# CMR INSTITUTE OF TECHNOLOGY

USN

## INTERNAL ASSESSMENT TEST - II – DECEMBER - 2021

| Sub: | Management and Entrepreneurship | | | | Sub Code: | 18EE51 | Branch: | EEE | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Date: | 16-12-2021 | Duration: | 90 min's | Max Marks: | 50 | Sem/Sec: | V- A & B | | OBE | |
| | **Answer any FIVE FULL Questions** | | | | | | | **MARKS** | **CO** | **RBT** |
| 1 (a) | Discuss meaning and characteristics of organization. | | | | | | | [5] | CO2 | L2 |
| (b) | Explain the principles of organization. | | | | | | | [5] | CO2 | L2 |
| 2 | Outline the process of selection and recruitment. | | | | | | | [10] | CO2 | L2 |
| 3 (a) | Explain meaning and nature of directing. | | | | | | | [5] | CO2 | L2 |
| (b) | Describe leadership styles. | | | | | | | [5] | CO2 | L2 |
| 4 (a) | Explain with a diagram Maslow's Theory of motivation. | | | | | | | [5] | CO2 | L2 |
| (b) | List Hygiene and motivation factors as per Herzberg and Explain their implications. | | | | | | | [5] | CO2 | L2 |
| 5 (a) | Explain meaning and types of committees. | | | | | | | [5] | CO2 | L2 |
| (b) | Discuss importance of coordination. | | | | | | | [5] | CO2 | L2 |
| 6 (a) | Explain steps in controlling. | | | | | | | [5] | CO2 | L2 |
| (b) | Discuss meaning and benefits of social audit. | | | | | | | [5] | CO3 | L2 |
| 7 (a) | Describe social responsibility of business towards different groups. | | | | | | | [5] | CO3 | L2 |
| (b) | Explain business ethics and corporate governance. | | | | | | | [5] | CO3 | L2 |
| 8 (a) | Discuss meaning and characteristics of successful entrepreneur. | | | | | | | [5] | CO3 | L2 |
| (b) | Describe classification of entrepreneurs. | | | | | | | [5] | CO3 | L2 |

Prepared by Prof. Santosh Kathari
Kathari.s@cmrit.ac.in

| Question # | | Description | Distribution | Marks |
|---|---|---|---|---|
| 1 | a) | **Discuss meaning and characteristics of organization.** | 5 | 10 |
| | | *Robbins* defines Organization as ' a consciously coordinated social unit, composed of two or more people that functions as a relatively continuous basis to achieve common goals of set of goals. | | |
| | | *Agrawal* defines organization as ' a goal oriented open system composed of people, structure and technology. | | |
| | | From the above definitions, an organization has the following **characteristics-** | | |
| | | **1. Organization is an open system:** An open system means open to environment. Organization exists and functions in environment. Environment compels the organization to acquire right type of people, technology and structure so that the goals to serve the environment can be attained. The organization is thus greatly influence the environment. | | |
| | | **2. Organization is goal oriented:** Without goal or set of goals, organization is useless. There is nothing for the organization to do. Therefore, the major characteristic of any organization is its goal. Type of people or technology is adopted so that the set goal can be achieved. The goal gives line of action; acquire required type of people and uses type of technology so that the goal is achieved in an anticipated time point. Without goal, organization cannot be formed. | | |
| | | **3. Organization is a collection of people :** People are the main performers in any organization. In other world, all the elements of any organization are the same except the people. Even with the same age, qualification, experience and facilities, the output of the people may vary, simply because the needs and wants of all people are not the same. What makes them work by heart and head is the one that differentiate organizations from one to others. | | |
| | | **4. Organization consists of technology:** Technology is the means of doing works. There are various kinds of doing works. As an organization consists of more people, its performance procedure should be of a fixed type so that each individual in the organization can exercise them well. This is how technology initiates. Technology eases the work and shortens the time. Technology originates a certain policy necessary to keep organizational beliefs in doings of the various people at different structural level. This saves the integrity of the people in achieving goals. | | |
| | | **5. Organization has continuity:** As the organization involves people, and the people generate different needs, they can leave the organization or some may die too. This does not affect the organization to stop or decrease in size. Hence, it is said that every organization has its own continuity. A good manager can leave but other better man can take over the charge of the organization. | | |
| 1 | b) | **Explain the principles of organization.** | 5 | |
| | | **1. Principle of Objective:** | | |
| | | The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole and the organization is set up to achieve that goal. In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization. | | |
| | | **2. Principle of Specialization:** | | |
| | | The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification. The person should continue the same work so that he specializes in his work. This helps in increasing production in the concern. | | |
| | | **3. Principles of Co-ordination:** | | |
| | | The co-ordination of different activities is an important principle of the organization. There should be some agency to co-ordinate the activities of various departments. In the absence of co-ordination there is a possibility of setting up different goals by different departments. The ultimate aim of the concern can be achieved only if proper co-ordination is done for different activities. | | |
| | | **4. Principle of Authority and Responsibility:** | | |
| | | The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been | | |

given the work. If a superior delegates his authority to his subordinate, the superior is not absolved of his responsibility, though the subordinate becomes liable to his superior. The responsibility cannot be delegated under any circumstances.

**5. Principle of Definition:**
The scope of authority and responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility also. Everybody's responsibility will become nobody's responsibility. The relationship between different departments should also be clearly defined to make the work efficient and smooth.

**6. Span of Control:**
Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that the supervisor should be able to control their work effectively. Moreover, the work to be supervised should be of the same nature. If the span of control is disproportionate, it is bound to affect the efficiency of the workers because of slow communication with the supervisors.

**7. Principle of Balance:**
The principle means that assignment of work should be such that every person should be given only that much work which he can perform well. Some person is over worked and the other is under-worked, then the work will suffer in both the situations. The work should be divided in such a way that everybody should be able to give his maximum.

**8. Principle of Continuity:**
The organization should be amendable according to the changing situations. Everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static. There should always be a possibility of making necessary adjustments.

**9. Principle of Uniformity:**
The organization should provide for the distribution of work in such a manner that the uniformity is maintained. Each officer should be in-charge of his respective area so as to avoid dual subordination and conflicts.

**10. Principle of Unity of Command:**
There should be a unity of command in the organization. A person should be answerable to one boss only. If a person is under the control of more than one person then there is a like-hood of confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of responsibility to one person. The command should be from top to bottom for making the organization sound and clear. It also leads to consistency in directing, coordinating and controlling.

**11. Principle of Exception:**
This principle states that top management should interfere only when something goes wrong. If the things are done as per plans then there is no need for the interference of top management. The management should leave routine things to be supervised by lower cadres. It is only the exceptional situations when attention of top management is drawn. This principle relieves top management of many botherations and routine things. Principle of exception allows top management to concentrate on planning and policy formulation. Important time of management is not wasted on avoidable supervision.

**12. Principle of Simplicity:**
The organizational structure should be simple so that it is easily understood by each and every person. The authority, responsibility and position of every person should be made clear so that there is no confusion about these things. A complex organizational structure will create doubts and conflicts among persons. There may also be over-lapping and duplication of efforts which may otherwise be avoided. It helps in smooth running of the organization.

**13. Principle of Efficiency:**
The organization should be able to achieve enterprise objectives at a minimum cost. The standards of costs and revenue are pre-determined and performance should be according to these goals. The organization should also enable the attainment of job satisfaction to various employees.

**14. Scalar Principle:**

This principle refers to the vertical placement of supervisors starting from top and going to the lower level. The scalar chain is a pre-requisite for effective and efficient organization.

| 2 | | **Outline the process of selection and recruitment.** | 5 | 10 |

**Selection Process and Steps:**
As we have discussed that Selection is very important for any organization for minimizing the losses and maximizing the profits. Hence the selection procedure should be perfect. A good

selection process should comprise the following steps −

- **Employment Interview** − Employment interview is a process in which one-on-one session in conducted with the applicant to know a candidate better. It helps the interviewer to discover the inner qualities of the applicant and helps in taking a right decision.
- **Checking References** − Reference checking is a process of verifying the applicant's qualifications and experiences with the references provided by him. These reference checks help the interviewer understand the conduct, the attitude, and the behavior of the candidate as an individual and also as a professional.
- **Medical Examination** − Medical examination is a process, in which the physical and the mental fitness of the applicants are checked to ensure that the candidates are capable of performing a job or not. This examination helps the organization in choosing the right candidates who are physically and mentally fit.
- **Final Selection** − The final selection is the final process which proves that the applicant has qualified in all the rounds of the selection process and will be issued an appointment letter.

A selection process with the above steps will help any organization in choosing and selecting the right candidates for the right job.

**Recruitment Process and Steps:**

Recruitment is a process of finding and attracting the potential resources for filling up the vacant positions in an organization. It sources the candidates with the abilities and attitude, which are required for achieving the objectives of an organization.

Recruitment process is a process of identifying the jobs vacancy, analyzing the job requirements, reviewing applications, screening, short listing and selecting the right candidate.

- Identifying job requirement
- Preparing job description and job specification
- Advertising vacant position
- Attracting candidates to apply for job
- Managing application
- Scrutinizing application
- Short listing candidates

| | | | | |
|---|---|---|---|---|
| 3 | a) | **Explain meaning and nature of directing.** | 5 | 10 |

**Meaning:**
Directing is "a managerial function that involves the responsibility of managers for communicating to others what their roles are in achieving the company plan."
— **Pearce and Robinson**

**Nature of Directing:**
**1. Process of action:**
  Direction initiates action at top level of the organization and flows down the hierarchy. It follows that subordinates have to be directed by their superiors only.
**2. On-going process:**
  Directing is not an intermittent function of management. It is a process of continuously guiding the behavior of others.
**3. Not supported by rules:**
  Since the behavior of people cannot be predicted through mathematical or statistical tools, the function of directing is based on behavioral sciences. It is not supported by rules or regulations.
**4. Directing is situational:**
  Managers influence the behaviour of employees according to situation. The directions change from situation to situation. Factors like environment, nature of workers, group behaviour, attitude towards work etc. affect directing.
**5. Behavioral science:**
  Since directing deals with human behavior, managers study different aspects of human psychology to understand how to influence their behaviour.
**6. Understand group behaviour:**
  No person can work alone. While working in the organization, he becomes part of the informal groups (formed on the basis of common interests of individuals). The behaviour of a person is different as an individual and as member of the group. It is, therefore, essential that managers understand the nature of group behaviour in order to direct effectively.
**7. Participative:**

| | | | | |
|---|---|---|---|---|
| | | Direction initiates action on the part of employees. To ensure greater participation of workers in carrying out the organizational activities, they should take part in the meetings to discuss various direction policies.<br>**8. Pervasive:**<br>     Managers at all levels in all functional areas direct their subordinates. Top managers guide middle and lower level managers who further direct supervisors and workers. It is performed at every level of management.<br>Every person in the organizational hierarchy is superior to some and subordinate to others except those at the top and the bottom. Direction maintains and strengthens superior-subordinate relationships and inspires everyone in the organization to have a common vision, that is, contribution to organizational goals. | | |
| 3 | b) | **Describe leadership styles.**<br>**Leadership Styles** are philosophies of leadership that guide the actions of the leader. There are different types of Leadership Styles based on culture, values, and the leader's own personal character traits. Some elements of each type of Leadership styles are often combined in the same person as it is rare for a leader to neatly fit into only one category.<br>**Lewin's Leadership Styles**<br>In 1930s a well-known psychologist Kurt Lewin developed his leadership styles framework. This framework provided the foundation of many of the approaches that are developed afterwards. Following are the three major Kurt Lewin leadership styles:<br>**Autocratic Leadership**.<br>Autocratic leadership style is also known as authoritarian leadership. In this approach leaders make decisions without consulting with their team members. Such leaders do not take suggestions from team members even if their input would be useful. Simply Autocratic leaders make choices based on their own ideas, experience and judgments and rarely accept advice from team members. This approach is suitable for those situations when you need to make decisions quickly, when team agreement is not necessary for a successful outcome and when there is no need for team input. However, this leadership style can be demoralizing for an organization as well as it can lead to high levels of staff turnover and absenteeism.<br>**Democratic Leadership.** Democratic leadership style is also known as participative leadership. In this style leaders make the final decisions, but they also include their business or project team members in the decision-making process. This style encourages creativity of team members, and they are often highly engaged in projects and decisions. Researchers have found that this leadership style is one of the most effective among leadership styles and this lead to higher productivity, better contributions and increased team morale. This also results in high job satisfaction and high productivity.<br>**Laissez-faire Leadership.** Laissez-faire leadership is also known as delegated leadership style. These are the leaders who give their team members a lot of freedom in how they do their work, how they set goals and objectives, and how they set their deadlines. Leaders in this style provide support, resources and advice to group member if needed, except this they don't get involved. This autonomy may lead to high job satisfaction, but it usually decrease the productivity damaging if team members do not manage their time well, or if they lack the skills,, knowledge, or self motivation to do their work effectively. This style may also automatically take place when managers don't have control over their work and their team.<br>Lewin's leadership styles are popular and useful, because it encourages leaders/managers to be less autocratic than they might instinctively be. | 5 | |
| 4 | a) | **Explain with a diagram Maslow's Theory of motivation.**<br><br>**Maslow's Hierarchy of Needs Theory** | 05 M | 10 M |

One of the most popular needs theories is **Abraham Maslow's hierarchy of needs theory**. Maslow proposed that motivation is the result of a person's attempt at fulfilling five basic needs: physiological, safety, social, esteem and self-actualization. According to Maslow, these needs can create internal pressures that can influence a person's behavior.

**Physiological needs** are those needs required for human survival such as air, food, water, shelter, clothing and sleep. As a manager, you can account for physiological needs of your employees by providing comfortable working conditions, reasonable work hours and the necessary breaks to use the bathroom and eat and/or drink.

**Safety needs** include those needs that provide a person with a sense of security and well-being. Personal security, financial security, good health and protection from accidents, harm and their adverse effects are all included in safety needs. As a manager, you can account for the safety needs of your employees by providing safe working conditions, secure compensation (such as a salary) and job security, which is especially important in a bad economy.

**Social needs**, also called **love and belonging**, refer to the need to feel a sense of belonging and acceptance. Social needs are important to humans so that they do not feel alone, isolated and depressed. Friendships, family and intimacy all work to fulfill social needs. As a manager, you can account for the social needs of your employees by making sure each of your employees know one another, encouraging cooperative teamwork, being an accessible and kind supervisor and promoting a good work-life balance.

**Esteem needs** refer to the need for self-esteem and respect, with self-respect being slightly more important than gaining respect and admiration from others. As a manager, you can account for the esteem needs of your employees by offering praise and recognition when the employee does well, and offering promotions and additional responsibility to reflect your belief that they are a valued employee.

**Self-actualization needs** describe a person's need to reach his or her full potential. The need to become what one is capable of is something that is highly personal. While I might have the need to be a good parent, you might have the need to hold an executive-level position within your organization. Because this need is individualized, as a manager, you can account for this need by providing challenging work, inviting employees to participate in decision-making and giving them flexibility and autonomy in their jobs.

| **b)** | **List Hygiene and motivation factors as per Herzberg and Explain their implications.** | | |
|---|---|---|---|

**List Hygiene and motivation factors as per Herzberg and Explain their implications.**

In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

Herzberg classified these job factors into two categories-

  a. **Hygiene factors-** Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existant at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as **dissatisfiers or maintenance factors** as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:

  - Pay - The pay or salary structure should be appropriate and reasonable. It mu competitive to those in the same industry in the same domain.
  - Company Policies and administrative policies - The company policies should They should be fair and clear. It should include flexible working hours, dre vacation, etc.
  - Fringe benefits - The employees should be offered health care plans (medicla the family members, employee help programmes, etc.
  - Physical Working conditions - The working conditions should be safe, clean an

**05M**

work equipments should be updated and well-maintained.
- Status - The employees' status within the organization should be familiar and retained.
- Interpersonal relations - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.
- Job Security - The organization must provide job security to the employees.

b. **Motivational factors-** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

- Recognition - The employees should be praised and recognized for their accomplishments by the managers.
- Sense of achievement - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- Growth and promotional opportunities - There must be growth and advancement opportunities in an organization to motivate the employees to perform well.
- Responsibility - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.
- Meaningfulness of the work - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

**Implications of Two-Factor Theory**

The Two-Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. This theory emphasize upon job-enrichment so as to motivate the employees. The job must utilize the employee's skills and competencies to the maximum. Focusing on the motivational factors can improve work-quality.

| 5 | a) | **Explain meaning and types of committees.**<br>**MEANING:**<br>A group of people appointed for a specific function by a larger group and typically consisting that members of that group<br>**TYPES OF COMMITTEES**<br>It can be broadly classified into<br><br>   a) *Advisory Committees*<br><br>    Whenever committees are vested with staff authority they are known as Advisory Committees. It have only a recommendatory role and cannot enforce implementation of their advice or recommendation.<br><br>Some of the usual advisory committees formed in business enterprises are :<br><br>   Sales Committee, Finance Committee ..etc.<br><br>*b) Executive Committees*<br><br>    Whenever committees are vested with line authority they are known as Executive Committees (or) Plural executives. Unlike advisory committees, executive committees not only take decisions but also enforce decisions and thus perform a double role of taking a decision and ordering execution. The Board of Directors of a company is an example of Executive Committee.<br><br>Some other committees like, *Standing/Permanent committees* are continued until the organization continues. These committees are permanent in nature.<br>*And ad hoc task forces/committees* are temporary in nature and these committees are formed for a limited period of time. Once the period is over, the committees are abolished. | 05 M | 10M |

**b) Discuss importance of coordination.**

**Importance of Coordination in Management**

**Unity in Diversity**

Every large organization has a large number of employees, each with different views or opinions, activities and background. Therefore, there are diverse activities in an organization. However, all these activities would not be highly effective in the absence of coordination. Hence, coordination is important for unity in diversity.

**Unity of Direction**

An organization needs to integrate the efforts and skills of different employees in order to achieve common objectives. Coordination also eliminates duplication of work leading to cost-efficient operations.

**Functional Differentiation**

An organization has many departments or sections performing different functions. All these functions are important for achieving the overall goals of the organization. If all departments work in isolation from the others, then they might not work in tandem. Therefore, coordination is essential for integrating the functions.

**Lesser disputes**

Many departments play an important role in helping the organization achieve its goals. They are also capable of assessing the nature and scope of work they perform. However, they are usually unaware of the importance of other department's roles leading to disputes. Coordination can help solve such disputes.

**Reconciliation of goals**

All individuals have their own goals which are more important to them than the organization's goals. Coordination helps to reconcile the employee's goals with the departmental and organizational goals.

**Differentiation and Integration**

Usually, activities of an organization are divided into two types of units – specialized and homogeneous. Also, to achieve group efforts, authority is delegated to different levels in the organization. Coordination facilitates this process.

**Optimum Utilization of Resources**

Primarily, coordination ensures that employees do not engage in cross-purpose work since it brings together the human and material resources of the organization. Therefore, there is less wastage of resources which helps the organization utilize them optimally.

**Encouragement of team spirit**

In an organization, there exist many conflicts between employees, departments, etc. Coordination encourages people and departments to work as one big team and achieve the common objectives of the organization. Therefore, it encourages team spirit.

05 M

**a) Explain steps in controlling.**

The control process is the system that allows setting, measure, and match and tweaks any business activities such as production, packaging, delivery and more.

The control process is the functional process for organizational control that arises from the goals and strategic plans of the organization.

**4 Steps of Control Process are;**
1. Establishing standards and methods for measuring performance.
2. Measuring the performance.
3. Determining whether performance matches the standard.
4. Taking corrective action.

**1. Establishing Standards and Methods for Measuring Performance**

Standards are, by definition, simply the criteria of performance. They are the selected points in an entire planning program at which performance is measured so that managers can receive signals about how things are going and thus do not have to watch every step in the execution of plans.

Standard elements form precisely worded, measurable objectives and are especially important for control.

In an industrial enterprise, standards could include sales and production targets, work attendance goals, safety records etc. In service industries, on the other hand, standards might include a number of time customers have to wait in the queue at a bank or the number of new

05 M

10 M

6

clients attracted by a revamped advertising campaign.

**2. Measuring the Performance**

The measurement of performance against standards should be done on a forward-looking basis so that deviations may be detected in advance of their occurrence and avoided by appropriate actions. If standards are appropriately drawn and if means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy.

But there are many activities for which it is difficult to develop accurate standards, and there are many activities that are hard to measure. It may be quite simple, for example, to establish labor-hour standards for the production of a mass-produced item and it may be equally simple to measure performance against these standards, but in the less technical kinds of work.

For example, controlling the work of the industrial relations manager is not easy because definite standards cannot be easily developed. The superior of this type of managers often rely on vague standards, such as the attitude of labor unions, the enthusiasm, and loyalty of subordinates, the index of labor turnover and/or industrial disputes etc. In such cases, the superior's measurements are often equally vague.

**3. Determining whether Performance Matches the Standard**

It is an easy but important step in the control process. It involves comparing the measured results with the standards already set. If performance matches the standard, managers may assume that "everything is under control". In such a case the managers do not have to intervene in the organization's operations.

**4. Taking Corrective Action**

This step becomes essential if performance falls short of standards and the analysis indicates that corrective action is required. The corrective action could involve a change in one or more activities of the organization's operations.

For example, the branch manager of a bank might discover that more counter clerks are needed to meet the five-minute customer-waiting standard set earlier.

Control can also reveal inappropriate standards and in that case, the corrective action could involve a change in the original standards rather than a change in performance. It needs to be mentioned that, unless managers see the control process through to its conclusion, they are merely monitoring performance rather than exercising control.

The emphasis should always be on devising constructive ways to bring performance up to a standard rather than on merely identifying past failure.

| | b) | **Discuss meaning and benefits of social audit.** | | |
|---|---|---|---|---|

**Social Audit:**

A social audit is a systematic study and evaluation of the organization's social performance as distinguished from its economic performance.

The term "social performance" refers to any organizational activity that effects the general welfare of society.

Simply, it is a study to evaluate an organization's social performance with respect to its social programmes and objectives.

**Benefits:**

- It supplied data for comparison with organization's social policies and standards. The management can determine how well it is living up to its social objectives.

- It develops a sense of social awareness among all employees.

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

- It provides data about the cost of social programmes.

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

**Limitations:**

- They are difficult to measure.

- Their classification under 'good' or 'bad' is not universally accepted.

**05 M**

| | | | | |
|---|---|---|---|---|
| | | • Most of them occur outside the organization, making difficult for the organization to secure data from these outside sources.<br><br>**The Tata Iron and Steel Company is the first industrial organization in India to have carried out a social audit of its performance in 1979.** | | |
| 7 | a) | **Describe social responsibility of business towards different groups.**<br>**Corporate social Responsibility towards different interest groups**<br>      The business organizations generally interact with various interest groups such as the owners, investors, employees, suppliers, competitors, customers, government, and society. In each and every business activity these interest groups are affected directly or indirectly and they are also called as stakeholders. Sometimes the responsibility towards the stakeholders is also called as Stakeholder's Corporate Social Responsibility.<br>**Corporate social Responsibility towards Owners**<br>      Owners are the persons who own the business and they are responsible for the profit or losses and they contribute the capital and bear the risks. The primary responsibility of the business towards its owners is to,<br>    • Should run the business efficiently<br>    • Proper utilization of capital and resources<br>    • Timely repayment of on capital invested<br>**Corporate social responsibility towards Investors**<br><br>      Investors provide the capital by way of investment, it is in the form of debentures, deposits and bonds etc. without investors companies may not be run successfully. The investors included in this category are banks, public and financial institutions. The responsibilities of the business towards its investors are,<br>    • Providing assurance to their investment<br>    • Paying interests timely to the investors<br>    • Giving important updates to the investors<br>    • Repayment of principle amount timely<br>**Corporate social responsibility towards Employees**<br><br>      Business needs workers or employees to work for the organization they put their efforts for the growth of the firm. It is the basic responsibility of the organization to take care of the interest of the employees and to fulfill their needs. Employee satisfaction leads to the achievement of the organizational goals. The responsibilities of the organization towards its employees or workers include, wages and salaries should be paid timely and regularly<br>    • Providing proper welfare amenities and working conditions<br>    • Providing better opportunities for the career prospects<br>    • Providing Job security and social security<br>    • Providing facilities like pension, provident fund, retirement benefits, and group insurance, etc<br>    • Providing housing, canteen, transport, and crèches etc<br>    • Identifying and fulfilling training and developmental needs<br>**Corporate social responsibility towards Suppliers**<br><br>      Suppliers are the persons who supply semi finished goods, finished goods, raw materials and other items required by the firms. Market demand conditions can only be fulfilled on the basis of the supply of the raw materials. So the suppliers are the part of the success of the business. Managers should always notice the importance of the suppliers. Certain suppliers are called as distributors because they supply finished products to the consumers. The responsibilities of business towards these suppliers are,<br>    • Giving regular orders to purchase goods<br>    • Dealing with fair terms and conditions<br>    • Maintaining reasonable credit period<br>    • Dues should be paid timely<br>**Corporate social responsibilities towards Customers**<br><br>      Business can only be survived with the support of customers. The success of the business completely depends on the customer satisfaction and customer loyalty. Brand image comes from these two factors, so being responsible towards the customers not only benefits the customers but it maximizes the revenues and makes possible to get the market empire. The responsibility of business towards customers is, | 05 M | 10 M |

- Products and services must fulfill the needs of the customers
- Qualitative Products and services must be delivered
- Regularity in supply of goods and services must be maintained
- Prices of the goods and services should be fixed reasonable and affordable
- Procedure, advantages and disadvantages of the product and the use of the products must be informed to the customers
- Organizations must provide after sales service
- Grievances of the customers must be settled quickly
- Fewer quality services, under weighing the product and adulteration must be avoided

**Corporate social responsibility towards Competitors**

Competitors always help the business in becoming more innovative and dynamic. But it is not that much easy to face a severe competition. Firms always try to overcome the competition by giving discounts, by using various advertisement strategies, and so on. To become better than their competitor's firms sometimes may follow unfair practices like giving sales commissions to the agents, heavy discounts to the customers, false advertisements, bribing the competitor's employees to know the business secrets etc. The responsibilities of business towards its competitors are,

- Not to offer high sales commission to distributors and agents
- Not to offer heavy discounts to the customers
- False advertisements should not be given to defame the competitors
- Should not bribe the competitor's employees to copy their products and services

**Corporate social responsibility towards Government**

Firms should follow the rules framed by the government. These guidelines are for the safety measures and for the benefit of the society. Responsibilities of the firms towards government are,

- Following the guidelines are given by the government
- Fees, duties and taxes should be paid regularly and honestly
- Should not follow the restrictive trade practices
- Firms should follow the pollution control norms
- Should not follow the corruption and other unlawful activities

**Corporate social responsibility towards Society**

In almost all activities individuals, groups, organizations and families, etc interact with each other and dependent on each other. A relationship exists between them which may be direct or indirect. The increase in per capital income increases the value of the money and national income. With the increase in national income revenues of the business also increases. Thus it has certain responsibilities towards the society which may be as follows,

- Firms should help the weaker sections of the society
- Organizations should protect the social and cultural values
- Firms should generate the employment by extending their business
- Should protect the environment by taking proper measures
- Natural resources and wildlife should not be harmed
- Should provide assistance in the areas of research, education, medical sciences, and technology, etc.

| b) | **Explain business ethics and corporate governance.** | | |
|---|---|---|---|
| | **Business Ethics** | | |
| | Ethics is a subject of social science that is related with moral principles and social values. 'Business Ethics' can be termed as a study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. | | |
| | Businesses must abide by some basic principles. It should provide quality goods and services at reasonable prices to their consumers. It must also avoid adulteration, misleading advertisements, and other unfair malpractices. | **05 M** | |
| | Business Ethics – Definition | | |
| | There are many definitions of business ethics, but the ones given by **Andrew Crane** and **Raymond C. Baumhart** are considered the most appropriate ones. | | |
| | According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed." | | |
| | Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly." | | |

**Features of Business Ethics**

There are eight major features of business ethics −

- **Code of Conduct** − Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
- **Based on Moral and Social Values** − Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.
- **Protection to Social Groups** − Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
- **Offers a Basic Framework** − Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
- **Voluntary** − Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
- **Requires Education & Guidance** − Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
- **Relative Term** − Business ethics is a relative term. It changes from one business to another and from one country to another.
- **New Concept** − Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

**Corporate Governance**

Corporate Governance refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

**Benefits of Corporate Governance**

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization in managed in a manner that fits the best interests of all.

| 8 | a) | **Discuss meaning and characteristics of successful entrepreneur.** <br><br> An entrepreneur is the founder of the enterprise who identifies opportunities, assembles skilled manpower and necessary resources for the operation of the enterprise, attracts persons and financial Institutions and takes psychological responsibility for managing the enterprise successfully. <br><br> The word 'Entrepreneur' is derived from the French word "Entreprendre" means, "to undertake." <br><br> Entrepreneurs are action-oriented highly motivated individuals who take risks to achieve goals. <br><br> **Characteristics of an Entrepreneur** <br> An entrepreneur is a person who is action-oriented and highly motivated to take a risk and to achieve such a goal dot brings about a change in the process of generating goods or services or re-initiates progress in the advent of creating new organizations. <br><br> Therefore, experts have nine characteristics for the entrepreneur from different conceptual viewpoints. <br><br> The characteristics that encompass the concept of the entrepreneur are discussed below: <br><br> **1. Entrepreneur is an agent** <br> An entrepreneur is perceived as an economic agent who assembles materials for producing goods at a cost that ensures profits and re-accumulation of capital. <br> He is also understood as a change agent who brings about changes in the structure and | 05 M | 10 M |

formation of the organization, market and the arena of goods and services.

*2. Entrepreneur is a risk taker*

Many experts – old and new, have emphasized this characteristic. Back I955, Redlich pointed out that an entrepreneur is a person who identifies the nature of risk and takes a decision.

Later on, Burch, Meredith and other experts have agreed that entrepreneur is a risk taker while undertaking a venture.

**3. Entrepreneur is a profit maker**

An entrepreneur is an individual who establishes and manages the business for the principal purpose of profit and growth.

**4. Entrepreneur is an achievement motivator**

David C. McClelland has initiated this concept of the entrepreneur by calling him "as per sun with a strong desire for achievement."

Later on, Meredith and others have expressed the same concept while they termed "entrepreneurs are action-oriented, highly' motivated individuals."

Therefore, entrepreneurs have to have a deep-rooted need for achieving their goals.

**5. Entrepreneur is a capital provider**

Entrepreneur a person who operates a business by investing his or her capital. Abbett first pointed out this characteristic in 1967.

It a supported by Nadkami (l97S) and Sharma (1981). They perceived entrepreneur as the founder of an enterprise who assembles necessary resources for the operation of the enterprise.

**6. Entrepreneur is the determinant of the nature of the business**

This characteristic /concept of the entrepreneur was promoted by Evans in 1957 It says that entrepreneur is the person or group of persons who perform the task of determining the kind of business to the operated.

Therefore, entrepreneurs promote diversified and distinct types of business in society.

**7. Entrepreneur is an innovator**

Joseph A. Schumpeter {1934) characterized entrepreneur as an innovator of new combination in the field of production Later on Robinson (1962) and Hagen (1962) have described entrepreneur as a person who lakes a small venture to the edge of success by his efforts, innovation and motivation.

Innovation is perceived by the Schumpeter as an action that introduces a product, a new quality, a new method of production, new market and new organization.

Therefore, entrepreneur innovates something that brings about disequilibria in the industry.

**8. Entrepreneur is a reward receiver**

An entrepreneur is a person who creates something new of value by devoting time and efforts and in tum receives monetary and personal rewards. Max Weber, Hartman, Hisrich and Peters have recognized this distinct phenomenon of entrepreneurs.

**9. Entrepreneur is a challenge taker**

It perceives entrepreneur as a person who accepts challenges for developing and exercising vigilance about success and failure to take a risk and to generate products.

The above-mentioned characterizes of an entrepreneur show' that an entrepreneur is a dynamic person who promotes society and civilization by taking ventures that give an enormous variety of goods and organizations to bring about changes in the arena of industrial activity.

| | b) | **Describe classification of entrepreneurs.** | | |
|---|---|---|---|---|

**Four Important Classification of Entrepreneurs**

**CLASSIFICATION OF ENTREPRENEURS ACCORDING TO THE TYPE OF BUSINESS**

According to the type of business, entrepreneurs shall be classified as Business Entrepreneurs, Trading Entrepreneurs, Industrial Entrepreneurs, Corporate Entrepreneurs, Agricultural Entrepreneurs, Retail Entrepreneurs, Service Entrepreneurs and Social Entrepreneurs.

**1. Business Entrepreneurs**

Business entrepreneurs we those who conceive an idea to for a new product or service and then create a business to convert their ideas into reality. These entrepreneurs may be found in small business units or big enterprises. They concentrate both on production and marketing activities. Example: A Printing Press, bakery or a textile unit.

**2. Trading Entrepreneurs**

Trading Entrepreneurs are those who undertake trading activities. These entrepreneurs do not concentrate on manufacturing activities. They give more emphasis on distribution and marketing of goods. They identify potential markets, create demand for the product and

**05 M**

influence people to buy the product. Example: Agents and Wholesalers.

**3. Industrial Entrepreneurs**

Industrial Entrepreneurs are those who concentrate in industrial and production activities. Trey identify the needs of the customers and manufacture a product according to their needs. They are generally a product-Oriented entrepreneur. Example: A manufacturer of Automobile spare parts, computer accessories.

**4. Corporate Entrepreneur**

Corporate entrepreneurs are those who exhibit innovative skills in organizing and managing corporate undertaking. Example: A Trust registered under the Trust Act.

**5. Agricultural Entrepreneur**

An agricultural entrepreneur is one who concentrates on agricultural activities. These entrepreneurs concentrate on activities like raising agricultural production, marketing of fertilizers etc.

**6. Retail Entrepreneurs**

Retail entrepreneurs are those who undertake trading activities. They have direct contact with customers and hence they are customer oriented. Example: An entrepreneur running a departmental store

**7. Service Entrepreneur**

A service entrepreneur is one who provides services to customers. They make profit by rendering services. Example: An entrepreneur running a hotel or dry cleaning unit.

**8. Social Entrepreneur**

A social entrepreneur is one who provides importance to the society by serving them. He concentrates on social issues and does not aim to make profit. Example: A person running an orphanage.

**CLASSIFICATION OF ENTREPRENEUR ACCORDING TO THE STAGES OF DEVELOPMENT**

According to the Stages of development, entrepreneurs shall be classified as First Generation Entrepreneurs, Modern or Innovative Entrepreneurs, Classical Entrepreneurs and Inherited Entrepreneurs

**1. First Generation Entrepreneur**

A first generation entrepreneur is one who sets up an enterprise by his innovative skill. He combines various factors of production and provides marketable product or services by adopting innovative ideas. He is the first person to start an enterprise on his own. Though such a person may have the family background of some business, such entrepreneurs may also establish a certain business which may be unrelated to their family business.

**2. Modern Entrepreneurs Or Innovative Entrepreneurs**

A modern entrepreneur is a dynamic entrepreneur. He always looks for changes and responds to the changing demand of the market. His business ventures suits the current marketing needs.

**3. Classical Entrepreneur**

Classical entrepreneur is a stereo type entrepreneur. He aims at maximizing profits at a consistent level. There may or may not be an element of growth. Survival of the firm is given more importance by these entrepreneurs.

**4. Inherited Entrepreneurs**

These entrepreneurs have inherited family business or possess experience from their family business. These entrepreneurs may like to diversify a little from their family business.

**CLASSIFICATION OF ENTREPRENEURS ACCORDING TO MOTIVATIONAL ASPECTS**

According to motivational aspects, entrepreneurs shall be classified as Pure Entrepreneurs, Induced Entrepreneurs, Motivated Entrepreneurs and Spontaneous Entrepreneurs.

**1. Pure Entrepreneur**

A pure entrepreneur is a person who is motivated by psychological and economic factors. Entrepreneurial task is undertaken by them due to certain reasons. Ability to handle risk, desire to enjoy better status, desire to get recognition in the society, thirst for making money motivates a person to take up entrepreneurial activities.

**2. Induced Entrepreneur**

Induced entrepreneur are those who takes up entrepreneurial task due to the incentives and subsides granted by the government. Financial and technical assistance provided by the government motivates a person to start new ventures.

**3. Motivated Entrepreneur**

They are motivated by the desire far their self-fulfillment. They emerge because of the possibility of producing and, selling new products. They are also motivated by economic

factors.

**4. Spontaneous Entrepreneur**

A person, turns out to be an entrepreneur, because of the natural talent vested in him. These entrepreneurs have self confidence and emerge as challengers. They take up entrepreneurial activity in order to tap their talents. They have great self confidence in their talent and are highly resourceful.

## CLASSIFICATION OF ENTREPRENEURS ACCORDING TO TECHNOLOGICAL ASPECTS

According to Technical Aspects, Entrepreneurs shall be classified as Technical Entrepreneurs, Non-Technical Entrepreneurs and Professional Entrepreneurs.

**1. Technical Entrepreneur**

A technical entrepreneur is one who concentrates more on production activities. He has got sound technical knowledge. He utilizes his technical knowledge and demonstrates his innovative capabilities. He is also known as technocrat.

**2. Non-Technical Entrepreneur**

A non-technical entrepreneur concentrates more on marketing activities. He tries to find out new strategies for marketing goods. He also promotes his business by employing various marketing methods.

**3. Professional Entrepreneur**

Professional entrepreneur is a person who applies innovative ideas in setting up of a business. He is interested in establishing the enterprises rather than managing it. Once the business is established. the entrepreneur will sell the business to some one else.

## CLASSIFICATION OF ENTREPRENEURS ACCORDING TO CLARENCE DANHOF

Clarence Danhof had classified entrepreneurs based on his study on American agriculture. He classified entrepreneurs into four categories.

**1. Innovative Entrepreneur**

An innovative entrepreneur is one who introduces new product, new service or new market. An innovative entrepreneur is also known as modern entrepreneur. An innovative entrepreneur can work only when a certain level of development is reached. These entrepreneurs introduce new changes and develop the business after a certain level of development is reached. They invent new products. Such kind of entrepreneurs can be seen in developed countries, as large sum of money can be diverted towards research and development purposes.

**2. Adaptive Entrepreneur**

Adaptive entrepreneur is one who adopts the successful innovations of innovative entrepreneur. These entrepreneurs imitate the techniques and technologies innovated by others. These entrepreneurs can be seen both in underdeveloped and developing countries. They also make small changes in relevance to their market environment.

**3. Fabian Entrepreneur**

A fabian entrepreneur is one who responds to changes only when he is very clear that failure to respond to changes would result in losses. Such entrepreneurs do not introduce new changes. They also do not desire to adopt new methods. They are very shy and stick to old customs. They are very cautious.

**4. Drone Entrepreneurs**

These entrepreneurs do not make any changes. They refuse to utilize the opportunities and may also suffer losses. They are very conventional. They refuse to introduce changes. They even make losses but avoid changes. Sometimes they may be pushed out of the market.

*****