To Save Your Data

You can post your answers right online in the space provided here. After you complete a section, press the **apply** button, and your answers will be set up in appropriate business plan format, with the right headings accompanying your answers.

To save your data for later use, **YOU MUST COPY IT AND ENTER IT INTO YOUR OWN WORD PROCESSING PROGRAM, OR SAVE YOUR ONLINE DATA AS AN HTML DOCUMENT. NOTHING YOU WRITE ONLINE WILL BE STORED FOR YOU ONLINE FOR LATER ACCESS. IF YOU FAIL TO COPY YOUR DATA, YOU WILL LOSE IT.**

3. You're Ready to Begin Writing

Cover Sheet

The cover sheet needs to provide all the necessary contact information about the business. (For Investor version: the last thing you want to do is get prospective investors interested in your business, and then be unable to get in touch with you because your cover sheet is missing your phone number.)

The name of the business:

Month and year the plan is being completed:

Name of the chief executive officer:

Exact title of the chief executive:

Address of the company, including street,
city, state, and zip code:

Company's Web site address:

Phone number, with area code:

Fax number, with area code:

E-mail address:



Table of Contents

To make your business plan easy to follow for a prospective financing source, a detailed table of contents--showing all sections and sub sections, with page numbers--is an important feature. A detailed table of contents will give readers the ability to turn to their areas of greatest interest first, whether it be the financial projections, the management team, or the market analysis of the product or service.

Listed here are the topic areas we suggest for the table of contents. You need to fill in the page numbers after you copy the topics into your word processing program, and adjust the topics if you change any of the names or add new topics.

- Executive Summary
- The Company
 - Strategy
 - History
 - Management Team
- The Market
- Product and/or Service
- Sales and Promotion
- Applying Technology
- Business Risks
- Summary Financial and Operating Statements
- Appendix

Executive Summary

The executive summary should be a brief synopsis--two pages maximum--of the business concept that gives the reader a clear initial understanding of your business and its validity.

It is not an abstract, introduction, preface, or random collection of highlights.

It is the business plan in miniature, and as such should be able to stand alone as an initial business description.

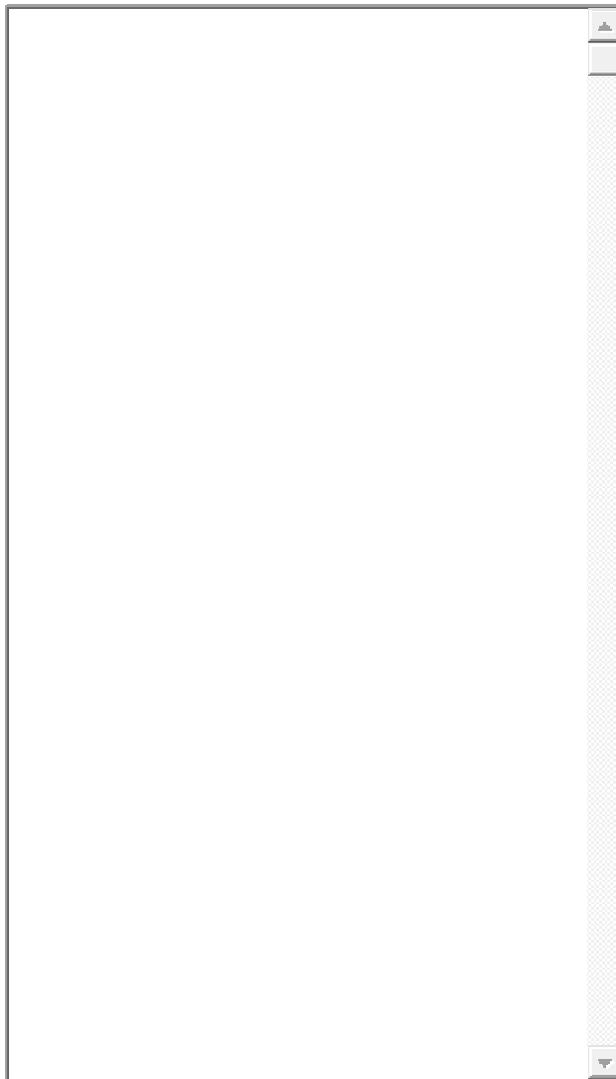
It helps you:

- Crystallize your thoughts
- Set priorities
- Provide the foundation of the full plan. Once you've written this summary, it makes writing the rest of the plan much easier.

If done right, it captures readers' attention, makes them want to read more, and conveys a flavor about the rest of the plan.

Assignment: Now it's time to write your own initial Executive Summary. Remember, no more than two pages. We've purposely avoided providing our usual question-and-answer approach so that you can employ a more free-form style, and give it the "spin" and excitement that captures your business and its plan for success.

Begin Writing:



 apply

The Company

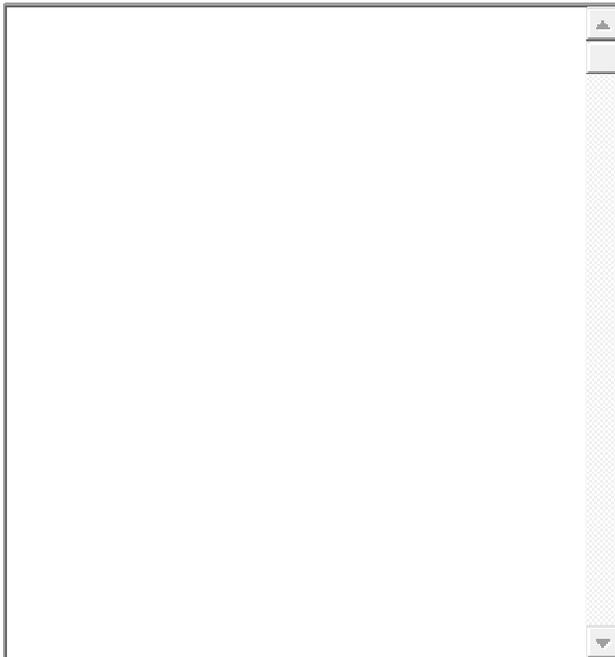
This is the section of the business plan that captures your strategy, identity, and philosophy. It is about your future, past, and present.

1. Determining your strategy?

Strategy is really a buzzword for your company's overall approach to producing and selling its products/services--and its goals for maximizing success. What is your "business model"-its approach to the market and sales, and how will that change?

Most important is that your strategy be believable. Thus, there needs to be consistency between what's happened in the past and your strategy for the future. If your business has grown at 10% a year for each of the past four years, and you are now projecting 50% annual growth, you must have a pretty compelling explanation of what it's doing differently to justify the change.

Assignment: In no more than three paragraphs, summarize your company's strategy.

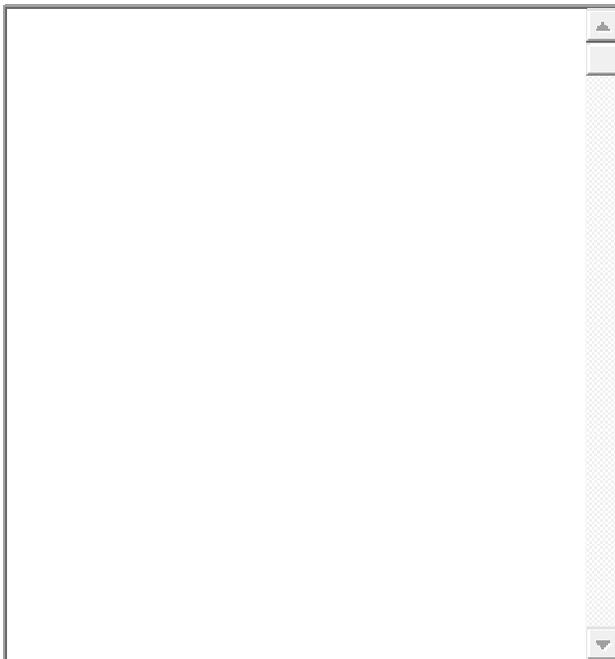


2. Describing the company's history.

Here's where you provide the background of the business, answering such questions as:

- How did you come upon the idea for the business?
- What forces have helped you succeed thus far?
- What principles do you use to run your business?
- What obstacles have you overcome to succeed?
- If you plan for expansion, how will you dedicate the funds you are seeking for financing?

Assignment: In a maximum of three paragraphs, describe your company's history. Of course, if you are a start-up, this section of your plan will be shorter, devoted to a brief explanation of how you came up with your idea.



3. Describe the management team.

A key issue for any business is whether the people running the company have what it takes to enable the company to fulfill its strategy.

(For investor version only)
Investors, in particular, look especially closely at the management team, and make judgments about its likely success by virtue of what the members of the team have accomplished in the past.

The two most common management team problems are:

1. The "one-man-band" syndrome. The company doesn't really have a management team because the president won't delegate or bring qualified senior people aboard.
2. Or everyone comes from same background.

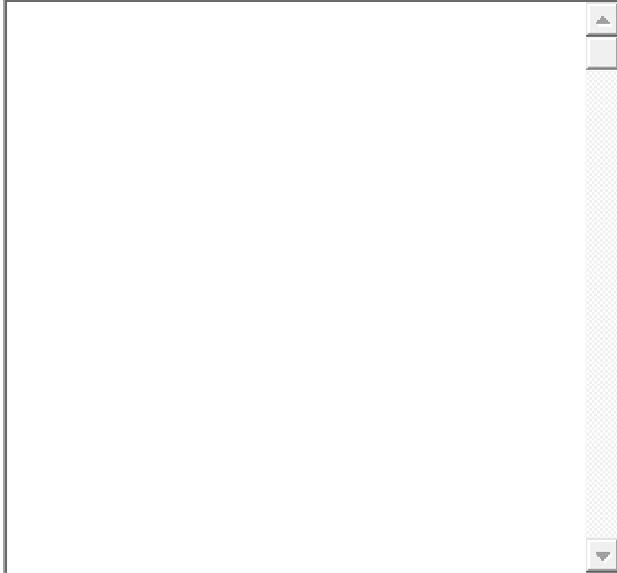
Be sure you are making the most of your resources--using everyone's experience and capabilities to their fullest in your descriptions.

Assignment: Provide a one-paragraph summary of your company's management team, explaining what makes it especially qualified to execute the company's business plan.



 apply

Assignment: Next, provide descriptions for each member of the management team, up to two paragraphs each.



CHAPTER 4 : PROJECT AND SERVICES

4.1 Identifying Consumer Needs

Understanding customers is the key to giving them good service. To give good customer care you must deliver what you promise. But great customer care involves getting to know your customers so well that you can anticipate their needs and exceed their expectations

To understand your customers well, you need to be attentive to them whenever you are in contact with them. The potential rewards are great: you can increase customer loyalty and bring in new business through positive word-of-mouth recommendation.

There are three main ways to understand your customers better. One is to put yourself in their shoes and try and look at your business from their point of view. The second way is to collect and analyse data in order to shed light on their buying behaviour. The third way is simply to ask them what they think.

Put yourself in your customers' shoes

Understanding customers requires you to take a hard look at the points at which your customers have contact with your business. These include meetings and visits, phone calls, correspondence and deliveries. Do your premises look scruffy, is your receptionist unfriendly or do your phones ring off the hook? All these things can make a customer feel disappointed.

The most common customer complaint is being kept waiting. If you're slow to return calls or fulfil orders, then you're in danger of losing customers. Above all, customers want you to deliver what you have promised and surpass their expectations.

As a small business, you can offer a personal service. If you remember a customer's name and recall your last conversation with them, you will have brightened up their day. They will also tell their friends what a great service you provide.

Understanding your customers and improving your service must be a priority throughout your business. Everyone from the front desk to the delivery staff should focus on exceeding customer expectations.

Using data to understand your customers

Your database or customer relationship management system (CRM) holds valuable information about your customers that will help you to understand their needs.

Investigate the data you hold on your customers, it can tell you a lot. Look for patterns so you can see when your customers typically make orders. You can also use the data to analyse your performance. Check how quickly you're responding to orders or delivering goods.

CRM systems are more sophisticated than simple mailing lists. Because they hold information about customer behaviour and preferences they can improve customer satisfaction and retention. They can help you to identify customer needs more effectively, allowing you to up-sell and cross-sell, increasing profitability.

Ask your customers what they think

Conduct a customer satisfaction survey and you will make your customers feel valued. You will also gain valuable insights. But don't ask for feedback if you are not prepared to make changes. When you do make improvements, tell your customers what you have done as a result of their feedback.

Customer surveys can tell you things you may not know, including human factors such as staff behaviour. Not everyone complains when they are dissatisfied. Instead, they tell their friends about their bad experience and take their business elsewhere. Unless you proactively consult your customers, you may never discover where you are going wrong.

As well as asking for feedback, set up a customer contact programme to ensure you keep in touch with your clients. A good customer contact strategy will allow you to listen to your customers and tell them more about what you offer.

4.2 Concept , Characteristics and classification of Products

Product Classifications

Individual Product Decisions

Brand Decisions

Selecting a Brand Image

Packaging

Labelling

PLC



PRODUCT - Everything that goes with the purchase.

- Ranges from the tangible (products) to the intangible (services).

PRODUCT CLASSIFICATIONS

- **Durable Goods**

- **Non-Durable Goods** – consumed during use - soap, food.

- Services - selling performance
- Continuum between Services and Goods – McD's

- **Consumer Goods** - bought for personal use.

- Convenience - Freq. purchase, min. effort, buy on price or brand.
- Impulse Goods - no preplanning, not on your list, going shopping while hungry or without a list leads to more impulse buying, as do in-store displays and sale items.
- Shopping - Considerable time & effort, durable/big ticket, comparisons made.
- Specialty - unique. Cust. will go out of their way to find, little or no comparison shopping, price relatively unimportant.
- Unsought - Cons. don't seek out or don't know about. Life ins., encyclopedias.

- Industrial Goods - diff. by use.

INDIVIDUAL PRODUCT DECISIONS - decisions about developing & Marketing individual products.

Product Quality

- Select quality level that supports your position in the target mkt. This is a major factor.
- QUALITY is how well the product meets the cons. needs. If you think a pen will last 3 weeks and it lasts 3 months your satisfied; vice versa and you are not.

Product Features

- Add or delete features to create diff. models to meet the needs of diff. segments.
- Consumer/user research important for deciding to change features that will solve problems and make sales.

Product Design

- Not nearly enough ergonomics or human engineering.
- Placement of controls - car, 3.5" eject button and on/off button on computer, labeling of controls.
- Cords - should always be a place to wind them, plus length sufficient, and the right length to wind properly.
- Buttons for setting watches - label
- Buttons for setting clocks - forward *and* backward.
- Should watch how people use things.

BRAND DECISIONS

- Branding adds value.
- Branding is a L-term strategy.
- Needs consistent Advertising.
- Needs consistent quality.
- Must deliver on all claims.

- Powerful brands have BRAND EQUITY or a consumer franchise - people will seek these out and pay more.

- **BRAND** = Name + Mark.

- Name - vocable

- Brand Mark - symbol for product.

- Service Mark - symbol for service.

- Trademark - Legally protected brand . . .

- *Can lose TM if word falls into common usage:*

- Escalator - Trampoline

- Dry Ice - Cube Steak

- High Octane - Cornflakes

- Kerosene - Mimeograph

- Shredded Wheat - Linoleum

- Nylon - Lanolin

- Thermos

- Defending trademarks

- some who have - Kleenex, Xerox, Band-Aid, Jello

- In danger - Rollerblades, Spackle, Stairmaster,

WeightWatchers, Crayola.

Branding

- most products today are branded.

- Branding saves time & effort for cons. and inspires confidence.

- For sellers and wholesalers branding makes ordering easier and allows them to target diff. segments with diff. products.

Brand Sponsor Decisions

- Manuf. Brand (Nat'l Brand) - Dominate the market.

- Private Brand (Store brand, Dealer brand, distrib. brand) – increasingly popular, so now there are premium store brands in addition to the medium and low price/quality store brands. Some Say Nat'l brands are out, but private labels play off of nationals. If premium privates move up to nat'l status another level of privates would be added.

- Privates often get 10-15% more profit per unit for store, but price is 10-20% lower. It is possible to lose money on a per unit basis, but can make more total profit if privates outsell nat'l.

- Privates may outsell Nat'ls because retailer controls shelf space, shelf height, and endcaps (end of aisle).

- Co-Brands – Lunchables & Taco Bell -- enhances name recognition.

- Non-brands - generics - peaked in early '80's - strongest in non-food areas, paper goods, trash bags.

- some "generics" are really privates.

Brand Name Decisions

- Ind. Brandnames -

- Blanket Family Name - GE

- Separate Family Names – Kenmore & Craftman.

- Combined Family & Ind - Kellogg's

Brand Extension Decisions

- How many different products can one name cover? Careful not to dilute the brandname so it is meaningless to cons.

- Arm & Hammer has been successful with baking soda, deodorant, laundry detergent, tooth paste, and carpet deod. – Try that with Tide toothpaste, or Rembrandt carpet deod., or Crest laundry detergent.

- Tide and Ivory have added products in their narrow lines though.

- Bic Pantyhose??? Even though disposable like other Bic products it didn't make it.

Multibrands

- for the same mkt.
- Gain shelfspace
- catch brand switchers
- added competition
- each brand gets its own following
- but, diet Coke and Tab?, Miller High Life and Genuine Draft?

Brand Repositioning

- Can be tough
- Olds - not your father's . . .
- Cadillac Cimarron & Allante

SELECTING A BRAND NAME

- Bib-label, lithiated, lemon-lime soda -- the original name of 7-Up!!
- Name criteria
- evoke positive mental image
- evoke positive emotional reaction
- suggest product function or benefits
- be easy to pronounce
- Simple
- sound appropriate
- be distinctive

- be registrable (unique)
- Possibly, translate well

4.3 Introduction of Growth of Service Sector

Services comprise a set of economic activities like transportation, trade, tourism, communications, banking and insurance, real estate, public administration, defence and so on. According to an Adrian – Payne four factors are responsible for growth in the service sector. They are: demographic, social, economic and political.

Demographic changes: The life expectancy has raised which in turn, is producing an expanding retired population. This sector has created a new demand for travel and leisure, as well as for healthcare, nursing and life insurance. The need for infrastructural support services has increased due to the development of new towns and regions.

Social changes: The number of women's in work force has increased, and this has led to traditional domestic functions being performed outside the home. The rise in number of double income household has created a greater demand for consumer services, including retailing, real estate and personal financial services. With the growing income, the standard of life has improved. Smaller families with double income spend more on entertainment, travel and hospitality services.

The aspiration levels have increased due to communication and travel. As a result, both children and adults are making new demands on learning establishments, so that they can develop the skills needed in order to compete. In the complex and fast changing environment. This has opened avenues for knowledge and information based services.

Economic changes: The demand for communication, travel and information services has increased due to globalisation. This has been filled by the rapid changes brought about by new information technology. Increased specialization within the economy has led to reliance on specialist service providers For e.g. advertising and marketing research have now become specialist functions providing support to all the sectors of the economy.

Political and legal chap :The size of the government has grown creating a huge infrastructure of service departments. With the growth in international trade, the demand on legal and other professional services have increased, cutting across national boundaries.

Manufacturing firms handing over repair and maintenance, data processing, warehousing and logistics services to specialised sources, which they earlier used to perform in- house. The liberalization has also created a new avenue for growth. The slow growth of agriculture and industry and the presence of widespread unemployment have driven people to seek work in the informal services. This is particularly true in the urban areas, where petty pavement retail trade, transport, another is repair and service establishments have proliferated.

Since the overall growth of the economy is now dependent on the service sector, the pace of productivity growth in services becomes critically important. Therefore, the government is taking an initiative in the sector.

REASONS FOR THE GROWTH OF SERVICES IN INDIA:

Economic affluence: One, of the key factors for the growth of demand for services is the economic affluence. According to the NCAER study the size of the middle income consumer is raising fast and the percentage of the very poor household's declining. The rural households in the upper income category is growing at a much faster pace than the urban households in the corresponding categories. The Economic liberalisation Process has had a

positive impact on the Indian households. Their income as well as their expenditure has been pushed, creating a demand for many goods and services.

Changing Role of Women: Traditionally the Indian woman was confined to household activities. But with the changing time there has been a change in the traditional way of thinking in the society. Women are now allowed to work. They are employed in defence services, police services, postal services, software services, health services, hospital services, entertainment industries, Business Process Outsourcing and so on.

The percentage of working women has been growing rapidly. The changing role of women has created a market for a number of product and services. Earning women prefer to hire services in order to minimise the innumerable roles that they are required to perform. The demand by woman is forcing service organisations to be more innovative in their approach.

Cultural Changes: Change is the underlying philosophy of culture place of change in Indian culture is not uniform. However, during the last century the factors of change are prominent. The emergence of the nuclear family system in place of the traditional joint family system creates a demand for a host of services like education, health care, entertainment, telecommunication, transport, tourism and so on. There has' been a marked change in the thought Processes relating to investment, leisure time perception and so on which has created a huge demand for services.

I.T. Revolution: For the last 15 years India'6aste,en occupying a vital position in the area of Information Technology. IT became one of the key service businesses of the country. India has the largest software skilled population in the world. The domestic market as well as the international market has grown substantially. Realising the potential for this area many state governments have made IT as their most, prioritized segment states such as

Karnataka, Andhra Pradesh, Madhya Pradesh Maharashtra and Delhi have already achieved substantial progress in Information Technology the In lle years to come 'Lille IT enabled se Aces will have a bright future. The growth. of' population, industrialization and indiscriminate consumptions have affected the, natural resources, environment and the ecological balance. Due to this there is an imbalance of the ecology various service organisations have been promoted in order to take up social marketing. Thousands of crores of rupees are being spent on safeguarding the rare animals and birds, water pollution, conservation of oil & energy and research to develop new technologies that can promote effective use of natural resources and safeguard the environment.

Development of Markets: During the last few decades the wholesaler and the retailer population has grown in the country. Urban India has become a cluster of wholesaling and retailing business. In the Semi – urban areas, retailing has spread to the nooks and corners of the streets and in the rural areas retail business is significantly present. A new breed of organisations, offering marketing services has come up. The government also offers marketing services to the small-scale agricultural farmers, artisans and other traditional business sectors such 'as promotion of regulated markets, export promotion councils, development boards etc.

Market orientation: The changing competitive situation and demand supply positions has forced the manufacturing organisation to shift their philosophy from production orientation to market orientation. Market is a service function that has been added in the organisation. The pressures in the market has further forced the manufacturing organisations to have marketing research, accounting, auditing, financial management, human resource management and marketing research divisions – all of which are services functions.

Health-Care Consciousness: In India, the healthcare market has grown substantially. The increased life expectancy is the result of the consciousness of the people regarding the health issues. The growth of fitness clubs, diagnostic centres, medical counselling, health-

related information sites are the reflections of the growing demands for health care services. The government as well as the social organisations has taken up the mass campaigns in order to create awareness among the illiterate persons and the rural population on health service. Hence, the growth of health related services.

Economic liberalisation: The economic liberalisation of the 1991 has brought many changes in the Indian scenario. With the Disinvestment and the Privatisation policies the state owned monopolies in many service areas came to an end Multinationals were permitted to enter the Indian market. Liberal lending policies and lower interest rates motivated many people to become self-employed. Different sectors like Banking, Insurance, Power projects, Telecommunication, Hospitality sector, Health Services, Entertainment, Air transport, and Courier services witnessed intense competition, due to the entry of multinationals. The flow of time-tested service technology from various parts of the world changed the attitude of the Indian consumer towards sources.

Rampant migration: One of the important reasons for the growth of services in India is the rampant migration of rural to semi-urban and urban areas. Migration to urban areas for the want of jobs and livelihood has resulted in the expansion of cities and townships due to which businesses like real estates, rentals, transportation and infrastructure services are rapidly expanding.

Export potential: India is considered to be a Potential source for services. There are a number of services that India offers to various parts of the world like banking, insurance, transportation co data services, accounting services, construction labour, designing, entertainment, education, health services, software services and tourism. Tourism and software services are among the major foreign exchange earners of the country and that the growth rate is also very high as compared to the other sectors.

Service tax: The growth in the service sector attracted the attention of the government as a tax generating source. Over the years, the number of services brought under service tax has increased- Service tax is levied on hotels and restaurants, transport, storage and

communications, financial services, real states, business services and social and personal services.

4.4 Concept, Characteristics and Classification of Services

Services - A type of economic activity that is intangible is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. Examples of services include the transfer of goods, such as the postal service delivering mail, and the use of expertise or experience, such as a person visiting a doctor.

SPECIAL CHARACTERISTICS OF SERVICES

Services are said to have four key characteristics which impact on marketing programmes.

These are:

Intangibility

Inseparability

Heterogeneity

variability

Perish ability (simultaneous production/consumption)

It is helpful to consider each of these characteristics briefly:

Intangibility

Services are said to be intangible - they cannot be seen or tasted, for example. This can cause lack of confidence on the part of the consumer. As was apparent earlier, in considering pricing and services marketing, it is often difficult for the consumer to measure service value and quality. To overcome this, consumers tend to look for evidence of quality and other attributes, for example in the decor and surroundings of the beauty salon, or from the qualifications and professional standing of the consultant.

Inseparability

Services are produced and consumed at the same time, unlike goods which may be manufactured, then stored for later distribution. This means that the service provider becomes an integral part of the service itself. The waitress in the restaurant, or the cashier in the bank, is an inseparable part of the service offering. The client also participates to some extent in the service, and can affect the outcome of the service. People can be part of the service itself, and this can be an advantage for services marketers.

Heterogeneity Invariability

Because a service is produced and consumed simultaneously, and because individual people make up part of the service offering, it can be argued that a service is always unique; it only exists once, and is never exactly repeated. This can give rise to concern about service quality and uniformity issues. Personnel training and careful monitoring of customer satisfaction and feedback can help to maintain high standards.

Perishability

Services are perishable; they cannot be stored. Therefore an empty seat on a plane, for example, is a lost opportunity forever. Restaurants are now charging for reservations which are not kept, charges may be made for missed appointments at the dental clinic. Perishability does not pose too much of a problem when demand for a service is steady, but in times of unusually high or low demand service organisations can have severe difficulties. The above characteristics are generally referred to in many texts as being what makes services marketing so different. However, this assumption should be queried on a number of grounds. Like all sweeping generalizations, generalizations concerning services marketing do not always represent the full picture. Consider the question of tangibility. In the main, services can be broken down into three main classifications: Rented goods services Consumer-owned goods services Non-goods services Some of these categories involve goods which are physical, and which contribute in some way to the service offering. This gives rise to questions about the degree to which services can be classed as intangible. Another way of classifying services is to consider the distinction between equipment-based

services and people-based services. Examples of equipment-based services would include: Vending machines Car and tool hire Airlines People-based services would include: Nursery infant care Architects Legal services Yet another distinction can be made between consumed services, which are offered on a personal basis, and business-to-business or industrial services. Some service providers may operate in both these market sectors: Franchised child care services may offer local services to parents, and operate in-company schemes. Hotels may cater for the tourist and the business or conference market. Private health care programmes generally offer personal and corporate rates. On the other hand, some services such as industry-specific consultancy services or marine salvage operate in quite closely defined market sectors.

Classification of Services

- Advertising, business management, business administration, office functions.
- Insurance, financial affairs; monetary affairs; real estate affairs.
- Building construction; repair; installation services.
- Telecommunications.
- Transport; packaging and storage of goods; travel arrangement.
- Treatment of materials.
- Education; providing of training; entertainment; sporting and cultural activities.
- Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
- Services for providing food and drink; temporary accommodation.
- Medical services, veterinary services, hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.
- Legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

4.5 DIFFERENCE BETWEEN PRODUCTS AND SERVICES

Products

Products are tangible and discernible items that the organization produces, including digital file-based output. Examples of products from the Digitization Services Branch:

- digital files sent to a network storage system (NAS/SAN)
- new prints of motion picture film elements
- prints for exhibit purposes
- reference copies on DVD/CDs for the Reading Rooms or other clients

Services

A service is the production of an essentially intangible benefit, either in its own right or as a significant element of a tangible product, which through some form of exchange, satisfies an identified need. Sometimes services are difficult to identify because they are closely associated with a good; such as the combination of a diagnosis with the administration of a medicine. Examples of services from the Digitization Services Branch:

- consulting with clients on appropriate products for specific purposes
- providing advice on risk assessment and priority setting
- working on standards committees
- conducting training and other educational outreach

Chapter 5 :- Workplace Environment

5.1 COMMUNICATION

Communication is an aid used in everyday life be it personal or business. In the business world, good communication is important for the daily operation of the company, but can also affect sales and profitability. Without good business communication, the internal and

external structure of a business can face numerous challenges that can ultimately lead to its demise.

Types

The two primary forms of communication are one-way communication and two-way communication. One-way communication in business is when the business sends out a message to its customers or employees, but doesn't accept responses from the customers or employees. One-way communication is important because it allows the business to share information with the customers who can benefit from the company's products or services. One of the most common forms of one-way communications in business is advertising, such as print ads in newspapers and magazines on billboards are examples. Two-way communication occurs when customers can also respond to the company in business communication. Social media marketing is a form of two-way communication has gained in popularity because it not only allows businesses to communicate with its prospects and customers, but it also allows the prospects and customers to respond.

Effects

When communication lines are open between a business and its customers, it can directly affect the sales of the business. When a business effectively communicates to prospects and customers how its products and services can benefit them, it converts prospects into customers. Good communication ultimately boosts the bottom line of a business.

Identification

Good communication can take on several different forms. The three primary forms of communication are verbal, written and expressed (body language). All three forms of communication are used internally and externally in conducting business. Since each person processes information differently, it is wise to communicate with a combination of these forms of communication. For example, some people take in and process information better when they hear it (verbal) while others process things better when they can see and read it (written). For this reason, many businesses send out information to their employees and their customers in several different ways. A business owner may conduct an employee meeting where an item is announced verbally so employees can hear the

information and watch the body language of the presenter. In addition, an email memo may go out to the employees as a follow-up to the announcement. In promoting its product, a business may follow a similar pattern with its marketing communication to its prospects and customers. An email may go out that contains a video of the business owner making the announcement and offering a special to buyers—customers can see and hear the announcement. A written sales letter may be sent in the mail to the same audience a few weeks later and weekly ads may also be printed in the local newspaper to cover reaching those who need to see the information in writing.

Benefits

When the internal forces of a business are working toward communicating the same message to vendors, suppliers and customers, good communication can also lead to a boost in sales for the business. Essentially, good communication creates a win-win situation. The customers who can benefit from the company receive the messages they need to make them aware of the company and to make a purchase, which in turn boosts the sales of the company.

Warning

Perception plays a pivotal role in good communication. Communication may only be beneficial when the message the business is sending is the same as the one received by its customers. If customers misinterpret the message, it can have detrimental effects on a company's sales.

IMPORTANCE OF EFFECTIVE COMMUNICATION IN BUSINESS ADMINISTRATION

Communication is extremely important within a business and is what every good business should be built upon, giving a business the power to send a message to employees, prospective customers and the general public that they are one of the best at what they do. Communication makes a business grow and develop, it gives a company the chance to inform, educate or instruct. Both bilateral and downward communication is important within business. Bilateral communication allows businesses to send messages between people on the same level or position within a company, while downward communication

sees messages sent from superiors to subordinates. Both of these communication types have a large role in the workplace.

There are three main types of communication in businesses: Internal, external and business to business (usually abbreviated to B2B). The former is when messages are sent from someone in the business to another person working for the same business. External communication consists of messages sent from within one business to people who are not working within the business. Business to business communication occurs when a message is sent from one business to another. All information is sent and received via communication of some sort. Without effective communication of this information, a business will struggle with a lack of understanding, motivation and direction.

Effective communication will keep employees well informed and give a business a higher productivity rate. Many companies that carry out staff satisfaction surveys find that employees who are kept up to date with effective communication are more satisfied in their role. Employees tend to have higher levels of job performance when there is a congruence of individual needs and job characteristics that exist and are communicated well. In turn, a happy and hard working team of employees helps give a business a corporate image that the public will find impressive and appealing.

5.2 TEAM WORK AND GROUP DYNAMICS

INTRODUCTION

Work groups are a common arrangement within today's business organizations. Work is being restructured around groups of all kinds and in all sizes of organizations. Managers need an understanding of group behavior and the concept of teams in order to appreciate what groups can and cannot do within organizations and how groups function.

Any one member in group can influence the behavior of the individuals in the group and teamwork.

We will examine some basic characteristics of groups including the types of work groups, the development of informal groups, and the manner in which groups operate.

UNDERSTANDING GROUP BEHAVIOR

Groups exhibit different behavior--

more than just the sum total of each group member's individual behavior. In this section, we're going to look at various aspects of group behavior.

What is a Group?

A **group** is defined as two or more interacting and interdependent individuals who come together to achieve particular objectives.

Groups differ from mere aggregates of individual because the latter have no interdependence, interaction, or common goal.

2. Groups differ from organizations because the latter involve systematic efforts and are engaged in the production of goods and services.

3. Teamwork occurs when groups are able to work efficiently and effectively together to achieve organizational goals.

IMPORTANCE OF GROUP DYNAMICS

Are the group dynamics at your workplace beneficial, or do the staff meetings fall apart at the drop of a hat? The committee approach to business can be extremely effective – when carried out properly. Discover expert management techniques that will establish teamwork in your workplace and foster trust in your coworkers.

One of the oldest debates in business circles are the pros and cons of group work. Many argue that businesses have gone too far in the use of the committee approach for resolving issues. Others say that teams are one of the best tools for involving employees in everyday decisions. These supporters also claim that establishing strong group dynamics is an ethical and moral way to manage an organization.

One of the main reasons businesses need committees is to exchange information with one another. It is next to impossible to keep abreast of all the information, data and new developments within a particular field. This includes reading relevant reports, books, articles, research papers and attending conferences.

Examples of ineffective committees.

A committee cannot reach its efficiency potential until its members can function as a team. There are many examples of ineffective teamwork: the boss dominates meetings and the committee serves as a rubber stamp for his or her ideas; meetings are poorly run with no common understanding of the outcome; or people attend meetings against their will.

Teamwork is the lifeblood of a successfully operated committee. There are five elements of effective group dynamics:

- A personal desire to have the team accomplish something of value.
- A desire to learn from your teammates.
- A willingness to share the information.
- Recognizing that you must ask questions in a courteous and respectful way.
- All team members accept and rally around goals

5.3 Leadership and Motivation

There are at least two major influences that affect how individuals perform in their environment. These influences include: i) the type of leadership that exists, and ii) personal motivation. While neither is scientific in nature, there is significant research that identifies

some theories and general conclusions about why people perform, how they perform, and why some people display different behaviours that puts them in positions of leadership.

In addition to addressing leadership and motivation as theories rather than as scientific fact, there are other issues about personal behaviour that must be considered. The most basic concepts are that every person is (a) like every other person; (b) like some other people; and (c) like no other person. A further explanation may help clarify this statement. Every person is like every other person in that we have a need for food, water, shelter, etc. We are like some other people in that we have similar personality traits which cause us to be more dominant and aggressive, while others may be more passive and submissive. Finally, we are unique in that no other person has the same genetic make-up, past experiences, or view of the world. It is these differences that suggest an analysis of leadership and motivation can result in general conclusions about behaviour and performance.

Human behaviour is as much a reflection of the differences between individuals as it is a reflection of their similarities. These individual differences are caused by a number of influences and characteristics. For example, personality traits focus on individual differences that make each person a unique human being. Our biological make-up concentrates on how we function as a result of our evolution and human inheritance. Our behaviour is largely influenced by the system of rewards and punishments that are present in our environment. Our cognitive approach focuses on how our thinking and memory affects our behaviour. The fact that we are here at this time with immediate influences, and the ability to express a free will, may present the greatest influence of all.

Any theories about leadership and motivation can be contradicted since these theories have many exceptions. It is important that these theories are considered general statements that have been confirmed through observational studies and are applicable only to the extent that they reflect and are influenced by individual behaviour. We might

ask: "Why should we even pursue these topics if there are so many inconsistencies, exceptions, and variables that affect conclusions?". If we are searching for scientific evidence that is universally applicable, we may be wasting our time, but if our goal is to better understand human behaviour and its impacts on personal performance, the insights gained from such theories and studies are invaluable.

Systems formerly made up of rules, regulations, and procedures are being replaced by requirements for flexibility and customer service resulting in personal initiative, empowerment, and greater levels of individual decision-making. To achieve this, it is important to better understand human behaviour and some of the things that impact our actions and reactions.

Motivation

Motivation can be defined as "the **extent to which persistent effort is directed toward a goal**".

Effort:

The first aspect of motivation refers to the amount of effort being applied to the job. This effort must be defined in relation to its appropriateness to the objectives being pursued. One may, for example, apply tremendous effort to inappropriate tasks that do not contribute to the achievement of the stated goals.

Persistence:

The second characteristic relates to the willingness of the individual to stay with a task until it is complete. For example, an important task that gets accomplished with effort but allows the person to rest on their laurels for an extended period does not display persistence.

Direction:

Is the effort directed towards the organization's goals or related to the individual's self-interest? Direction is therefore measured in terms of how persistent effort is applied in relation to the goals being pursued.

Goals:

There are two different kinds of goals being pursued simultaneously. They are individual goals and organizational goals which may produce quite different results if they are not compatible.

Next we should distinguish between motivation and performance. While there may be little doubt about the motivation of the individual in terms of effort, persistence, and direction, there may be a lot of questions about the individual's performance as it relates to the organizational goals. The worker may be really busy and factors such as skill levels, task understanding, and aptitude may negatively impact performance. On the other hand, self-interest may create its own motivation not related to the organizational goals.

People may be motivated by factors in the external environment such as pay, supervision, benefits, and job perks. This is referred to as **extrinsic motivation**. They may also be motivated by the relationship between the worker and the task. This type of motivation is called **intrinsic motivation**. These factors often exist simultaneously, but we will distinguish between them as they relate to specific levels of motivation.

We will explore three theories of motivation that are based on human needs. In assessing these theories, we will try and identify **what** motivates people.

Maslow's Hierarchy of Needs

Abraham Maslow developed a theory that humans have five sets of needs that are arranged in a hierarchy. He contends that people start by trying to satisfy their most basic or compelling needs and progress toward the most fulfilling. These needs are as follows:

1. **Physiological needs:** These include the need for food, water, shelter, clothing and money. Until an individual has access to these necessities, there can be no further progress. These needs are very basic, and for the most part, society and our social network have ensured that they are present. Intrinsic values include personal comfort and satisfaction, while the extrinsic values are most often provided by the organization, the community, or society.
2. **Safety needs:** These include security, stability, and a structured environment. Here, the individual expects and pursues job security, a comfortable work environment, pension and insurance plans, and freedom to organize in order to ensure continuation of these benefits. Individual's main objective is to ensure that benefits are protected or employment needs are being met rather than contributing to long-term organizational goals. Again, we see a dependance on the external environment to provide these supports. Personal motivation may include the peace of mind that can be provided as a result of these needs being secured.

3. **Esteem needs:** These include feelings of adequacy, competence, independence, confidence, appreciation, and recognition by others. Again, the individual is driven more by internal or intrinsic needs. The external environment is needed more to provide recognition than to provide material rewards. At this point, the intrinsic value is more important than that which can be provided by outside influences. The ego seems to take over here and the need is to ensure that it is satisfied.
4. **Self-actualization:** This area is the most difficult to define and therefore, may be the most difficult to explain. Why does the successful business person need to pursue further wealth when they have already accumulated more than they will ever need? The answer may lie in the fact that motivation is more internal and therefore, even more individualistic. Different people have different ideas about what they need to achieve in order to obtain true happiness. For the wealthy person, money may no longer be the motivator, it may now be a need to exercise power or the adventure and adrenalin rush created as a result of playing "high stakes games". This becomes the intrinsic motivation. People who pursue self-actualization are more accepting of reality, themselves, and others. Organizational requirements may include the opportunity for creativity and growth. Frequently, individuals aspiring to this level often operate outside existing organizations and instead build their own structures to suit their individual needs.

In discussing this theory, it appears that the further up the scale an individual moves, the more the rewards or motivators move from the external environment to an internal need. It also becomes more difficult to influence motivation, since material rewards become less relevant and internal rewards become more difficult to identify and address. In order to enhance organizational performance, it is important that the organization recognize the individual need and provide opportunities for satisfaction.

Alderfer's ERG Theory

Clayton Alderfer developed another needs-based theory that supports in many ways, the theory developed by Maslow, but consists of three rather than five basic needs. Alderfer also sees his three levels which includes existence, relatedness, and growth (ERG) needs as being hierarchical, and thus, influenced by personal growth and extrinsic and intrinsic rewards.

1. **Existence needs:** These include needs that are satisfied by material substances or conditions. They correspond closely to the physiological needs identified by Maslow and those safety needs that can be satisfied by material rather than interpersonal rewards or conditions. They include the need for food, shelter, pay, and safe working conditions.
2. **Relatedness needs:** These are needs that may be satisfied by communication, or exchange and interaction with other individuals. There is a dependance on feedback from other organizational or community members to fulfill these needs. Thus, the motivation is provided by a combination of intrinsic and extrinsic rewards. These rewards include accurate and honest feedback, which may involve direction and advice rather than unconditional pleasantness or agreement.
3. **Growth needs:** These are needs that are fulfilled by strong personal involvement that fully utilizes our skills, abilities, and creativity. They include Maslow's self-actualization as well as esteem needs that rely on intrinsic rewards.

Both theories are also similar because they are hierarchical, and individuals will concentrate on the achievement of the lowest level of need that is not fully satisfied.

Maslow contends that the lowest level of need must be satisfied before an individual can proceed to the next higher level. Alderfer theorizes that if a higher level need is unsatisfied, the individual will regress to a desire to satisfy lower-level needs. Maslow believes that once a need is met, it is no longer motivational. Alderfer theorizes that while an individual may have met a higher-level need in one's personal life, for example, they may still be operating much lower on the scale where skills, aptitude, and knowledge may affect performance and confidence.

1. **Need for achievement:** Individuals in this category have a strong desire to perform challenging tasks well. They have a preference for situations where personal responsibility can be taken for successful outcomes. The goals they set provide for moderate and calculated risk, and the individual seeks performance feedback to allow for modification and to ensure success.
2. **Need for affiliation:** People in this category display a need to establish and maintain friendly, compatible relationships. They have a need to like other people and want others to like them. They have an ability to create social networks that will result in meeting these needs.
3. **Need for power:** People in this category have a strong need to have influence over others. They wish to make a significant impact and impression on those with whom they come in contact. This need for power corresponds in many ways to Maslow's esteem needs where power is used to get attention or to build personal prestige.

Since this theory is non-hierarchical, the growth pattern between intrinsic and extrinsic rewards that are a major part of the earlier theories, do not appear to contain the same significance. McClelland contends that people will be motivated to seek out and perform

well in jobs that match their needs. These needs may include either of the three categories identified above and are not contingent on any progression from one category to another.

The testing of these three theories has resulted in some conclusions that help us identify the strengths and limitations of each approach. While Maslow's theory is complicated and contains more steps than the others, there is recognition of the progression from one level to the other. Alderfer's three levels seem to be simpler, less rigid, and therefore, may be more satisfactory to those who wish to understand and apply a model to individual behaviour. Results of McClelland's research has been applied in organizational settings and have been supportive of the idea that particular needs are motivational. Our former theme, 'when all else is consistent, the individual is different', suggests that the application of any theory of motivation has strengths and weaknesses that allow insight into individual motivation and provide escapes for those times when the theory will let us down. All theories contribute to a better understanding of human behaviour in general, but specific application of theory depends on factors that respond to individual needs.

Motivational Goals

Carol Dweck theorizes that all goals a person might pursue fall into two distinct categories: performance goals and learning goals. A **performance goal** is one in which the individual is concerned with acquiring favorable judgement from his or her peers, supervisors, or authority figures. A **learning goal** is one in which an individual uses feedback to increase his or her competence.

If this theory is correct, it contains some further implications for motivation. Firstly, it provides for a much better understanding of intrinsic and extrinsic rewards in relation to performance. While favorable judgement from peers provides extrinsic rewards, the intrinsic rewards come from both the acceptance of this judgement, and the direction that it provides for further learning. The performer sees learning as a life-long process, thus creating even greater levels of motivation.

Secondly, this theory provides a better understanding about failure and its impact on the individual. Since we all fail sometimes, our ability to respond is an important factor in motivation. A person with a learning goal will respond to failure by trying even harder to succeed the next time. In contrast, a person with a performance goal may respond to failure by concluding that they cannot complete the task and may therefore, give up.

Dweck further theorizes that some people believe that personal qualities such as intelligence and ability are fixed and unchangeable. This belief may lead people with performance goals to conclude that they don't have what it takes, and as a result, give up, while others believe that intelligence and ability can change with time, education, and experience. Their goal, therefore, is not to prove their competence but to increase it, thus

success and failure are learning experiences that cause them to try even harder next time. Failure may even be seen as creating a greater challenge.

Leadership

In many circles, there is continuous debate about whether leaders are born or developed. If we reflect on our earlier discussion about motivation, we will see that humans are very complicated and are made up of a number of traits. As with motivation, these influences are both inherited and acquired from our environment and influences, and consequently, leadership theories will continue to be debated in the future. We will continue this discussion on the assumption that leadership can be developed. Furthermore, for the purpose of this unit, we will not distinguish between leaders and managers, but will use the term leader to apply to any earned or appointed role that carries with it the exercise of power and influence over others.

Leadership may be defined as: **the influence that particular individuals (leaders) exert upon the goal achievement of others (subordinates) in an organizational context.** An earlier unit on Board Governance addresses in a limited way, the impacts of leaders on performance. We stated that leaders have an ability to see how different aspects of a situation fit together and influence each other. They seek out alliances, opportunities, and approach goals in a proactive way. They have a positive effect on others, which attracts support from those who have similar needs for accomplishment. Their self confidence creates a belief in other people's abilities, therefore, emphasis is placed on empowerment and freedom.

If we agree with these statements, then leadership has two distinct aspects: i) the individual who exerts influence, and ii) those who are the objects of this influence. Successful leadership depends, to a large extent, on the environment and situation in which these dynamics exist.

There are other issues that must also be acknowledged. There are two types of leaders: **emergent leaders** - those who earn leadership positions through their expertise, skills, abilities to influence others, or personal acceptability by the group; and **assigned leaders** - those who are given power to exercise influence through appointment.

In general terms, both emergent and assigned leaders fulfill two different functions. They must be able to provide social and emotional support to the group by listening, acknowledging, team building, and supporting other members in the group. This is referred to as **social-emotional** support. The second factor is to provide direction and assistance to the group in accomplishing their tasks. Successful leaders have the ability to identify and apply the appropriate strategy at the right time. A group that is confused about the goals of the organization, for example, will not respond well to a social-emotional

approach, nor will a group that is experiencing internal conflict and in need of team building skills respond very positively to a request to improve individual performance.

What are the qualities that make successful leaders? The lack of able officers in both the First and Second World War led to a search for leaders. This continued after the war to see if there were personality traits that distinguished leaders from followers. While some general characteristics of leaders emerged, there were no conclusions whether personality traits made up the leader or if the opportunity for leadership produced the traits. The biggest weakness in the trait approach to leadership identification is its failure to take into account the task, the subordinate, and the setting or environment in which work is performed.

The study of emergent leaders gives some good clues to what qualities appointed leaders must have to be successful. Emergent leaders hold their position as a consequence of their appeal to

their subordinates. Their role is safe only as long as the group is attracted to these attributes and conditions. Should these positions change, or the group finds other influences, a lack of support or outside forces may undermine the leader's role. The role, therefore, is dependant on performance and any real or perceived faltering will quickly translate into lack of support. The present incumbent after losing support becomes "dethroned" or replaced.

This fledgling type of leadership is what we most often observe in community groups and organizations, politics, and citizen-led efforts. The leader is responsive to the group agenda and is secure only as long as he or she remains responsive. Since most people are easily influenced and may change their minds as a result of immediate or emerging needs, support is difficult to maintain. Leaders who find themselves in this position tend to try and "ride out the storm" before subjecting themselves to any formal leadership review.

Assigned leaders draw their power and influence from sources outside the group, and in most cases, have been given some power to assign tasks, and hand out rewards and punishments based on performance. Rewards may include compliments, tangible benefits, and deserved special treatment. When well thought out, with clear criteria rewards that compliment individual needs can be very motivational. On the other hand, leaders who have no authority to provide rewards may attempt to create them by giving compliments and praise and making promises they can't deliver. Over time, this tends to demotivate, leads to a loss of loyalty, creates dissension and eventually causes the group to become dysfunctional.

Punishments may include reprimands, unfavorable task assignments, and withholding of raises, promotions, and other rewards. At best, punishments seem to have minimal impact on satisfaction or productivity. At worst, punishments are seen as random, not contingent on behaviour or performance and most often poorly administered. Leaders who have

access only to punishments often resort to identifying degrees of unfavorable behaviour, and dole out punishment accordingly.

The most important activities of leaders are those that clarify the path to various goals of interest to subordinates, thus effective leaders form a connection between subordinate goals and organizational goals. Since leadership is about increasing group performance through motivation, the leader must be more concerned with job satisfaction and the

creation of a clear picture of how subordinates can gain rewards based on performance. House's theory is concerned with four different kinds of leader behaviour. These include:

1. **Directive behaviour:** This includes scheduling work, maintaining performance standards, and letting subordinates know what is expected from them.
2. **Supportive behaviour:** A leader displaying this behaviour is friendly, approachable, and concerned with pleasant interpersonal relationships.
3. **Participative behaviour:** Leaders who practice this behaviour consult with their subordinates, and consider their opinions.
4. **Achievement-orientated behaviour:** This behaviour encourages subordinates to exert higher efforts and strive for a higher level of goal accomplishment. Leaders demonstrating this behaviour express confidence that subordinates can reach these goals.

Subordinate characteristics and environmental factors greatly influence the success, and create the opportunity for successful leadership. Firstly, individual characteristics affect the achievement levels that can reasonably be expected. Secondly, subordinates have individual needs that must be met if their performance and motivation level is to remain high. Thirdly, subordinate's aptitude and abilities will affect both the performance and the response of other co-workers.

Environmental factors that impact on leadership include the following:

1. The appropriateness of the leader's style to the situation will have a major impact on the behaviour of the group.

2. Task clarity, urgency and subordinate empathy will affect performance and motivation.
3. Leader qualifications and knowledge will build group confidence and loyalty.
4. There is probably no substitute for being in the right place at the right time.

Successful leaders will take advantage of the motivating and satisfying aspects of jobs while offsetting or compensating for those factors that demotivate or dissatisfy. There is evidence that this theory works better in predicting job satisfaction and leader acceptance than increasing subordinate performance.

We have seen in an earlier unit (Public Participation) that there are differing degrees or levels of participation. These range from total involvement of subordinates in planning, implementation, and evaluation to simple requests for assistance where such participation is a necessary ingredient for success. Given this fact, we can easily see that participation will not be successful in all situations. While public or community involvement will provide much better results in compiling a strategic plan for the community, you would not apply a public participation model if you were trying to escape from a burning building.

Public or community participation can contribute to the following:

1. **Motivation:** Participation can contribute to identifying and establishing group goals and how they can be accomplished. It can also contribute to intrinsic motivation by enriching subordinates jobs through variety, autonomy, and empowerment.
2. **Quality:** There is an old saying that "two heads are better than one". In many cases this is true of participation. Subordinates have knowledge and expertise that the leader may not have, thus this combination of leader and subordinate expertise can lead to higher quality processes and solutions. In addition, the qualities of empowerment allow employees to take direct action to solve problems.
3. **Acceptance:** Participation can increase subordinates acceptance of the decision since they were involved in making the decision in the first place. There is also a better chance of subordinates seeing decisions as being more fair when they have had input into these decisions.

Participative leadership can also create problems. The time and energy spent in calling meetings, soliciting ideas and training participants may affect deadlines. The involvement of subordinates may be perceived as a loss or sharing of power, thus creating resentment at the leadership level. This may affect the performance of leaders which in turn, may affect subordinate performance. Some workers may not want to be involved in the decision-making aspects of jobs. When the leader is distrusted or when a poor labor relations climate is present, subordinates may see their participation as "doing management's job". When governments attempt to involve the community in education reform, health care, economic and social development, it may be perceived as "down loading", especially if these activities are undertaken in conjunction with other programs and economic cutbacks.

It appears that broad-based participation in short-term projects may not be as advantageous as implementing a participation model among a group of employees that will be part of the same

team for an extended period, and have become very knowledgeable and proficient at their job. Inability to recognize this can lead to a lack of confidence in the process, the leaders, and create resistance to participation.

Vroom's and Jago's Leadership Styles

What are some of the options available to leaders? Victor Vroom and Arthur Jago maintained that there are three different types of leader behaviour. Leaders use either an **autocratic**, **consultative**, or **group** decision-making style.

1. **Autocratic:** This style states that the leader solves the problem or makes the decision using information available to him or her at the time. In some cases, the leader may consult with subordinates to obtain information, but at no time does subordinate input include decision-making. The decision is passed on to subordinates for implementation.
2. **Consultative:** The leader shares the problem with subordinates and gets their input. Subordinate involvement is seen as either a collective or individual request for information which may or may not influence the decision. The leader reserves the right to make that decision.
3. **Group:** The leader shares the problem with subordinates as a group, obtains their collective input and tries to reach consensus on the solution. The leader acts as a facilitator or chairman, trying not to influence input and accepting any solution that the group may suggest.

With these three different approaches, we can also see that there are differing degrees within this spectrum that the leader may apply. According to Vroom and Jago, the approach depends on the situation or problem at hand. The leader's goal should be to make the highest quality decision with the highest level of subordinate support.

A single theory of motivation in isolation may provide some understanding of human behaviour, but by combining these theories, one may see patterns that assist in understanding why some people participate as they do. For example, the works of Maslow and Alderfer to some extent may provide understanding of why some people participate at higher levels than others and identify some of the rewards that may help this level of participation to continue. Our observations of leaders when combined with the leadership styles discussed in this unit will help us understand why some leaders perform successfully, why some encounter difficulties and still others struggle with low levels of support while displaying high technical abilities.

Understanding leadership and motivation opens our minds to new thought processes of how people behave and why, helps understand some general principles of human behaviour and allows us to use these theories as a guide for our participation, analysis and understanding of group behaviour. This understanding can serve us best in selecting individuals who display some of these qualities to fill specific roles in our organizations and communities.

5.4 Human Resource

Human Resources (HR) is concerned with the issues of managing people in the organisation.

The Human Resources department is responsible for many people related issues in an organisation.

Under the HR department's remit are the following roles:

- The process of recruiting suitable candidates for the organisation
- Identifying and meeting the training needs of existing staff

- Ensuring employee welfare and employee relations are positive
- Ensure the working environment is safe for employees
- Raising awareness of current workplace legislation

The Human Resources Department also covers five key roles.

- **Executive role** – in this role the HR department are viewed as the specialists in the areas that encompass Human Resources or people management.
- **Audit role** – in this capacity the HR department will check other departments and the organisation as a whole to ensure all HR policies such as Health & Safety, Training, Staff Appraisal etc are being carried out in accordance with the company's HR policy.
- **Facilitator role** – in this role, the HR department help or facilitate other departments to achieve the goals or standards as laid out in the HR policies of the organisation. This will involve training being delivered for issues that arise in the areas relating to people management.
- **Consultancy role** – the HR department will advise managers on how to tackle specific managing people issues professionally.
- **Service role** – in this capacity the HR department is an information provider to raise awareness and inform departments and functional areas on changes in policy.

5.5 ENCOURAGE TRUST AND CONFIDENCE

How do you build trust? Trust is earned when everyone's interests are considered and respected. Communication is the key to do this. Following is a list of suggestions for building and maintaining trust.

Building Trust:

- Ensure open communication.

- Tell the truth.
- Share good and bad information between all levels of the organization.
- Encourage creativity.
- Foster talent.
- Allow disagreement without negative repercussions.
- Maintain integrity.
- Make decisions that are fair and consistent.

Maintaining trust:

- Reward value added activity.
- Managers should say what they will do, and do what they say they will do, in a nice manner, and be consistent.
- Reward pro trust behaviors.
- Punish breaches of trust.

Earning trust

- Be honest.
- Management embracing change.
- Lead by example.
- Management visible to all levels of the company.
- Improve training.
- Communication in as far advance as possible.

- Try Workforce Reduction alternatives; such as,
- Voluntary severance, and early retirement.

In the end, organizations cannot earn, develop or retain employee trust; only people can. Trust is an interpersonal experience, while organizations can define policies and practices that promote trust; it is the behaviors of individuals, especially leaders that determines the level of trust in an organization. Being honest is the easiest way to prevent loss of trust. If you don't know the answer, say so. If you have a tough question, ask it. If you say you're going to do something, do it, or provide an update as to why the schedule has changed. It is the little things, which add up, that help earn and maintain trust within organizations.

5 Strategies to Develop Confidence and Trust

It's a proven fact that building customer trust in your products, your service and your company is a great way to increase profits and build a strong, dependable consumer base. No matter what industry you are in, customer trust is among one of the most cost-effective ways to keep the profits growing. When you build customer confidence, you can charge fair prices for your products and services, even if your competitors are offering some sort of special discount or deal. Customer trust overrides prices when it comes to day-to-day business. Here are five ways that you can start building customer trust in your small business:

1. Highlight Professional Accomplishments, Certificates and Awards.

If your company has been recognized by a professional association, the Better Business Bureau, the local Chamber of Commerce, or other such organization, then proudly display your commendations where customers can see them. This might mean adding an extra space on your website for accolades. Certificates and awards can be framed and posted for all to see onsite.

2. Share Testimonials.

Testimonials and letters can help build customer trust in your organization. Customers are willing to look at other success stories and compare them to their own lives. When customers see someone or something they can relate to, it builds confidence in your organization. There are some creative ways you can foster customer confidence with testimonials. For example, on your website, you can include video testimonials, as well as written letters. You can also print quotes or positive feedback from customers at the bottom of your store receipts.

3. Be Honest and Straight forward

The key to building customer trust through marketing and advertising is being honest and straightforward. Don't develop messages that come with miles of fine print and disclaimers. Create basic marketing campaigns that highlight your products and services in a plain and simple fashion. Customer confidence is boosted when they see an ad and find that the details are in direct alignment when they walk into the store.

4. Use the Power of One.

Customer trust is largely dependent on interactions with employees. Encourage employees to develop personalized and genuine one-on-one relationships with customers. In addition, employees must lead by example. They need to do what they say they will do, such as returning a phone call or finding specifications regarding a product. Customer confidence is strengthened by meaningful interactions with others.

5. Uphold the Reputation of organization .

Reputation is everything when it comes to building customer trust. Certain industries have a bad reputation that simply can't be avoided. Take the used car industry for example. Dealers are known for being overbearing and putting a lot of pressure on prospective buyers. They talk fast and it's tough to tell if a customer is truly getting their money's worth. In this type of industry, protecting and changing the image is vital for success.

Customer trust is an important aspect of owning and operating a small business. Failure to meet customer needs and start building customer trust is one of the fastest ways to ruin a lucrative business opportunity. Treat your customers like gold in every aspect of the business relationship, and you will be well on your way to success.

CHAPTER -6 - TECHNOLOGY IN BUSINESS

6.1 IMPACT OF TECHNOLOGY IN BUSINESS

Technology provides a wide range of tools entrepreneurs can use to guide their new



companies through the startup and growth stages. Advances in technology have revolutionized accounting, marketing, and sales practices for small businesses. From laptop computers with Internet capabilities to printers, online file storage, and web-based applications--technological advances impact small businesses across various industries.

Technology has the potential to affect small business in several ways, depending on the goals a business has in place, the products they chose to use, and how well entrepreneurs and their employees adapt to new systems.

CREATING EFFICIENCIES

Businesses work closely with their clients to provide them products and services that add value to their lifestyles. Going from an idea to a finished product or service requires small business owners and their employees to collaborate with each other and external vendors. With the ability to instantly connect, share information, and get feedback, e-mail and instant messenger are beneficial technological advantages for small businesses.

Web-based project management programs offer an easy approach to keeping track of projects, delegating tasks, updating team members and clients, tracking time, and sharing documents in real-time. For small businesses, this means up-to-date information available in a central hub, regardless of a person's location. Setting up and managing a new accounting system can be a challenging task. Accounting software also assists

managers by creating informative reports and financial statements to increase decision-making effectiveness.

Time management is crucial for any small-business owner. Freeing up time from administrative tasks can allow you to focus on more productive activities, such as drumming up new business and making vital contacts with potential partners. Advances in computer and cell phone technology allow business owners access to in-depth scheduling and customer relationship management software, enabling busy entrepreneurs to hold "face to face" meetings online.

INSTANT CONNECTION WITH CUSTOMERS

Small business owners no longer have to mail surveys to customers and wait for weeks for replies, nor do they have to call customers for feedback. Technology gives small businesses the ability to connect with their customers via e-mail, through blogs, social networks, and forums. Small business owners can take advantage of this instant connection by getting feedback from customers and applying it to their businesses quickly.

INTERNET

Technology allows businesses an option to set up online stores, rather than investing in costly storefronts. With consumers migrating to the Internet to find everything from gifts to groceries, the popularity of online shopping increases with the variety of products and services. Businesses with storefronts can create online stores to expand their visibility and reach target markets beyond their neighborhoods and surrounding communities.

The Internet has become a must have for small-business marketers competing against established businesses. With advanced video and graphics editing software, small-business owners can create professional marketing materials that reach thousands or millions of online viewers. Entrepreneurs can take advantage of cost-efficient web

marketing opportunities to spread targeted marketing messages to a broad audience or a specific industry segment.

STARTUP COSTS

Despite the advantages gained by using technology, there are still challenges to the businesses reliance on technology. One is the increase in startup expenses for new businesses. Almost every new business requires computer workstations, multiple telephone lines, and network infrastructure before it can begin operations. Bootstrap entrepreneurs can often get away with using their own PCs and cellphones during the startup phase, but serious new ventures by experienced entrepreneurs usually involve large infrastructure projects to accommodate rapid growth.

Technology offers many opportunities for a small business to market its products or services. Electronic record keeping helps small businesses consolidate information systems by using databases that link information in multiple ways. Electronic communication systems such as email, websites, blogs and Twitter are invaluable marketing tools, enabling a small business to stay connected with customers and suppliers. Small-business technology can be complex or simple, depending on the proprietor's comfort level and the benefits that technology can offer to the particular business.

6.2 INTRODUCTION TO MS OFFICE

1. General Description

Microsoft Office is powerful and popular application software that is used in businesses around the world. Main components of the package include MSWord, MS Excel, MS Power Point and MS Access.

2. General Eligibility

While extensive computer experience is not required to attend the class, it is important to be able to type, and to be familiar with Windows prior to attending.

3. Hardware & Software required for Teaching

Hardware: Personal Computer or a terminal with 115MB free Hard disk space and 256MB RAM for reasonably good performance.

Software: MS Office with /Windows 2000/Windows XP Home & Pro.

4. Course objectives and content

Upon completion of this course students will be able to:

- Demonstrate an advanced knowledge of the Word Processing package, MS Office and a knowledge of howto design & create effective and structured documents like technical reports, letters, brochures, etc.,
- Demonstrate the skills in the appropriate use of various features of the spread sheet package MS Excel and also to create useful spreadsheet applications like tabulated statements, balance sheets, statistical charts, business statements, etc.
- Demonstrate the skills in making an effective presentation with audio and video effects using the MExcel package
- Draw graphical pictures, flow charts, block diagrams etc., using the drawing tools available in MS Word or MS Power Point and incorporate them into documents and presentations.
- Understand the concepts of tables, records, queries, forms, reports, etc., and to develop small database applications using MS Access.

Module 1: Basic Computer Concepts

1. Introduction

- a. What is a Computer
- b. Software and Hardware
- c. Hardware Components
- d. Hardware Accessories
- e. Operating System Software
- f. Software Applications

2. Working with Computers

- a. Computer Terminology
- b. Starting and Stopping the Computer
- c. Using the Mouse

3. Computer Tools & Utilities

- a. Disk Utilities
- b. Files & Directories
- c. Manipulating Files & Folders
- d. Working with the Windows Environment

4. Computer Network

- a. LAN
- b. Internet
- c. E-Mail
- d. Browsers, E-Mail Clients

Module 2: Word

1 Introduction

- a. Introduction to MSWord
- b. Menus
- c. Shortcuts
- d. Document types

2 Working with Documents

- a. Opening Files - New & Existing
- b. Saving Files
- c. Formatting page and Setting Margins
- d. Converting files to different formats

- i. Importing
 - ii. Exporting
 - iii. Sending files to others
- e. Editing text documents

- i. Inserting
 - ii. Deleting
 - iii. Cut, Copy, paste
 - iv. Undo, Redo
 - v. Find, Search, Replace
- f. Using Tool bars, Ruler
 - i. Using Icons
- g. Using help

3 Formatting Documents

- a. Setting Font Styles
 - i. Font selection - style, size, color etc.,

- ii. Type face - ***Bold Italic***, underline
 - iii. Case settings
 - iv. Highlighting
 - v. Special symbols
- b. Setting Paragraph style

- i. Alignments
- ii. Indents
- iii. Line space
- iv. Margins
- v. Bullets and Numbering

c. Setting Page Style

- i. Formatting
- ii. Border & Shading
- iii. Columns

- iv. Header & footer
- v. Setting Footnotes
- vi. Inserting manual Page break, Column break and line break.
- vii. Creating sections and frames
- viii. Inserting Clip arts, pictures, and other files
- ix. Anchoring & Wrapping

d. Setting Document Styles

- i. Table of Contents
- ii. Index
- iii. Page Numbering, date & Time, Author etc.,
- iv. Creating Master Documents
- v. Web page

4 Creating Tables

- a. Table settings
- b. Borders
- c. Alignments
- d. Insertion, deletion
- e. Merging
- f. Splitting
- g. Sorting
- h. Formula

5 Drawing

- a. Inserting Pictures/Files etc.,
- b. Drawing Pictures
- c. Formatting &Editing pictures
- d. Grouping and ordering

e. Rotating

Tools

- a. Word Completion
- b. Spell Checks
- c. Macros
- d. Mail merge
- e. Templates
- f. Using Wizards
- g. Tracking Changes
- h. Security

7 Printing Documents

- a. Printing Documents

Module 3: MS Excel

1 Introduction

- a. Spreadsheet & its Applications
- b. Opening spreadsheet
- c. Menus & Toolbars & icons
- d. Shortcuts
- e. Using help
- f. Shortcuts

2 Working with Spreadsheets

- a. Opening a File
- b. Saving Files
- c. Setting Margins
- d. Converting files to different formats
 - i. Importing, Exporting and Sending files to others
- e. Spreadsheet addressing
 - i. Rows, Columns & Cells,
 - ii. Referring cells and Selecting cells
- f. Entering and Editing Data
 - i. Entering Data
 - ii. Cut, Copy, paste, Undo, Redo, Find, Search & Replace
 - iii. Filling continuous rows, columns
 - iv. Inserting - Data, cells, column, rows & sheets
 - v. Manual breaks
- g. Computing data
 - i. Setting Formula
 - ii. Finding total in a column or row

- iii. Mathematical operations (Addition, Subtraction, Multiplication, Division, Exponentiation)
- iv. Using other Formulas

3 Formatting Spreadsheets

- a. Formatting - Cell, row, column & Sheet
- i. Alignment, Font, Border & shading
 - ii. Highlighting values
 - iii. Hiding/Locking Cells
- b. Worksheet
 - i. Sheet Name
 - ii. Row & Column Headers
 - iii. Row Height, Column Width
 - iv. Visibility - Row, Column, Sheet
 - v. Security
- c. Formatting - worksheet
 - i. Sheet Formatting & style - background, color , Borders & shading
- d. Anchoring objects
- e. Formatting layout for Graphics, Clipart etc.,

4 Working with sheets

- a. Sorting
- b. Filtering
- c. Validation
- d. Consolidation
- e. Subtotal

5 Creating Charts

- a. Selecting charts
- b. Formatting charts, label, scaling etc.,

6 Using Tools

- a. Error Checking
- b. Spell Checks
- c. Macros
- d. Formula Auditing
- e. Creating & using Templates

- f. Tracking Changes
- g. Customization

7 Printing worksheet

Module 4: MS Power Point

1 Introduction

- a. Opening new Presentation
- b. Different presentation templates
- c. Setting backgrounds
- d. Selecting presentation layouts

2 Creating a presentation

- a. Setting presentation style
- b. Adding Text to the presentation

3 Formatting a presentation

- a. Adding style
- b. Color, gradient fills
- c. Arranging objects
- d. Adding Header & Footer
- e. Slide Background
- f. Slide layout

4 Adding Graphics to the presentation

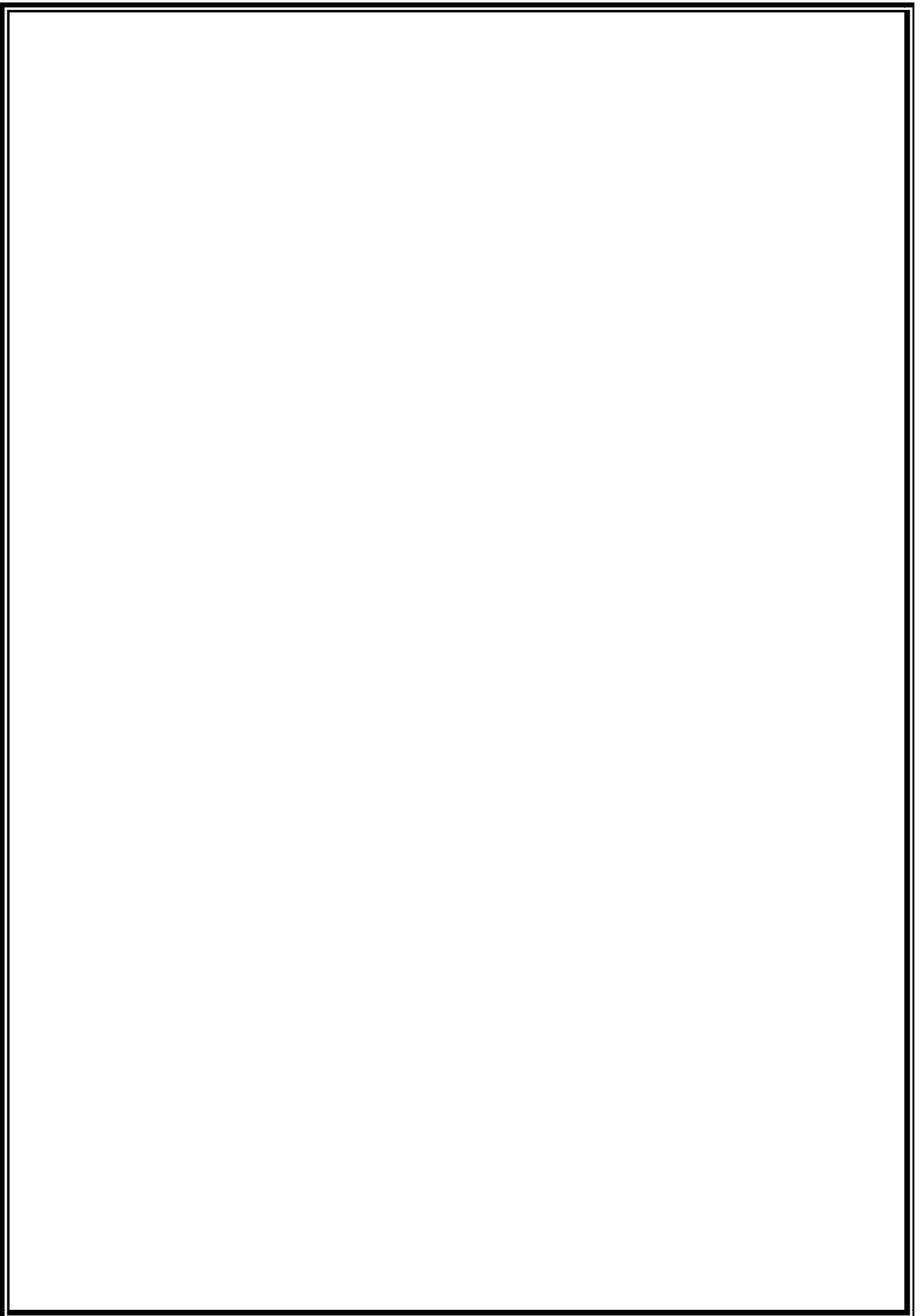
- a. Inserting pictures, movies, tables, etc into the presentation
- b. Drawing Pictures using Draw

5 Adding effects to the presentation

- a. Setting Animation & transition effect
- b. Adding audio and video

6 Printing Handouts

7 Generating standalone presentation viewer



Module 5: MS Access

1 Introduction

- a. Database concepts
- b. Tables
- c. Queries
- d. Forms
- e. Reports

2 Opening & Saving database files

- a. Creating Tables
- b. Table Design
- c. Indexing
- d. Entering data
- e. Importing data

3 Creating Queries

- a. SQL statements
- b. Setting relationship
- c. Using wizards

4 Creating Forms

- a. GUI
- b. Form

5 Creating & printing reports

Conducting business online. Selling goods, in the traditional sense, is possible to do electronically because of certain software programs that run the main functions of an e-commerce Web site, including product display, online ordering, and inventory management. The software resides on a commerce server and works in conjunction with online payment systems to process payments. Since these servers and data lines make up the backbone of the Internet, in a broad sense, e-commerce means doing business over interconnected networks.

The definition of e-commerce includes business activities that are business-to-business (B2B), business-to-consumer (B2C), extended enterprise computing (also known as "newly emerging value chains"), d-commerce, and m-commerce. E-commerce is a major factor in the U.S. economy because it assists companies with many levels of current business transactions, as well as creating new online business opportunities that are global in nature. Here are a few examples of e-commerce:

- accepting credit cards for commercial online sales
- generating online advertising revenue
- trading stock in an online brokerage account
- driving information through a company via its intranet
- driving manufacturing and distribution through a value chain with partners on an extranet
- selling to consumers on a pay-per-download basis, through a Web site

6.4 WORKING WITH INTERNET

What is an Internet Application ?

Internet application is an interactive, compiled application that can be accessed through internet or intranet. They can perform complex process either on client or on server. In a server based application, the application uses HTTP internet protocol to receive a request from a client, typically a web browser, process associated code and return data to the browser.

There are two types of Internet applications in visual basic : server-based IIS application and client-based DHTML application.

«Advantages of Visual Basic Internet Applications

It Reduce the cost of deployment per user. End user needs only a browser and in case of DHTML application visual basic run-time is also needed.

No need to learn scripting or manipulate HTML tags to develop a highly functional Web-based application. Visual basic programming can be used in these applications. Designing and Coding can be separated which makes the applications easy to maintain.

Download time can be reduced since the components need not to be downloaded to run the application. Application state can be maintained between the client requests. Visual Basic debugging tools can be used for debugging the internet applications.

«° System requirement for Internet Applications

^ For DHTML Applications At the Developer end

? Internet Explorer 4.01 SP1 or later. ? Optional : HTML Editor, image editors. At the End-User end

? Internet Explorer 4.01 SP1 or later.

? Visual Basic run-time (Msvbvm50.dll), which will be downloaded when the application was executed first time. ? If the application is using ActiveX controls then they are also to be downloaded.

^ For IIS Applications At the Developer end

? Internet Explorer 4.01 SP1 or later. ? Web Server capable of running Active Server Pages. At the Deployment Computer

? Microsoft Internet Information Server.

At the End-User end

? Any Web browser but Internet Explorer 4.01 SP1 or later

«° Difference between IIS and DHTML applications

An IIS application is also similar to another type of Internet application you can create in Visual Basic — a DHTML application. Like IIS applications, DHTML applications also allow you to respond to events in an HTML page.

However, there are several key differences between the two types of applications:

- ? Dependency — DHTML applications are intended for use on intranets, and are dependent on Internet Explorer 4.0 or later, while IIS applications can be used on the Internet or an intranet. End users of an IIS application do not need a specific operating system or browser.

- ? Object model — DHTML applications use a different object model than IIS applications to access and work with the elements on an HTML page. While IIS applications use the Active Server Pages object model, DHTML applications use the Dynamic HTML object model.

- ? Location of processing — IIS applications are designed to perform most of their processing on the Web server, but DHTML applications perform most of their processing on the browser machine. You do not create any Web server components when you create a DHTML application.

«° Other Internet technologies in Visual Basic

In addition to DHTML and IIS application, there are other types of Internet functionality that can be added to the visual basic projects.

g ActiveX Components that can be used on HTML pages, either as a part of an IIS or DHTML application or not. ActiveX controls include ActiveX Controls, ActiveX Code Components, ActiveX Documents.

g Internet extensions for Visual Basic applications. These include the Internet Transfer control, the WebBrowser control and the WinSock Control.

«° Steps to incorporate Internet Extensions in Visual Basic Application.

^ Include the Microsoft Internet Control in your project

g Start the Visual Basic Project by clicking Start»Programs»Microsoft Visual Studio>>Microsoft Visual Basic 6.0. Screen as shown in fig 1 will appear.

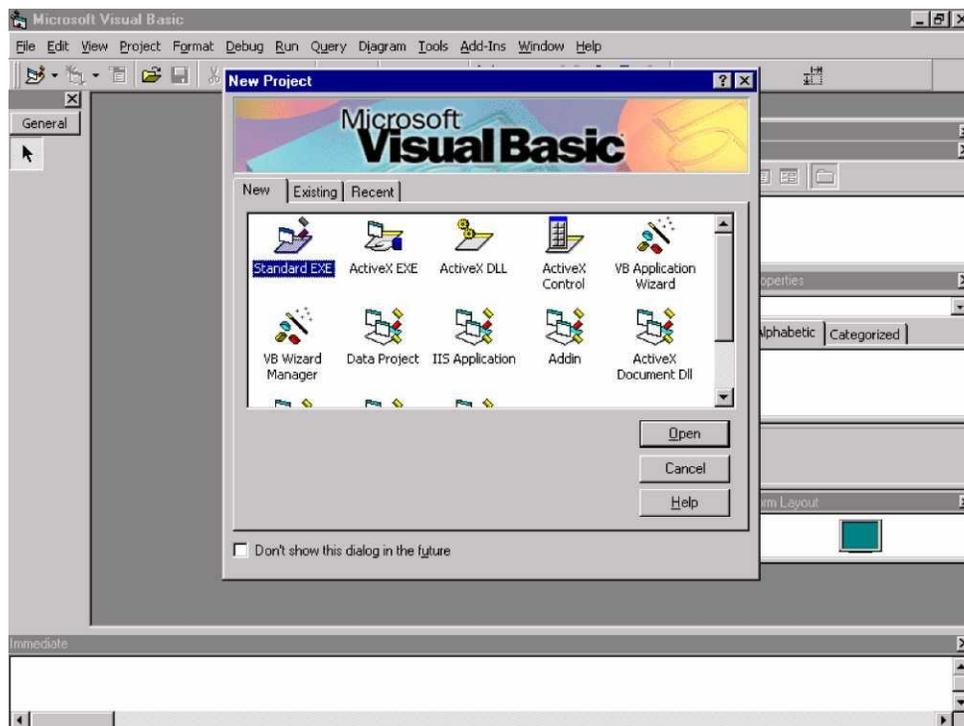


Fig 1

g Select Standard EXE project type and click Open.

g On clicking Project>>References, a dialog box similar to the fig 2

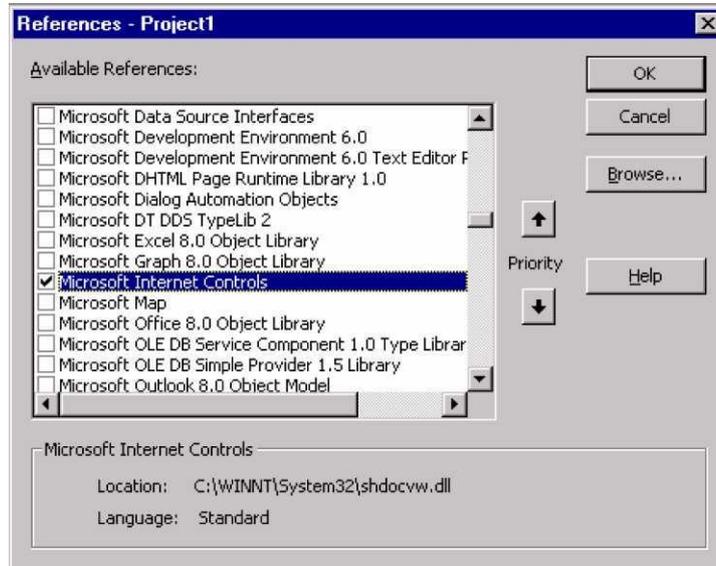


Fig 2

Select Microsoft Internet Controls and click OK which add reference to the project.

Investigating the Internet Explorer Object Model

Before actually using the IE object in the program, we can see the properties, methods and events with the help of Visual Basic Object Browser

Use the Object Browser

g Click View>>Object Browser . The browser utility window will appear on the screen as fig 3

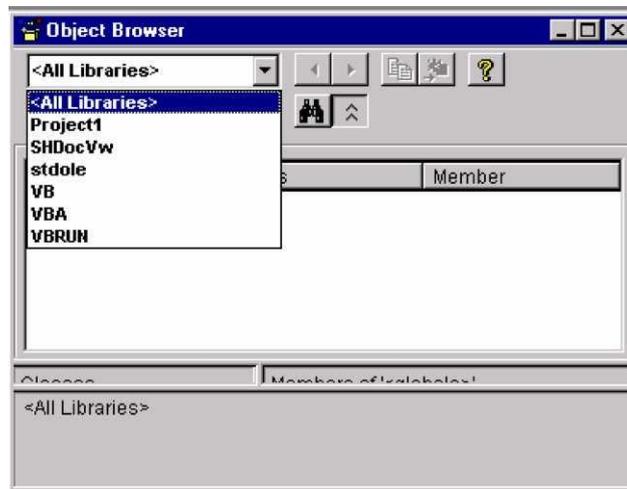


Fig 3

g In the Project/Library drop down list, click SHDocVw library.

The classes and members boxes will display the elements of the SHDocVw library (the objects associated with Microsoft Internet Controls)

6.5 VIRTUAL ENTERPRISE

Introduction

The idea of a virtual enterprise has gained some prominence in recent years. It has primarily been seen as a confluence of both technical and organisational ideas. On the one hand the technical background has been towards more open and distributed systems which has, of late, been facilitated by the relative usefulness of object based systems. On the other organisational developments have emphasised the need for flexible and responsive economic units which can act quickly to perform activities and exploit economic advantages. Irrespective of the merits of the technical stream, and it is not yet clear whether object based systems will produce the required degree of openness, this paper argues that a large proportion of the world's productive effort is already organised in the form of virtual enterprises. Moreover, documentary evidence tells us that this form of organisation has been in existence for at

least five hundred years and probably stretches back for a couple of millenia or three. This paper describes the practicalities of virtual enterprises. It focusses on the economic imperatives that have led to the formation of these virtual enterprises and suggests that some major organisational problems must be overcome before any technically driven initiatives can be usefully employed. It is curious to note that while some proponents see virtual enterprises as a major step forward those organisations which currently operate in this way are seeking ways to stop being virtual enterprises.

2. Virtual Enterprises (VEs)

With the increasing complexity of product development and intensifying market competition, it is obvious that even large enterprises will no longer be able to design and produce all the different parts of a product. There are two reasons for this: firstly because the required skills are not all available within the enterprise and secondly because of time constraints. This will lead in the very near future to what is called a *virtual enterprise* (VE) (Hardwick and Bolton, 1997; Hardwick, 1998): a fragmented and geographically distributed set of partners cooperating to achieve a common goal.

Virtual enterprises are being promoted in the computer software and hardware industries as a new way of allowing firms to form business alliances capable of producing products beyond the capability of any single firm. These alliances may only last long enough to produce a single product and then be amicably dissolved as the parties move on to other business opportunities with different partners in a fast moving industry.

The paradigm of VE is an emerging area of research and technological development for contemporary industries. The research area is growing and is a multidisciplinary one that requires precise definitions of the concepts and an agreement on the terminology used (Camarinha-Matos *et al.*, 1998). So far, there is no unified definition of this idea and indeed a number of different terms are competing in the literature that either refer to the same concept or to its different perspectives. Among others, the terms "extended enterprise", "supply chain management", "electronic commerce", "cross border enterprise", or "network of enterprises" are commonly used. These terms, although not necessarily synonymous, represent related concepts. Through reviewing the literature, Wijk *et al.* (1998) have tried to integrate several definitions of virtual enterprise into one working definition. They define VE as:

primarily characterised as a network of independent, geographically dispersed organisations with a partial mission overlap. Within the network, all partners provide their own core competencies and the co-operation is based on semi-stable relation. The products and services, which a Virtual Organisation provides are dependent on innovation and strongly customer based. Besides that, a Virtual Organisation is secondarily characterised by one identity, where the loyalty is shared among the partners and the cooperation is based on trust and information technology. Next to that, there is also a clear distinction between a strategical level and an operational level

It is not the purpose of this chapter to investigate in detail the true meaning and worth of virtual enterprises, that has been done elsewhere (Hale and Whitlam, 1997; Hardwick and Bolton, 1997; Mowshowitz, 1997; Berendt, 1998; Camarinha-Matos *et al.*, 1998; Travica, 1998; Wijk *et al.*, 1998; Wolfgang Appel *et al.*, 1998). However, some initial comments relative to such

organisations are relevant given the discussion below. The simple definition of a virtual enterprise is one which is built from both 'organisationally and geographically distributed units'. While definitions are designed to be brief and to the point this is just too terse, it ignores a host of other factors which impinge on the structure of an enterprise, and indeed the industrial structure within which it operates. Most of these factors are economic and financial in nature; three examples will suffice at this point: the nature of ownership, the nature of control of the enterprise and the manner in which work is allocated within an industrial setting. More generally, the question of 'organisationally distributed units' and that of 'geographically distributed units' is more commonly known as 'vertical integration' and 'horizontal integration' - or rather given the emphasis of virtual enterprise theory 'vertical disintegration' and 'horizontal disintegration'.

The construction industry can be considered as a virtual enterprise (VE), and is perhaps a model that can be emulated by other industries. The existence of teams made up from many organisations working on a building project is suggestive of the main ideas underlying virtual enterprises. This working style is taken for granted in the construction industry. However, to others, it appeared to be a revolutionary concept (Guss, 1996; Grilo *et al*, 1997; Kornelius and Wamelink, 1998; O'Brien and Al-Biqami, 1998). Nevertheless, other industries have moved ahead of the construction industry by pulling their groups and teams together to use networked resources of digital data in an active way (Doherty, 1997). The construction industry is only beginning to explore the application of new tools and technology and so has much to learn. The industry must now truly get to grips with the impact and opportunities presented by the new communication technology.





