



**Block**

# 1

## **FOUNDATION OF INDIAN BUSINESS**

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# BLOCK 1 FOUNDATION OF INDIAN BUSINESS

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This is the first block on the course “Business Organisation and Management”. This block will familiarise you to various dimensions of business including technology, ethical dimension and emerging service on business opportunities. This block will also expose you to the introductory aspect of business, technological innovation, skill development, social responsibility, ethics, and emerging opportunities in business. The block on the theme “Foundation of Indian business” comprises of four units.

**Unit 1:** The very first unit of this particular block emphasizes on how does business facilitate in generating revenue by producing or buying and selling products (such as goods and services). This unit also focuses on the basic aspects of business including its fundamental, features and rationale. It also explains how is the business different from profession.

**Unit 2:** This unit explains the concept of innovation, its model and different types. It deliberates on the significance of skill development and the initiatives taken by government of India towards skill development including its different strategies and approaches.

**Unit 3:** Every business has the responsibility to act ethically, alongwith obligations to its different stake holders. This particular unit focuses on the ethics and responsibilities which are required to comply with while performing business activities.

**Unit 4:** There are a number of emerging trends that will influence future directions in a current state of affairs in business. This unit deals with emerging trends in business.



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# UNIT 1 INTRODUCTION TO BUSINESS

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## Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Human Activities
  - 1.2.1 Non-economic Activities
  - 1.2.2 Economic Activities
  - 1.2.3 Sector of Economic Activities
- 1.3 Business, Profession and Employment
  - 1.3.1 Business
  - 1.3.2 Profession
  - 1.3.3 Employment
  - 1.3.4 Comparison among Business, Profession and Employment
- 1.4 Business
  - 1.4.1 Essential Features of Business
  - 1.4.2 Objectives of Business
- 1.5 Industry
  - 1.5.1 Classification of Industry
- 1.6 Commerce
  - 1.6.1 Trade
  - 1.6.2 Aids to Trade
- 1.7 Micro, Small and Medium Size Enterprises
- 1.8 Let Us Sum Up
- 1.9 Key Words
- 1.10 Answers to Check Your Progress
- 1.11 Terminal Questions

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## 1.0 OBJECTIVES

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After going through the unit, you will be able to:

- identify broad categories of human activities
- describe what is business
- list the features and objectives of business
- classify business activities and their inter-relationship
- explain the nature of business organisation
- discuss the meaning and benefits of MSME

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## 1.1 INTRODUCTION

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In our day-to-day life, we use words like business, commerce, trade, industry, etc. quite often. These words have a definite meaning in 'Business Organisation'. In this introductory unit, you will learn the exact connotation of such terms. You will also learn the distinction between economic and non-economic activities, objectives of business, the classification of business activities, importance of organisation and the role of entrepreneur in business.

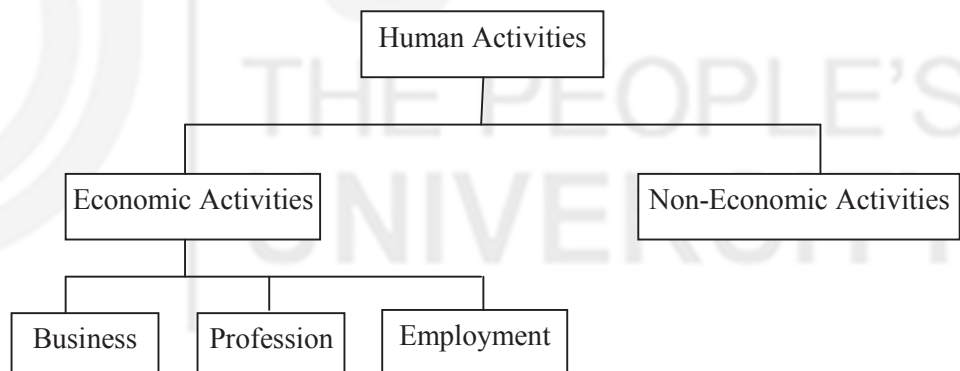
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## 1.2 HUMAN ACTIVITIES

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All of us participate in various kinds of works from the time we get up from bed in the morning till the time we go to sleep at night. We get up from bed in the morning, brush our teeth, take bath and get breakfast. Then children go to school or college to study, elders go to office or factory or shop or field to work, and housewives work at home. In the evening all of us come back home, take food and sleep. All the activities in which we, thus, participate from morning till night are called 'human activities'.

If you closely examine the human activities, you will find that some of these produce economic benefits e.g., working in a factory or in an office or at the farm. Some other activities like brushing teeth, taking breakfast, going to school, playing, cooking food for the family, etc., do not produce any direct economic benefits. Thus, we can classify the human activities into two groups: (1) non-economic activities, and (2) economic activities.



**Fig. 1.1: Classification of Human Activities**

### 1.2.1 Non-economic Activities

These are the activities which are conducted by the human beings due to love and affection, social obligation, religious obligation, physical requirement, patriotism, etc., but not for earning money. The housewife cooking for the family, children going to school and playing games, people going to a temple or a mosque for prayer, a social worker working for the uplift of the poor, etc., are some such examples. Persons who participate in such activities do not get any direct economic benefit. Non-economic activities are carried out with the motive of providing services to others with a non-monetary objective. An example is the working of Non-Government Organisations (NGOs). These activities are first and foremost undertaken for satisfaction of personal, social, religious, cultural and sentimental



requirements of human beings. Non-Economic activities are described by the nonappearance of a financial partner or where the cost paid by the consumer is not corresponded to the expense of the product or service. A few models are:

- **Charitable activities:** Labour searching for a social benefit purely based on solidarity and without monetary advantages. For instance government funded education institutes, community work or social assistance.
- **Household activity:** like tidying, washing dishes, child care, sewing garments or home economics.
- **Independency:** Navigating under privileged and under marginalised sectors of society in their upliftment and independence in order to meet their livelihood.
- **Voluntarily skilling:** People who facilitate marginalised individuals in achieving employment by training in skills.

## 1.2.2 Economic Activities

These are activities which are undertaken by human beings for earning money or livelihood. These economic activities are concerned with production, exchange and distribution of goods and services. For example, a doctor works in the hospital, a teacher working in a school, an employee going to his office, a farmer working in the field etc. They are all doing this to earn his or her livelihood or to acquire wealth.

**Table 1.1: Differences between Economic and Non-Economic Activities**

Bases of Difference	Economic Activities	Non-economic Activities
<b>Meaning</b>	These are the activities which are performed for financial gain. These activities generate revenue which may provide financial stability to the organisation for example working in the factory, office etc.	These are the activities which are performed to fulfill social, psychological and mental necessities. For example functioning of NGO, like help age, save the children, CRY, etc.
<b>Propose</b>	These activities are undertaken with a financial motive.	These activities are undertaken with social and mental needs.
<b>Outcomes</b>	These activities result in the generation and dissemination of goods and services.	These activities result in personal contentment.
<b>Measurement</b>	These can be measured in financial terms.	These are measured in personal fulfillment terms.
<b>Value</b>	These actions add value to the national income.	These activities do not add value to the national income.
<b>Example</b>	An academician, a skilled person, a doctor, lawyer, Chartered accountants, etc.	A teacher teaching her own son, a doctor treating poor patients without charging any fees, a boy developing a software (website or an App) which helps his father in facilitating his business etc.



### 1.2.3 Sector of Economic Activities

The economic activities generate economic or financial achievement by producing goods or services. The economic activity of any country can be arranged into following division; primary sector, secondary sector and tertiary sector. Economic activities are commenced with a cost-effective intention. Non-economic activities, alternatively, do not have fiscal cause. These activities are carried out on account of love, warmth, societal enriching or spiritual reasons.

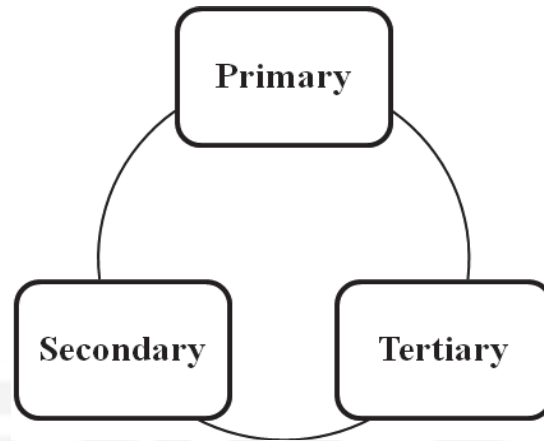


Fig. 1.2: Sector of Economic Activities

It is well understood from the Fig 1.2 that all the sectors work together to create an economic chain of production. The primary sector gathers the raw material, the secondary sector pulls the raw materials to use, tertiary sector sells and supports the activities of the other two sectors.

- **Primary economic sector:** Primary sector is a sector which is related to withdrawing materials required for production of goods. These are the activities which are dependent upon nature. The examples of this sector are: agriculture, breeding, forestry, fishery, hunting, and mining.
- **Secondary economic sector:** Secondary sector relates with the goods produced by the raw materials of primary sector. Its example includes: clothes made by the raw material of cotton, jute etc, the Indian Khadi Industry, the construction of houses etc.
- **Tertiary economic sector:** Tertiary sector refers to the service providing activities which can be seen in distinguish domains. Its examples are: transportation work, disseminating education, medical services etc. Other examples include: retail trade, real estate, governmental and judicial activities, Insurance and financial services, health services, media, transportation and storage, educational services, hotels and restaurants, telecommunications, etc.

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## 1.3 BUSINESS, PROFESSION AND EMPLOYMENT

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We can further classify these economic activities into three groups:

- (a) Business, (b) Profession, and (c) Employment.

### 1.3.1 Business

Any activity carried primarily with the object of earning profit can be called a business activity. This objective of earning profit is achieved by production and/or exchange of want satisfying goods and services. Therefore, we can define business as “any activity concerned with the production and/or exchange of want satisfying goods and services carried with a view of earning profit”. Production of soaps, sale of eggs, production of TV sets, transport, etc., are some examples of business. A person who is engaged in business is called a businessman or entrepreneur. Similarly, a firm formed for the purpose of carrying a business activity is called a business enterprise or a business firm. You will learn in detail about business later in this unit.

### 1.3.2 Profession

An activity which involves the rendering of personalised services of a specialised nature, based on professional knowledge, education and training is called a profession. Services rendered by doctors, lawyers, chartered accountants, etc., come under this category. Generally, for each category of profession, there would be a professional body. For example, Bar Council of India is the professional body of lawyers which guides and regulates the law profession in India. The professional body prescribes the nature and type of educational qualifications and training required to practice the concerned profession. A professional should become the member of concerned professional body and follow the code of conduct prescribed by such body. Professionals charge some fee for the professional service they render.

### 1.3.3 Employment

Any activity assigned to a person by the employer under an agreement or rules of service comes under the category of employment. A person who undertakes such activity is called employee. For performing such activity, the employee receives remuneration from the employer in the form of wage or salary, allowance, bonus, etc. The employment is also called ‘service’. Working in a factory, office, hotel, college, etc., are a few examples of employment. Even professionally qualified persons also work as employees in various organisations. For example, doctors employed in government/ private hospitals, engineers employed in a factory, etc.

Employment is an alliance between two parties, often dependent on an agreement where work is compensated for. One party, which might be a company, for profit, non-profit, association of persons, co-operative or any other entity, is the employer and the other is the employee. Employment refers to the contractual association between two parties i.e. employer and employee. Employees work in return for payment, which may be in the form of an hourly wage, by piecework or an annual salary as lump sum payment or a contractual basis. This depends upon the work of an employee does or the sector she or he works in. Under certain kinds of employment, employees may receive perquisites beyond their regular payments. These include gratuities, bonus payment or employee stock option plan (ESOP), health insurance, housing, disability insurance or access to recreational service during office hours. Employment is typically governed by employment laws or regulations or legal contracts.

## Types of Employment

Employees can be recruited under several types of employments. The type of employment under which an individual is employed is mentioned in the employment contract. The employed person is bound by instructions, directions regarding working hours, place of work, etc, mentioned in the contract. The types of employment are as under:

- **Full-time employment:** Employment in which an individual works a base number of hours put forth by the employer is known as full-time employment. It is usually accompanied by benefits that are not ordinarily offered to part time employees.
- **Part-time employment:** It is a form of employment where employees work fewer hours per week than full-time employees. Such employees are not entitled to all the benefits that full-time employees are given.
- **Casual employment:** Casual employees are recruited on an irregular basis. Their engagement depends on the need and requirement of the business.
- **Contract employment:** Employment done for a fixed term or for the duration of a specific task is called contract employment. Employment is over as soon as the contract finishes.
- **Apprenticeship:** Apprenticeship is a practice of training for individuals in a particular trade or profession. A person undergoing apprenticeship is called an apprentice. Apprentices have the benefit of full insurance protection (sickness, accident, unemployment and pension insurance) and have special shield against removal from office.
- **Seasonal employment:** Seasonal workers provide their services on seasonal basis. For example, in the hotel and catering trade, seasonal workers are subject to special cooperative settlement provisions regarding their working time as well as full social insurance protection.

### 1.3.4 Comparison among Business, Profession and Employment

Look at Table 1.2 which shows the comparison among Business, Profession and Employment.

Although business, profession and employment are distinguished from each other, they are also inter-dependent. Business enterprises provide employment to a large number of people in the country. Similarly, professionals like engineers, chartered accountants, cost accountants, management consultants, legal experts, doctors, etc., work with the business firms for tackling complicated technical problems. Thus, business enterprises provide employment opportunities to professionals and general public. At the same time the success of the business is dependent on its employees and professionals working with it.

These three form a part of economic activities which have been bifurcated in Table 1.2. The purpose behind this section is to distinguish among the business, profession and employment and provide a bird's eye view of the same.

**Table 1.2: Comparison among Business, Profession and Employment**

Basic	Business	Profession	Employment
Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
Qualification	No minimum qualification is necessary	Expertise and training in a specific field is a must	Qualification and training as prescribed by the employer
Reward or return	Profit earned	Professional fee	Salary or wages
Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment	No capital required
Risk	Profits are uncertain and irregular, risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay; no risk
Transfer of interest	Transfer possible with some formalities	Not possible	Not possible
Code of conduct	No code of conduct is prescribed	Professional code of conduct is to be followed	Norms of behavior laid down by the employer are to be followed.

## 1.4 BUSINESS

You have learnt that the entire range of economic activities of the human beings may be classified into business, profession and employment. Among these three categories, profession and employment, though important, are outside the scope of this course. We are primarily concerned with business. So, let us discuss about business in more detail.

### 1.4.1 Essential Features of Business

You have learnt that business refers to the human activities engaged in production and/or exchange of want satisfying goods and services carried with the intention of earning profits. Now let us study the important characteristics of business. We can list the following five broad features of business.

- 1) **Dealings in goods and services:** Business deals with goods and services. The goods may be consumer goods such as sweets, breads, clothes, shoes, etc. They may be producer's goods such as machinery, equipment, etc., which are used to produce further goods for consumption. Business also deals with services such as transport,

warehousing, banking, insurance, etc., which are intangible and invisible.

- 2) **Production and/or exchange:** You can call an economic activity a 'business' only when there is production or transfer or exchange or sale of goods or services for value. If goods are produced for self-consumption or presentation as gift, such activities shall not be treated as business. In a business activity, there must be two parties i.e., a buyer and a seller. Such activity should concern with the transfer of goods or exchange of goods between a buyer and a seller. The goods may be bartered or exchanged for money.
- 3) **Continuity and regularity in dealings:** A single transaction shall not be treated as business. An activity is treated as business only when it is undertaken continually or at least recurrently. For example, if a person sells his residential house, it is not considered as business. If he repeatedly buys houses and sells to others, such activity comes under business. But how frequently the transaction should occur depends on the nature of the activity. For example, a ship building company takes a long time to manufacture and sell a ship. At the same time, a vegetable vendor purchases vegetables from the market in the morning and sells out to his customers by evening. But both these activities are treated as business.
- 4) **Profit motive:** Earning profit is the primary motive of business. This is not to undermine the importance of the element of service in business activity. In fact, a business will flourish only when it is able to serve its customers to their satisfaction. Profits are essential to enable the business to survive, to grow, expand, and to get recognition.
- 5) **Element of risk:** In every business, there is a possibility of incurring loss. This possibility of incurring loss is termed as risk. The element of risk exists due to a variety of factors which are outside the control of the business enterprise. There are two kinds of risks. (1) Risks whose probability can be calculated and can be insured. Losses due to fire, floods, theft, etc., are some examples. (2) Risks whose probability cannot be calculated and which cannot be insured against, e.g., changing technology, fall in demand, changing fashions, short supply of raw materials, etc. These risks are to be completely borne by the enterprise.

### 1.4.2 Objectives of Business

You have learnt that the primary objective of business is to earn profit. Although profit plays an important role as a criterion of success, business may not exist for long with the sole objective of earning profit. As stated by Henry Ford, "business is not mere money chasing but it also should aim at serving the community". According to Urwick, "profit can no more be the objective of a business than eating is the objective of living". Thus, serving the community is regarded as another important objective of business. In fact, some authors regard 'service to community' as the major objective of business and state that this provides the main justification for the existence of business as an important human activity. Therefore, while profit is necessary for the businessman to stay in business, he ought to aim at something more for its survival and growth.



The objectives of business could be listed under three broad headings: Let us learn them.

**1. Economic Objectives:** The primary objective of business are economic. Some of the main economic objectives are:

- Earning of satisfactory profits.
- Exploring new markets and creation of more customers.
- Growth and expansion of business operations of the firm
- Making innovations and improvements in goods and services so that customers get improved and more economic goods and services.

**2. Social Objectives:** Business, being a part of the society, has obligations towards the society also. Some major social objectives are:

- Providing more and more employment opportunities to the people in the country
- Supply of quality goods to the community
- Providing goods at reasonable price
- Ensure fair returns to investors
- Avoidance of profiteering and unfair practices
- Production of goods in accordance with national interests and priorities.

**3. Human Objectives:** Business activity is, generally, carried out through the human objectives of business and may thus take account of economic well-being and the employees, social and psychological satisfaction of employees as well as development of human resources.

You just recollect what we have stated about business. We stated that business is concerned with production and/or exchange of goods and services with the intention of earning profit. It states that business is concerned with two aspects i.e. production and exchange. Based on this, we may classify business activities into two categories. In the first category we can group all the business activities relating to production. Similarly, all the activities relating to exchange may be grouped under the second category.

The first category is known as 'industry', while the second category is called 'commerce' which will be discussed more elaborately under separate head.

Thus, business organisation means bringing together various components of business such as workforce, raw materials, machines, capital, energy etc. putting them on work systematically, and coordinating and controlling their activities effectively to achieve the objective of earning profit. Business may be owned and managed by a single man, or a group of persons forming a partnership firm or as a joint stock company or even as a cooperative society. Thus, on the basis of ownership and management, we can classify business organisation into two categories (sole proprietorship and partnership form) may be called non-corporate forms of organisations. The remaining two categories (company form and cooperative society) may be called as corporate forms of

organisation. About these forms of organisation, you will study in details in Unit 5.

If you are planning to start a business, you should evaluate the merits and demerits of each different business structure and work out which structure suits the requirement. A business structure is a group of organisation that is lawfully recognised in a given jurisdiction and characterised by the legal definition of that particular type. On the basis of ownership and management business may be classified into following category.

1. **Sole Proprietorship**
2. **Partnership**
3. **Company**
4. **Co-operatives**

You will learn in details in Unit 5.

**Check Your Progress A**

- 1) What is the main distinction between the economic activity and non- economic activity?

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- 2) What is business?

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- 3) What is profession?

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- 4) What is employment?

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5) Classify the following activities into business, profession and employment.

	Activity	Classification
1	Selling vegetables.	.....
2	A person working in a medical shop as salesman.	.....
3	A doctor working in a government hospital.	.....
4	A Chartered accountant started private practice.	.....
5	Manufacture of biscuits.	.....
6	Lawyer started private practice	.....
7	Transporting of goods.	.....

6) State whether the following statements are True or False

1	The sole objective of business is earning profit.	.....
2	Profession is a non-economic activity.	.....
3	Employment is an economic activity.	.....
4	There is no element of risk in business	.....
5	Business is concerned only with the exchange of goods and services.	.....
6	Industry is a part of business activity.	.....
7	Industry and commerce together constitute business activity.	.....
8	An activity is treated as business when it is undertaken continuously or recurrently.	.....
9	In case of profession, ownership interest can be transferred to others.	.....
10	Activities taken up for earning money or livelihood are called economic activities.	.....
11	Father teaching his daughter is an economic activity.	.....

## 1.5 INDUSTRY

As you have learnt, industry refers to that part of business activities which is concerned with the production of want satisfying goods/services through utilisation of available material resources. Industry utilises the natural resources and transfer them for final consumption or further use. It means that the industrial activity aims at ensuring the supply of goods in that form which suits the objects, needs and convenience of the persons expected to use them. Thus, industry creates form utility to goods. For example, farms, factories, mines, etc., make available a wide range of goods. These goods cater to the needs and convenience of the people. In a nut shell, the activities of human beings engaged in extraction, production, processing, construction and fabrication of products come under industry.

There is another explanation for industry. Under this second explanation, industry means a group of factories usually specialising in a particular product line. For example, all the factories which produce fertiliser are collectively called fertiliser industry. Similarly, all automobile factories together constitute automobile industry. But, in the present context, this approach is not relevant. We adopt the first approach.

### 1.5.1 Classification of Industry

There are various approaches of classifying industries. All these approaches are listed below:

- 1) On the basis of the nature of activity
  - a) Extractive industries
  - b) Genetic industries
  - c) Manufacturing industries
  - d) Construction industries
- 2) On the basis of the nature of goods produced
  - a) Consumer goods industries
  - b) Producer goods industries
- 3) On the basis of the level of investment
  - a) Heavy industries
  - b) Light industries
- 4) On the basis of size of the activity
  - a) Small scale industries
  - b) Large scale industries
- 5) On the basis of area of operations
  - a) Regional industries
  - b) National industries
  - c) Multinational industries

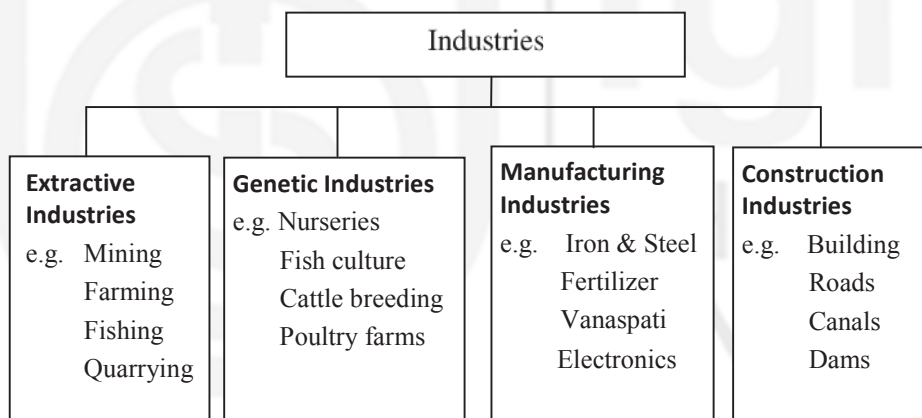
Since the theme of the discussion in this Unit is centred around human activity, the classification based on the nature of activity is more appropriate for us. So, let us discuss about the first classification in detail.

- a) **Extractive Industries:** Activities engaged in the discovery and extraction of natural resources like minerals, animals, plants, trees, etc., from the surface or beneath the surface of the earth or air or water come under this category. Extractive industries are also called exhaustive industries because with every attempt there is a depletion of resources and this wealth exhausts. Mining, farming, quarrying, hunting, fishing, etc., come under this category.
- b) **Genetic Industries:** Activities which are concerned with reproducing and multiplying plants and animals with the objective of earning profit from their sale come under this category. Examples are nurseries which multiply and sell plants, poultry farms, cattle breeding farms, fish culture, etc.

There is one important difference between an extractive industry and a genetic industry. In the case of extractive industry, man cannot add to the wealth which he withdraws from the earth, sea, and air. However, in the case of genetic industry, man not only adds to the growth but also reproduces the nature made goods.

- c) **Manufacturing Industries:** These types of industries are engaged in the conversion or transformation of raw-materials and semi-finished materials into finished products. Generally, the products of extractive industries become raw-materials for manufacturing industries.’ In other words, manufacturing industries create **‘form utility’** to the products of extractive industries. Cement industry, sugar industry, cotton textile industry, iron and steel industry, fertiliser industry, etc., are some examples for manufacturing industries.
- d) **Construction Industries:** These industries are engaged in the construction activities like the construction of buildings, bridges, dams, roads, canals, railway lines, etc. These industries consume the products of manufacturing industries (e.g., bricks, cement, iron and steel) and extractive industries (e.g., quarries, wood). The products of construction industries are immovable. They are erected, built or fabricated at a fixed site.

Look at Fig 1.3 for classification of industries with some examples.



**Fig. 1.3: Classification of Industries Based on the Nature of the Activity.**

When we talk of the nature of activity, we can also include the Service Industry. These are the industries which do not produce any tangible products but provides a service like tourism industry, entertainment industry etc.

**Check Your Progress B**

- 1) Distinguish between business and industry.

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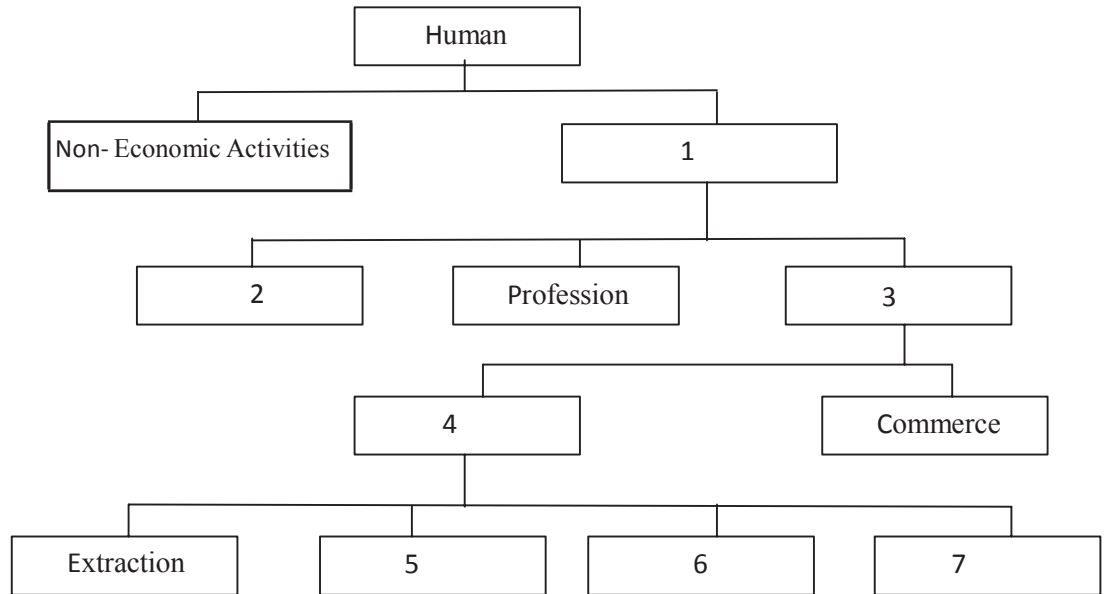
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2) Fill the missing texts inside the box numbered?



3) To which category of industry the following activities belong:

Activities	Category of Industry
i) Fishing in the sea	.....
ii) Raising coal from a mine	.....
iii) Weaving of cloth	.....
iv) Construction of a dam	.....
v) Preparing of wooden furniture	.....
vi) Cattle breeding	.....
vii) Development of railway track	.....
viii) Producing rail engine	.....

## 1.6 COMMERCE

You have learnt that the business activities are classified into: 1) industry, and 2) commerce. You also learnt that the industrial activities are concerned with the production of want satisfying goods and services. Unless these goods and services are made available to those who need them, they may not fulfill their objectives i.e., satisfying human wants. Therefore, the goods produced by the industries should be made available to the consumers at right place right time, right quantity, right price and in right manner. Here comes the activity of commerce to fulfill all these requirements. **All the activities which establish link between the producers of goods and consumers of these goods, and maintain a smooth and uninterrupted flow of goods between them come under commerce.**

A smooth and uninterrupted flow of goods and services from producer to consumer is beset with many barriers and hindrances. For instance, goods

produced by one may be consumed by another. In such a case, unless the producer and consumer identify each other, there is no scope for exchange of goods between them. This is the **hindrance of person**. Similarly, for buying a product, consumers should have the knowledge about the existence of that product, its features, etc. Therefore, there is a need to provide such information to the consumers. This is the **hindrance of knowledge**. The **hindrance of time** arises out of the time gap between the time of production and the time of consumption. In many cases goods are produced at one place while they are consumed at another place. So, the goods should be carried from the place of production to the place of consumption. This gives rise for the **hindrance of place**. Commerce eliminates all these hindrances and facilitates the exchange of goods between producers and consumers. Later, in this section, you will learn in detail how these hindrances are eliminated through various business activities which form part of commerce.

In a nutshell, commerce is mainly concerned with the purchase and sale of goods, and also embraces all those functions which are essential for maintaining smooth and uninterrupted flow of goods and services between the buyers and sellers. Thus, there are two main aspects in commerce: i) purchase and sale of goods, and ii) activities essential for the smooth and uninterrupted flow of goods. Therefore, we can classify the whole range of commerce activities into two categories:

- 1) Trade – activities of purchase and sale.
- 2) Aids to Trade – activities which facilitate the smooth and uninterrupted flow of goods.

Let us learn them in detail.

### 1.6.1 Trade

You have already learnt that the human activities engaged in buying and selling of goods and services come under trade. Therefore, trade includes sale, transfer or exchange of goods and services with the intention of earning profit. The objective of trade is to make goods available to those persons who need them and are willing to pay for them. Thus, trade plays a major role in establishing contact between the producers and the consumers and eliminates the hindrance of person.

A person who is engaged in trade is called ‘trader’ or ‘middleman’. Various traders operate in between producers and consumers and remove the hindrance of person. We can classify trade into two broad categories; 1) internal trade, and 2) external trade.

- 1) **Internal Trade:** When the trade takes place within the boundaries of the country, you can call it ‘internal trade’. It means that both buying and selling should take place within the country. Payment for the same is generally made in national currency. This internal trade is also termed as inland trade or national trade or home trade or domestic trade.

On the basis of the scale of operations, we can classify internal trade into: a) wholesale trade, and b) retail trade.

- a) **Wholesale Trade:** Buying and selling in relatively larger quantities is called wholesale trade. A person who is involved in wholesale trade is called wholesaler.
- b) **Retail Trade:** This refers to buying and selling in relatively smaller quantities. A person engaged in retail trade is called a retailer.

Let us now discuss in some detail how these wholesalers and retailers operate and eliminate the hindrance of person. A wholesale trader buys goods in large quantities from the manufacturers and sells in relatively smaller quantities to the retailers. Thus, the wholesale traders constitute a link between the producers on the one hand and the retailers on the other hand. Retailers, who buy goods from the wholesalers, sell them in smaller quantities to the consumers. Thus, retail traders establish link between wholesale traders on the one hand and consumers on the other. Thus, the wholesalers and retailers establish a link between the producers and consumers and eliminate the hindrance of person. However, sometimes producers may take the services of only either wholesalers or retailers, or may establish a direct link with the consumers. The whole chain of traders/middlemen operating in between producer and consumer is referred to as 'channel of distribution'.

- 2) **External trade:** This is also called 'foreign trade' or 'international trade'. When the trade takes place across the boundaries of a country, you can call such trade as external trade. In other words, external trade refers to the trade between nations. This trade could be in the form of exchange of one commodity for another or for money.

We can classify foreign trade into three categories: a) import trade, b) export trade, and c) re-export trade.

- a) **Import Trade:** when a country buys goods from another country, it is called 'import trade'. For example, India bought machinery from the USA. This is an import trade for India.
- b) **Export Trade:** when a country sells goods to another country, it is called 'Export Trade'. For example, India sells leather goods to Russia, and tea to USA. For India such selling of goods shall be termed as 'Export trade'.
- c) **Re-export Trade:** This is also called 'entrepot trade'. When the goods are imported from one country and the same are exported to another country, such trade is called 're-export trade'. Re-export is done by those countries which have ports that are conveniently situated to serve as distributing points for neighbouring countries. Such countries import large quantities of goods and re-export the same to the neighbouring countries.

### 1.6.2 Aids to Trade

Activities which facilitate the trade are called 'aids to trade'. Thus, all human activities which eliminate the hindrances and facilitate the flow of goods from producers to consumers come under aids to trade. They are also called 'auxiliaries to trade'. The whole range of activities coming under aids to trade



may be classified into five categories: 1) transportation, 2) warehousing, 3) insurance, 4) advertising, and 5) banking. Let us learn them.

- 1) **Transportation:** Generally, all the goods are not consumed at the same place where they are produced. Therefore, goods are to be moved from the place of production to the place where they are demanded. The activity which is concerned with such movement of goods is called 'transportation'. Thus, transportation eliminates the hindrance of place and creates place utility to goods.

Transportation can be of three types:

- a) Land transportation — road, rail
- b) Air transportation — aeroplane
- c) Water transportation — boat, ship

- 2) **Warehousing:** Goods may not be consumed immediately after production. Normally there will be time gap between production and consumption. This is the hindrance of time. Therefore, goods once produced should be preserved properly till they are consumed. Particularly, perishable goods like milk, meat, vegetables, flowers, etc., should be preserved very carefully. Otherwise, they get spoiled and become useless. For this reason warehousing is recognised as yet another aid to trade. Warehousing refers to preservation of goods to make them available as and when needed by consumers. Thus, warehousing eliminates the hindrance of time and provides time utility to goods.

- 3) **Insurance:** The goods may be destroyed while in production process, or in transit due to accidents, or in storage due to fire or theft, etc. The businessmen would like to cover these risks. Insurance companies come to their rescue in this regard. They undertake to compensate the loss suffered due to such risks. For this purpose, the business has to take an 'insurance policy' and pay a certain amount regularly, called 'premium'. Thus, insurance eliminates the hindrance of risk.

- 4) **Advertising:** Exchange of goods is possible only when the consumers have the knowledge about the existence of a product. This is the hindrance of knowledge. This hindrance is eliminated through advertising. Through advertisement, producers communicate all information "about their goods to the prospective consumers" and create in them a strong desire to buy the product. Thus, advertising facilitates the flow of goods between producers and consumers by bringing the knowledge about the products to the consumers. Advertising is done through TV, radio, newspapers, magazines, hoardings, wall posters, etc.

- 5) **Banking:** Banking facilitates the flow of goods by removing the hindrance of finance and credit. Now-a-days we cannot think of business without banks. To start the business or to run it smoothly we require money. Banks supply money. A bank is an organisation which accepts deposits of money from the public, withdrawal on demand or otherwise, and lends the same to those who need it. Banks also provide many services required for the business activity.



Look at Fig. 1.4 for classification and sub-classification of commerce.

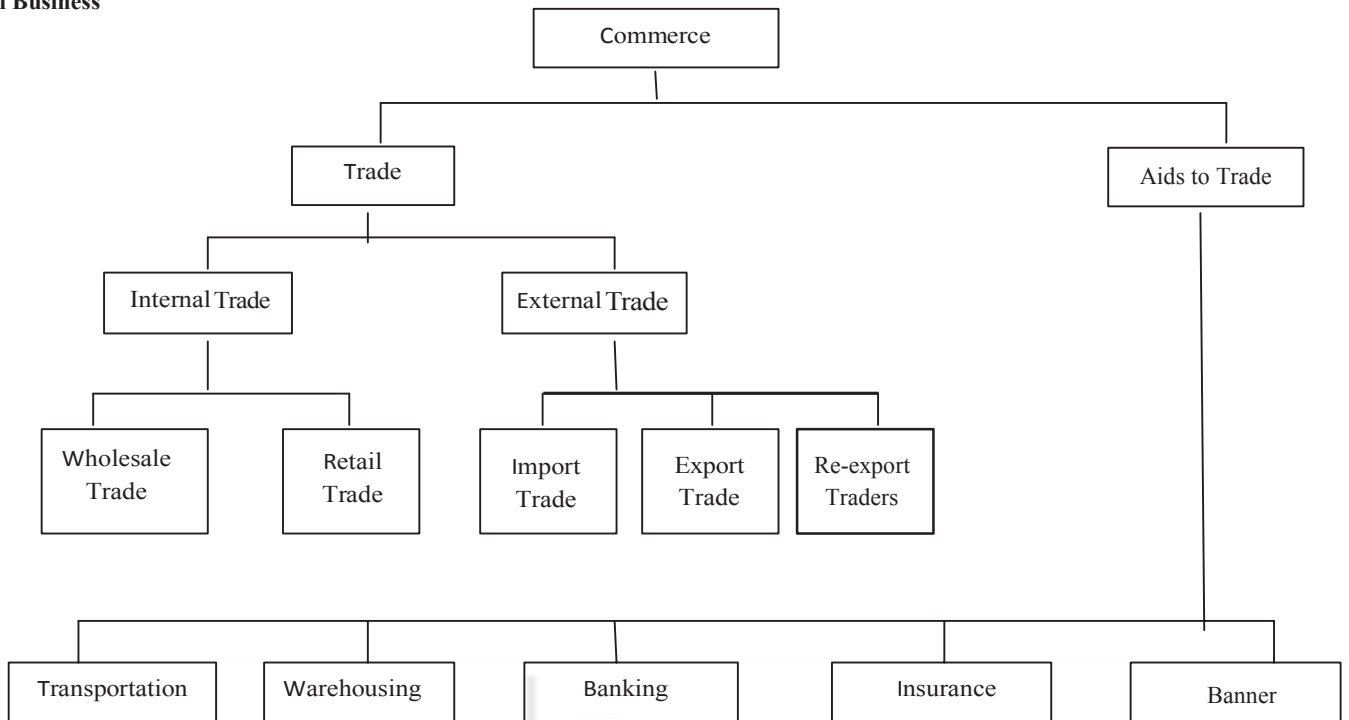


Fig. 1.4: Classification of Commerce

**Check Your Progress C**

1) What is the difference between commerce and industry?

.....  
.....  
.....  
.....

2) What is the difference between internal trade and external trade?

.....  
.....  
.....  
.....

3) How is trade different from commerce?

.....  
.....  
.....  
.....

- 4) A list of hindrances are given below. State the names of the business activities which eliminate them

<b>Hindrance</b>	<b>Name of the Business Activity</b>
i) Hindrance of distance	.....
ii) Hindrance of time	.....
iii) Hindrance of risk	.....
iv) Hindrance of finance	.....
v) Hindrance of knowledge	.....
vi) Hindrance of person	.....

- 5) State whether the following statements are True or False.

- i) Trade is concerned with buying and selling of goods. True  False
- ii) A person who buys and sells in smaller quantities is called wholesaler. True  False
- iii) When goods are sold in another country, it is called export trade. True  False
- iv) Activities which facilitate buying and selling come under aids to trade. True  False
- v) Import trade refers to buying goods in one country and selling the same in another country. True  False
- vi) Internal trade refers to buying and selling within the national boundaries. True  False
- vii) Retailer establishes link between wholesaler and consumer. True  False
- viii) External trade is also called home trade. True  False

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## 1.7 MICRO, SMALL AND MEDIUM SIZE ENTERPRISES

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The Ministry of Micro, Small and Medium Enterprise (MSME) is the apex body for the formulation and administration of rules, regulations and laws relating to micro, small and medium enterprises in India. The sector provides a wide range of services and is engaged in the manufacturing of over 6,000 products – ranging from traditional to hi-tech items.

MSME sized enterprises in both the manufacturing and service sector can obtain MSME registration or SSI registration under the MSMED Act. MSME registration provides a variety of benefits such as rate of interest charged would be very less, tax subsidies, capital investment subsidies and other support from the government sector. Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. , defines Micro, small and medium enterprises based on the investment.

- 1) The investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods, and

- 2) The investment in equipment for enterprises engaged in providing or rendering of services.

The guidelines with regard to investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are:

**Table.1.3: Micro, Small and Medium Enterprises**

Nature of activity of the Enterprise	Investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods	Investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore)
<b>Micro</b>	Not exceeding Rs.25.00 lakhs	Not exceeding Rs.10.00 lakhs
<b>Small</b>	More than Rs.25.00 lakhs but does not exceed Rs.5. crore	More than Rs.10.00 lakhs but does not exceed Rs.2 crores
<b>Medium</b>	More than Rs. 5 crore but does not exceed Rs. 10 crore	More than Rs. 2 crores but does not exceed Rs.5 crores

Given the government of India's latest 'Make in India' push, along with a significant jump in the FDI flows, the Indian MSMEs sector is poised for rapid growth and integration with major global value chains.

#### **Benefits of Registration as MSME or Udyog Aadhar**

To promote the growth of Micro Small & Medium Enterprises, the government of India gives various concessions and extends financial assistance exclusively to the units or enterprises which qualify to be a micro, small or medium enterprises. Under MSME all kinds of enterprises can obtain registration, like manufacturers, the service providers are also eligible for MSME benefits. Hence, they are also required to get Udyog Aadhar Registration.

The MSME registration is not statutory. However, the MSME registration process in India has been conceptualised to provide maximum benefits to all types of enterprises. After registration, any enterprise becomes qualified to reap the benefits offered under the MSMED Act.

- Easy availability of loan
- Government procurement priority
- Low-interest overdraft
- Concessional electricity
- Rebate in taxes (under the MSMED Act, 2006)
- 50% discount on IP Protection
- MSME Conciliation Centre.

Banking Laws, Excise Law and the Direct Taxes Law have incorporated the word MSME in their exemption notifications. Therefore, the registration certificate issued by the registering authority is seen as proof of being MSME and is required to avail the benefits sanctioned for MSMEs.

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## 1.8 LET US SUM UP

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The whole range of human activities can be classified into: 1) economic activities, and 2) non-economic activities. Economic activities are further divided into: 1) business, 2) profession, and 3) employment. Business is concerned with production and/or exchange of goods and services carried with the primary objective of earning profits. Activities concerned with the rendering of personalised services of a specialised nature come under profession. Employment refers to the activity assigned to a person by the employer under an agreement or rules of service.

The main features of business activity are: 1) dealings in goods and services, 2) production and/or exchange, 3) regularity in dealings, 4) profit motive, 5) element of risk, and 6) enterprise. Besides earning profit, business also serves certain economic, social, and human objectives.

Business activities are classified into: 1) industry, and 2) commerce. Industrial activities are classified into four categories: 1) extractive industries, 2) genetic industries, 3) manufacturing industries, and 4) construction industries.

Commerce is classified into: 1) trade, and 2) aids to trade. Activities concerned with buying and selling come under trade. Activities which facilitate buying and selling, and maintain smooth flow of goods and services come under aids to trade. These are: 1) transportation, 2) warehousing, 3) banking, 4) insurance, and 5) advertising.

Organisation makes the business proposition into a reality. It brings together required components, puts them on work systematically, and coordinates and controls their activities effectively to achieve the objective of earning profit. There are four basic forms of business organisation: 1) sole proprietorship, 2) partnership, 3) company, and 4) cooperative society. All business starts with an idea. A person who conceives the idea of doing a particular type of business, mobilise the resources and bring the organisation into existence is called an entrepreneur. Certain common elements in the character of entrepreneurs include independence, hard work, desire to achieve goals, open-mindedness, optimistic outlook etc.

Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

Manufacturing Enterprises i.e. the enterprises engaged in the manufacture or production of goods pertaining to any industry or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. Service Enterprises refer to the enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

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## 1.9 KEY WORDS

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**Advertising:** An activity by which the product and its qualities are made known to the public for stimulating demand.

**Aids to Trade:** Activities which facilitate the smooth and uninterrupted flow of goods and services from producers to consumers.

**Banking:** An activity of mobilising money deposits from public and giving loans to the needy.

**Business Organisation:** Bringing together various components of business such as workforce, raw-materials, machines, capital, energy, etc., putting them on work systematically, and coordinating and controlling their activities to achieve the objectives of business.

**Business:** An activity of production and/or exchange of want satisfying goods and services carried with the primary intention of earning profits.

**Commerce:** Activities related to purchases and sales of goods, and those concerned with maintaining a smooth and uninterrupted flow of goods and services between buyers and sellers.

**Construction Industry:** Industry engaged in the construction of buildings, bridges, roads, dams, canals, railway lines, etc.

**Economic Activities:** Activities which are undertaken by human beings for earning money or livelihood.

**Economic activities:** Economic activity can be defined as any activity that involves money or the exchange of products or services.

**Employment:** Activity of working with an employer under agreement or rules of service.

**Entrepreneur:** A person who conceives the business idea, brings the organisation into existence, carries on the business activity, and is prepared to bear the risk of loss.

**Export Trade:** Selling goods in another country.

**External Trade:** Purchase and sale of goods and services across the boundaries of a country.

**Extractive Industry:** Industry engaged in the discovery and extraction of natural resources like minerals, animals, plants, trees, etc. from the surface or beneath the surface of earth or air or water.

**Genetic Industry:** Industry engaged in reproduction and multiplication of plants and animals with the objective of earning profit from their sale.

**Human activity:** Those works which are performed by human beings in order to satisfy their needs are acknowledged as human activities.

**Import Trade:** Buying goods from another country.

**Industry:** Activities engaged in the production of goods and services by utilising available material resources.

**Insurance:** Covering risk of loss arising from events like fire, accident, etc., by paying certain premium to insurance company.

**Internal Trade:** Purchase and sale of goods and services within the boundaries of a country.

**Manufacturing Industry:** Industry concerned with the conversion or transformation of raw-materials and semi-finished goods into finished products.

**Non-Economic Activities:** Activities which are undertaken by human beings due to love and affection, social obligation, religious obligation, patriotism, physical requirement, etc., but not for earning money.

**Profession:** Activity which involves the rendering of personalised services of a specialised nature based on professional knowledge, education, and training.

**Re-export Trade:** Importing goods from one country and exporting the same to another country. It is also called Entrepot trade.

**Retail Trade:** Buying goods from wholesalers in large quantities and selling these in small quantities to consumers.

**Secondary economic sector:** Secondary sector is a segment related with the goods produced by the raw materials of primary sector such as construction, generation and distribution of clean water, electricity, and gas.

**Tertiary economic sector:** Tertiary sector refers to the service providing activities, like teaching work, Doctor etc, for the reason that they are providing us only service.

**Trade:** Activities concerned with the buying and selling of goods and services.

**Transportation:** Activities engaged in the moving of goods from one place to another.

**Warehousing:** Activities engaged in the preservation of goods to make them available as and when needed by consumers.

**Wholesale Trade:** Buying goods from producers in large quantities and selling them to retailers in smaller quantities.

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## 1.10 ANSWERS TO CHECK YOUR PROGRESS

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- A) 5 (1) Business (2) Employment (3) Employment (4) Profession  
(5) Business (6) Profession (7) Business
- 6 (1) False (2) False (3) True (4) False (5) False (6) True (7) True  
(8) True (9) False (10) True (11) False
- B) 2 (1) Economic Activities (2) Employment (3) Business (4) Industry  
(5) Genetic (6) Manufacturing (7) Construction

- 3 (i) Extractive (ii) Extractive (iii) Manufacture (iv) Construction  
(v) Manufacture (vi) Genetic (vii) Construction (viii) Manufacture
- C) 4 (i) Transportation (ii) Storage (iii) Insurance (iv) Banking  
(v) Advertising (vi) Trade
- 5 (i) True (ii) False (iii) True, (iv) True (v) False (vi) True (vii) True  
(viii) False

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## 1.11 TERMINAL QUESTIONS

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- 1) What are human activities? What are its two types?
- 2) What are differences between economic and non-economic activities?
- 3) What is business? Explain its features and objectives.
- 4) Explain the different types of employment?
- 5) State the differences among business, profession and employment.
- 6) What are the different types of industries on various basis.
- 7) What is Trade? Explain various types of Trade?
- 8) What are different aids to Trade?
- 9) What are Micro small and medium size enterprises (MSME)? State the benefits of registration as MSME or Udyog Aadhar.

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice.



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## UNIT 2 TECHNOLOGICAL INNOVATION AND SKILL DEVELOPMENT

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### Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Innovation
  - 2.2.1 Meaning of Innovation
  - 2.2.2 Meaning of Invention
  - 2.2.3 Meaning of Creativity
  - 2.2.4 Difference among Creativity, Invention and Innovation
  - 2.2.5 Importance of Innovation
- 2.3 Technological Innovation
  - 2.3.1 Process of Innovation
  - 2.3.2 Types of Innovation
- 2.4 Make in India v/s Made in India
- 2.5 Digital India
- 2.6 Skill Development: Approaches and Strategies
  - 2.6.1 Skill Development Initiatives
  - 2.6.2 National Skill Development Corporation
- 2.7 Start-up India and Incubator
- 2.8 Let Us Sum Up
- 2.9 Key Words
- 2.10 Terminal Questions

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### 2.0 OBJECTIVES

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After studying this unit, you will be able to:

- discuss the concept of innovation and explain different types of innovation
- describe the meaning of technological Innovation
- examine the issues and challenges of innovative activities
- describe the concept of technological innovation
- explain the various government initiatives for skill development; and
- identify government skill development approaches in India.

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### 2.1 INTRODUCTION

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Technology is the most widely used word globally and has taken different forms. Technology includes invention, innovation, R&D, technology development, technological strategies etc. With new technological development coming up everyday, 'Innovation' too has gained importance. It is being

discussed in every walk of life. The concept of innovation in unorganised form has existed for ages but has developed in organised form only in the 20<sup>th</sup> century. This unit focuses on different aspects of innovation and technological innovation and how does it help in facilitating various activities in different sections of society. In this unit you will learn how has technology evolved and how has the concept of innovation taken its present form. In subsequent sections you will learn various aspects of innovation and different types of innovation. You will also learn concept of technological innovation and various government initiatives for skill development. This unit will also help you to identify such challenges. The process of innovation will help you in understanding the role of innovation in the present context and how it can help the business in developing competitive advantage. You will also learn various government initiatives for skill development which has facilitated the innovative activities.

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## 2.2 INNOVATION

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Innovation in its current connotation is a "new idea, creative thoughts, and new imaginations in the form of mechanism or technique". Innovation refers to the application of better solutions that meet new necessities, tacit needs, or existing market needs. Thus Innovation involves purposeful application of information, thoughts and scheme in deriving better or dissimilar values from resources, and includes all procedure by which new ideas are created and transformed into constructive products.

### 2.2.1 Meaning of Innovation

The word innovation comes from the Latin word *innovationem*, noun of action from *innovare*, is to make something new. Now an important question arises: Can a bright idea be used only once? The answer to this question is 'No'. There are many ideas which have been used for centuries and can be revised with a new thought process and more flexibility. Take the example of a tooth brush. We all have been using it since our childhood. If we go back a little and try to think, we will see that our ancestors used neem sticks (datoon) for cleaning their teeth. The 'idea' was to clean teeth and over the period the neem stick has evolved into a tooth brush. The same idea is now used in the form of battery operated tooth brushes where you do not have to manually clean the teeth. If we see the whole process, we find that at different ages and at different stages the same idea was used in different innovative ways. Another example can be of mobile/ cell phones. This is an example where an idea has taken different forms and evolved in the present form. A decade back no body would have thought of receiving mails on a mobile phone. But now it is an integral part. Now, the question arises 'what is an innovation?' If we go by the business dictionary 'Innovation is the process of translating an idea or invention into a good or service that creates value for which customers will pay' (business dictionary.com). At this point another question arises 'How can an idea be called as an innovation?'. An idea can only be called an innovation when it is replicable, economical and satisfies a specific need e.g. nasofilters. Nasofilters is a respiratory nasal filter that sticks to your nose and prevents entry of harmful air/pollutants (PM 2.5) and they are economical than the traditional anti pollution masks. There are number of such innovations.

## 2.2.2 Meaning of Invention

The words innovation and invention partly cover semantically but are actually quite different. Invention can refer to a type of musical masterpiece, a false hood, a discovery, or any product of the imagination. The sense of invention most probable to be confused with innovation is “a device, contrivance, or process originated after study and experiment,” frequently amazing which has not beforehand been in existence.

## 2.2.3 Meaning of Creativity

Creativity is the act of turning new and creative ideas into reality. It is featured by the ability to recognise the world in new ways, to find unknown patterns, to make connections between apparently unrelated phenomena, and to gather solutions. Basic elements of the concept of creativity include: intelligence, intensive interest, knowledge, originality (ideas), creative instinct, non-conformity, courage, and persistence.

## 2.2.4 Difference among Creativity, Invention and Innovation

Invention is an idea for a novel product or process. Innovation is the introduction of new products, processes or services into the market place. Technological innovation is a sub-set of innovation i.e. the introduction of new products, processes or services based on new technologies. The technological innovation begins with invention. We will discuss technological innovation in the subsequent section. The first step is the idea of the invention and the research to reduce the idea to practice. This often results in a functional proto-types, which can be used for filing a patent. The next step is the research and development of the proto-type into a commercially designed product. Finally, the product is produced and sold.

The distinction between invention and innovation is an important one, for the transformation from ideas into a successful product is actually difficult. This transformation is the heart of the complex process of innovation. The hard fact is that only a few inventions are successfully innovated, with fewer inventions developed into new products, and still fewer new products succeed commercially.

**Table 2.1: Difference among Creativity, Invention and Innovation**

S. No	Creativity	Invention	Innovation
1.	Creativity is novel ideas that are communicated, useful, and appealing.	Creating something new	Making the invention into a product form
2.	Creativity is a fuzzy idea and can not be clarified until it is made into a prototype	A new to the world discovered or created	Innovation is about changing a pattern for doing something
3.	Based on thinking up new thing	Based on primary scientific skills	Based on broad set of strategic marketing and technical skills.

The above discussion clearly shows that innovation refers to the introduction of a new product. It basically improves an existing concept or idea using a

step-wise process to create a product which is commercially viable. Innovation helps an idea to develop into a successful concept. This requires a specific process. For an innovation to be successful one must understand the process of innovation thoroughly and have a strong support system. Before we discuss the process of innovation, let us see the importance of innovation.

### **2.2.5 Importance of Innovation**

Innovation helps in solving problems e.g. providing customer services virtually (using online complaints, suggestions etc). It also in new ways, for example helps in adapting to change to the situations where rapid changes are happening like in technological arena. This also helps the business to remain relevant. The opportunities available to businesses worldwide due to globalisation can be tapped using innovation. It is important for the businesses to innovate so as to enter the foreign markets with new products. Innovation helps organisations to face the competition. We all know that the world is becoming more and more competitive. To sustain in the global market one must make strategic and innovative moves. Innovation is important and critical to ensure smooth running of organisations due to evolving work place dynamics. As you are aware that the tastes and preferences of customers keep on changing, therefore, innovation facilitates in satisfying the consumers in new ways.

It is true that innovation is important but it also has certain challenges and risks associated with it. Technological failure is one of the major challenges of innovation. To overcome this challenge, it is important for the organisations to carry out number of trials for the new product before it is implemented. The other risk is the financial burden on the organisation. Innovation comes with a cost. Usually an innovative product gives the returns in the long run, therefore the organisation face a major challenge of finance. The organisations, therefore, are required to assess their financial position before taking up any innovative procedure. The other challenge is the market failure. It is very much possible that an innovative product despite many trials does not give the returns as expected. Redundancy is another challenge for an innovative product. The market changes constantly with new technology coming up every now and then. By the time the innovative product is launched in the market, it becomes redundant due to technological up-gradation. Therefore, it is imperative for the organisations to keep abreast with the technology to avoid such risks. Lack of structural and financial capacity of implementation is another challenge for organisations. This challenge is usually for the start-ups as they do not have a sound base. In this case they can look for the partners who are sound. Organisational risks are associated with innovation. Usually an organisation tend to focus all its attention on the innovation. This hinders day to day activities of the organisation. Therefore, it is important for organisations to have separate innovation centres so that the daily activities of the organisation are not hindered. There are unforeseen risks associated which are unprecedented like political events etc. The organisations need to have a contingency plan for the same rather than being over ambitious. The challenges are definitely a part and parcel of an organisation but when overcome, these turn into opportunities. Innovation does help the organisations in many ways. It provides experience to the organisation. It, therefore, becomes more creative and the innovative organisations. Innovation does provide name and recognition to the innovating organisation.

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## 2.3 TECHNOLOGICAL INNOVATION

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Let us start with the definition of technology. Though there are many definitions of technology and it is difficult to find one unique definition for technology. Technology can be defined as an application of knowledge that leads to production and marketing of goods and services. According to Betz Technology develops business by providing technical knowledge for the goods and services that firm produces. Technological Innovation implies new technology, creating new products and services—hence new business opportunities. In this lies the basic importance of innovation which is fundamental to economic development i.e. the creation of business opportunities. Managing technology means using new technology to create competitive advantages. Technology is often thought to be a sole domain of the scientific and engineering section of an organisation. Yet successful use of technology requires strategic decisions about technology in other functional areas, such as production, marketing sales, finance, HR etc. Therefore, it is important to bridge technological and functional areas. Technology and innovation when combined together lead to technological innovation. The basic aim of technology management is to implement the technology and float it in the market, e.g. agricultural produce like harvesting use technology. The myth that IT is related only to computers and electronics is not true. It is far more than that. Introduction of life saving drugs using technology is another example of technological innovation. Technological innovation is a part of the total innovation discipline. Technological innovation therefore, has the following features:

- Generate or create a new idea which is based on technology, capability or knowledge (**invention**);
- Develop the idea into a reality leading to building of a product (**realisation**);
- Implement the new idea (**implementation**)

To summarise, the working definition of technological innovation is to create or produce a new solution for a real or perceived need (invention) which is viable and can be produced (realisation and then successfully introduce the product in the market i.e. implementation).

### 2.3.1 Process of Innovation

After discussing different aspects of innovation, let us now have a brief discussion related to the process of innovation. The process of innovation has five basic steps. These steps are follows:

- 1) **Idea Generation and Mobilisation**
- 2) **Advocacy and Screening**
- 3) **Experimentation**
- 4) **Commercialisation**
- 5) **Diffusion and Implementation**



- 1) **Idea Generation and Mobilisation :** The very first step of the process of innovation stresses on generating an idea and then floating it. A new idea can be new or can be created to improve an existing idea. A very popular example is that of Apple. Apple inc. waited for three years to introduce iPod after MP3 players were introduced. The idea was generated when MP3 players came into existence but the organisation waited before launching the product. During this step the customers, employees, public at large and partner/supplier innovation should be considered.
- 2) **Advocacy and Screening:** The second step involves screening of ideas. The idea with maximum opportunity and having a futuristic outlook is chosen. The screening is preceded by advocacy. The idea generators do not have skills to advocate their ideas so it is important for the managers working in the field to facilitate the idea which can then be considered for screening.
- 3) **Experimentation:** This is the testing stage where the selected ideas are tested in the targeted market. The testing can be continuous or in phases wherein the advocates and screeners can reevaluate the idea. Time is the most important factor in this case. A very good example is Amazon. Amazon in 2007 came up with the idea of launching grocery delivery service and it tested the experiment in the suburbs of Seattle. Once it was ensured that the experiment is successful then it launched it in other parts of the country.
- 4) **Commercialisation:** The main aim of this step is to create a market value for the idea and focus on its potential impact. The innovated product can be launched in the target market only when it meets the demands of the customers.
- 5) **Diffuison and implementation:** This step involves two stages i.e. diffusion and implementation. Diffusion is the stage where an organisation accepts the innovation and implementation is the stage when the idea is developed or produced.

If the above steps are applied along with proper resources, the innovation may be successful.

### 2.3.2 Types of Innovation

Innovation can be broken down into two dimensions: Technology and Market and based on these dimensions there are following four types of innovation (Lopez, 2015):

- 1) **Incremental Innovation**
- 2) **Disruptive innovation**
- 3) **Architectural Innovation**
- 4) **Radical Innovation**

- 1) **Incremental Innovation:** This is the most popular type of innovation which utilises the existing technology thereby increasing the value to the customer. Usually all types of organisations at one point of time engage in incremental innovation. For example Facebook. This social network company since its inception in 2004 has used incremental innovation in different forms.
- 2) **Disruptive Innovation:** This type of innovation is also known as stealth(secret) innovation. This uses new technology processes to the organisations current market. It is secretive in nature as this technology tend to be inferior than the existing technology in the market and is more expensive. The new technology initially is quite hard to use till it surpasses the old technology and disrupts all existing organisations. In this case the organisation going in for new technology gains a competitive advantage. Apple's iPhone is an example of disruptive innovation wherein it disrupted the mobile phone market.
- 3) **Architectural Innovation:** This type of innovation takes the lessons, skills and overall technology and applying the same in the different market. Organisations in computer business like IBM, Dell etc. have been using sustaining technologies with little modification to suit the design. This type of innovation is less risky.
- 4) **Radical Innovation:** This kind of innovation usually gives birth to new ideas consuming the old ones thereby creating a revolutionary technology. A good example of the same is crowd funding as a mode of financing being used by entrepreneurs.

The organisations use various types of innovation which best suits their needs.

### Check Your Progress A

- 1) What is Innovation?

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- 2) What are the features of Technological Innovation?

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- 3) Name the different types of Innovation?

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## 2.4 MAKE IN INDIA V/S MADE IN INDIA

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### Make in India

‘Make in India’ is the initiative of Government of India and was launched in 2014. The concept of this initiative dates back to 1901 in the pre-independent India. Dadabhai Nauroji is considered to be the brain behind this concept when he disagreed with the export of raw materials as part of British Economic Policy. The basic concept of ‘Make in India’ encourages the industrialists to setup their manufacturing units in India through Foreign Direct Investment (FDI) so as to put India on the global map with respect to manufacturing. The objective of this programme are as follows:

- To solve the problem of employment;
- To improve the GDP growth rate.

These objectives tend to be highly ambitious but if implemented well will give a boost to Indian economy and help build a solid infrastructure of the nation. This policy has some drawbacks also. The plan to invite FDIs for utilising India’s potential places India in a vulnerable position. The risk is high as the expenditures in terms of licensing costs etc. are high. This may also result in the capital outflow. This will lead to unemployment and thereby adversely affecting the GDP which is against the objectives of ‘Make in India’ programme. The highlights of ‘Make in India’ programme are:

- FDI to invest in the manufacturing sector;
- FDI to invest in the defense sector;
- Licensed manufacturing of foreign defense equipment under defense procurement (DPP).
- Despite drawbacks this scheme can be advantageous. To overcome the drawbacks of this scheme ‘Made in India’ can be an alternative.

### Made in India

It is a tag line given to the products manufacturing in India. You must have often witnessed that the products like apparels and accessories, consumer durables etc. having a caption mentioned in the specifications of the products like Made in India, Made in USA, Made in China etc. How, is it that a product gets the tag of Made in India? The product can only be tagged as made in India when the product has been manufacture with Indigenous factors of productions which are land, labour, capital, entrepreneurship and technology. ‘Made in India’ can overcome the challenges posed by ‘Make in India’. How can it be done? It can be done by promoting the products made in India. This will help in utilising national talent and resources thereby generating opportunities for employment. This can also be used as a platform for promoting start-up. The main advantage of promoting Made in India would be to promote the brand image of the country and place the country on the global pedestal. Indigenously made products like jute products promote the economy of the nation. ‘Made in India’ can averse the risks posed by ‘Make in India’. Table 2.2 gives basic differences between ‘Made in India’ and ‘Make in India’.

**Table 2.2: Differences between ‘Make in India’ and ‘Made in India’**

Sl. No.	Particulars	Make in India	Made in India
1.	Factors of production	Foreign	Domestic
2.	Brand image	Does not create a brand instead it is an instrument	Is a brand e.g. Amul.

## 2.5 DIGITAL INDIA

As per [www.digitalindia.gov.in](http://www.digitalindia.gov.in) digital India is a government initiative which was launched in 2015. The aim of this initiative is to transform India into a digital nation. The objective of this is to reduce the paperwork involved in getting many of the formalities completed for example passport services, voters ID, driving license etc. The aim is to increase the speed of getting the work completed and also to connect the rural sector to the urban sector. Digitising various services will help the masses. Digital India programme has some features and they are as follows:

- Robust digital infrastructure throughout the country resulting in authentic digitised identity to the citizens of the nations.
- Good governance for online services in form of electronic and cashless transactions.
- Digital empowerment through digital literacy.

Based on these features, the objectives of digital India are as follows:

- To provide fast speed internet services.
- To provide e-governance by reforming and digitising government services.
- To bring e-revolution in terms of electronic delivery of goods and services.
- To provide basic information through online platform.
- To provide more opportunities of employment in the IT sector.

As per UNINDIA February, 2019 programme which is an extension of ‘Digital India’ development agenda, the Government of India is planning to invest in modernising classrooms across India. The initiative is to include digital boards as part of broader digital initiative in all the state run schools and colleges across India. This is the recent development and addition to ‘Digital India’ concept. Likewise many such programmes have been launched which work for the benefit of the masses. Some of the programmes are as follows:

- Internet Saathi: Improving digital literacy among women.
- Government services on your fingertip.

- DIGIDHA – Go cashless to digital Gem-government e market place
- Online Market – for smart government buyers
- Rapid Assessment System (RAS)
- Dig cocker

There are many more such programmes which have been launched and are in pipeline to make India digitally empowered and a knowledge economy.

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## 2.6 SKILL DEVELOPMENT : APPROACHES AND STRATEGIES

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Ministry of Skill Development and Entrepreneurship (MSDE), Government of India looks after the skill India Kaushal Bharat programme. Skill India is an initiative which has been launched with the aims of empowering the youth of the country ([www.msde.gov.in](http://www.msde.gov.in)) so as to increase their employability and create a more productive work environment. The aim of such initiative is to cater to the needs of 65% young population of the country. Skill India is a programme which offers around 40 courses in various sectors across the country.

### 2.6.1 Skill Development Initiatives

New age skills in the area of big analytics, Artificial intelligence, Internet of things, 3D printing etc. are being harnessed amongst the youth through various courses offered by different ITIs across the nation. A national policy on Skill Development and Entrepreneurship 2015 and National Skill Development Policy 2009 has charted out the do's and don'ts of the skill India mission. The National Skill Development Mission's emphasis is on developing the skills of the 500 million youth of the country by 2020. Though this is an ambitious programme, still it holds prospects for the youth of the country. The main initiatives of the MSDE are as follows:

- **Setting up of first –ever Indian Institute of Skills** in 2016 at Kanpur. The proposal for setting up 6 such institutes across the country has been planned.
- **Pradhan Mantri Kaushal Vikas Yojna (PMKVY):** This is the flagship scheme of skill training of MSDE and is the largest skill certification scheme in India.
- MSDE also recognizes and certifies the skills acquired through informal training centres through its **Recognition of Prior Learning (RPL)** programmes under PMKVY.
- **National Apprenticeship Promotion Scheme (NAPS):** This scheme was launched in 2016 with the aim to promote apprenticeship training.
- **Dual System of Training:** This scheme provides an opportunity for training in dual mode i.e. through face-to-face teaching (ITI) and in industries. This will increase the employability of the trainees.
- **Space –based Distance Learning Programme (SDLP) for MSDE:** This programme aims at providing the vocational training facilities to the masses.

There are many more informal skill based training programmes running to provide a knowledge base to the people and equip them for skill – based jobs.

We have seen that Government of India is offering many schemes for skill development. It is important to note here that MSDE is also collaborating with various countries in the areas of skill development and entrepreneurship. Some of the collaborations are as follows:

- MOUs with UAE and Qatar on mutual qualifications.
- MOU with France for skill training in the power sector
- MOU with Switzerland on sharing best practices
- MOU with Singapore and NSDC as the partner for setting up centres of excellence.
- All these initiatives have taken the country a step forward in granting the skills of the youth of the country.

## 2.6.2 National Skill Development Corporation (NSDC)

The National Skill Development Corporation (NSDC) was set up as a part of National Skill Development Mission of MSDE as a public private partnership company. The aim of NSDC is to facilitate the skills landscape in India. The concept of NSDC is based on three pillars. These are:

- 1) **Create:** To facilitate in establishing quality vocational training institutions.
- 2) **Fund:** To provide funds in form of grants and equality.
- 3) **Enable:** To ensure the sustainability of support systems required for skill development which includes industry operated sector skill councils (SSCS).

The vision and mission of NSDC is as follows:

**Vision of NSDC:** To fulfill the growing need in India for skilled manpower across the existing gap between the demand and supply of skills.

**Mission:** The mission of NSDC is as follows (<https://nsdcindia.org/vision-mission>):

- Upgrade skills to international standards through significant industry involvement and develop necessary frameworks for standards, curricular and quality assurance.
- Enhance, support and coordinate private sector initiatives for skill development through appropriate Public-Private Partnership (PPP) models; strive for significant operational and financial involvement from the private sector.
- Play the role of a “Market-maker” by bringing financing particularly in sectors where market mechanism are ineffective or missing.
- Prioritise initiative that can have a multiplier or catalytic effect as opposed to one-off impact.

Keeping in view the vision and mission of its main objective is NSDC

- To contribute significantly to the overall target of skilling up of people in India, mainly by fostering private sector initiatives in programmes and to provide funding.

The objective of NSDC includes all three pillars on the basis of which it was formed.

MSDE through NSDC has taken up number of initiatives to collaborate with industry under the larger mandate of Skill Indian Mission. NSDC has a simple –window facilitation system which offers a platform for industries to partner on different initiatives like Corporate Social Responsibility (CSR). It works in partnership with varied set of stakeholders like corporates, NGOs, government organisations etc. to structure skill development projects which have high impact. NSDC since its inception has collaborated with NALCO, SBI card, GE Power, NTPC etc. to fulfill CSR commitments under the companies (CSR) Rules, 2013. NSDC is also providing certification through National Skills Qualification Framework (NSQF) for skill development programmes. All this is done to align all the skill development programmes across the nation. After going through the vision, mission and objective of NSDC, it can be said that NSDC has been facilitating the mandate of skill development mission under PPP model.

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## 2.7 START-UP INDIA AND INCUBATOR

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### Start-up India

Start up India is a flagship programme of the government of India with a major aim of building a strong ecosystem which is favorable for the growth of startup businesses. Which in turn will give a sustainable economic growth leading to large scale opportunities for employment. The start-up India programme has 19 – point action plan which will have many incubation centres, easy talent, tax benefits and ease of setting up of business and faster exit mechanism. This was launched in 2016. The main aim of this initiative is to nurture innovation and design.

### Action plan of start-up India

The action plan has three pillars which are as follow:

- Simplification and Land holding
- Funding support and incentives
- Industry – academia partnership and incubation.

**Simplification and Landholding:** This pillar focuses on issues related to regulation, single point contacts, illegal support system, relaxed norms and faster exit mechanism for start-up. The basic aim is to ease the formalities for setting up of start-ups.

**Funding Support and Incentives:** focuses on providing funds, credit guarantee, tax benefits on capital gains, investments etc., for start-ups. This aims at providing funds and tax exemptions at various stages.



**Industry-academia partnership and incubations:** focuses on collaboration of educational institutions with industry for showcasing innovation, harnessing sector expertise for incubators, building innovation centres, promoting start-up in different sectors like biotechnology, launching of innovation focused programmes for students etc. One more important feature of this pillar is the launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilisation (SETU) programme.

The detailed Action Plan 2016 report is available on [www.startupindia.gov.in](http://www.startupindia.gov.in). We can say that start-up India programme caters to the need of the young minds in contemporary times.

### Incubator

Incubator basically is an organisation which shows the part to the start-up companies to speed up their growth and success (<http://thetechpanda.com>). The start-up India programme gives incubation support to set up incubation centres across the states. Atal Innovation Mission aims at setting up Atal Incubation Centres (AICS) in public and private sector. It also aims at facilitating the established Incubation Centres (EICS). April, 2019. 13 AICS have been approved with a flaunt of rupees 10 crore is also being given to EICS. The state governments are also promoting this concept for e.g. Government of UP has supported for setting up 8 incubators which includes IIT BHU, IIM- Lucknow (Noida Campus IIT – Kanpur, KNIIT Sultanpur and I Bhubs- UPDESCO, Lucknow government of Himachal has approved 7 academic institutes to set up incubators across various sectors which includes engineering, food, processing, biotechnology, agriculture etc. every state government provides different flaunt. Various other incubators under PPP Model have also been set-up. Some examples are Indian Angel Network (IAN) incubator in collaboration of National Science and Technology entrepreneurship Development Board, Department of Science and Technology Government of Science And Technology, Government of India. There are many such examples. Incubators therefore, are organisation which promote start-ups.

### Check Your Progress B

1) State objectives of make in India?

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2) Which are the programs the covered under Digital India initiative?

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3) Name three pillars of National Skill Development Corporation?

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4) What are Incubators?

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## 2.8 LET US SUM UP

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Innovation is the process of translating an idea or invention into a good or service that creates value for which customers will pay. It refers to the introduction of a new product. It basically improves an existing concept or idea using a stepwise process to create a product which is commercially viable.

Creativity is novel ideas which are appealing and useful whereas invention is an idea for novel product or a process and invention is making the invention into a product from that is based n a broad set of strategic, marketing and technical skills.

Innovation helps in solving and adapting the rapid changes of the technological area. Innovations are different types such as Incremental innovation, Disruptive innovation, Architectural innovation and Radical innovation.

Make in India is the initiative of Government of India that encourage the industries to setup their manufacturing units in India through FDI with the objective to solve the problem of employment and improve the GDP growth rate.

Made in India is a tag line given to the products manufactured in India. The products can only be tagged as made in India when the product has been manufactured in indigenous having India's factors of productions which are land, labor, capital, entrepreneurship and technology.

Digital India is a government initiative launched in 2015 with the aim to transform India into a digital nation, to increase the speed of work getting completed and also to connect rural sectors to urban sectors.

Ministry of Skill development and Entrepreneurship (MSDE) Government of India looks after the various skill development programmes for the country. The main initiatives of MSDE are: 1) Setting up of first ever Indian institute of skills 2) Pradhan Mantri Kaushal Vikas Yojna 3) National Apprenticeship Promotion Scheme 4) Dual system of training 5) Space based distance learning programme etc.

Startup India is a flagship programme launched in 2016, with the aim of building a strong ecosystem that is favorable for the growth of startup business. The action plan of startup India has three pillars those are: 1) Simplification and land holdings 2) Funding support and incentives. 3) Industry academic partnership and incubations.

Incubators are the organisation which shows the part to the startup strategy companies to speed theory growth and success.

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## 2.9 KEY WORDS

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**Creativity:** Creativity is a phenomenon whereby something new and somehow valuable is formed. The created item may be intangible such as an idea, a scientific theory, a musical composition, or a joke or a physical object such as an invention, a literary work, or a painting.

**Invention:** An invention is a unique or novel device, method, composition or process.

**Innovation:** Innovation is the process of translating an idea or invention into a good or service that creates value for which customers will pay.

**Technological Innovation:** Technological innovation is an extended concept of innovation. It is the process where an organisation (or a group of people working outside a structured organisation) embarks in a journey where the importance of technology as a source of innovation has been identified as a critical success factor for increased market competitiveness.

**Make in India:** Make in India, a type of Swadeshi movement covering 25 sectors of the economy, was launched by the Government of India on 25<sup>th</sup> September 2014 to encourage companies to manufacture their products in India and entuse with dedicated investments into manufacturing

**Made in India:** Made in India is a tag line given to the products manufactured in India. The products can only be tagged as made in India when the product has been manufactured in India.

**Digital India:** Digital India is a government initiative launched in 2015 with the aim to transform India into a digital nation, to increase the speed of work getting completed and also to connect rural sectors to urban sectors.

**Start-up India:** Start-up India is a flagship programme launched in 2016, with the aim of building a strong ecosystem that is favorable for the growth of startup business.

**Incubator:** Incubators are the organisation which shows the part to the startup strategy companies to speed theory growth and success.

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## 2.10 TERMINAL QUESTIONS

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- 1) Explain the process of innovation.
- 2) State the differences among Creativity, Invention and Innovation.
- 3) What is Technological Innovation?
- 4) How 'Make in India' differs from 'Made in India'?
- 5) What is digital India Programme? What are its features and objectives?
- 6) Explain the various approaches and strategies of skill development.
- 7) Discuss the action plan of start up India.

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice.



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## **UNIT 3 SOCIAL RESPONSIBILITY AND ETHICS**

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### **Structure**

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Social Responsibility of Business
- 3.3 Approaches to Social Responsibility
  - 3.3.1 CSR Theories
  - 3.3.2 CSR Agenda
  - 3.3.3 Distinctive Profiles of CSR Practices
- 3.4 Ethics
- 3.5 Business Ethics
- 3.6 Corporate Responsibility
- 3.7 Paradigm Shift of Corporate Responsibility
- 3.8 CSR in India
- 3.9 Let Us Sum Up
- 3.10 Key Words
- 3.11 Terminal Questions

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### **3.0 OBJECTIVES**

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After studying this unit, you will be able to:

- describe the notion of social responsibility of business
- explain the approaches to Social Responsibility (SR)
- discuss the concept of ethics
- apply the concept of ethics to Business Ethics (BE)
- evaluate the framework of Corporate Responsibility (CR) and
- examine the Corporate Social Responsibility (CSR) in India.

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### **3.1 INTRODUCTION**

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Corporate Social Responsibility, popularly known as CSR is closely related to Business Ethics. Often scholars tend to believe that these two concepts are distinct from each other. In this unit, you will study these two related concepts.

You will learn about the social responsibility of business and various approaches of social responsibility. You will further learn the business ethics, corporate responsibility and paradigm shift of corporate responsibility. You will be also exposed to CSR in India in context.

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## 3.2 SOCIAL RESPONSIBILITY OF BUSINESS

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CSR is a self-regulating business replica that assists a corporation to be collectively responsible to itself, its partners, and the community. By rehearsing corporate social duty, additionally called corporate citizenship, organisations can be perceptive of the sort of effect they are having on all parts of society including fiscally practical, social, and biological. To fit into place in CSR implies that, in the typical course of managing, an organisation is working in manners that improve society and the environment, rather than contributing indifferently to it. Once we understand this perception we can apply it to Business Ethics. Corporate Responsibility has evolved in recent years and links up ethics and CSR. CSR as a practice has evolved in India. It is, therefore, important to study about CSR in India.

The ISO Strategic Advisory Group (SAG) on Social Responsibility perceives that there is no single legitimate meaning of the expression "corporate/authoritative social responsibility". It nonetheless, noticed that most definitions accentuate the interrelationship among financial, natural and social angles and effects of an association's exercises. You will be exposed to the different concepts and definitions of corporate social responsibility and the factors that have been driving the business organisations to pursue social responsibility in different countries. According to the concept of social responsibility, the objective of managers for taking business decisions is not merely to maximize profits or shareholders' value but also to serve and protect the interests of other members of a society such as workers, consumers and the community as a whole.

In today's world the interest of other stakeholders, community and environment must be protected and supported. Social accountability of business enterprises to the variety of stakeholders and society in all-purpose is considered to be the result of social responsibility of business enterprises towards stakeholders and society in general contract.

The social contract is a set of rules that define the agreed interrelationship between various elements of society. The social contract often involves a quid pro quo (*i.e. something given in exchange for another*). In the social contract, one party to the contract gives something and expects a certain thing or behavior pattern from the other.

### Definitions of CSR

A widely quoted definition by the World Business Council for sustainable development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". ('Making Good Business Sense' by Lord Holmes and Richard Watts).

CSR is viewed in different ways in different societies across the world. Following are some examples of different definitions in different countries:

"CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of the employees, the community and the government"..... Ghana

"CSR is about business giving back to society." .....Phillippines

A broad definition of CSR, which encompasses different viewpoints, is that CSR is about how companies manage the business processes to produce an overall positive impact on society. This definition is given by Mallenbaker.

Organisations need to be answerable to two parts of their tasks:

- 1) The nature of their administration – both as far as individuals and procedures (the internal circle) and
- 2) The nature and amount of their effect on society in the different zones.

We shall now consider the different approaches to the social responsibility of business. These approaches are understood in different ways. Let us discuss them in detail.

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### **3.3 APPROACHES TO SOCIAL RESPONSIBILITY**

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Social responsibility is a decent structure and suggests that an entity, be it an organisation or individual, has an obligation to act for the advantage of society at large. Social responsibility is a duty every individual has to carry out so as to uphold a balance between the financial system and the ecosystems. According to the traditional view, an enterprise exists basically to make benefits. From this cash focused point of view, seeing that business morals are vital, they apply to moral difficulties emerging as the revenue driven battle continues. These quandaries incorporate the accompanying: “What obligations do organisations have to ensure that individuals seeking employment or promotion are treated fairly?” “How should conflicts of interest be handled?” and “What kind of advertising strategy should be pursued?” These issues are critical all through the monetary world. When organisations consider wide scope of financial and civic duties as a feature of their everyday task, the field of business morals grows correspondingly.

#### **3.3.1 CSR Theories**

Presently there are substantial issues that should be understood and managed beyond the financial supremacy. Comprehensively, there are three theoretical ways to deal with these issues:

- 1) Corporate social responsibility (CSR) Theory;
- 2) Stakeholder theory; and
- 3) The triple bottom line

Let us learn them

- 1) **Corporate Social Responsibility Theory:** Corporate social responsibility is a decision to improve the welfare of the community through discretionary business practices and contributions to the corporation recourses. Discretionary activities include: Voluntary decisions to choose the activities and contributions on its own way. These activities are performed in a way to maximize the positive influence and to minimize the negative influence of their business on society.
- 2) **Stakeholder Theory:** This theory states that the stake holders of the business partners in the organisation and their voices must add to corporate choices. It states that the interest of the stake holders should



be protected by the organisation. As an example, at the point when a manufacturing plant produces modern waste, a CSR viewpoint appends a duty to production line proprietors to discard the waste securely. This theory starts with those living in the encompassing area whose condition may be harmed and starts to discuss business morals by demanding that they have a right to clean air and water.

- 3) **The triple bottom line:** The concept of triple bottom line adds two more bottom lines, social and environmental concern to the economic concerns. These three together are known as “Profit, People, Planet”, or referred to as the three pillars. This theory is intended to advance the goal of sustainability in business practices.

### 3.3.2 CSR Agenda

To an expansive degree, national social responsibility plans are the after effect of recorded and social variables, and they keep on developing as per current monetary and political needs. For instance, the social responsibility motivation in India has its underlying foundations in altruism and philanthropy. Yet is presently progressively affected by market advancement and expanded introduction to the global challenge. Similarly, in South Africa, it was normal for organisations to make altruistic gifts and to look for support from the chief amid the apartheid (politically-sanctioned racial segregation) time. Be that as it may, in the run-up to and following the 1994 elections, the business network began to build up an increasingly comprehensive SR methodology, and this was fortified by an administrative drive. The plan in South Africa is currently firmly moulded by the need to react to the heritage of politically-sanctioned racial segregation, which implies that specific issues are given priority. Not only is there little agreement on the social responsibility agenda between nations but even within each nation.

But there is no “one size fits all”. In various nations, there will be distinctive needs and qualities that will shape the CSR motivation. For instance there is an important sense that social responsibility should thought to focus on the help for the state to empower it to satisfy its advancement in arranging job. By and large, expansive organisations working in remote parts of the world or where nation government limit is missing, frequently find that they are relied upon to give open products, for example, medicinal services, training or infrastructure.

Indeed, even inside a solitary national setting, there are frequently altogether different and in some cases clashing originations of social responsibility. Unavoidably, there are distinctive originations of social responsibility inside the business network, as indicated by the organisation's size, location, sector, brand visibility, legal constitution and corporate culture, and its distance from and contact with the contemporary social responsibility banter.

Beyond the private segment, view of social responsibility contrasts much further. There is a developing evaluation of social responsibility practice from common society associations in numerous nations. For instance, in Chile and South Africa, there is an across the board view that there is an expansive hole between the talk and routine with regards to social responsibility, because of a reaction from ventures that is regularly shallow and reactionary as opposed to vital. In like manner, studies in India show that senior supervisors normally lead social responsibility activities, without fundamentally deciphering and disguising them over their associations. In the

U.K., a few NGOs and reporters give off an impression of being very nearly pulling back from the social responsibility banter, contending that it is being utilised as a fig leaf while organisations proceed “business as usual.”

### 3.3.3 Distinctive Profiles of CSR Practices

Mohr et al (2010) divided the distinctive profiles of CSR practices into three categories. These Categories are: Business case, social values and syncretism stewardship. Let us learn them.

**The business case model of CSR** “is driven primarily by the ability of CSR initiatives to create positive business results. Because serving shareholders is paramount, a strong tie to the economic outcomes drives CSR initiatives” (Mohr et al, 2010, p.440). Companies operating under business case model usually adopt a reactive approach towards CSR issues and may engage in such activities due to the pressure from various groups, or in the search of a competitive edge.

**Social values model of CSR**, on the other hand, involves companies associating with a specific social cause and "it is integrated into the organisational fibre in every way: visible symbols of the cause can be found everywhere in the company" (Mohr et al, 2010, p.441).

Businesses operating under **syncretism stewardship CSR** model aim to harmonise and balance the demands of various stakeholders of the business. In other words, these companies focus on profit maximisation objective of the business as the business case model. At the same time, they also comprehend the importance of CSR and aim to address it in an effective manner.

Four approaches to CSR have been specified by Tudler and Zwart (2006) as inactive, reactive, active and proactive (interactive). It is important to note that “these approaches emerged at different stages of societal development and they are neither mutually exclusive nor do they represent ‘best’ practice models” (Tulder and Zwart, 2006, p.143).

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## 3.4 ETHICS

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Ethics or moral philosophy is a division of philosophy that includes systematizing, protecting, and prescribing ideas of good and bad conduct. Morals seek to decide inquiries of human ethical quality by characterizing ideas, For example, great and abhorrent, good and bad, prudence and bad habit, justice and wrongdoing. As a field of the scholarly request, moral logic likewise is identified with the fields of ethical psychology, expressive morals, and value theory. Thus Ethics is/are a regulation which teaches us what is right and what is wrong.

**Metaethics** talks about the nature of ethics and moral reasoning. It is concerned with what we mean when we use words like, “good”, “bad”, “right”, “wrong”. It is not a normative system of ethics. It does not tell us what we can, what can not do. Exchanges about whether morals are relative and whether we generally act from personal circumstance are instances of meta-moral talks. Indeed, drawing the theoretical refinement between Metaethics, Normative Ethics, and Applied Ethics is itself a “metaethical analysis.”

<b>Moral Philosophy of Ethics</b>		
<p>The study of human actions that effect beings capable of being in some way (definitely humans, as well as many animal species) and the principles that people appeal to when they act.</p>		
<p><b>Meta Ethics</b></p> <ul style="list-style-type: none"> <li>• Nature of moral knowledge</li> <li>• Proper grounds for justifying moral claims</li> <li>• Metaphysical /ontological status of moral norms and entities</li> </ul>	<p><b>Normative Ethics</b></p> <ul style="list-style-type: none"> <li>• What constitutes the “good life”?</li> <li>• What should I do, and who should I be?</li> <li>• Development, analysis and critique of various moral/ethical theories</li> </ul>	<p><b>Applied Ethics</b></p> <ul style="list-style-type: none"> <li>• Realm if professions, institutions and public policy</li> <li>• Generates practical moral answers</li> <li>• Applies moral/ethical theories to practice</li> </ul>

**Fig. 3.1: Moral Philosophy of Ethics**

**Normative Ethics** is interested in determining the content of our moral behaviour. Normative ethical theories seek to provide action-guides; procedures for answering the Practical Question (“What ought I to do?”).

**Applied Ethics** endeavours to manage explicit domains of human activity and to make criteria for talking about issues that may emerge inside those domains. The contemporary field of Applied Ethics rouse in the late 1960s and mid-1970s. Today, it is a flourishing piece of the field of morals. Various books and sites are committed to themes, for example, Business Ethics, Computer Ethics, and Engineering Ethics etc.

**Check Your Progress A**

1) What is corporate social responsibility?

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2) Distinguish between stakeholder theory and triple bottom line theory of CSR.

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3) Distinguish between normatic ethics and applied ethics.

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### 3.5 BUSINESS ETHICS

Business ethics is a type of connected morals that analyses moral standards within a business setting; the different moral issues that can emerge in a business setting; and any exceptional obligations or commitments that apply to people who are occupied with a trade. As a rule, business ethics are a regulating discipline, whereby specific moral measures are pushed and after that connected. It makes explicit decisions about what is correct or wrong, or, in other words, it makes guarantees about what should be done or what should not be done. Look at Fig. 3.2 which shows the major components of business ethics.



Fig 3.2: Major components of business ethics

While there are a few exemptions, business ethicists are normally less worried about the establishments of morals (metaethics), or with defending the most fundamental moral standards, and are increasingly worried about handy issues and applications, and particular obligations that may apply to business connections.

Logicians and others differ about the motivation behind a business in the public eye. For instance, some propose that the important reason for a business is to expand returns to its owners, or on account of a publicly-traded concern, its investors. Consequently, under this view, just those exercises that expand profit and investor esteem ought to be supported. Some trust that the main organisations that are probably going to get in a focused commercial centre are those that put benefit expansion above everything else. In any case, some bring up that personal responsibility would even now require a business

to comply with the law and stick to fundamental moral guidelines, the business should realise that the outcomes of neglecting to do as such could be exorbitant in fines, loss of licensure, or organisation notoriety. The business analyst Milton Friedman is the main advocate of this view.

Different scholars suggest that business has moral obligations that expand well past serving the interests of its proprietors or investors and that these obligations comprise of more than just complying with the law. They trust business has moral duties to purported partners, individuals who have an interest for the conduct of the business, the moral duties may be towards workers, clients, merchants, the nearby network, or even society in general. They would state that partners have certain rights as to how the business works, and some would even recommend this even incorporates privileges of administration.

### **The Relationship between Business Ethics and Social Responsibility**

It is often felt that these two things are separate notions. Business ethics is supposed to be an attribute associated with the individual businessman- the owner or the manager. Corporate Social Responsibility are often treated differently, as a responsibility of the business, not necessarily to be business ethics. Thus, the ordinary understanding of business ethics is confused with general ethics and morality. This has paved the way to great management thinkers like Peter Drucker to pronounce that to state "There is neither a separate ethics of business nor is one needed". Peter Drucker along with some management thinkers is of the view that no Business Ethics are needed since ethics are of personal nature and the individuals who are involved in the business are required to follow ethical dimension and not the business. They are of the view that organisations could be shaped and worked effectively without satisfying their social duty. Their only duty is the creation and delivery of value to the consumer in an efficient and effective way. Their moral obligation is discharged through effective price mechanism in the market. Factors of production such as raw materials, capital, labour and other resources that are used by businesses from society are adequately compensated by the payments established by the price mechanism in the market. This means that business ethics only relate to the personal moral behaviour of the businessman or manager.

The new thinking in this regard lays down the modern basis of a new concept called "Corporate Responsibility". This new approach relates business ethics to the social responsibility of business. In fact, it shows how these two concepts are two sides of the same coin.

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## **3.6 CORPORATE RESPONSIBILITY**

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Now before continuing any discussion, it is vital to make a distinction between business philosophy and philosophy of business. Business philosophy is related to the vision and mission of the business. It explains the 'why' of the particular business. It is the main driving force behind any particular business. Business philosophy determines the objectives and functional objectives of the particular business. But the philosophy of business has a larger context. It explains the 'why' of all businesses and not a particular business. For every discipline to exist, it must have some ethical framework. If it does not have any ethical framework then such discipline



ceases to exist and become like witchcraft. Now, this ethical framework is provided through the philosophy underlying such discipline. When philosophy is applied to any discipline it becomes applied philosophy. So philosophy of business is applied philosophy. It means an understanding of the moral and ethical guidelines of business as a subject of knowledge. “Just as medicine is an area of knowledge business is an area of knowledge. Philosophy deals with knowledge. It answers the question of what the role of a business is and as to what is the ethical basis of the judgment of whether it is fulfilling its role or not.” Klemptner (2006) also stated “Understanding the rules and conventions of business is one of the main tasks for the philosophy of business. In one of its forms, this is known as ‘business ethics’. The other main task understands how business is possible...”

## Benefits of Corporate Social Responsibility

The benefits of CSR are as follows:

- Better brand recognition
- Positive business reputation
- Increased sales and customer loyalty
- Operational costs savings
- Better financial performance
- Greater ability to attract talent and retain staff
- Organisational growth
- Easier access to capital

The philosophy of business considers the fundamental principles that underlie the formation and operation of a business enterprise; the nature and purpose of a business, for example, is it primarily property or a social institution; its role in society; and the moral obligations that pertain to it. This definition identifies 3 interrelated aspects of the philosophy of business. These are:

- i) Nature of business,
- ii) Role of business in society, and
- iii) Moral obligation towards society.

Traditionally these aspects had different interpretations. Their traditional interpretations were as follows:

- i) **Nature of business:** It was treated as ‘property institution’ which only exists to earn profits at any cost and its entity is entirely different and independent from rest of the society.
- ii) **Role of business in society:** Its only purpose is to create value for members of the society by producing goods and services and through that earn profits. It is not expected to take care of other social and environmental concern.
- iii) **Moral obligation towards society:** It has no extra moral obligation since it discharges its entire obligation by compensating the factors of production through price mechanism in accordance with their contribution to production.



As per the traditional interpretations, there is no business ethics at all. If there is any moral obligation of business then it had discharged it by compensating the factors of production. So no separate set of ethics or code of ethics is applicable to business. Therefore the question of business ethics is just limited to how individual entrepreneurs behave and this is dependent on general or individual ethics. Any social programme or activities that were carried out by business were only voluntary. So there were not any separate business ethics, which were applicable only to business. Hence, business ethics as an extant notation is disparate from social responsibility of business. In this form, therefore, social responsibility of business naturally boils down to philanthropy.

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### **3.7 PARADIGM SHIFT OF CORPORATE RESPONSIBILITY**

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However, over the time there are major changes in paradigm. These changes have taken place due to many factors. These factors influence the entrepreneurs to address business ethics. Some of these factors are as follows: increasing influence of non-governmental organisations (NGOs), very effective and heightened reach of media assisted by advancement in information technology, knock-on effect of corporate scandals such as Enron and Satyam, growth of socially responsible investment, changing employees' expectation, more aware and demanding consumer, never-ending social campaign and issues etc. Besides these factors, this is also an era of globalisation where the role of the government has declined substantially so there are changing social expectation from the business. There is a need for countries to agree on common standards of labour, environment, quality etc. and adhere to globally evolving standards.

Nowadays consumers have become vocally strong not only in exercising their rights but also in demanding that business must explicitly state their policies, business processes and practices. Therefore, entrepreneurs must be proactive towards society's expectation. Today businesses could not get the label of good and ethical businesses by engaging in philanthropy. Something more is required and that too at core level. Social responsibility stated that these major changes have resulted in two types of shifts. These shifts are Philosophy of business and towards society. Let us learn them.

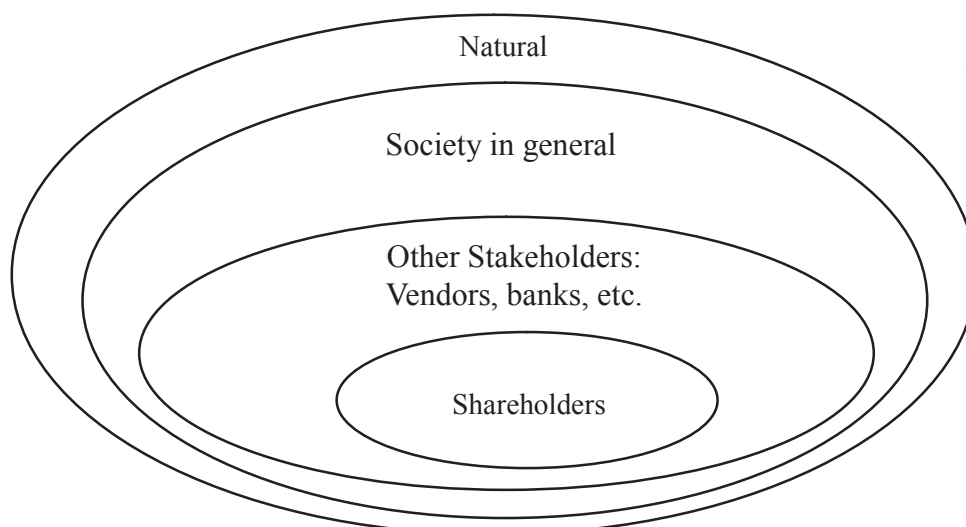
#### **1. First Shift: Philosophy of Business**

First shift is related to the philosophy of business. The new perspective has broken down this classification of business and society and by now it has been realised that social and environmental issues can no longer be addressed entirely through a unilateral imposition by the State through a legal framework. The roles, relationships and realms of the three entities – the government, the business and the society have changed. Hence, business is a social institution rather than property institution. If it is a social institution then it has to perform the duties assigned to it by society. If it is not fulfilling the duties assigned to it by society then society is empowered to close the business. Therefore, society lays down the criteria for the termination of business. Hence, as per the first shift, philosophy of business not merely lays down the framework for the operation of the business but it also lays down the premises for termination of business as its obverse. Laying down the premise for termination of business, philosophy of business empowers the

society since it is eventually the society who should decide whether a business should continue or not and not the entrepreneur.

Besides this, business is also responsible to the natural environment. The emergence of the term 'Environmental Accountability' in the recent scenario shows the importance of concern for the environment that has gained momentum today. Till early 90's entrepreneurs had shown less interest in environmental issues. Environmental degradation was considered as necessary costs for growing economies. At that time almost all economies prefer economic growth to the ecosystem. But due to many natural disorders that have been occurred during last few years like global warming, depletion of ozone layer, greenhouse gas effect, Asian brown cloud and many unexpected natural calamities have turned the focus on environmental concerns. Now the world is recognizing the fact that preserving fresh water, pure air and fertile land is more important than producing low-cost goods for consumers or profits to business. Nowadays many more issues like environmental accounting, environmental degradation and environmental management have been emerging. Even otherwise it has to be understood that our natural environment or ecosystem is very important to us. If the ecosystem is destroyed then how can our future generations sustain? Hence, the natural environment is of considerable importance. But on the other hand, it has no voice of its own. As a result, anybody may cause unfettered damage to natural environment without incurring any liability or punishment. So somebody has to become the representative for the natural environment and raise the voice on its behalf. Nowadays the public at large has recognized the importance of natural environment and has started to raise the voice for it. The government has been putting various restrictions on the use of natural resources and that too at international level like setting norms for emission of greenhouse gases (Kyoto Protocol). Now if the government and public at large are feeling its responsibility towards the natural environment then how businesses can be spared. Therefore, businesses should also consider their responsibility towards the natural environment. In fact, it is primarily responsible for the natural environment since it is operating in the natural environment and also withdrawing resources from it.

## 2. Second Shift: Towards Society and Natural Environment



**Fig. 3.3: Corporate Responsibility of Business towards Society**

Now the first shift resulted in an entirely new dimension of Business Ethics. The second shift leads to one of the basic pillars of the philosophical framework in ethics. So Business Ethics itself emerges out from the philosophy of business with very broad dimension and it should be applied in every facet of the business.

So as Business Ethics is applicable from ab-initio and at every level, hence it must be known well in advance that who are the various participants in the businesses and how do they interact with each other. Participants may be internal and external. The internal participants are: shareholders, employees, managers, board members etc. The external participants are customers, suppliers, government, union, local community, society at large etc. However, the most important participant is the natural environment.

Thus as per Business Ethics, businesses have a moral and ethical responsibility towards all the participants. If the business does not behave ethically to these participants then these unethical behaviour create grounds for cessation of business. Fig. 3.3, shows the responsibility of business towards different participants. The responsibility of Business towards participants in order of priority is shown below:

- i) Natural Environment
- ii) Society in General
- iii) Other stakeholders, Vendors, banks, etc. and
- iv) Shareholders.

Therefore, the first and the primary responsibility of the business should be to respond to the natural environment, then to Society in general after that to other stakeholders like vendors or bankers and at last to the shareholders. But what happens is just opposite to it. Business works primarily for shareholders since shareholders have an immediate impact on it. Then it works for other stakeholders like banker or vendor since they have also impact on it. However, business considers its responsibility towards society in general and natural environment at last since they do not have any say. If the natural environment had its own voice then the business must have primarily listened to it and worked in accordance with nature's discretion. In practice, this is not happening, so businesses have made an easy escape route by not caring for nature.

We must differentiate between Business Philosophy and Philosophy of business. This forms the basis of Corporate Responsibility. There are two Paradigm Shifts which have led Corporate Responsibility of Business towards Society.

Corporate Responsibility consists of :

- 1) Corporate Social Responsibility
- 2) Corporate Governance
- 3) Environmental Accountability

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## 3.8 CSR IN INDIA

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According to the Company Act, 2013. Organisations can put some portion of profits in the activities of education, marginalised sections of society, gender equality, and poverty and hunger.

### **National Voluntary Guidelines**

The Ministry of Corporate Affairs, Government of India has provided Corporate Social Responsibility Voluntary Guidelines (2009). The CSR Policy prescribes six components of corporate social responsibility. These are: Care for all Stakeholders, Ethical working, Respect for Workers' Rights and Welfare, Respect for Human Rights, Respect for Environment and Activities for Social and Inclusive Development.

The Guidelines provide opportunities for the organisations to work for the benefits of workers, clients and financial specialists etc. The Securities and Exchange Board of India (SEBI) has also suggested that the 100 best-companies must submit Business Responsibility Reports, as a part of their yearly reports. India's National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), for mindful business envisages following:

*As per these rules “Responsible Business” conduct refers to the commitment of businesses to operating in an economically, socially and environmentally sustainable manner while balancing the demands of shareholders and other interest groups. It is about managing risks and impacts, which affect business’ ability to meet its objectives.*

*According to Ministry of Corporate Affairs, 2011 The NVGs are formulated with the objective of creating positive framework conditions to advance the role of business in economic growth which is socially and environmentally sustainable, while also ensuring enhanced competitiveness and integration into the global markets.*

The NVGs had served as a predecessor to the mandatory CSR provision in the subsequent Company Bill 2012. NVG was a guide for businesses of all size, ownership-type, sector and location to enable them to strive towards the triple bottom line (i.e. envisages People, Planet and Profit), The NVGs “an India specific comprehensive understanding of business responsibility”.

### **Mandatory Rules: Company Act 2013 and CSR**

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014.

According to this rule, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social

responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

### Check Your Progress B

- 1) What do you mean by business ethics?

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- 2) Identify three benefits of corporate social responsibility.

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- 3) List the components of CSR prescribed by National Voluntary Guidelines.

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### 3.9 LET US SUM UP

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The job of business in the public eye has experienced an awesome change in India. The organisations have begun to attempt CSR exercises willfully. Social Responsibility of Business is a recent area of study in management concepts. It is usually referred to as Corporate Social Responsibility or CSR. There are several definitions of CSR. Mallenbaker has defined it as the role of business in society. There are several approaches to Social Responsibility of Business or CSR. Firstly, there are three CSR Theories. Different countries have different CSR Agendas. Also, there are many distinctive profiles of CSR practices.

Business Ethics is a branch of applied ethics. The relationship between Business Ethics and Social Responsibility lies in the roots of moral philosophy. Often people mistake these two concepts to be separate. Business ethics is often treated as an individual trait of the businessman and CSR as philanthropy. We must distinguish between Business Philosophy and Philosophy of business. This forms the basis of Corporate Responsibility. There are two Paradigm Shifts which have led to Corporate Responsibility of Business towards Society. Corporate Responsibility consists of Corporate Social Responsibility, Corporate Governance and Environmental Accountability. The policy framework of CSR in India is shaped by National



Voluntary Guidelines and Mandatory Rules under Company Act 2013 in respect of CSR.

Thus, to be ethical is to be moral in one's activities. We as a whole comprehend the requirement to be morally thoughtful. Obviously we may contrast what precisely we mean by being moral, however, we as a whole concede to the need to attempt to satisfy our own moral measures and convictions.

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### **3.10 KEY WORDS**

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- Social Responsibility** : Social responsibility means that individuals and companies have a responsibility to take steps in the best interests of their environments and civilization as a whole.
- Corporate Social responsibility** : Corporate social responsibility (CSR) is how companies conduct their business activities to have an overall positive impact on society. It covers sustainability, social impact and ethics.
- Corporate Ethics** : It is a form of applied ethics or professional ethics, that examines ethical principles and moral or ethical problems that can arise in a business environment.
- Business Plan** : A business plan is a road map that gives headings for designing future course of action.
- Paradigm Shift** : A fundamental change in the basic concepts and experimental practices of a discipline.
- Corporate Responsibility** : Corporations have accountability to those groups and individuals that they can influence, i.e., its stakeholders, and to society at large.
- Stakeholder theory** : The stakeholder theory is a theory of organizational administration and business morals that bargain with ethics and qualities in dealing with everyday operations.
- Triple bottom line** : It is a notion which makes wider a business' emphasis on the budgetary concern to involve social and natural contemplations. A triple primary concern estimates an organisation's level of social obligation, its monetary worth and its natural effect.
- Business Ethics** : Business ethics is a type of connected morals that analyses moral standards within a business settings.
- Company Stakeholder** : An organisation's stakeholders are each one of the individuals who are affected by, or can impact, an organisation's choices and activities.
- Professional ethics** : Covers the numberless of pragmatic moral issues and phenomenon which occur out of express utilitarian regions of organisations or in connection to reported business professions.



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### 3.11 TERMINAL QUESTIONS

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- 1) Explain the different theories of Corporate social responsibility?
- 2) What do you mean by ethics? What are the different types of ethics?
- 3) What do you mean by Business ethics? State the major components of business ethics?
- 4) Explain the term corporate responsibility? What are its different components?
- 5) What is the role of Company Act 2013 in implementing Corporate Social Responsibility in India?
- 6) Explain the relationship between Business ethics and Social Responsibility?

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice.

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## **UNIT 4 EMERGING OPPORTUNITIES IN BUSINESS**

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### **Structure**

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Internet Applications in Business
  - 4.2.1 Internet of Things
  - 4.2.2 Technological Explosion
- 4.3 Emerging Trends in Business
  - 4.3.1 Automation
  - 4.3.2 Blockchain
  - 4.3.3 Artificial Intelligence
  - 4.3.4 Machine Learning
  - 4.3.5 Social Shopping
  - 4.3.6 Robotics
  - 4.3.7 E-Tailing
  - 4.3.8 Retail Entrepreneurship
- 4.4 Impact of Technology on Business
- 4.5 E-Commerce
  - 4.5.1 Meaning of E-Commerce
  - 4.5.2 Traditional Commerce v/s E-Commerce
  - 4.5.3 Features of E-Commerce
  - 4.5.4 Benefits of E-Commerce
  - 4.5.5 Disadvantages of E-Commerce
- 4.6 M-Commerce
  - 4.6.1 App Based Business Using Smartphone
  - 4.6.2 Wallets and Plastic Money in Business
- 4.7 Franchising
  - 4.7.1 Benefits of Franchising
- 4.8 Logistics and Supply Chain Business
  - 4.8.1 Significance of Logistics
- 4.9 Outsourcing and Offshoring
  - 4.9.1 Outsourcing
  - 4.9.2 Offshoring
  - 4.9.3 Difference between Outsourcing and Offshoring
- 4.10 Let Us Sum Up
- 4.11 Key Words
- 4.12 Terminal Questions

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## 4.0 OBJECTIVES

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After studying this unit, you will be able to:

- assess how do opportunities play an important role in enhancing business
- discuss the trends which are bringing change in business
- explain the paradigm shift from website to application based business
- evaluate the impact of the use of plastic money and e-wallets
- examine the digital business collision with market place trends

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## 4.1 INTRODUCTION

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This unit aims to make the students aware of the various changes in the business environment which has led to increased business opportunities. In the second unit of this block, you have learnt how is digitisation finding a way to every field of life. In this unit, you will learn how does digitisation paves the way to a drastic shift in the business activities. In the present day, entrepreneurs like Bill Gates, Mark Zuckerberg, Elon Musk, Jack Ma, Jeff Bezos are the pioneers of success but all of them started from marginal investment. Facebook was created in a Harvard dorm room at negligible cost and Microsoft was formed two years after Gates decided to drop out of school.

Tracing the business history of the world, it has been seen that the marketplace is ripe for the determined entrepreneur to take it over. Some individuals may have the business insight to sway the market but have not yet managed to confine on a single thought to start with. But as Walt Disney said, *“If you can dream it, you can do it.”*

The internet has touched our lives in more ways than we care to acknowledge. We often do not realize how we would have reacted in a different way less than a decade ago when the internet was not such a boom and it is ever increasing. In this unit, you will learn the internet applications in business, emerging trends in business and impact of technology on business you will further learn the features, advantages and disadvantages of e-commerce. You will also be exposed to franchising, logistics and supply chain business, outsourcing and off-shoring.

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## 4.2 INTERNET APPLICATIONS IN BUSINESS

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It is very hard to visualize how any business could function during this time without the use of the internet. The development of the internet has considerably changed the day to day operations of a business; including how they correspond with each other and their audience. Information can be effortlessly transmitted to any destination in few seconds. The internet has become a necessary tool for marketing and advertising. A business can interact with the customers with the use of a website or online advertisements. Many businesses now use the internet as a means of making customers attentive of their current promotions. This can be very beneficial to businesses that are targeting younger spectators.

## 4.2.1 Internet of Things

The Internet of things (IoT) is the network of devices, vehicles, and home appliances that contain electronics, software, actuators, and connectivity which allows these things to connect, interact and exchange data. The Internet of Things (IoT) has the supremacy to change our world. While we are beginning to see its incredible boom, we are at a halt especially toward the start of the transformational venture. As you can conceive, life in ten years will appear to be physically unique from what it looks like in 2019. The pace of innovation change is quickening, thanks to the coming wave of the Internet of Things. Here and there, Internet of things still feels like void tech language. It is difficult to piece all these different, divergent things together and talk about them significantly. Along these lines, with an end goal to comprehend this up and coming innovation, let us see what designs are occurring to construct of Internet of things potential.

Sustained growth in the financial system comes with augmentation from all sectors, among which development in the infrastructure sector is a key requirement for intensification in sectors within manufacturing and services. Within infrastructure, enlargement in different upcoming business in the various sector is one of the most important requirements for the sustained growth of a developing economy like India. The propagation of new technologies such as mobile, cloud computing, and artificial intelligence (AI) have changed customer behaviour and disrupted marketplaces. As a consequence, our marketing practices must also step forward. Due to the Information and Communication Technology revolution, there has been a swift and outstanding boost in the interface between communities and societies in today's human race. Our Indian social system is also going all the way through enormous alteration to meet the needs of the modern world. Information has by no means been so free and readily available as nowadays. While the price of data has plunged, the supply of information has evolved creating a data expansion. This is over and over again referred to as “Big Data.” Companies are progressively emphasizing on their core competencies (‘to do what you are preeminent at and leave all other non-value-added activities to more suited players’) and working on to build strong relationships with their supply chain partners who possess indispensable harmonizing capability. Success will depend on how well companies act as a team to deal with significant processes and activities across business boundaries to meet customer requirements.

## 4.2.2 Technological Explosion

Technological explosion refers to the frequent increase in the use of technology in everyday life. Innovation counselling firm Gartner, Inc. predicts that 6.4 billion associated things will be used the world over this year, which is 30% more than the last year. Furthermore, this number is relied upon to develop by multiple occasions to about 21 billion by 2020.

It is a name given to the present pattern of computerization and information trade in assembling innovations. It incorporates digital physical frameworks, the Internet of things, cloud computing and cognitive computing. Industry 4.0 is generally alluded to as the fourth industrial revolution. The manufacturing industry established long ago is experiencing a principal change, denoting the

beginning of savvy manufacturing or Industry 4.0. Consistently, advancements dependent on IoT to make plants more brilliant, more secure and all the more naturally reasonable. IoT associates the modern unit to an entirely different scope of keen assembling arrangements, which go around the manufacturing process.

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## 4.3 EMERGING TRENDS IN BUSINESS

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Today's world is more about the practice economy. Customers are ready to squander money on concerts, dinner dates, and trips. That is the new kind of strategy with the know-how economy. Organisations in the present scenario are trying to build, synchronise with the old business in a new way.

It is sky-scraping tea break entrepreneurs comprehend the importance of being fastidious in project identification. Till in recent times, we in India kept on exploring the possibilities of manufacturing almost the whole lot, right from pins to planes and screws to submarines. Just as companies and individuals carry out SWOT (Strength, Weakness, Opportunity and Threat) analysis for identifying business opportunities for our entrepreneurs. Peter Dawson in his book has mentioned that perpetual state of commercialization which will change the manner in which organizations work. The Great Recession has modified the very establishments of life and business and set-off changes that are changing enterprises and organisations. The meaningful brands research, led by the Havas Group, met 300,000 individuals around the world. They broke down 1,500 brands in 15 ventures, all over 33 nations they found that.

A standout amongst the most immediate influencers of business achievement is the economy. For universal associations, this implies watching out for both local and worldwide patterns. Money related changes can display a wide scope of issues for organisations with workers spread all over the world. As per Reuters, the up and coming scene in developing markets is relied upon to get rough on occasion. Be that as it may, this has been an unavoidable truth for organisations with areas in a wide range of nations.

Business patterns are quickly developing. It appears innovation is progressing at a consistent quicker rate. We are feeling the impact of these progressions. Business intelligence and analytics are in high demand as organisations seek to use information assets to improve business outcomes, customer relationships, and operational efficiency. Some of the emerging business trends are explained below:

### 4.3.1 Automation

Automation driven by AI and advanced equipment is set to upset work as we know it. We are robotizing customary occupations out of existence regularly. Examples of these disruptions are given as under:

- Pizza Hut replaced waiters with robots to take orders and process payments.
- Walmart used automation to replace 7,000 accounting and invoicing employees.
- iPhone maker Foxconn replaced 60,000 employees with robots.

- Wendy's replaced their lowest paid employees with robots.

As automation matures work will shift from Augmented Intelligence to true Artificial Intelligence. No one knows for sure when AI will reach that tipping point but every industry will be impacted.

### 4.3.2 Blockchain

Blockchain was designed by Stuart Haber and Scott Stornetta in 1991 as a method to promise the trustworthiness of digital records. Haber and Stornetta propelled the world's first business blockchain. A Blockchain is a practice for making an index of entries, which cannot be changed after they are completed. This equally applies to the index. Blocks on the blockchain are comprised of virtual snippets of data. In particular, they have three sections:

- Blocks store data about exchanges, for example date, time, and amount of your latest buy from online business.
- Blocks store data about who is taking an interest in exchanges. Rather than utilizing your real name, your buying is recorded with no identifying data utilizing an unique "digital signature," similar to a username.
- Blocks store data that contrasts them from different blocks. Much like you and I have names to differentiate us from each other, each block stores a special code called a "hash" that enables us to separate it from other blocks.

### 4.3.3 Artificial Intelligence

The recent boom in technology has led to demands for our applications that include artificial intelligence (AI) and machine learning. This has led the industry to develop the expertise in AI and ML tools so that the skills can be implemented in the products. Artificial intelligence has been democratized. Microsoft reported that AI is now present in a large portion of a billion gadgets running Windows 10. Google has released TensorFlow. Berkeley AI research released Caffe and Apache released Apache MXNet. Amazon made an AI stage for designers to work with an assortment of AI explicit systems and services. The rise of automation to unmistakable quality is powered by enormous spending and fast development in specific regions.

### 4.3.4 Machine Learning

Machine Learning (ML) is the field of learning that gives computers the potential to gain knowledge of without being unambiguously programmed. ML is one of the most exciting technologies that one would have ever come across. Machine learning is the scientific study of algorithms and statistical models that computer systems use to in actual fact perform a specific task without using explicit instructions, relying on patterns and inference instead. Machine learning is an application of AI that provides systems the capability to mechanically learn and progress from knowledge without being overtly programmed. Machine learning focuses on the development of computer programs that can right to use data and utilize it learn for themselves.



- Early adopters of machine learning are finding ways to mechanize machine learning by embedding processes into operational business environments to drive business value. This is enabling more effective and precise learning and decision-making in real-time.
- For businesses today, growth in data volumes and sources sensor, speech, images, audio, video will keep on to gather speed as data proliferates.
- Today, organizations can inculcate machine learning into core business processes that are connected with the firm's data streams with the objective of improving their decision-making processes throughout real-time learning.

#### 4.3.5 Social Shopping

As e-commerce has grown over the last decade or so, it has also evolved, changed shape, and spawned numerous offshoots. One of those offshoots of the big e-commerce insurgency is social commerce and it is making a big plaster. Social shopping is a new term that illustrates a progression where social network users can procure products that come into sight in their feeds and channels without interrupting their browsing occurrence. Before social shopping, a corporation could set an advertisement on a social network, and anyone who wanted to purchase their product would necessitate clicking the ad, visiting a landing page on the company website, and ensuring through a purchasing funnel. Once their purchase was inclusive, they could recommence browsing their social network. The key divergence with social shopping is that the user can currently make a procure without ever leaving their social network feed.

According to Adweek, the top 500 retailers brought in nearly \$6.5 billion from social shopping in 2017. Social shopping is by all accounts on the ascent. It will change how we consider moving items and administrations since it is a moderately new channel that requires an alternate methodology. Social shopping is a method of e-commerce where shoppers' friends become involved in the shopping experience.

#### 4.3.6 Robotics

Robotics deals with the design, construction, operation, and use of robots, as well as computer systems for their control, sensory response, and information processing. These technologies are used to develop machines that can substitute for humans and replicate human actions. Robots can be used in numerous states of affairs and for lots of purposes including business. One of the most common tasks robots perform for businesses is product assembly in an industrial space. Manufacturing robots handle tasks such as welding, sorting, assembly and pick-and-place operations with greater speed and efficiency than human workers could ever hope to achieve. Most robots today are used to do repetitive actions or jobs considered too dangerous for humans. A robot is perfect for going into a building that has a possible bomb. Robots are also used in factories to fabricate things like cars, candy bars, and electronics.

### 4.3.7 E-Tailing

Electronic retailing (e-tailing) is a buzzword for any business-to-consumer (B2C) transactions that take place over the Internet. Simply put, e-tailing is the sale of goods online. The key difference between e-tailing and e-commerce is that e-tailing is the action of selling of retail goods on the Internet whereas e-commerce is the commercial transactions conducted by electronic means on the Internet. We will discuss more in detail about E-Commerce in forthcoming heads. With the continuation of shopping online and other accessory applications, e-tailers can in reality have diverse forms of transactions to choose from, either for business to business, consumer to business, or consumer to consumer transactions. There are various impacts of E-tailing in business. Some of them are mentioned below:

- E-tailing as a platform will also eliminate the barriers between businesses and consumers, because the information about the product and the business is made easily accessible, making the information readily available.
- E-tailers can personally connect with their consumers and consumers can give their appropriate feedbacks accordingly, making it an excellent customer service tool.
- It also provides customers and businesses an extensive display of options to choose from for the reason that they offer more elastic paying and pricing systems and they equally grant more opportunities for businesses to check contest.

### 4.3.8 Retail Entrepreneurship

The retail industry is observing a big boom in this decade. The experts are expecting a bigger growth in the future. The expansion rate is 15% and currently, it comprises 10% of India's GDP. The figures are enough to explain the colossal growth of the industry. It also depicts the right time to invest in a prospective retail business and become a part of the boon of consumerism. The attractive economy is literally becoming a global destination for many marvellous retail brands. They want to invest and operate in the Indian market and uplift the life and stature of the Indian population. The factors such as the rise in the working population, increased disposable income household income, affluence, enhanced lifestyle, demand, and government aids for businesses are contributing largely to the boom of this industry. If you are thinking of launching your own business, this is the right time to invest and enter the promising platform to create a remarkable future.

#### Check Your Progress A

- 1) What has been the impact of E-Commerce boom in India?

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- 2) What do you mean by robotics?  
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- 3) What has made India one of the world's fastest growing emerging market economies?  
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- 4) Give some examples of automation in business.  
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#### **4.4 IMPACT OF TECHNOLOGY ON BUSINESS**

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Businesses are affected by changes in the technological atmosphere. Technology revolutionises and offers risks, opportunities and threats to businesses. Some businesses can exercise changing technology to step forward products and processes or even engender new products and processes that will expand markets and profits. We have been witnessing how has know-how transformed business.

Stone Age, Iron Age, Bronze Age, Steel Age, described in our history have been defined on the basis of technology. It is the innovation and transformation of activities which had brought transformation in business. The transformation has been facilitating the progression in technology. The progression which has changed the world around us. Look at Fig 4.1 which shows effects of technology on business.

#### **Benefits of Technology in the Business**

Technology has both tangible and intangible benefits. It helps a business to formulate ideas and fabricate the results that the customers demand. Technological infrastructure affects the culture, effectiveness and relationships of business. Depicts effects of technology on business operations. Look at the Fig. 4.1 which shows the effects of technology on business.

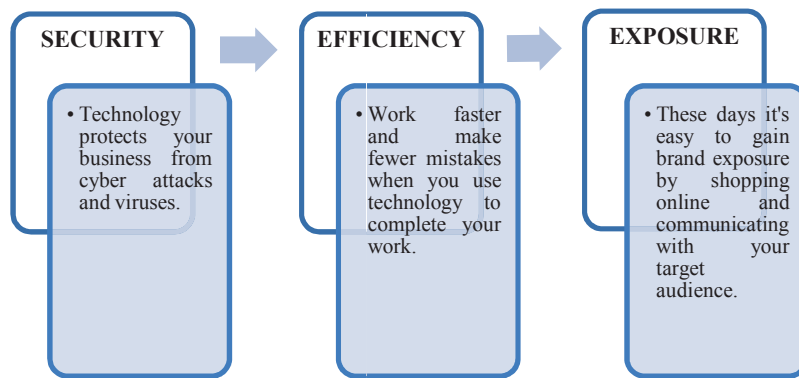


Fig. 4.1: Effects of technology on business

While the benefits of technological advancement in business are too many, let us learn a few key advantages:

- **Reducing Business Costs:** Small business owners can bring into play innovation to reduce business costs. Business innovation mechanizes back office operations, for example, record keeping, accounting, payroll and finance. Entrepreneurs can likewise utilise know-how to assemble secure conditions for keeping up important business or customer data.
- **Harmonising Communication:** Technology facilitates in harmonisation of the communication process. For example, emails, texting, websites and personal digital products applications, known as “apps,” may facilitate the communication with consumers. Companies can further take customer criticism through these electronic communication methods. These methods also allocate companies to reach customers via mobile devices in a real-time arrangement.
- **Potential enlargement in Business:** Technology permits small businesses to accomplish the operations in the new markets. Rather than just selling consumer goods or services in the restricted market, small businesses can accomplish regional, national and international markets. Retail websites are the most widespread technique for small businesses to sell products in quite a few dissimilar economic markets. Websites provide a minimal effort choice that shoppers can get to all day, every day when expecting to buy merchandise or services. Entrepreneurs can likewise utilise Internet publicising to achieve new markets and clients through mindfully placed web promotions.
- **Considerations:** Business technology enables organisations to subcontract business operations to different organisations in the worldwide and local business surroundings. Outsourcing can encourage organisations to lower expenses and focus on finishing the business work they do. Technical help and customer care are two important operations that organisations subcontract. Entrepreneurs may consider outsourcing of the operations for which they do not have the fitting offices or reachable labour. Innovation enables organisations to contract out capacity to the least expensive territories conceivable, including foreign nations. The world is experiencing a profound situated adjustment, on account of constant connectivity universally. This is making a requirement for a computerized change of the entire thing – from retail to our postal framework. It is changing our foundation needs and it is additionally expanding the velocity of business. To remain on the ball

entrepreneurs should likewise change the traditionally settled methods for working their ongoing business.

### **Changes in Business are Fast-Paced**

When the business environment is altering and they take action accordingly to provide accommodation with these changes. This adjustment may facilitate businesses manage change. Companies have an improvement when they have managers and leaders in place that are predominantly skilled sensing when change needs to happen. With the rise of new tools such as artificial intelligence, robotics, and automation, may bring new changes in the organisations. Managerial comprehension and acquaintance of the long-established leadership models are no longer adequate to be successful and excel in today's speedily changing business environment. These fast-paced changes also need to be reproduced in business.

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## **4.5 E-COMMERCE**

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The term "E-Business" was coined by IBM's marketing and Internet teams in 1996. In 1997, IBM marketing, with its agency Ogilvy & Mather began to use its foundation in IT solutions and expertise to market itself as a leader of conducting business on the Internet through the term "e-business."

E-Business is the conduct of business on the Internet, not only buying and selling, but also servicing the customers and collaborating with the business partners. E-Business includes customer service (e-service) and intra-business tasks. Example of E-Business: An online system that tracks the inventory and triggers alerts at specific levels is E-Business. Inventory Management is a business process. When it is facilitated electronically, it becomes part of E-Business. An online induction programme for new employees automates part or whole of its offline counterpart.

### **4.5.1 Meaning of E-Commerce**

E-Commerce is defined as those commercial transactions carried out using the electronic means, in which goods or services are delivered either electronically or in their tangible or intangible form. E-commerce is the activity of buying or selling of products on online services or over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Examples of E-Commerce:

- a) Online shopping: Buying and selling goods on the internet is one of the most popular examples of E-Commerce.
- b) Electronic payments: When we are buying goods online, there needs to be a mechanism to pay online too.

With the e-commerce boom, the number of people using credit/debit cards and mobile wallets has increased exponentially. Innovative finance services are the need of the hour. India has the world's fast-growing internet population, and that is an indicator of the huge potential of e-commerce. The e-commerce segment was pegged at around \$30 billion in 2019.

## 4.5.2 Traditional Commerce v/s E-Commerce

Traditionally the trading of merchandise and services used to happen in conventional mode. For example, the client needed to go to the market, take a mixture of items and then acquire them by paying the predefined amount. Be that as it may, with the coming of web-based business individuals can purchase merchandise, pay bills, or move cash in only a single click.

Both the mode have their own pros and cons. The differences between traditional commerce and e-commerce are discussed below:

**Table: 4.1: Traditional Commerce v/s E-Commerce**

Basis for comparison	Traditional commerce	e-commerce
Meaning	Traditional commerce is a branch of business which focuses on the exchange of products and services and includes all those activities which encourage exchange in some way or other.	E-commerce means carrying out commercial transactions or exchange of information electronically on the internet.
Processing of transaction	Manual	Automatic
Accessibility	Limited time	24 × 7
Physical Inspection	Goods can be inspected physically before purchase	Goods cannot be inspected physically before purchase
Customer interaction	Face-to-face	Screen-to-face
Scope of business	Limited to a particular area	Worldwide Reach
Information exchange	No uniform platform for the exchange of information	Provides an uniform platform for information exchange
Marketing	One way marketing	One-to-one marketing
Payment	Cash, cheque, credit card etc.	Credit card, fund transfer, e-wallets etc.
Delivery of goods	Instantly	Takes time



### 4.5.3 Features of E-Commerce

E-Commerce sites have given access to the large markets. Let us learn the salient features of e-commerce.

- 1) **Real-time Shopping Experience at Online Shopping:** E-commerce sites provide you interactive platform to expectance real time for shopping experience. Most online retailers have offices to talk on the web, find proposals and solution every one of your inquiries. Online membership even enables you to hold the item and contact it (for example Style mint, Birch box), and some even give you a chance to talk from the beginning while you are shopping with Catalog.
- 2) **Using Mobiles and Android Apps for Transaction:** With the cell phones dwarfing the work areas, the utilisation of these gadgets for purchasing will increase further. Moreover, the sites must act as an application and must be exceptionally responsive. We have numerous sorts of applications now that help shoppers check out on their own, use instalment wallet, store coupon codes like India square coupons loyalties, card numbers and have GPS for the appropriate promotion of organisations. There are additional applications that will give you a chance to look at the costs of a similar item at various outlets.
- 3) **Multi-channel:** Purchasers nowadays anticipate an exceptionally easy exchange. They expect that a product added to the cart will be accessible to them. To fulfill the expectations of the customers IT executives may put resources into business bundles, E-Commerce POS frameworks and CRM frameworks, which will facilitate the business operations.
- 4) **Big Data:** Also called Hadoop strategy is taking care of a great deal of information. This has been an idea that has been capturing the interest of the E-Commerce site proprietors, and it is set down deep roots. It is syncing disconnected information and online information together. It enables retailers to comprehend the concealed purchaser designs the retailers may upgrade the IT platform to meet the growing business requirements.
- 5) **Customisation and Personalisation:** In an unstable market, one must be prepared for change all the time, not generally but rather for personalisation. Customised proposals will discover more prominence in the market.
- 6) **Valuing Customer Engagements than Conversion Ratio:** Till date the conversion rates were given the most priority. However, with the ascent in E-Commerce destinations, assembling new clients will be intense. So normally retailers will rely upon clutching the current clients. Client commitment will guarantee individuals build up for your site.
- 7) **Push Notifications:** Pull browsing is the most recent pattern now, yet it is not far when push per using will surpass it. Message notices, basket notices for specific things on your homepages are for the most part going to make up for lost time force.

- 8) **Social Networking Sites:** As the long range interpersonal communication locales are expanding retailers must utilise this stage for advertising and moving their items. Facebook, Twitter, LinkedIn have been emerging good platforms for accruing information about the most recent discounts and offers.
- 9) **Mobile POS and Accessing Via Mobile:** The idea of Mobile POS is to make every single representative work and permit the client to execute without being to the charging counter. On account of the Android 4.2 Jellybean and iOS 6 that permit applications that let the client do unlimited tasks with such applications.
- 10) **Retailers Support to Omni-Channel Consumers:** The mobile applications facilitates you to analyse costs, check the surveys on the web and offer the item with friends. The retailers will also incorporate their different channels into one for offering support to the purchasers.

#### 4.5.4 Benefits of E-Commerce

E-Commerce has reformed the idea of directing business by giving an equivalent opportunity to all the business to mark their worldwide presence. It has facilitated the clients with internet shopping and simple exchanges. With the presentation of E-Commerce business, correspondence has turned out to be easy and has additionally changed a great deal lately to improve things.

**It helps to reach Global:** E-Commerce enabled business now have access to people all around the world. In effect, all E-Commerce businesses have become virtual multinational corporations. E-Commerce expands the market place to national and international markets. Internal and web-based E-Commerce helps to reach a more geographically dispersed customer base and more business partners as compared to the traditional business methods.

**Cost Effective:** E-Commerce has ended up being exceptionally practical for business worries as it chops down the expense of showcasing, producing, marketing, stock administration, client care and so on. It additionally diminishes the weight of foundation required for leading business. It can likewise gather and deal with the data identified with the clients productively which will help the buyer in creating an effective promotional technique.

#### 4.5.5 Disadvantages of E-Commerce

The following are the important disadvantages of electronic commerce:

**E-commerce Lacks the Personal Touch:** Not all physical retailers have an individual methodology, however, retailers do value human relationship. Subsequently, shopping at those retail outlets is consoling and invigorating. Tapping on "Purchase Now", and heaping up items in virtual shopping baskets may provide glimpse of the product. The interactivity aspect may provide feeling of personal touch to the customers.

**System and data integrity:** A computer virus is a program that clones itself when an injected piece of program code is executed. It is a malicious program. Data protection from the viruses that cause unnecessary delays and can clean up all stored information is a must. The technical and human

threats to web site security requires effective response for smooth operations of the business.

**E-Commerce Delays Goods:** E-commerce sites take much longer time to get the products into the customer's hands. Indeed, with express dispatching the buyer gets the merchandise quickly. A special case to this standard is on account of advanced merchandise like a digital book or a music record. For this situation, an online business may really be quicker than acquiring products from a physical store. Moreover, the delay in delivery of goods is a matter of concern for the customers.

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## 4.6 M-COMMERCE

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M-commerce (mobile commerce) is the buying and selling of goods and services through smart mobile devices. As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer and take into consideration application based phenomenon which in the current trend known as app. M-commerce plays a very important function in business. It does this through many significant applications like location-based services which allowed customers to glance through their mobile devices in order to find services that are in close proximity to their current location. They can also gain access to important purchase data, reach new markets, and scale and time their messages perfectly.

### 4.6.1 App Based Business Using Smartphone

Business software or a business application is any software or set of computer programs used by business users to perform various business functions. These business applications are used to increase productivity, to measure productivity and to perform other business functions accurately.

This section will throw light on identifying the key players in the mobile application value chain.

- Benefit from extensive forecasts and statistical material.
- Recognize the business opportunities in the mobile application market.
- Predict tomorrow's most profitable monetisation strategies.
- Learn about the market opportunity for mobile network operators.
- Evaluate the existing mobile app platforms.

Software particularly created for cell phones has been around for well over 10 years and before the term (application) store was promoted. The conveyance of mobile content and applications was regularly acknowledged via portals which were overseen by system administrators. Administrator entryways had some achievement in moving mobile substances.

### 4.6.2 Wallets and Plastic Money in Business

The plastic money has emerged as an important way of performing business transactions. A recent American Express 'share of wallet' study among cardholders across the six cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad reveals that card usage is highest for dining and

shopping, while it is also popular for travel-related expenses such as air tickets, hotels and car rentals. With GoI announcing on November 8, 2016, India's first major 'demonetization', and amid the resultant cash squeeze coming as a disruptive step to fast-forward the country into a breakaway economy. As many as 23.3 crore unbanked people, out of 38 crore smartphone users, are skipping the plastic money stage altogether and embarking directly into digital transactional stage. No wonder, Nandan Nilekani, one of India's most famous IT czars and creator of Aadhar Cards, said digital transactions will escalate in the next three to six months to a rate that would otherwise have taken three to six years.

An eWallet or a Digital Wallet like Paytm is a virtual wallet in which you can deposit your money, and these wallets can be used to avail digital payment services. Digital payment services refer to things like being able to pay at a business without the need of physical currency and vice versa. These wallets can be used to make payments and to receive payments as well. In these wallets are regulated by RBI i.e. Reserve Bank of India and they can allow users to keep a balance of up to Rs. 20,000 in a wallet for non - K Y C accounts and KYC accounts the limit is higher and up to Rs. 100,000. Examples of popular E-Wallets are Free charge, Mobikwik, Paytm etc.

An Electronic Money Processing platform gives you the opportunity to build your own payment business without starting from scratch. A full-fledged payment system has been made available for all kinds of payments and transfers. Whether you operate financial services company, a retail network or a telecom operator – E-Wallets allow businesses to harness up-to-date tech trends.

**Check Your Progress B**

1) How do technology help in reducing business costs?

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2) What is E-Commerce? Give a few examples of E-Commerce.

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3) What are the disadvantages of E-Commerce?

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4) Which is the regulatory body of E-Wallets and Digital Wallets in India?

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## 4.7 FRANCHISING

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In a franchise operation, the owner of the original business, known as the franchisor, essentially sells the rights to use his brand to an entrepreneur called a franchisee. In return, the franchisee agrees to follow the franchisor's business model and to pay the franchisor royalties.

Franchising has been emerging as an important way for business development. A franchisor licenses its know-how, methodology, protected innovation, utilisation of its plan of action, brand; and rights to pitch its marked items and administrations to a franchisee. Consequently, the franchisee pays certain charges and consents to conform to specific commitments, regularly set out in a Franchise Agreement. For the franchisor, utilisation of an established framework is an elective business development technique, contrasted with extension through corporate claimed outlets or "chain stores".

### 4.7.1 Benefits of Franchising

The most significant cause to think about a franchise when buying a business is that you are buying a system. Since there is a previously recognized system in place, there is a higher probability of accomplishment if you follow it. These systems are designed to get better the overall efficiency and augment sales of each franchise.

**Capital:** The franchisor's capital requirements will be lesser because the franchisees provide the capital to open each franchised channel.

**Better Management:** The local management of each franchised unit will be highly motivated and very helpful. They care for the franchise units as their own and that will frequently lead to higher sales and profit levels.

**Less Employees:** The number of employees which a franchisor needs to operate a franchise network is much smaller than they would need to run a network of company owned units.

**Speed of Expansion:** The franchise network can grow as fast as the franchisor can develop its infrastructure to recruit, train and support its franchisees.

**Reduced Attachment in Day-To-Day Operations:** The franchisor will not be drawn in the day-to-day operations of each franchised outlet.

**Risks and Accountability:** The franchisor will not risk its capital and will not have to sign lease agreements, employment agreements, etc.



**Increasing Brand Fairness:** Leveraging off the assets of franchisees helps franchisors grow their market share and brand equity more quickly and effectively.

**Publicity and Support:** Franchisor will reach the target customer more effectively through co-operative advertising and promotion initiatives.

**Consumer Faithfulness:** Franchisors use the power of franchising as a system to build customer loyalty to catch the attention of more customers and to keep them.

**Worldwide Growth:** International expansion is easier and quicker, since the franchisee possesses the local market knowledge.

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## 4.8 LOGISTICS AND SUPPLY CHAIN BUSINESS

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As far back as history records, the merchandise that individuals needed were not generally delivered where they needed to consume them, or these products were not available when individuals needed to buy them. Nourishment and different items were generally scattered and were just accessible in bounty at specific occasions of the year. Earlier people had the decision of delivering merchandise at their prompt area or moving the products to a favoured site and putting away them for later use.

As logistics frameworks enhanced, utilisation and generation started to isolate geologically. Districts would have some expertise in those items that could be delivered generally effectively. Abundance generation could be dispatched monetarily to other delivering regions, and required merchandise could be either produced or bought. This trade procedure pursues the standard of similarly preferred standpoint. This equivalent standard, when connected to world markets, clarifies the abnormal state of global exchange that happens today. Proficient logistics frameworks enable organisations to exploit the fact that land, and the general population living there, are not similarly profitable. Logistics is the very substance of exchange. It adds to a higher financial way of life for all of us.

### 4.8.1 Significance of Logistics

Logistics is tied in with making value for clients and providers of the firm, and incentive for the association's partners. The value in logistics is essentially communicated particularly in terms of time and place. Items and services have no value except if they are in the ownership of the clients when (time) and where (place) they wish to expend them. For instance, concessions at a games event have no value to buyers on the off chance that they are not accessible at the time and place that the event is happening. Great logistics management sees every action in the store network as adding to the way toward including value. Value is added when clients are eager to pay more for an item or service than the expense to put it in their grasp. To numerous organisations all through the world, logistics has turned into an inexorably essential value including the process for various reasons.

The term “procurement” is defined as “all those activities necessary to acquire goods and services consistent with user requirements” The procurement process is renamed as “supplier relationship management”.



Practical storehouses incorporate Marketing, Research and Development, Finance, Production, Purchasing and Logistics. Exercises in these procedures live inside a utilitarian storehouse, yet a whole procedure won't be contained inside one capacity. Each procedure is depicted at key and operational dimensions. The vital part comprises of the foundation and key administration of each procedure and gives an outline to usage. This is a vital initial phase in incorporating the firm with different individuals from the Supply chain. The operational segment is the realization of the procedure once it has been set up.

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## 4.9 OUTSOURCING AND OFFSHORING

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Outsourcing and offshoring are two terms that every businessman is aware of whether you outsource any function of your business or not. Most of the time, these two terms are interchanged in conversation or even confused by some to think they are one and the same. However, there are some fundamental differences between the two. Outsourcing alludes to an association contracting work out to an outsider, while offshoring alludes to completing work in an alternate nation, more often than not to use cost points of interest. The greatest contrast is that while outsourcing can be (and regularly is) offshored, offshoring may not constantly include outsourcing.

### 4.9.1 Outsourcing

In simple terms, outsourcing refers to the act of contracting a third party company to carry out certain functions of your business. Outsourcing can be done for the sake of reducing operating costs as outsourcing is more cost effective than hiring an in-house team.

Outsourcing turned into a well-known business technique back in the late 80s and mid-90s to battle rising work costs and an inexorably worldwide commercial centre. Basically, outsourcing is the way toward utilising outsider specialist co-ops to deal with certain business capacities. At one time, outsourcing was constrained to huge, global enterprises. Be that as it may, today organisations of all sizes can take the advantages of outsourcing. Much of the time, the advantages of outsourcing are not an enhancement procedure they are a need. Frequently the main plausible approach to develop your business, launch an item, or oversee activities is to appoint certain errands to an outside merchant.

### 4.9.2 Offshoring

Off-shoring is the relocation of a business process from one country to another typically an operational process, such as manufacturing, or supporting processes, such as accounting. Typically this refers to company business, although state governments may also employ off-shoring. Off-shoring refers to a company getting their various services handled in a different country to make the most of the cost advantage. Off-shoring is usually done by finding a country where the exchange rate gives your business a distinct monetary benefit. Companies based in western countries like the U.S or U.K offshore their business to countries like India, Philippines, and China etc.

### 4.9.3 Difference between Outsourcing and Offshoring

As discussed above, outsourcing alludes to an association contracting work out to an outsider, while off-shoring alludes to completing work in an alternate nation, for the most part, to use cost focal points. The greatest contrast is that while outsourcing can be (and regularly is) off-shored, off-shoring may not constantly include re-appropriating.

**Table 4.2: Comparison between outsourcing and offshoring**

Basis for comparison	Outsourcing	Offshoring
Meaning	Outsourcing is the assignment of business peripheral operations to an external organisation.	Offshoring refers to the relocation of business processes in a different country.
Implications	Shifting operations to the third party.	Shifting activities or offices.
Objective	Focus on core business activities	Lower labour cost
Function performed by	Non-employees	Employees of the organisation
Location	Within or outside the country.	Outside the country.

#### Check Your Progress C

1) What are the modern classifications of markets?

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2) Name few largest franchises of the World.

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3) What are the objectives of supply chain management?

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4) What are the advantages of off-shoring?

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## 4.10 LET US SUM UP

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The internet has touched our lives in more ways than we care to acknowledge. The development of internet has considerably changed the day to day operations of a business including how they corresponded with each other and their audience.

Internet of things is a network of devices which allows these things to connect, interact and exchange data. It has the potential to change our world.

Technological innovation is a name given to a present pattern of computerisation and information trade in assembling innovations. It incorporates digital physical frameworks, the internet of things, cloud computing and cognitive computing. Some emerging trends of business are: 1) Automation 2) Blockchain 3) Artificial Intelligence 4) Machine Learning 5) Social Shopping 6) Robotics 7) E-Tailing 8) Retail Entrepreneurship.

Businesses are affected by changes in the technological atmosphere. Technology revolutionises and offers, risks, opportunities and threats to businesses. Technology offers many benefits to the business by 1) Reducing business course 2) Harmonising communication 3) Potential enlargement in business etc.

E-Commerce refers to the conduct of business on the internet that includes customers service and other business tasks. E-Commerce sites have given access to the large markets. Various features or e-commerce sites are: 1) Real-time Shopping Experience at Online Shopping 2) Using Mobiles and Android Apps for Transaction 3) Multi-channel 4) Big Data 5) Customisation and Personalization 6) Valuing Customer Engagements than Conversion Ratio 7) Push Notifications 8) Social Networking Sites 9) Mobile POS and Accessing Via Mobile 10) Retailers Support to Omni-Channel Consumers.

E-wallet is the virtual wallet in which you can deposit your money and these wallets can be used to avail digital payment services.

Franchising is an agreement between a franchisor and franchisee in which a franchisor is the owner of the original business and he sales the right to use the brand to an entrepreure called franchisee

Outsourcing refers to the act of contracting a third party company to carry out certain functions for the sake of reducing operating cost where as off-shoring is the reallocation of a business process from one country to another.

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## 4.11 KEY WORDS

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**Internet of Things :** The Internet of things (IoT) is the network of devices, vehicles, and home appliances that contain electronics, software, actuators, and connectivity which allows these things to connect, interact and exchange data.

**Industry 4.0 :** It is a name given to the current trend of automation and data exchange in manufacturing technologies.

**Blockchain:** Blockchain is defined as a digitized, decentralized ledger that logs all business transactions.

**E-Commerce:** E-commerce means carrying out commercial transactions or exchange of information electronically on the internet.

**E-wallets:** E-wallets is a virtual wallet in which you can deposit your money, and these wallets can be used to avail digital payment services.

**Franchising:** Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).

**Outsourcing:** Outsourcing refers to the act of contracting a third party company to carry out certain functions of your business.

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## 4.12 TERMINAL QUESTIONS

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- 1) What is Internet of Things (IoT)?
- 2) What are the emerging trends in business?
- 3) How technology has impacted the business in today's time, and what are its benefits?
- 4) What are the differences between E-Commerce and traditional Commerce?
- 5) What are the features of E-Commerce?
- 6) What are Digital Wallets?
- 7) What are logistics? State the significance of logistics.
- 8) What is outsourcing? How is it distinguished from off-shoring?

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice.

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## SOME USEFUL BOOKS

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Basu C. R. (2017), Business Organisation and Management, Mc Graw Hill India.

Tulsian. P.C. (Recent Edition), Business Organisation and Management, Pearson.

Gupta C.B. (2018), Business Organisation and Management, Sultan Chand and Sons.

Singh B. P. and T. N. Chhabra, Business Organisation and Management, Dhanpat Rai and Co.



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