MG2351- PRINCIPLES OF MANAGEMENT

UNIT I

OVERVIEW OF MANAGEMENT

1) What is Management?

Management is the process of giving direction and controlling the various activities of the people to achieve the objectives of an organization.


According to Knootz and Weichrich “Management is the process of designing and maintaining of an environment in which individuals working together in groups efficiently accomplish selected aims”.

3) Write some characteristics of Management?

Management is a continuous process. Manager use the resources of organization both physical as well as human achieve the goal. Management aims act achieving the organization goals by ensuring effective use of resources.

4) Write any two points favor for management as a science.

Management principle should be verified. Reliable basis for predicting future.

5) What is time study?

The movement which takes minimum time is the best one.

6) What is motion study?

Taylor suggested the eliminating wasteful movements and performing only necessary movement.

7) What is authority?

It is the power given to a person to get work from his subordinates.
8) What is responsibility?

It is the amount of work from a man by his superior.

9) Comment: Management is both –A science and an art

Management is a science because it contains general principles. It is also an art because it requires certain personal skills to achieve desired result.

10) What is centralization?

The organization is centralized when the power is concentrated with one person.

11) What is decentralization?

If the power is fully distributed to the subordinates of the organization.

12) What is Esprit-de-corps?

This means union is strength. In organization employees should be harmony and unity.

13) What are management levels? [May 2012]

1) Top level management.

2) Middle level management.

3) Lower level management.

14) Write some important functions of top level management?

1) To formulate goals and policies of the company.

2) To formulate budgets.

3) To appoint top executives.

15) Write the functions or role of management? [May 2011, Nov 2012]

1) Planning.

2) Organizing.

3) Staffing.

4) Coordinating.

5) Controlling.
16) Define sole trade?

The sole proprietorship is that form of business organization which owned and controlled by a single individual.

17) What is partnership?

A partnership is an association of two or more persons to carry on business and to share its profit and losses.

18) What is Joint Stock Company?

Joint Stock Company is association of many persons who contribute money worth to common stock and explaining source trade and also share the profit and losses.

19) What is private limited company?

A private limited company is a company which has a minimum paid up capital dory be prescribed.

20) What is a co-operative society?

It is a voluntary association of persons for mutual benefit and it aims is accomplished through self heap and collective effort.

21) What is a social responsibility?

Societyis the part of the management to interact actions withers to protect social interest a society.

22) What are the social responsibilities of management?

The mission of any organization is to concentrate on the economic development of the organization. Later they came to understand that the contribution of society to the business was very high and hence they have to take up additional measures in order to satisfy the society. These measures are referred as the social responsibility of the organization.
16 mark questions


Taylor conducted various experiments at the workplace to find out how human beings could be made more efficient by standardizing the work. The following are the features of scientific management.

1. Separation of planning & doing:
   a) Taylor suggests the separation of planning from actual doing.
   b) Taylor says that supervisor should be done the planning.
   c) The workers only concentrate on doing the work.

2. Functional foremanship:
   a) Taylor developed a theory called functional foremanship based on specialization of function.
   b) In this system eight foreman were involved to direct & control the activities of the workers.

3. Job analysis:
   Every job that requires minimum movements & less cost & least time is the best way of doing the job. This can be determined by motion, time & fatigue study.
   a) Time study: The movement which takes minimum time is the best one. This helps in firm the fair work for a period.
   b) Motion study: Taylor suggested the eliminating wasteful movements and performing only necessary movement.
   c) Fatigue study: Employees are both physical as well as mental fatigue easily. Fatigue study indicates the amount & frequency of rest required in completing the job. Taylor suggests a fair day’s work requiring certain movements & rest periods to complete it.

4. Standardization:
   Standards must be maintained in respect a instruments & tools, period of work, amount of work, working conditions, cost of production etc. Normally these standards will be fixed in advance on the basis of various experiments.

5. Scientific selection & training:
   a) Taylor has suggested that workers should be selected on scientifically.
   b) A worker should be physically & technically most suitable.
   c) After selection should be given on the training of workers which makes them more efficient & effective.

6. Financial incentives: Financial incentives can motivate the workers to put in their maximum efforts.
   a) According to this scheme a worker who completes the normal work gets wages at higher rate.
   b) Who does not complete gets at lower rate.
   c) Taylor has suggested that wages should be based on individual performance & not on the position which he occupies.

7. Economy:
   a) Scientific management enhances profit & economy.
b) The economy & profit can be achieved by making the resources more productive as well as by eliminating the wastages.

8. Mental revolution:
   a) Scientific management is based on co-operation between management & workers.
   b) Co-operation enhances the effective managerial activities.
   c) Mutual conflict should be replaced by mutual co-operation which is beneficial to both.

2) Explain the Henry Fayol management theory. [May 2012, 2013]

   Henry Fayol, a French industrialist concentrated on the administrative aspect of scientific management. His contributions are concentrated in his famous book “the general & industrial administration”. Fayol’s famous book falls into 2 parts. The first is concerned with the theory of administration in which Fayol divided the total industrial activities into six categories which are given below.
   i. Technical (production, manufacture).
   ii. Commercial (buying, selling, exchange).
   iii. Financial (search for optimum use of capital).
   v. Accounting (balance sheets, cost statistics).
   vi. Management (planning, organizing, coordinating, directing, controlling).

   The second is concerned with the fourteen principles of management. They are
   a) Division of work:
      Work should be divided in a proper way with reference to the available time. In general worker on the same job & the managers on the same duty acquire ability sureness & accuracy which increase their output.

   b) Authority & responsibility:
      Authority: It is the power given to a person to get work from his subordinates.
      Responsibility: It is the amount of work from a man by his superior. One of the essential elements of a good management is delegation of authority to the lower levels of management & fixing responsibility on town.

   c) Discipline:
      Discipline is very essential for the smooth running of organization. To Fayol, discipline will result from good leadership at all levels of the organization, fair agreements & judiciously enforced penalties for infractions.

   d) Unity of command:
      An employee must receive orders & instructions from one supervisor only. Multiple commands will cause conflicts & confusions. A sound management should avoid dual commands.

   e) Unity of direction:
Unity of direction signifies each group of activities having the same objective must have one head & one plan. All the group should coordinate & work together to achieve the common goal.

f) Subordination of individual interest to general interest:
   Every employee is working in an organization & his interest is to earn money to meet his personal needs. The general interest of the organization is development & the progress of the organization.
   The employees should give importance first to the general interest than his individual interest. It will lead to effective management of the organization.

g) Remuneration of personnel:
   Remuneration should be fair for both the employees & employers. The wage payment systems should satisfy the employees.

h) Centralization:
   The organization is centralized when the power is concentrated with one person. If the power is fully distributes to the subordinates of the organization is fully decentralized. For effective management of people decentralized. For effective management of people decentralization is necessary. Decentralization helps to take a quick decision on all important problems.

i) Scalar chain:
   Scalar chain principle states that instructions & orders should be sent from the top management to the lower management.

j) Order:
   2 types of order 1) materials order 2) social order.
   In any organization materials & for men are correct places provided. So that materials can be easily taken out & men easily located & also save time.

   Materials order: “A place for everything & everything in its place”.
   Social order: “A place for everyone & everyone in its place”.

k) Equity:
   Equity refers to the treatment of employees equally. Equal treatment of the employees helps to achieve organizational goals.

l) Stability of tenure of personnel (staff):
   A high employee turnover rate is not good for the efficient functioning of any organization.
m) Initiative:

It is concerned with thinking & execution of a plan. When employees come forward with new ideas, they must be encouraged by the superiors. It will create the morale of the employees.

n) Esprit-de-corps:

This means union is strength. In organization employees should be harmony and unity. It improves employee moral.

3) What are the major functions of management explain.[May 2012]

1. Planning:

   It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing:
It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. Staffing:

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.

4. Directing:
It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

5. Controlling:

Controlling as a function of management deals with checking & verifying the activities against the predetermined standards. The process of ensuring that actual activities conform to planned activities.

Therefore controlling has following steps:
(i) Establishment of standard performance.
(iii) Comparison of actual performance with the standards and finding out deviation if any.
(iv) Corrective action.

4) Explain management is an art or science both science and art.

Management as a science or an art:

Science:
The following characteristics are essential for a subject to be recognized as a science.
- The existence of a systematic body of knowledge with array of principles.
- Based on scientific enquiry.
Principle should be verifiable
Reliable basis for predicting future events.

Management as a discipline fulfills the science criterion. The application of these principles helps any practicing manager to achieve the desired goals. Management is a dynamic subject in that it has heavily from economics, psychology, sociology, mathematics & engineering. Management is multi disciplinary in nature.

Science classified in to 2 types. They are exact science & inexact science. Exact science where the results are accurate. In the case of management it is an inexact science.

Management is inexact science because,

- Every organizations human resources are different attitudes, aspirations & perceptions. So standard results may not be obtained.
- Readymade & standard solutions cannot be obtained.
- Management is complex & unpredictable.
- Every organization decisions are influenced by the environment.

The environment is so complexes & unexpected changes.

Art:

Art means application of skill in finding a desired result. Art is the way of doing things skillfully. Management is an art because of the following facts.

- Management process involves the use of practical knowledge & personal skill.
- Management is creative.
- Application of practical knowledge & certain skills helps to achieve concrete results.

Management is both – science & an art:

Management is a science because it contains general principles. It is also an art because it requires certain personal skills to achieve desired results.
5) Explain the types of business organization.

Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

a) Sole Proprietorships

The vast majority of small business starts out as sole proprietorships . . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.
Merits:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired

Demerits:

- Limited resources.
- Short life.
- Lack of consultation.
- Risk of entire loss.
- Uncertainty.

b) Partnership:

The relationship between persons who have agreed to share profits of a business carried on by all or any of them acting for all.

Merits:

- Partnerships are relatively easy to establish; however, time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

Demerits:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.
c) Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Merits:

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Demerits:

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible form business income, thus this income can be taxed twice.

d) Joint stock company:

By a company we mean an association of many persons who contribute money or money's worth to a common stock & employ it in some trade or business & also share the profit & loss as the case may be arising there from.

There are 2 types of joint stock companies.
i) Private limited company   ii) public limited company.

(i) Private limited company: This type company can be formed by two or more persons. The maximum number of membership is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

(ii) Public Limited Company: Its is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to general public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

Advantages:

- Limited liability.
- It is more stable.
- The shares of a joint stock company are freely transferrable.
- Company can easily expand.
- A company is charged lesser amount of taxes.
- Possible for large financial resources.

Disadvantages:

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

e) Co-operative organization:

It is a voluntary association of persons for mutual benefit & its aims are accomplished through self help & collective effort. Co-operative organisation is mutual help is mutual help i.e., one for all & all for one.

Merits:

- It is easy to formation.
- Liability of every member is limited.
- Low operation.
- A co-operative society is exempts from income tax
- Financial assistance is given by the govt. in the form of loans & grands.
- It has stable & exist for long period.
Demerits:

- Lack of motivation.
- Non-transferability of shares.
- Lack of management competency.
- Lack of secrecy.
- No credit paetlits.

f) Public enterprises or state enterprises:

State enterprise is an undertaking owned & controlled by the local or state of central government.

“Public enterprises autonomous or semi autonomous corporations & companies established owned an controlled by the state & engaged in industrial & commercial activities”.

Merits:

- Help in implementing government policy.
- Complete government control.
- Source of income for government.
- Useful for developing enterprises.
- Proper use of funds.

Demerits:

- Excessive government interference.
- Shortage of competent staff.
- Inefficiency.
- Tax burden to public.
- Delay & red taprism

g) Public corporation:

A public corporation is an autonomous body corporate created by a special statue of a state or central government. A public corporation is a separate legal entities created for a specific purpose

Merits:

- Finance from government.
- Internal autonomy.
- Free from government interference.
- Protect public welfare.
- Service to welfare.
- Flexibility.
Demerits:

- Limited autonomy
- Misuse of power.
- Inefficient operation.
- Lack of interest.
- Government control.

6) Discuss the role of manager. [May 2012]

Mintzber’s a management thinker identified ten roles & classified them within three broad categories.

1. Interpersonal roles:

   a) **Figure head role:**
      - In this role a manager performs symbolic duties required by status of his office.
      - His activities include to greet the visitors attends employee family functions.

   b) **Leader:**
      - Responsible for the motivation & activation of subordinates.
      - Responsible for staffing, training & associated duties.

   c) **Liasin:**
      - It describes a manager’s relationship with the outsiders.
      - A manager maintains smooth relation with other organisation governments industry groups etc.

2. Informational roles:

   a) **Monitor:**
      - A manager scans the environment & collects internal & external informations.

   b) **Disseminator:**
      - Manager distributes the information to his subordinated in order to achieve organizational objectives.

   c) **Spokes person:**
      - Transmits the information’s to the outside of the organisation.

3. Decisional roles:

   a) **Entrepreneur:**
      - Initiates & supervises design of organizational improvement projects.
b) **Disturbance handler:**
   Responsible for corrective action when organisation faces unexpected problems.

c) **Resource allocator:**
   Manager responsible for allocation of human, monetary & material resources.

d) **Negotiator:**
   As a manager bargains with suppliers, dealers, trade unions, agents etc.

7) **Discuss the Scope & nature of management.** [Nov 2012]

   Management is the art of knowing what do you want to do & then seeing that it is
done in the best & cheapest way.
   Management is continuous process.
   Management aims at achieving the organizations goals by ensuring effective use of
   resources.
   Managers use the resources of the organisation, both physical as well as human to
   achieve the goals.

8) **Enumerate the trends & challenges of management in the globalized era.**


Trends & challenges of management in the global scenario:

   The management functions are planning and decision making, organizing, leading, and
   controlling — are just as relevant to international managers as to domestic managers.
   International managers need to have a clear view of where they want their firm to be in the
   future, they have to organize to implement their plans: they have to motivate those who work lot
   them; and they have to develop appropriate control mechanisms

   **a) Planning and Decision Making in a Global Scenario**

   To effectively plan and make decisions in a global economy, managers must have a broad-
   based understanding of both environmental issues and competitive issues. They need to
   understand local market conditions and technological factors that will affect their operations. At
   the corporate level, executives need a great deal of information to function effectively. Which
   markets are growing? Which markets are shrinking? Which are our domestic and foreign
   competitors doing in each market? They must also make a variety of strategic decisions about
   their organizations. For example, if a firm wishes to enter market in France, should it buy a local
firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario
Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario
We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with those and other factors as they interact people from different cultural backgrounds. Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario
Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not. Likewise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.
9) **What are the environmental factors that affect business? Explain.**

Environmental factors may be classified

1. External environment
   a) Macro environment:
      i) Political  
      ii) Economic  
      iii) Social  
      iv) Technological
   b) Micro environment:
      i) Stalk holders  
      ii) Suppliers  
      iii) Distributors  
      iv) Customers  
      v) Competitors  
      vi) Media

2. Internal environment:
   a) Resources  
   b) Capabilities  
   c) Cultures

1) **INTERNAL ENVIRONMENTAL FACTORS**

The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors. It can alter or modify these factors. The internal environmental factors are resources, capabilities and culture.

i) **Resources:**

A good starting point to identify company resources is to look at tangible, intangible and human resources.

Tangible resources are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm’s financial statements.

Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (proprietary technology and know-how).
Human resources or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.

ii) Capabilities:
Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm’s capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm’s capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal functional areas.

iii) Culture:
It is the specific collection of values and norms that are shared by people and groups in an organization and that helps in achieving the organizational goals.

2) EXTERNAL ENVIRONMENT FACTORS
It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

a) MICRO ENVIRONMENTAL FACTORS
These are external factors close to the company that have a direct impact on the organizations process. These factors include:

i) Shareholders
Any person or company that owns at least one share (a percentage of ownership) in a company is known as shareholder. A shareholder may also be referred to as a "stockholder". As organization requires greater inward investment for growth they face increasing pressure to move from private ownership to public. However this movement unleashes the forces of shareholder pressure on the strategy of organizations.

ii) Suppliers
An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier. Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. A closer supplier relationship is one way of ensuring competitive and quality products for an organization.
iii) Distributors
Entity that buys non-competing products or product-lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong manpower and cash support to the supplier or manufacturer’s promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their customers. Often getting products to the end customers can be a major issue for firms. The distributors used will determine the final price of the product and how it is presented to the end customer. When selling via retailers, for example, the retailer has control over where the products are displayed, how they are priced and how much they are promoted in-store. You can also gain a competitive advantage by using changing distribution channels.

iv) Customers
A person, company, or other entity which buys goods and services produced by another person, company, or other entity is known as customer. Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

v) Competitors
A company in the same industry or a similar industry which offers a similar product or service is known as competitor. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share. Competition also requires companies to become more efficient in order to reduce costs. Fast-food restaurants McDonald’s and Burger King are competitors, as are Coca-Cola and Pepsi, and Wal-Mart and Target.

vi) Media
Positive or adverse media attention on an organisation’s product or service can in some cases make or break an organisation. Consumer programmes with a wider and more direct audience can also have a very powerful and positive impact, forcing organisations to change their tactics.

b) MACRO ENVIRONMENTAL FACTORS
An organization’s macro environment consists of nonspecific aspects in the organization’s surroundings that have the potential to affect the organization’s strategies. When compared to a firm’s task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment.
i) Political Factors
Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:
- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

ii) Economic Factors
Economic factors affect the purchasing power of potential customers and the firm’s cost of capital. The following are examples of factors in the macroeconomy:
- economic growth
- interest rates
- exchange rates
- inflation rate

iii) Social factors
Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:
- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

iv) Technological Factors
Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include:
- R&D activity
- automation
- technology incentives
- rate of technological change
10) Describe about the evolution of management thought. [May 2011]

The practice of management is as old as human civilization. The ancient civilizations of Mesopotamia, Greece, Rome & Indus valley displayed the marvelous results of good management practices.

The origin of management as a discipline was the work of Fredrick Winslow Taylor & his associates during the scientific management movement that developed around 1900.

The different approaches of management are,

i) classical approach
ii) behavioural approach
iii) quantitative approach
iv) system approach
v) contingency approach

We can identify at least two management theories that can grow in importance.

System approach:

Like a human organism an organisation is a system. In an organisation also people, tasks & the management are interdependent.

System concepts:

System theory was first applied in the fields of science & engineering.

“A system is essential a set or assemblage of things interconnected or independent, so as to form a complex unity”.

Just as a doctor effective manager should collect information about all parts of the organisation in order to diagnose a problem & take necessary corrective action.

Some key concepts:

Subsystem:
While an organisation as a whole is a system, the various components or parts within it are called the subsystem. Thus a department is a subsystem of the organisation.

Closed system:
A system that does not interact with its environment. A closed system has fixed boundaries, its operation is relatively independent of the environment outside the system.

Open system:
A system that does not interact with its environment. Thus an open system is one which constantly comes into contact with the environment.

Synergy:
Synergy means that departments that interact cooperatively are more productive than they would be if they operated in isolation.

Open system model of an organisation:

As seen the fig, the organisation imparts information, capital, human resources & material from its environment.

These resources are called as inputs. These inputs are converted into products using technology, system & methods.

Systems approach of management provides an integral approach to management. This approach is more useful in managerial decision. It provides a framework through which organisation. Environment interaction can be analysed & contributes for effective decision-making.
Managerial systems:

Based on the system approach Talcot persons has suggested three meaningful levels in the organisation.

Technical level:

It involves actual production & distribution of products & services.

Organisational level:

It coordinates & integrates work performance at the technical level.

Institutional level:

It is concerned with relating activities of the organisation to environmental system. It involves relating the organisation to the needs of the environment.

The contingency approach:

The contingency approach is also called as situational approach. It is developed by managers, consultant & researchers who tried to apply for real life situation. Some management concepts are very effectively in one situation. The same management concept is failed in another situation. Results or solutions differ because situations differ.

In contingency approach theory managers identify which is suitable technique for a particular situation, particular environment of the organisation at a specific time.

The contingency approach theory is more favour to the modern management theory. Modern management theory suggests that psychological approach to the employees.

11) Indicate the three levels of management.

The three levels of management that are commonly found in any organization are top, middle & lower management.
Top level management:

The main functions of top management are

1) To formulate goals & policies of the company.
2) To formulate budgets.
3) To appoint top executives.
4) To provide overall direction & leadership of the company.
5) To decide the distribution of profits.

Middle level management:

The important functions of middle level management are

1) To monitor & control the operating performance.
2) To train, motivate & develop supervisory level.
3) To co-ordinate among themselves so as to integrate the various activities of a department.

Lower level or supervisory management:

The main functions of lower level management are,

1) To train & develop the efficiency of the workers.
2) To assign jobs to workers.
3) To give orders & instructions.
4) To maintain discipline & good human relations among workers.
5) To report feedback information about workers.

International business strategies are a normal part of doing business no matter where your business is located in the world. Global businesses will compete with you, do business with you, and even put you out of business if you aren’t careful. You no longer have a choice to do or not to do global business.

Businesses, large and small, must formulate international business strategies to function in the global economy. Global business activity is just as normal today as doing business in your local community was 50 years ago.

Doing business globally has a number of appealing factors. Some of them are,
- Build a broader customer base.
- Prevent adverse effects of seasonal business swings in your domestic market.
- Utilize excess manufacturing capacity sitting idle at home.
- Lower production costs by using lower priced labor abroad.

Most successful global businesses have some things in common such as,
- They have a strong international vision.
- They either have or acquire international management experience.
- They develop strong working partnerships with foreign business people.
- They offer differentiated technology or know-how not available in foreign markets.

Figuring out when to go global is easy. The time is now. Even local businesses such as barber shops, health clubs, and tax preparation services need to be aware of what is happening globally in their respective fields. New ways of doing business and newly created products can affect the way local businesses do their work.

Figuring out which foreign countries to do business in isn't as complicated as you might think. You need to know four basic things in formulating your international business strategies,
1. Who will use the product or service?
2. How do those consumers define value?
3. How will you keep up with market trends there?
4. How can you increase your product's market share?

A country analysis of possible choices is the next step. Some of the things you need to consider are,
- Political stability.
- Currency stability and value.
- Cultural values and ethics.
- Language familiarity.
- Receptiveness to foreign intervention in foreign local markets.
- Trade restrictions and tariffs.
- Legal barriers.
- Standard of living.
- Ease of travel to foreign locations. And,
- Infrastructure of foreign communities.

The United Nations Statistics Division has an online website at, http://unstats.un.org/unsd/trade. This website contains the Standard Industrial Trade
Classification (SITC) codes established by the United Nations that will help you to find information on demand for a specific product or service in your country of interest.

The North American Industry Classification System (NAICS) at www.census.gov/epcd/www/naics.html, which replaced the Standard Industrial Classification system provides business statistics about North American industries. The NAICS and SITC codes are keys to a tremendous amount of useful information. You can calculate the demand for your product by obtaining information on the following.

- The value of global imports of the product measured in dollars.
- Import records historically reveal the amount of growth a particular product has in a foreign market. You are looking for the level of demand.
- The amount of U.S. imports into a country.

Foreign agents can be of great assistance in your foreign marketing efforts. The following are some differences among them.

- **Agents** purchase your company's products at a huge discount off your list price, and then sell them in their countries, and take responsibilities for collections. They can save you time and money. Remember though that you don't have full control over an agent's activities or pricing.

- **Exporting Trading Companies (ETC)** typically specialize in certain countries or regions, and maintain a large sales force. The ETC locates a manufacturer, buys the product, and sells it to the foreign country after identifying foreign market desire for your products.

- **Sales representatives** work on commission, and don't buy or warehouse your products, but find outlets for selling your products by operating as independent representatives or as reps for export trading companies. Sales reps usually require little or no training, and are familiar with local foreign markets.

Three things to consider in finding a good intermediary are,

- Get a qualified referral from satisfied customers such as foreign businesses that have worked with a respective intermediary.
- Check with the U.S. Department of Commerce to obtain a list of qualified intermediaries in your countries of interest.
- Trade shows can be of great benefit in finding foreign business partners and marketing support.

You may desire to set up manufacturing operations or foreign subsidiaries in other countries. This decision making process is a little more involved than merely selling abroad or importing. You will have to do your "homework" to work through this strategy effectively.

Joint venture (JV) partnerships are another strategic option to go global. This is where two or more parties team up to execute a project, in this case foreign. Each JV member brings some special know how and qualifications to the project. JV projects are normally for relatively short durations (one to three years).

The U.S. government provides support for international business activity. The following are some of the resources you may access conveniently online.

The U.S. Department of Commerce can help you find trade specialists in 107 U.S. cities and more than 80 countries all over the world with the purpose of helping you secure sales in global markets. Go to, www.ita.doc.gov/cs.

Other helpful U.S. government websites are the following.
- www.commerce.gov
- www.trade.gov
- www.export.gov
- www.bea.gov

The above list isn't exhaustive, but rather just some of the many helpful resources you may access online. These sites can stimulate your thinking with regard to international business strategies, and help you get the wheels turning on doing global business. International business strategies should be merged into your overall strategic plans. Strategic planning isn't complete without international business strategies.