BUSINESS STUDIES

SHORT NOTES

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1. Nature and Significance of Management

Meaning and concept of management

- Management is the process of getting things done with the aim of achieving goals effectively and efficiently. It involves working with and through people and using organisational resources.
- The process consists of interrelated functions: planning, organising, staffing, directing and controlling. These functions are performed by managers at every level, though the time devoted to each function differs.
- Effectiveness means completing the right task and achieving the desired goal. It focuses on the end result. Efficiency means doing the task correctly with minimum cost and resources; it focuses on the relationship between inputs and outputs.
- Effectiveness and efficiency must be balanced. Achieving a target at excessive cost is effective but inefficient; cutting costs so much that the target is missed is efficient but ineffective. Good management aims at both.

Characteristics of management

- Goal-oriented process: Management unites individual efforts towards clearly stated organisational goals.
- All pervasive: Management is required in all types and sizes of organisations—business and non-business, manufacturing and services, public and private. The basic functions are common, although practices differ across cultures and situations.
- Multidimensional: It involves management of work (defining tasks and goals), management of people (individuals and groups), and management of operations (converting inputs into outputs).
- Continuous process: Planning, organising, staffing, directing and controlling are ongoing and interrelated activities, performed simultaneously as circumstances require.
- Group activity: People with different needs and purposes work together towards common organisational objectives. Teamwork and coordination are essential.
- Dynamic function: Management adapts the organisation and its goals to changes in the external environment, including social, economic, political and technological changes.
- Intangible force: Management cannot be seen or touched, but its presence is felt through achievement of targets, employee satisfaction, orderly work and absence of chaos.

Objectives of management

- Organisational objectives: Management balances the interests of stakeholders and pursues the economic objectives of survival, profit and growth.
- Survival: The basic objective is to continue operating. The business must earn sufficient revenue to cover costs.
- Profit: Profit is essential for covering costs and business risks, providing an incentive to continue operations and supporting future development.
- Growth: Growth may be measured through increased sales, number of employees, products, capital investment or other indicators of expansion.
- Social objectives: Organisations have obligations towards society. These include producing quality goods at reasonable prices, adopting environment-friendly methods, creating employment opportunities and contributing to social welfare.
- Personal objectives: Management seeks to satisfy employees’ varied needs, such as competitive remuneration, recognition, career growth, participation, good working conditions and personal development. Organisational and individual objectives must be reconciled.

Importance of management

- Management helps achieve group goals by integrating and directing individual efforts towards a common purpose.
- It increases efficiency by reducing costs, avoiding wastage and making optimum use of resources.

- It creates a dynamic organisation by helping it adapt to environmental changes and respond to competition and new opportunities.
- It helps achieve personal objectives by motivating employees and providing opportunities for growth and satisfaction.
- It contributes to the development of society through quality goods and services, employment, innovation and responsible use of resources.

Nature of management: art, science and profession

- Management as an art: It involves personal skill, practical knowledge, creativity and application of principles to achieve desired results. Different managers may apply the same principles differently.
- Management as a science: It has a systematic body of knowledge, principles based on observation and experimentation, and cause-and-effect relationships. However, it is not an exact science because human behaviour and business situations are not fully predictable.
- Management as a profession: It has a specialised body of knowledge, formal learning and training, professional associations and ethical codes. However, entry is not restricted by a compulsory licence and a universal statutory code, so management is not a full-fledged profession.
- Management combines all three dimensions: knowledge and principles (science), skillful application (art), and growing professional standards (profession).

Levels of management

- Top-level management: Board of directors, chief executive and senior executives. They determine objectives, policies and strategies, coordinate major activities, deal with the external environment and exercise overall control.
- Middle-level management: Departmental and divisional heads. They interpret top-level policies, prepare departmental plans, assign duties, coordinate departments, motivate lower-level managers and report performance.
- Supervisory or operational management: Foremen, supervisors and section officers. They directly oversee workers, issue instructions, maintain quality and discipline, and ensure day-to-day work is completed.

Functions of management

- Planning: Setting objectives and deciding in advance what is to be done, how, when and by whom.
- Organising: Identifying and grouping activities, assigning duties and establishing authority and reporting relationships.
- Staffing: Estimating manpower needs, recruiting, selecting, placing, training, developing and appraising employees.
- Directing: Instructing, guiding, motivating, supervising and leading employees so that plans are implemented.
- Controlling: Setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.

Coordination

- Coordination is the process of synchronising the activities of different individuals and departments so that organisational goals are achieved efficiently. It integrates group efforts and ensures unity of action.
- It is needed because organisations have divided work, interdependent departments, different individual goals and changing conditions.
- Coordination is the essence of management: it is required in planning, organising, staffing, directing and controlling rather than being a separate, independent function.
- Characteristics: it integrates group efforts; ensures unity of action; is a continuous process; is all pervasive at every level and department; and is the responsibility of all managers.
- Importance: it promotes harmony among departments, prevents duplication and conflict, ensures optimum resource use, links specialised activities and helps the organisation respond as one unit.

2. Principles of Management

Meaning and nature of principles

- Management principles are broad and general guidelines for managerial decision-making and behaviour. They are developed through observation, experience and experimentation and help managers handle recurring situations.
- Universal applicability: They can be applied in different types of organisations, although the manner of application may vary.
- General guidelines: They guide action but do not provide rigid, step-by-step solutions for every situation.
- Formed by practice and experimentation: They are based on repeated observation and testing of managerial experience.
- Flexibility: They can be modified according to the situation and are not rigid rules.
- Mainly behavioural: They deal largely with human behaviour, which is complex and variable.
- Cause-and-effect relationship: They indicate the likely effect of one action on another and help managers anticipate consequences.
- Contingent: Their application depends on the circumstances, organisation and people involved.

Significance of management principles

- They provide useful insights into reality and help managers understand practical situations.
- They help managers make optimum use of resources and improve administration.
- They encourage scientific and objective decisions rather than decisions based only on intuition.
- They help organisations adapt to changing business environments.
- They support fulfilment of social responsibility by guiding responsible managerial conduct.
- They provide a foundation for management training, education and research.

Taylor’s Scientific Management

- Scientific management is an approach that applies scientific methods to work in order to determine the best way of performing tasks, improve efficiency and increase productivity.
- Frederick Winslow Taylor is known as the father of scientific management. He sought to replace rule-of-thumb methods with systematic study of work.
- Science, not Rule of Thumb: Use scientific study to determine the best method for each job instead of relying on traditional methods.
- Harmony, not Discord: Management and workers should develop mutual understanding and work in harmony rather than conflict.
- Cooperation, not Individualism: Managers and workers should cooperate in implementing scientific methods and achieving organisational objectives.
- Development of each and every person to greatest efficiency and prosperity: Workers should be scientifically selected, trained and developed so that they and the organisation prosper.
- Separation of planning and operational work: Managers plan and design methods; workers carry out the work. This specialisation improves efficiency.

Taylor’s techniques

- Functional foremanship: Work is supervised by specialists. Planning is handled by route clerk, instruction-card clerk, time-and-cost clerk and disciplinarian; production is supervised by speed boss, gang boss, repair boss and inspector.
- Standardisation and simplification of work: Standard tools, equipment, methods and working conditions are established. Unnecessary varieties and sizes are reduced.
- Method study: Identify the best way of doing a job by analysing processes and eliminating unnecessary steps.

- Motion study: Observe workers' movements to eliminate wasteful motions and determine the most efficient sequence.
- Time study: Determine the standard time required for a well-trained worker to complete a task at a normal pace.
- Fatigue study: Identify the amount and frequency of rest intervals needed to reduce fatigue and maintain efficiency.
- Differential piece wage system: Workers who meet or exceed the standard receive a higher rate per unit; those below the standard receive a lower rate. It rewards efficient performance.

Fayol's principles of management

- Division of work: Specialisation increases efficiency and productivity.
- Authority and responsibility: Authority to give orders must be matched with responsibility for performance.
- Discipline: Employees should respect rules and agreements; good discipline requires effective supervision and fair application of rules.
- Unity of command: Each employee should receive orders from only one superior to avoid confusion.
- Unity of direction: Activities with the same objective should be directed by one manager using one plan.
- Subordination of individual interest to general interest: Organisational interests should take priority over personal interests when they conflict.
- Remuneration of employees: Compensation should be fair and satisfactory to employees and the organisation.
- Centralisation and decentralisation: The degree of concentration of authority should be appropriate to the organisation and situation.
- Scalar chain: A clear line of authority should run from the highest to the lowest level. Fayol's gang plank allows direct communication between employees at the same level in urgent situations, with proper information to superiors.
- Order: There should be a proper place for every person and material, and every person and material should be in its proper place.
- Equity: Managers should treat employees with fairness, kindness and justice.
- Stability of personnel: Unnecessary employee turnover should be avoided; employees need time to learn and perform.
- Initiative: Employees should be encouraged to think, suggest and execute plans within their authority.
- Esprit de corps: Promote team spirit, unity and harmony; avoid actions that divide employees.

Taylor and Fayol: focus

- Taylor concentrated mainly on improving efficiency at the shop-floor and operational level through scientific study of tasks.
- Fayol focused on overall administration and general principles applicable to managers at different levels.
- Both aimed to improve organisational efficiency and believed management could be studied systematically.

3. Business Environment

Meaning and characteristics

- Business environment is the totality of external forces, individuals and institutions that are outside the business but may affect its performance.
- Specific forces directly affect individual enterprises, such as customers, competitors, suppliers and investors. General forces affect all enterprises indirectly, such as economic, social, political, legal and technological conditions.

- Inter-relatedness: Changes in one environmental element may influence other elements; for example, new technology may alter consumer preferences and competition.
- Dynamic nature: The environment keeps changing in terms of technology, consumer tastes, policies and market conditions.
- Uncertainty: Future changes are difficult to predict, particularly when they occur rapidly.
- Complexity: Many forces operate together and their combined effect is difficult to understand.
- Relativity: The impact of an environmental change differs across countries, regions, industries and businesses.

Importance of business environment

- It enables firms to identify opportunities and gain first-mover advantage by acting before competitors.
- It helps identify threats and provides early-warning signals, allowing timely defensive action.
- It helps firms tap useful resources such as finance, labour, materials and information from the environment.
- It helps organisations cope with rapid changes in technology, competition, consumer preferences and government policy.
- It assists in planning and policy formulation because managers can design plans in light of external conditions.
- It improves performance by helping firms respond appropriately to opportunities and threats.

Dimensions of business environment

- Economic environment: Factors such as interest rates, inflation, income, GDP, taxation, monetary and fiscal policy, economic growth and the economic system.
- Social environment: Customs, traditions, values, beliefs, literacy, education, lifestyle, population trends and social expectations.
- Technological environment: New techniques, production methods, information technology, innovation and changes that affect products and processes.
- Political environment: Political stability, ideology of the ruling government, attitudes of political parties and the political climate.
- Legal environment: Laws, regulations, court decisions and government rules that businesses must follow.

Economic reforms in India

- Industrial policy changes: The New Industrial Policy, 1991 reduced industrial licensing, opened many industries to private participation and changed the role of the public sector.
- Liberalisation: Removal or reduction of unnecessary government controls and restrictions on business and industry. Measures included deregulation, easier industrial licensing, financial-sector reforms, tax reforms and freer movement of goods and services.
- Privatisation: Increasing the role of the private sector and reducing the ownership or management role of government in public-sector enterprises. Disinvestment is one method of privatisation.
- Globalisation: Integration of the national economy with the world economy through trade, investment, technology and movement of services. It increases competition and access to international markets.
- Impact on business: Increased competition, demanding customers, rapid technological change, need for efficiency, changing government policies and greater market opportunities. Businesses must improve quality, productivity and innovation.

4. Planning

Meaning and concept

- Planning means deciding in advance what is to be done and how it is to be done. It bridges the gap between where the organisation is and where it wants to go.

- It involves setting objectives and choosing the best course of action from available alternatives. It is concerned with both ends (what is to be achieved) and means (how it is to be achieved).

Features of planning

- Planning focuses on achieving objectives: all plans are directed towards predetermined organisational goals.
- It is a primary function of management because it lays the foundation for organising, staffing, directing and controlling.
- It is pervasive: managers at all levels and in all departments plan, though the scope and time horizon differ.
- It is continuous: plans are reviewed and modified as conditions change; one plan leads to further planning.
- It is futuristic: it involves looking ahead, forecasting and preparing for future conditions.
- It involves decision-making: managers evaluate alternatives and select the most suitable course of action.
- It is a mental exercise: it requires foresight, imagination, analysis and logical thinking.

Importance of planning

- It provides direction by making objectives and the path to achieve them clear.
- It reduces the risks of uncertainty by anticipating changes and preparing responses, though it cannot eliminate uncertainty.
- It reduces overlapping and wasteful activities by coordinating efforts and clarifying what is to be done.
- It promotes innovative ideas by encouraging managers to examine alternatives and develop better methods.
- It facilitates decision-making by evaluating possible courses of action before acting.
- It establishes standards for controlling because planned objectives and targets provide a basis for comparing actual performance.

Limitations of planning

- Planning leads to rigidity when employees follow plans mechanically and fail to respond to changing conditions.
- It may not work in a dynamic environment because assumptions can become invalid and plans may need revision.
- It reduces creativity if lower-level employees are required only to follow predetermined plans.
- It involves substantial cost in terms of time, money and effort, including forecasting and data collection.
- It is a time-consuming process and may delay action when quick decisions are needed.
- It does not guarantee success: external events, poor implementation and unforeseen changes may cause plans to fail.

Planning process

- Setting objectives: Specify what the organisation wants to achieve; objectives should be clear and measurable where possible.
- Developing premises: Establish assumptions about the future, such as market demand, costs, technology and government policy.
- Identifying alternative courses of action: Search for different ways of achieving the objectives.
- Evaluating alternatives: Compare alternatives in terms of costs, benefits, risks, feasibility and contribution to objectives.
- Selecting an alternative: Choose the most suitable course of action; sometimes a combination of alternatives is appropriate.
- Implementing the plan: Put the selected course into action by communicating responsibilities and providing resources.
- Follow-up action: Monitor progress, review results and make adjustments where required.

Types of plans

- Objectives: The desired end results that management seeks to achieve; they provide direction and basis for evaluation.
- Strategy: A comprehensive plan formulated to meet competition and respond to environmental opportunities and threats. It includes long-term objectives and broad action choices.
- Policy: A general guideline that channels decision-making in a particular direction; it allows some managerial discretion.
- Procedure: A chronological sequence of steps to be followed for performing an activity.
- Method: The prescribed manner or way of performing one step in a procedure.
- Rule: A specific statement indicating what must or must not be done; it allows no discretion.
- Programme: A detailed plan containing objectives, policies, procedures, rules, tasks, resources and the sequence of activities for a specific course of action.
- Budget: A statement of expected results expressed in numerical terms, such as money, time or units.

5. Organising

Meaning and process

- Organising is the process of identifying and grouping work, establishing relationships and deploying resources to achieve organisational objectives.
- Identification and division of work: Break the total work into specific jobs and activities to avoid duplication and make specialisation possible.
- Departmentalisation: Group similar or related activities into departments based on functions, products, territories, processes or customers.
- Assignment of duties: Allocate specific tasks to individuals according to their abilities and job requirements.
- Establishing reporting relationships: Define who reports to whom and clarify authority and responsibility.

Importance of organising

- Benefits of specialisation: Division of work enables employees to specialise and improves efficiency and productivity.
- Clarity in working relationships: Clearly defined jobs and reporting relationships reduce confusion and conflict.
- Optimum utilisation of resources: Proper allocation of work and resources reduces duplication and wastage.
- Adaptation to change: A sound structure can be modified as the organisation grows or the environment changes.
- Effective administration: Clear authority and responsibility make coordination and control easier.
- Development of personnel: Delegation and job assignments provide opportunities to learn, take responsibility and develop skills.
- Expansion and growth: A well-designed structure makes it easier to add departments, products, locations and employees.

Organisation structure

- Organisation structure is the framework within which managerial and operating tasks are performed. It specifies relationships between people, work and resources.
- Functional structure: Jobs are grouped according to functions such as production, marketing, finance and human resources. It promotes specialisation and economies of scale, but may lead to departmental silos, slower decisions and difficulty fixing responsibility for product results. It is suitable for organisations with a relatively limited product range and stable operations.
- Divisional structure: The organisation is divided on the basis of products, territories or customer groups. Each division has its own functional departments. It improves accountability, product focus and flexibility,

but may duplicate resources and increase costs. It is suitable for large organisations with diverse products or markets.

- Functional structure groups similar functions across the organisation; divisional structure groups functions around a product, territory or customer segment.

Formal and informal organisation

- Formal organisation is the officially prescribed structure of jobs, authority, responsibilities and reporting relationships created by management.
- Advantages of formal organisation: clear duties and authority; systematic coordination; avoids duplication; supports stability and accountability.
- Limitations of formal organisation: may be rigid; communication can be slow through official channels; it may not satisfy social and psychological needs.
- Informal organisation arises naturally from social interaction among employees. It is not deliberately designed by management.
- Advantages of informal organisation: faster communication; social satisfaction; fills gaps in formal arrangements; supports cooperation and group identity.
- Limitations of informal organisation: rumours may spread; it may resist change; group interests may conflict with organisational objectives.

Delegation

- Delegation is the entrustment of responsibility and authority by a superior to a subordinate to perform assigned tasks. The superior remains ultimately accountable.
- Elements: Authority is the right to give orders and use resources; it flows downward and should be adequate for the task. Responsibility is the obligation to perform the assigned duty; it arises from assignment and cannot be completely delegated. Accountability is answerability for the final outcome; it flows upward and cannot be delegated.
- Importance: reduces the workload of managers; develops subordinates; improves motivation and initiative; facilitates growth; supports quick decisions and creates a management hierarchy.

Decentralisation

- Decentralisation is the systematic delegation of authority throughout the organisation to lower levels for decision-making. It is wider than delegation and reflects a deliberate policy of distributing authority.
- Importance: develops initiative among subordinates; develops managerial talent; quickens decision-making; reduces the burden on top management; facilitates growth; improves control by creating responsibility centres.
- Delegation is essential in every organisation and concerns a superior-subordinate relationship; decentralisation is a broader organisational policy about how far authority is distributed.

6. Staffing

Meaning and importance

- Staffing is the managerial function of filling and keeping filled positions in the organisation structure. It involves obtaining, using and maintaining a satisfactory and satisfied workforce.
- People are a key organisational resource. Proper staffing improves performance, ensures the right person is placed in the right job, supports efficient use of human resources and helps the organisation adapt to change.
- Staffing is part of human resource management (HRM), which includes recruitment, selection, training, performance appraisal, compensation, promotion and career planning.

Staffing process

- Estimating manpower requirements: Analyse current and future workload, jobs, skills and number of employees required; compare requirements with available workforce to identify gaps.

- Recruitment: Search for prospective employees and encourage them to apply for jobs.
- Selection: Choose the most suitable candidate from applicants through screening, tests, interviews, reference checks and medical examination where relevant.
- Placement and orientation: Assign the selected person to a suitable job and introduce them to the organisation, colleagues, rules and work environment.
- Training and development: Improve job-related knowledge and skills; development prepares employees for future responsibilities.
- Performance appraisal: Evaluate an employee's actual performance against predetermined standards and provide feedback.
- Promotion and career planning: Move employees to higher positions when appropriate and plan their future growth.
- Compensation: Determine wages, salaries, incentives and benefits in a fair and competitive manner.

Recruitment sources

- Internal sources: Filling vacancies from within the organisation, mainly through transfers and promotions.
- Transfers shift employees between jobs or locations at the same level, generally without a major change in status or pay.
- Promotions move employees to higher positions with greater responsibility, authority and usually higher pay.
- Merits of internal recruitment: economical; motivates employees; employees are already familiar with the organisation; supports loyalty and career progression.
- Limitations of internal recruitment: restricts the inflow of fresh talent; may create vacancies elsewhere; can cause dissatisfaction among employees not selected; limits the choice of candidates.
- External sources: Direct recruitment, casual callers, advertisements, employment exchanges, placement agencies and management consultants, campus recruitment, employee recommendations, labour contractors, television advertising and web publishing.
- Merits of external recruitment: wider choice; fresh ideas and skills; suitable when expansion creates many vacancies; may bring people with specialised experience.
- Limitations of external recruitment: more costly and time-consuming; existing employees may feel overlooked; new recruits need time to adjust.

Selection and training

- Selection is a process of choosing the best candidate from those who have applied. It is a screening process and aims to match job requirements with candidate qualifications.
- Common selection steps include preliminary screening, selection tests, employment interview, reference and background checks, selection decision, medical examination where required, job offer and contract of employment.
- Training improves the knowledge and skills needed for the present job. Development is broader and prepares employees for future roles and responsibilities.
- On-the-job methods: Apprenticeship training, coaching, job rotation and internship. Employees learn while performing actual work or under guidance.
- Off-the-job methods: Classroom lectures, conferences, case studies, films, computer modelling and vestibule training in a simulated work environment.
- Training benefits employees through improved skills, confidence, productivity and career prospects; it benefits the organisation through better quality, lower wastage, improved safety and adaptability.

7. Directing

Meaning and importance

- Directing is the process of instructing, guiding, counselling, motivating and leading employees to achieve organisational objectives. It initiates action and converts plans into performance.
- It takes place at every level of management and is a continuous function. It flows from superior to subordinate and involves direct contact with employees.
- Directing integrates individual efforts, helps employees understand their roles, motivates them, facilitates change and provides stability and balance in the organisation.

Principles of directing

- Maximum individual contribution: Direct employees so that their abilities and efforts contribute fully to organisational goals.
- Harmony of objectives: Align individual goals with organisational objectives.
- Unity of command: An employee should receive instructions from one superior to avoid confusion.
- Appropriateness of direction technique: Use a method suited to employees and the situation.
- Managerial communication: Instructions and feedback should be clear, complete and understood.
- Use of informal organisation: Managers should recognise and use informal relationships constructively.
- Leadership: Managers should guide and influence employees through suitable leadership behaviour.

Elements of directing: supervision

- Supervision means overseeing the work of subordinates and ensuring that tasks are performed according to instructions and standards.
- Supervisor acts as a link between management and workers, maintains day-to-day contact, guides employees, resolves work problems and provides feedback.
- Importance: maintains contact with workers; ensures performance according to plans; provides guidance and feedback; maintains discipline and morale; helps improve use of resources.

Motivation

- Motivation is the process of stimulating people to act in a desired manner to accomplish organisational objectives. It may arise from internal needs or external incentives.
- Features: it is an internal feeling; it produces goal-directed behaviour; it may be positive or negative; it is a complex and continuous process; different people are motivated by different needs.
- Motivation process: an unsatisfied need creates tension; the person searches for ways to satisfy it; goal-directed behaviour is undertaken; performance leads to rewards or outcomes; need satisfaction reduces tension, though new needs arise.
- Maslow’s hierarchy of needs: physiological needs (food, clothing, shelter); safety needs (security and protection); social needs (belonging, friendship and affection); esteem needs (status, respect and recognition); self-actualisation needs (realising one’s potential and personal growth). Lower-level needs generally demand attention before higher-level needs become strong motivators.
- Financial incentives: pay and allowances, productivity-linked wages, bonus, profit sharing, co-partnership or stock options, retirement benefits and perquisites.
- Non-financial incentives: status, organisational climate, career advancement, job enrichment, employee recognition, job security, employee participation and empowerment.

Leadership

- Leadership is the process of influencing people so that they strive willingly towards group objectives.
- Features: it involves influence; it requires followers; it aims at common goals; it is a continuous process; it operates in a particular situation.
- Importance: guides and inspires employees; creates confidence; improves motivation and morale; coordinates individual efforts; initiates action and helps manage change.

- Qualities of a good leader include physical and mental energy, knowledge, integrity, initiative, communication skill, self-confidence, ability to motivate, social skill and decisiveness.
- Autocratic leadership: leader centralises authority, makes decisions and expects compliance. It can be useful in emergencies or where quick decisions are needed, but may reduce initiative and morale.
- Democratic leadership: leader consults employees, encourages participation and shares decision-making. It can improve commitment and creativity, though decisions may take longer.
- Laissez-faire leadership: leader gives substantial freedom to employees to make decisions and perform work. It may work with skilled, self-directed teams but can lead to lack of direction if guidance is needed.

Communication

- Communication is the process of exchange of information, ideas, facts and opinions between two or more persons to create common understanding.
- Elements: sender; message; encoding; communication channel; receiver; decoding; feedback. Noise or barriers may interfere at any stage.
- Importance: supports coordination; facilitates decision-making; improves managerial efficiency; promotes cooperation and change; helps employees understand instructions and organisational goals.
- Formal communication follows official channels and the organisation structure. It may be downward, upward or horizontal. It supports authority and accountability but may be slow or rigid.
- Informal communication arises from social interaction and does not follow official channels. The grapevine is the informal communication network; it is fast but may spread incomplete or distorted information.
- Barriers: semantic barriers (poorly expressed messages, ambiguous words, faulty translations, technical jargon); psychological barriers (lack of attention, distrust, premature evaluation, emotions); organisational barriers (complex structure, rules, status differences, information overload); personal barriers (fear of challenging authority, lack of confidence, unwillingness to communicate).
- Measures to improve communication: clarify ideas before communicating; use simple language; choose an appropriate medium; encourage feedback; listen actively; reduce status barriers; follow up; and ensure consistency between words and actions.

8. Controlling

Meaning and importance

- Controlling is the process of ensuring that actual activities conform to planned activities. It involves setting standards, measuring performance, comparing results, analysing deviations and taking corrective action.
- Accomplishes organisational goals by identifying gaps between plans and actual results.
- Judges the accuracy of standards and helps revise unrealistic standards.
- Promotes efficient use of resources by identifying wastage and underperformance.
- Improves employee motivation through clear standards and feedback.
- Ensures order and discipline by identifying deviations and encouraging compliance.
- Facilitates coordination because departments and employees work towards common standards.

Limitations of controlling

- Difficulty in setting quantitative standards: some activities and results, such as employee morale or creativity, are difficult to measure numerically.
- Little control over external factors: changes in government policy, technology, competition or natural conditions may be beyond managerial control.
- Resistance from employees: excessive control may create pressure, reduce initiative or be perceived as interference.
- Costly affair: designing and operating a control system may require significant time, money and effort.

Relationship between planning and controlling

- Planning sets objectives and standards; controlling checks whether performance is in line with those plans.
- Planning is meaningless without controlling because there would be no mechanism to check implementation. Controlling is blind without planning because there would be no predetermined standards for comparison.
- Both are interdependent and reinforce each other. Planning is forward-looking, while controlling evaluates performance and provides feedback for future planning.

Controlling process

- Setting performance standards: Establish measurable standards for quantity, quality, time and cost, based on objectives and plans.
- Measurement of actual performance: Collect information through observation, reports, samples and performance records. Measurement should be accurate and timely.
- Comparing actual performance with standards: Identify the extent and direction of deviations.
- Analysing deviations: Determine causes and distinguish significant deviations from minor ones. Critical-point control focuses attention on key result areas; management by exception directs attention to significant deviations.
- Taking corrective action: Correct actual performance, revise standards where they are unrealistic, or improve plans, methods, training and resource allocation. Follow-up ensures the action works.

Techniques and areas of control

- Control techniques may be traditional or modern, including personal observation, statistical reports, break-even analysis, budgetary control, return on investment, ratio analysis, responsibility accounting, management audit, PERT/CPM and network analysis.
- Standards may be applied in production (quality, output, wastage and time), marketing (sales, market share, selling expenses and customer feedback), human resources (absenteeism, labour turnover and training), and finance/accounting (budgets, costs, liquidity, profitability and returns).

9. Financial Management

Business finance and financial management

- Business finance is the money required for carrying out business activities. It is needed to establish, run, modernise, expand or diversify a business and to acquire tangible and intangible assets and meet day-to-day expenses.
- Financial management is concerned with optimal procurement and effective use of finance. It seeks to reduce the cost of funds, keep risk under control, deploy funds effectively, ensure adequate funds when needed and avoid idle finance.

Importance and objective

- Financial management affects the size and composition of fixed assets; the amount and composition of current assets; the mix of long-term and short-term funds; the proportion of debt and equity; and expenses such as interest and depreciation.
- The primary objective is wealth maximisation: maximising the market value of equity shares and therefore shareholders' wealth. Decisions should add value by ensuring that benefits exceed costs.
- Good financial decisions support the financial health, competitiveness and long-term survival of the business.

Three financial decisions

- Investment decision: Determines where the firm should invest its funds. Long-term investment decisions are capital budgeting decisions involving fixed assets and are usually large, risky and difficult to reverse. Short-term investment decisions concern current assets such as cash, inventory and receivables and are part of working capital management.

- Capital budgeting factors: expected cash flows over the project's life; rate of return; and investment criteria or techniques used to evaluate proposals. Projects should be assessed for return and risk.
- Financing decision: Determines the amount of finance to raise from different long-term sources and the proportion of debt and equity. Main sources are shareholders' funds (equity and retained earnings) and borrowed funds (debentures and other debt). Debt requires interest and repayment, while equity does not create the same fixed payment obligation.
- Financing factors: cost of funds; financial risk; floatation costs; cash-flow position; fixed operating costs; control considerations; and conditions in the capital market.
- Dividend decision: Determines how much of after-tax profit is distributed to shareholders and how much is retained in the business. Dividends provide current income, while retained earnings support future investment and growth.
- Dividend factors: amount and stability of earnings; stability of dividends; growth opportunities; cash-flow position; shareholders' preferences; taxation; access to capital markets; legal constraints; and contractual restrictions.

Financial planning

- Financial planning is the preparation of a financial blueprint of an organisation's future operations. It estimates the amount of funds required and determines the timing and sources of funds.
- It ensures availability of funds when required and avoids both shortage and surplus. It helps coordinate financial policies with other plans and provides a basis for control.
- An appropriate financial plan should be simple, flexible, provide for contingencies and ensure optimum use of funds.

Capital structure

- Capital structure refers to the mix of owners' funds and borrowed funds used to finance a business. It is commonly expressed through the relative proportion of debt and equity.
- Debt may be cheaper and provide tax benefits, but interest and principal repayment are fixed obligations and increase financial risk. Equity has no compulsory interest payment but may dilute control and can be more expensive.
- Factors affecting capital structure: cash-flow position; interest coverage ratio; debt service coverage ratio; return on investment; cost of debt; tax rate; cost of equity; floatation costs; risk considerations; flexibility; control; regulatory framework; and conditions in the stock market.

Fixed capital and working capital

- Fixed capital is the investment in long-term assets such as land, buildings, plant, machinery and equipment. It is used for long-term operations and is not intended for sale in the normal course of business.
- Factors affecting fixed capital requirements: nature of business; scale of operations; choice of technique; technology upgradation; growth prospects; diversification; financing alternatives such as leasing; and level of collaboration.
- Working capital is the excess of current assets over current liabilities (net working capital). Gross working capital refers to the total investment in current assets. Current assets include cash, inventory and receivables; current liabilities include short-term obligations.
- Working capital is needed for day-to-day operations, such as buying materials, paying wages and meeting operating expenses. Adequate working capital supports liquidity and uninterrupted operations.
- Factors affecting working capital: nature of business; scale of operations; business cycle; seasonal factors; production cycle; credit allowed; credit availed; operating efficiency; availability of raw materials; growth prospects; level of competition; and inflation.

10. Financial Markets

Meaning and functions

- A financial market is a market for the creation and exchange of financial assets. It brings together people who have surplus funds and those who need funds.
- It mobilises savings and channels them into productive investment; facilitates price discovery; provides liquidity to financial assets; and reduces transaction costs by bringing buyers and sellers together.

Types of financial markets

- Money market: Market for short-term funds and financial instruments with maturity generally up to one year. It helps meet short-term liquidity requirements.
- Money market instruments: Treasury bills (short-term government securities); commercial paper (unsecured short-term promissory note issued by creditworthy companies); call money (short-term funds, generally overnight to a short period); certificate of deposit (negotiable short-term deposit instrument issued by banks and eligible financial institutions); and commercial bill (bill of exchange used to finance credit sales).
- Capital market: Market for medium- and long-term funds. It provides long-term finance to business and government and includes the primary and secondary markets.
- Primary market: The market in which new securities are issued for the first time and funds flow from investors to the issuing company. Methods include public issue through prospectus, offer for sale, private placement, rights issue and e-IPO.
- Secondary market: The market where existing securities are bought and sold among investors. It provides liquidity and marketability and helps determine the prices of securities.

Primary and secondary markets

- Primary market deals with new securities; secondary market deals with existing securities.
- In the primary market, funds are raised by the issuing company; in the secondary market, ownership changes between investors and the issuing company does not directly receive the sale proceeds.
- Primary market has no fixed geographical location; secondary market transactions take place through recognised stock exchanges and trading systems.
- Both markets are complementary: the primary market provides securities, while the secondary market gives investors an exit route and liquidity.

Stock exchange and trading

- A stock exchange is an organised market that provides a platform for buying and selling existing securities in accordance with established rules and regulations.
- Functions include providing liquidity and marketability; determining prices through demand and supply; ensuring safety of transactions through regulation; contributing to economic growth by mobilising savings; spreading equity ownership; and providing scope for speculation within regulated limits.
- Trading and settlement generally involve opening a demat account and trading account with intermediaries, placing orders through a registered broker, matching orders electronically, and settling funds and securities through clearing and depository systems.
- Dematerialisation means converting physical securities into electronic form. Depositories hold securities electronically through depository participants.
- National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are major recognised stock exchanges in India. Their objectives include nationwide access, transparent trading, efficient settlement, investor protection and improved market integrity.

SEBI

- The Securities and Exchange Board of India (SEBI) regulates the securities market and protects the interests of investors.

- Protective functions: prohibit fraudulent and unfair trade practices; control insider trading; educate investors; and promote fair conduct.
- Developmental functions: promote training of intermediaries; encourage fair and efficient trading practices; support research and development; and facilitate innovation in the securities market.
- Regulatory functions: register and regulate intermediaries; regulate stock exchanges and mutual funds; frame rules and codes; inspect and investigate; and impose penalties for violations.

11. Marketing

Meaning and marketing management

- A market is not merely a physical place; it refers to the arrangement through which buyers and sellers interact and exchange goods and services.
- Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value.
- Marketing management involves planning, organising, directing and controlling activities related to marketing goods and services to satisfy customer needs and achieve organisational objectives.
- Marketing starts before production by identifying customer needs and continues after sale through service and feedback.

Marketing versus selling

- Marketing focuses on customer needs and satisfaction; selling focuses mainly on the product and converting it into cash.
- Marketing begins before production and continues after sale; selling generally begins after production.
- Marketing uses an integrated set of activities—product, price, place and promotion; selling relies mainly on promotional and selling efforts.
- Marketing aims at long-term customer satisfaction and profit through customer value; selling aims primarily at increasing sales volume.

Marketing management philosophies

- Production concept: Consumers prefer products that are widely available and affordable; management focuses on production efficiency and distribution.
- Product concept: Consumers prefer products offering quality, performance and innovative features; management focuses on continuous product improvement.
- Selling concept: Consumers will not buy enough unless the organisation undertakes aggressive selling and promotion.
- Marketing concept: Organisational goals are achieved by identifying target-market needs and satisfying them more effectively than competitors.
- Societal marketing concept: Marketing decisions should balance customer satisfaction, organisational objectives and society’s long-term welfare.

Functions and role of marketing

- Gathering and analysing market information to understand customer needs and market trends.
- Marketing planning: develop marketing objectives, strategies and programmes.
- Product designing and development: create products that meet customer requirements and improve their value.
- Standardisation and grading: establish uniform standards and classify products according to quality or characteristics.
- Packaging and labelling: protect products, facilitate handling and communicate product information.
- Branding: give a product a distinct identity and differentiate it from competitors.

- Customer support services: provide after-sales service, credit, maintenance, technical assistance and complaint handling.
- Pricing: determine a price that customers are willing to pay and that supports organisational objectives.
- Promotion: inform, persuade and remind customers through advertising, personal selling, sales promotion and publicity.
- Physical distribution: make products available at the right place and time through channels, transportation, warehousing and inventory management.
- Transportation and storage: move products and hold them until they are needed.

Marketing mix: 4 Ps

- Marketing mix is the set of controllable marketing tools used by an organisation to influence demand for its product. The four elements are product, price, place and promotion.
- Product: the bundle of physical, service and symbolic attributes offered to satisfy customer needs. Decisions include quality, features, design, brand, packaging, labelling and after-sales service.
- Consumer products: convenience products are purchased frequently with minimum effort; shopping products are compared on quality, price and suitability; speciality products have unique characteristics for which buyers make special efforts; unsought products are not normally sought by consumers.
- Industrial products are purchased for use in production or business operations rather than personal consumption.
- Branding: assigning a name, term, sign, symbol or design to identify a product and distinguish it from competitors. A good brand name should be short, easy to pronounce and remember, distinctive, meaningful and legally protectable.
- Packaging: designing and producing the container or wrapper. It protects the product, facilitates storage and handling, supports promotion and provides convenience.
- Labelling: provides information such as brand, grade, ingredients, quantity, instructions, price, manufacture and expiry details, and statutory declarations.
- Price: the amount of money paid by a customer for a product. Pricing decisions consider cost, demand, competition, objectives, government regulation and marketing methods.
- Place/physical distribution: decisions about channels of distribution, transportation, warehousing and inventory. Channels may include direct distribution or intermediaries such as wholesalers and retailers.
- Promotion: communication with target customers to inform, persuade and remind them about products.

Promotion mix

- Advertising: paid, non-personal presentation and promotion of ideas, goods or services by an identified sponsor. It reaches a large audience and is expressive, but is impersonal and can be costly.
- Objections to advertising: it may add to product costs; encourage materialism; confuse buyers through exaggerated claims; undermine social values; and sometimes create barriers to competition. These criticisms do not apply equally to every advertisement.
- Personal selling: oral presentation in a conversation with prospective buyers to make sales. It allows personal contact, immediate feedback, demonstration and relationship building, but is costly per contact and has limited reach.
- Sales promotion: short-term incentives to encourage purchase or sale, such as discounts, rebates, refunds, product combinations, quantity gifts, samples, contests and dealer incentives.
- Publicity: non-paid, non-personal communication about an organisation or product through media coverage. It may have credibility but is not fully controlled by the organisation.
- Public relations: planned efforts to build and maintain favourable relations with the organisation’s various publics, including customers, employees, investors, government and community.

12. Consumer Protection

Meaning and importance

- Consumer protection refers to protecting consumers from unfair trade practices and safeguarding their interests. It includes educating consumers about their rights and responsibilities and helping them obtain redressal of grievances.
- The textbook contrasts caveat emptor (let the buyer beware) with caveat venditor (let the seller beware). Consumers may face defective or unsafe products, adulteration, misleading advertisements, spurious goods, overpricing, hoarding and black-marketing.
- From the consumer's point of view: consumer ignorance makes education necessary; consumers are often unorganised and need collective support; and widespread exploitation makes protection essential.
- From the business point of view: customer satisfaction supports long-term business interests and repeat sales; businesses use society's resources; consumer protection is a social responsibility and moral duty; and ethical conduct helps avoid government intervention and damage to reputation.

Legal protection to consumers: textbook framework

- The uploaded textbook (2018–19 edition) discusses the Consumer Protection Act, 1986. It describes the legal framework and institutions as they stood in that textbook edition; statutory provisions and monetary limits may have changed since publication.
- Consumer Protection Act, 1986: safeguards consumers against defective goods, deficient services, unfair trade practices and exploitation. The textbook describes a three-tier redressal machinery of District Forums, State Commissions and the National Commission, along with consumer protection councils.
- Indian Contract Act, 1872: lays down when promises made by parties to a contract are binding and specifies remedies for breach of contract.
- Sale of Goods Act, 1930: provides safeguards and relief to buyers when goods do not comply with express or implied conditions or warranties.
- Essential Commodities Act, 1955: aims to control production, supply and distribution of essential commodities, check inflationary price trends and ensure equitable distribution; it also provides action against hoarding and black-marketing.
- Agricultural Produce (Grading and Marking) Act, 1937: prescribes grade standards for agricultural commodities and livestock products. The quality mark is AGMARK.
- Prevention of Food Adulteration Act, 1954: aims to check adulteration of food articles and ensure purity to protect public health.
- Standards of Weights and Measures Act, 1976: protects consumers against under-weight and under-measure in goods sold by weight, measure or number.
- Trade Marks Act, 1999: prevents fraudulent use of marks on products and protects consumers against such products.
- Competition Act, 2002: protects consumers against business practices that hamper competition in the market.
- Bureau of Indian Standards Act, 1986: provides for formulation of quality standards and certification. The textbook refers to the ISI mark and a grievance cell for complaints about products carrying the mark.
- Right to Information Act, 2005: the textbook notes that Section 4 requires relevant information to be made available to citizens.

Consumer rights

- Right to Safety: protection against goods and services hazardous to life and health. Consumers should look for relevant safety and quality marks, such as the ISI mark on electrical appliances.
- Right to be Informed: access to complete information about ingredients, date of manufacture, price, quantity, directions for use and other product details.
- Right to Choose: freedom to choose from a variety of products at competitive prices, including choice across quality, brand, price and size.

- Right to be Heard: the right to file a complaint and have consumer interests considered. Business grievance cells and consumer organisations can support this right.
- Right to seek Redressal: the right to obtain relief when goods or services fall short of expectations. Relief may include repair, replacement, refund or compensation, as appropriate.
- Right to Consumer Education: the right to acquire knowledge and remain informed about consumer rights and available remedies.

Consumer responsibilities

- Be aware of the goods and services available in the market so that informed and wise choices can be made.
- Buy standardised goods that provide quality assurance; the textbook gives examples such as ISI, FPO and Hallmark marks.
- Learn about product risks, follow manufacturers' instructions and use products safely.
- Read labels carefully for price, net weight, manufacturing date, expiry date and other information.
- Assert yourself to ensure a fair deal and be honest in your dealings.
- Choose legal goods and services and discourage black-marketing, hoarding and other unscrupulous practices.
- Ask for a cash memo when purchasing goods or services and preserve it as proof of purchase.
- File a complaint in an appropriate consumer forum when there is a shortcoming in the quality of goods or services, even if the amount involved is small.
- Form consumer societies to educate consumers and safeguard their interests.
- Respect the environment by avoiding waste, littering and pollution.

Ways and means of consumer protection

- Self-regulation by business: socially responsible firms follow ethical standards and establish customer-service and grievance cells.
- Business associations: trade and industry associations such as FICCI and CII may establish codes of conduct for members in their dealings with customers.
- Consumer awareness: informed consumers can raise their voices against unfair practices. The textbook refers to the Jago Grahak Jago awareness campaign.
- Consumer organisations: educate consumers, provide guidance and encourage firms to avoid malpractices.
- Government: protects consumers through legislation, enforcement and consumer redressal institutions.

Redressal agencies under the Consumer Protection Act, 1986

- The textbook describes a three-tier system: District Forum, State Commission and National Commission. It also describes appeals moving from District to State, State to National and, in specified cases, National Commission to the Supreme Court.
- Under the textbook edition's stated limits, the District Forum dealt with claims up to Rs. 20 lakh; the State Commission dealt with claims above Rs. 20 lakh and up to Rs. 1 crore; and the National Commission dealt with claims above Rs. 1 crore. These are historical figures reproduced from the supplied edition, not a statement of current jurisdiction.
- The textbook identifies who may file a complaint as: an individual consumer; a registered consumers' association; the Central or a State Government; one or more consumers on behalf of numerous consumers with the same interest; and a legal heir or representative of a deceased consumer.
- Reliefs described in the textbook include removal of defects or deficiency; replacement of defective goods; refund of price or service charges; compensation for loss or injury; punitive damages in appropriate cases; discontinuance of unfair or restrictive trade practices; stopping sale or withdrawing hazardous goods; stopping manufacture or offering of hazardous goods or services; contributions to the Consumer Welfare Fund in prescribed cases; corrective advertisements; and costs.

Role of consumer organisations and NGOs

- Educate the public about consumer rights through training programmes, seminars and workshops.

- Publish periodicals and other material about consumer problems, legal developments and available reliefs.
- Carry out comparative testing of consumer products in accredited laboratories and publish results.
- Encourage consumers to protest and take action against unfair trade practices.
- Provide legal assistance, advice and support in seeking remedies.
- File complaints in consumer courts on behalf of consumers and take up cases in the public interest.
- The textbook gives examples including Consumer Coordination Council, Common Cause, VOICE, Consumer Education and Research Centre, Consumer Guidance Society of India, Mumbai Grahak Panchayat and CUTS.

13. Entrepreneurship Development

Meaning and concept

- An entrepreneur is a person who identifies an opportunity, organises resources, takes calculated risks and establishes or develops an enterprise.
- Entrepreneurship is the process of identifying opportunities, mobilising resources, innovating and creating value through an enterprise.
- Enterprise is the business organisation or venture established by the entrepreneur.
- Entrepreneurship is distinct from routine management: it involves opportunity recognition, innovation, risk-bearing and creation of a new venture, while management focuses on planning, organising and controlling resources to achieve objectives. An entrepreneur may also perform managerial functions.

Characteristics and need for entrepreneurship

- Systematic activity: entrepreneurship involves purposeful and organised actions rather than random activity.
- Lawful and purposeful activity: it creates goods or services and operates within the legal framework.
- Innovation: entrepreneurs introduce new products, processes, markets, sources of supply or organisational methods.
- Organisation of production: entrepreneurs bring together land, labour, capital, technology and other resources.
- Risk-taking: entrepreneurs bear uncertainty and take calculated risks; success is not guaranteed.
- Entrepreneurship promotes economic development by creating employment, increasing output, encouraging innovation, mobilising savings, developing infrastructure, improving living standards and supporting balanced regional growth.

Functions of entrepreneurs

- Opportunity identification: recognise unmet needs, market gaps and possibilities for new products or services.
- Resource mobilisation: arrange finance, people, materials, technology and information.
- Innovation: introduce new products, processes, methods, markets or business models.
- Risk-bearing: accept uncertainty and make decisions despite incomplete information.
- Organisation and coordination: combine resources and establish systems for production and delivery.
- Decision-making and leadership: set goals, choose strategies, motivate people and guide the enterprise.
- Contribution to economic development: generate employment, income, competition, innovation and social change.

Entrepreneur and enterprise: role

- Entrepreneurs identify the business opportunity, prepare a business idea and plan, arrange resources, establish the organisation, manage operations and seek growth.

- They maintain relationships with customers, suppliers, employees, financiers, government and the community.
- They monitor performance, respond to competition and environmental changes, and take corrective action.

Entrepreneurship development process

- Identification and evaluation of the opportunity: study market needs, trends, competition, resources and feasibility.
- Development of a business plan: define the product or service, target customers, marketing approach, operations, resources, financial requirements and risks.
- Resource mobilisation: arrange finance, people, materials, technology, premises and legal permissions.
- Setting up the enterprise: complete registration and other formalities, establish operations and launch the product or service.
- Managing and growing the enterprise: monitor performance, satisfy customers, improve processes, manage finances and pursue expansion.

Government support and Startup India

- Government initiatives seek to promote entrepreneurship by improving access to finance, simplifying procedures, supporting innovation and developing entrepreneurial skills.
- Startup India is an initiative intended to build a strong ecosystem for nurturing innovation and startups, encouraging sustainable economic growth and generating large-scale employment.
- The textbook describes action areas such as simplification and handholding, funding support and incentives, and industry-academia partnership and incubation. Specific scheme rules and eligibility may change over time.

Intellectual Property Rights (IPR)

- Intellectual Property Rights protect creations of the human mind and provide legal rights to creators or owners over specified intellectual property.
- Patents protect qualifying inventions and give the patent holder exclusive rights for the prescribed period, subject to legal conditions.
- Trademarks distinguish the goods or services of one enterprise from those of others through names, symbols, logos or other marks.
- Copyright protects original literary, artistic, musical and other eligible works, including certain forms of software and creative expression.
- Industrial designs protect the visual features of shape, configuration, pattern or ornamentation applied to an article.
- Geographical indications identify goods as originating from a particular territory where a given quality, reputation or characteristic is essentially attributable to that origin.
- IPR encourages innovation, protects creators, supports commercialisation, prevents unauthorised use and helps build brand value.

Entrepreneurial competencies

- Initiative and opportunity seeking: act before being compelled and identify opportunities.
- Persistence: continue efforts despite obstacles and setbacks.
- Commitment to work contract: take responsibility for completing work and satisfying commitments.
- Demand for quality and efficiency: seek better, faster and more economical ways of working.
- Risk-taking: assess alternatives and take calculated risks.
- Goal setting: establish clear and challenging but achievable goals.
- Information seeking: obtain relevant market, technical and business information.
- Systematic planning and monitoring: break work into steps, review progress and adjust plans.
- Persuasion and networking: influence people and build useful relationships.

- Independence and self-confidence: take responsibility and trust one’s ability while remaining open to evidence.

Entrepreneurial motivation, values and attitudes

- Entrepreneurial motivation is the inner drive that encourages a person to start, organise and grow an enterprise. Achievement motivation, desire for independence, recognition, economic opportunity and willingness to take responsibility may influence entrepreneurial action.
- Entrepreneurial values include integrity, responsibility, creativity, quality, respect for people, commitment, social concern and willingness to learn.
- Positive entrepreneurial attitudes include initiative, confidence, perseverance, adaptability, openness to change, calculated risk-taking and a customer-oriented outlook.