

Some important discussion question answers

Chapter 1: THE THREE SECTORS OF ECONOMY

Q.no.1. Which sector do you intend to work in or do you already work in How do you fit in the real picture?

I intend to work in banking sector which is the part of tertiary sector of an economy. I want to be engaged in banking sector as a Chief Executive Officer (CEO) of any banking and financial institution.

My actions or efforts cannot remain untouched from the remaining two sectors of the economy i.e. primary sector and secondary sector. I need furnitures, papers, pens, laptop, projector, etc in my office room to perform my work effectively and efficiently. All these products are obtained and manufactured in manufacturing sector i.e. secondary sector. However, I cannot neglect the fact that all the raw materials required to process and finish those products are obtained from the primary sector of an economy.

On the other hand, I will be performing my duties and responsibilities in order to fulfill the needs of my customers. My service to the general population and to the business will be contributing to the remaining two sectors of the economy. Providing loan can be one of my duties or services, so the loan provided by my institution to the farmers or to the manufacturing industry will probably be promoting primary sector (i.e. agriculture) or the secondary sector (i.e. industrial activities and constructions). Besides, flow of funds from banking sectors to restaurants, hospitals, movies (through producers), etc. will also enhance the service sectors. Thus, it is clear that my activities fit into the total picture. Whatever I use to perform my obligations and the result of my performance is directly or indirectly associated with the other remaining sectors of the economy.

Not only me, all the people working in any one sector are fitted into the total picture because they are contributing to the remaining two sectors directly or indirectly either knowingly or unknowingly. It is, thus, clear that working in a particular sector means enhancing the overall economical activities in the economy.

Q.no.2. Describe the different sectors of economy along with examples.

A nation's economy can be divided into various sectors to define the proportion of the population engaged in the activity sector. These sectors are-

- a) Primary sector
- b) Secondary sector
- c) Tertiary sector

Primary sector

The primary sector of the economy extracts or harvests products from the earth. The primary sector includes the production of raw materials and basic foods. Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing and quarrying. The packaging and processing of the raw materials associated with this sector is also considered to be the part of this sector.

In developed and developing countries, a decreasing proportion of workers are involved in the primary sector. About 2-3% of the U.S. labour force is engaged in primary sector activity today, while more than two-thirds of the labour force were primary sector workers in the mid-nineteenth century.

Secondary sector

The secondary sector of the economy manufactures finished goods. All of manufacturing, processing and construction lies within the secondary sector. Activities associated with the secondary sector include metal working and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, breweries and bottlers, construction and shipbuilding.

Tertiary sector

The tertiary sector of the economy is the service industry. This sector provides services to the general population and to the businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theatre, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare and law.

In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. In the U.S., more than 80% of the labour force are tertiary workers.

Though the economy is divided into three sectors, it is the most notable fact that all these sectors are associated with each other and each sector is contributing to the other two sectors.

Chapter 2: MANAGEMENT

Q.no.1. What is management? Is it an art or a science? An instinct or a set of skills and techniques that can be taught?

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Management is the act of getting people together to accomplish desired goals and objectives of the business and organization using available resources effectively and efficiently. Basically, it comprises planning, organizing, staffing, directing or leading and controlling functions. Since organizations can be viewed as systems, management can also be defined as human actions to facilitate the production of useful outcomes from a system.

It is said that the management is the oldest of arts and the youngest of science. This explains the changing nature of management. But to have an exact answer to this question, it is necessary to understand both of these aspects separately.

Management as an art: Art refers to the way of doing specific things; it indicates how an object can be achieved. In the words of George R. Terry, “Art is bringing about of a desired result through the application of skill.” Art is, thus, skillful application of knowledge which entirely depends on the inherent capacity of a person which comes from within a person and is learned from practice and experience. In this sense, management is certainly an art as a manager uses his/her skill, knowledge and experience in solving various problems, both complicated and non-complicated, that arise in the working of his enterprise successfully. In the words of Ernest Dale, “Management is considered as an art rather than science mainly because managerial skill is a personal possession and is intuitive.”

Management as a science: Science may be described as a systematic body of knowledge based on proper findings and exact principles and is capable of verification. It is a reservoir of fundamental truths and its findings apply safely in all the situations. In this sense, management is a science as it has also developed some systematized knowledge. Like other sciences, management has also developed certain principles, laws, generalization which are universal in nature and are applicable wherever the efforts of the people are to be coordinated.

But management is not a pure science as others like physics, chemistry, biology, astronomy etc. The main reason for the inexactness of science of management is that it deals with the people and it is very difficult to predict their behavior accurately. In this way, management falls in the area of “social sciences”. Thus, it is a social science.

Now it can be concluded that management is an art and science both.

Management: An instinct or acquired skills and abilities?

In the pre-scientific management period (prior to 1880), there has been a leading concept that management is an inborn ability. It is a traditional approach to view management as an instinct. The supporters of this concept believe that the hereditary characteristics, inborn talents and natural aptitudes of a man make him an efficient manager. Some people are so

efficient and talented since their birth that they lead and get success in the field of business. This concept was used when the ownership and management were not separated.

But later on the researches and developments in the field of science, technology and training, etc. changed such old concept. Today, management is considered not only as an innate ability but also as an acquired ability. In the words of Ordway Tead ,” Managers are both born and made.” Today, in large sized business organizations, ownership and , management are separate entities. The management lies in the hands of professional managers who are educated and trained. Thus, now the management can be considered as an acquired skill and ability.

Q.no.2 Do you think you have the right skills to be a manager? Would you be able, for example, to set objectives, motivate and co-ordinate the staff , and manage a department store, or a computer manufacturer?

Yes, I think I have the right skills to be a manager, a good manager. After the completion of my BBA program, I can introduce myself as a middle- level skilled human resource in the field of management, administration, finance or accounting required by various public and private sector business enterprises and institutions.

BBA provides substantial grounding for aspiring managers and entrepreneurs by aiding them to acquire and develop managerial competence and leadership abilities. BBA program is a blend of theoretical and practical; generic and specific; and national and international knowledge on business management. Classrooms interactions, group discussions, decision-making, report presentation, handling multimedia, event-organization are a few common abilities that is provided to BBA students to develop themselves.

Also, specialization courses and the internships make a BBA student able enough to handle any department or field on which s/he had done specialization.

Thus, there is no doubt that I will acquire the right skills and qualities by the completion of my BBA program to set objectives, manage, motivate and co-ordinate my staffs of my department or organization. I will gain all the skills that I need in my future to be a successful manager because my BBA course makes me the product that can:

- develop competencies in writing skills
- develop efficiency in project research
- display sound presentation of project research
- develop leadership and communication skills
- use electronic media and computer facilities for business communication.

Q no. 3 What is management? What are the essential qualities of a good manager? Discuss.

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It is said that management is the oldest of arts and the youngest of science. This explains the changing nature of management.

To become a good manager, one needs to possess various essential qualities. Some of them are discussed as follows:

1. Being able to communicate with people

If the manager is not able to communicate with the people, then s/he cannot be regarded as a good manager. It is the utmost quality of manager. Communication skill is required to gather all the staffs and employees as the member of the organization.

2. Being logical, rational and analytical

Being logical means having reasoning power in every aspect to extract the correct decision. Being rational means making decision based on reason. And being analytical means having the conscience to differentiating between right and wrong on the basis of analysis.

3. Being competent

Being competent means knowing one's job perfectly, as well as the work of others. Only after being competent, the manager can be responsible to his duties and tasks. S/he will know whom to report and whom to give order.

4. Being decisive

Being decisive means being able to make quick decisions. If the manager is highly logical, rational and analytical, s/he can make quick decisions without any delay to avoid loss of the organization.

5. Being effective and efficient

Being effective means doing the right job and being efficient means doing the right job in right way within the specified time. The managers can be effective and efficient if s/he is competent.

Other essential qualities can be:

6. Being persuasive: able to convince people

7. Having good ideas : creative and innovative

8. Being friendly and sociable

9. Being highly educated and knowing a lot about the world.

Writing

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- Imagine you are a stupid manager and write the most ridiculous memo that you can think of to all company staff.

Memo

DATE: 06/06/2006

FROM: Shiva Basnet

TO: All employees

SUBJECT: INFORMING AND ORDERING EMPLOYEES AND STAFFS TO BE PUNCTUAL

The reason for writing this memo has arisen since many of the employees and staffs of this company are not following the schedule provided to them.

I am requesting lower level staffs not to follow what seniors do. Seniors are the superiors and they can do whatever they want. All the employees and staffs are subject to follow the orders; not to copy their superiors.

This is the warning and I won't be dealing with this again. So, I want all the employees and staffs to be punctual and be on your workplace till the end time of work.

Chapter 3: COMPANY STRUCTURE

Q.no.1 What is company structure? Explain the different ways of organizing companies.

Company structure, also known as organizational structure, consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. An organization can be structured in many ways, depending on their objectives. The structure of an organization will determine the modes in which it operates and performs.

The company structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual.

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There are different ways of organizing companies and can be termed as “Organizational Structure Types” and are explained as follows:

a) Line structure

It is also known as hierarchical or pyramidal structure. There is a clear line or chain of command running down the pyramid. The approvals and orders in this kind of structure come from top to bottom in a line. This kind of structure is suitable for smaller organizations. Such structure is informal in nature and has fewer departments, which makes the entire organization a very decentralized one.

b) Functional structure

This kind of organizational structure classifies people according to the functions performed by them in the organization. Sales department, customer service department, production department, accounting department, administrative department, etc. can be under the supervision of vice- president in functional structure. People are usually more concerned with the success of their department than that of the company.

c) Matrix structure

This is a structure which is a coordination of function and product structures. A matrix organization frequently uses teams of employees to accomplish works, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. In this structure, people report to more than one superior.

d) Team

Team is one of the newest organizational structure developed in the 20th century. It is a temporary group that are responsible for an entire project, and are split up as soon as it is successfully completed. It can be both vertical and horizontal. The most distinct feature of such structure is that different tasks and processes are allotted to specialized teams of personnel in such a way as a harmonious coordination is struck among the various task- teams.

Divisional structure, network structure, virtual structure, etc. are other forms of organizational structure.

It is important to find an organizational structure that works best for the organization as the wrong set up could hamper proper functioning in the organization.

Q.no.2 What are the advantages and disadvantages of working in a big or a small company?

Working in any organization and contributing to the national economy is the good reason for anyone to be proud and enhance one’s ability and capacity. However, there are both merits and demerits wherever one works either big or small company.

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In a big company, one will probably get a slighter higher salary than in a small company. Furthermore, big companies allow us to become more specialized in our work along with developing and strengthening our potential. Consequently, we may be able to go and work in a foreign subsidiary which helps to raise our reputation. In addition to this, there is less chance or low probability to be fired in a sudden reorganization or downsizing.

On the contrary, a small company never offers such advantages. So, all this can be regarded as demerits of working in a small company.

For a freedom-lover and friendly people, small organizations are suitable. Though it provides low salary in comparison to big company, it offers friendlier atmosphere. We are often responsible for a variety of different tasks. It also increases our accountability along with developing and realizing our potential. Moreover, we can actually see the result of our contribution to the company which helps to satisfy our self-esteem and recognition needs in the company. Also, we can enhance our skills and capabilities since we can deal with problems face-to-face. We have more independence, and we don't always have to wait for permissions from our superiors. We often get greater freedom, flexibility and openness to change. One of the greatest advantages in working in a small company is that our company may be in a better position in an economic downturn or recession while big companies may suffer a lot. The merits of working in a big company are demerits of working in a small company and vice-versa. However, there are some similar advantages in working both nature of company. As for example, one can realize higher potential and can get chance to build his/her own separate identity and personality.

Chapter 4: WORK AND MOTIVATION

Q.no.1 Write a short account of the factors that have been or will be important for you in your choice of job.

I have not been working yet, so I can only imagine which factors will be the most important for me in my choice of job.

First of all, I will seek a big company that stimulating and challenging as well as friendly work environment which encourages its professional staffs to do as much and as well as possible.

The company shouldn't have very complicated company structure that everyone knows what s/he is responsible for and to whom s/he reports. With good structure, I prefer good working conditions in terms of enough space, light, heat, and time, not too much noise, and so on. Moreover, I would also enjoy a high degree of freedom in deciding how to complete my tasks and duties. Such freedom requires a high degree of competence, initiative and responsibility. This would allow me to improve my skills and leadership qualities. What is strictly connected

with these factors is the salary. I belong to the group of people that have to be motivated by some financial gains. I would love to do my best for long hours, but I will expect a good pay for that. However, money is not the most important for me. I will also appreciate if the company cares for my children by providing a kindergarten and if I have many opportunities to develop (eg. Training programs, opportunities to travel, recreational activities, career opportunities, etc.).

In conclusion, the factors mentioned above seem to me to be the most important today. The excellent job should be creative, interesting, challenging, require responsibility and provide good working conditions along with good administration and good labor relations.

CHAPTER 5: MANAGEMENT AND CULTURAL DIVERSITY

Q.no.1) Do you believe that it is possible to sum up national characteristics in a few words? Is there usually some (or a lot of) truth in such stereotype? Or, on the contrary, do you find such stereotyping dangerous?

A nation is comprised of so many races, cultures, traditions, beliefs, practices, perceptions and groups. When we talk about any people or person involved in any particular group, we have the default perception set in our mind about them, which we term here as “stereotypes”.

A stereotype is a fixed concept that may be adopted about specific types of individual or certain ways of doing things, but that belief may or may not accurately reflect the reality. This is only a fundamental psychological definition of a stereotype.

Stereotypes, prejudice and discrimination are understood as related but different concepts. Stereotypes are regarded as the most cognitive component, prejudice as affective and discrimination as the behavioral component of prejudicial reactions. Stereotypes often lead to social categorization which is one of the reasons for prejudice attitudes and leads to discrimination. So, stereotyping is a formidable process.

The concept of stereotyping was evolved about 100 to 200 years ago which may not exactly fit the changing context of today’s world. For example, Europeans stereotyped Turkish, Indian and Chinese people as being incapable of achieving financial advances without their help. But today, India and China are the successful countries in the world. And, even it is believed that sooner or later these two countries may rule the world’s economy.

The enduring nature of stereotype is reflected in an evergreen joke about the nature of Heaven and Hell: Heaven is the place where the lovers are Italian, the police are English, the mechanics are German, the cooks are French and the place is run by the Swiss. Similarly, Hell

is where lovers are Swiss, the cooks are English, the mechanics are French, the police are Germans and the place is run by Italians.

Stereotype evolves, becomes popular, gets vigour and vanishes away after the arrival of new generation. Due to education and globalization, the nature of citizens of same country vary to a great extent. It is clear that, in today's globalizing and competing world – the world of education, knowledge and information, making stereotype means making oneself fool and nothing more.

It is not possible to sum up national characteristics in a few words. For example, American includes civils from Africa, both South and North America, Asian etc. So how is it possible to stereotype America in few words which has citizens from various countries? Such stereotypes are even dangerous today. If white people stereotyped black people, then it would be the sufficient reason for home-conflict in the USA.

People need to be individualized rather than generalized. Stereotype is just a means for prejudice, discrimination and conflict between two national or ethnic groups. The entire nation cannot be explained through nonsense and irrational adjectives.

Alternative

Defining collective characteristics of a group of people carries truth at some times and can turn out to be dangerous at sometimes as well.

In social psychology, a stereotype is a thought that can be adopted about specific types of individuals or certain way of doing things. These thoughts or beliefs may or may not accurately reflect the reality. Once the stereotype have been formed, there are two main factors that explain their persistence. First, when the group of members behave as we expect, the behavior confirms and even strengthen attachments or beliefs towards such stereotypes which forces people to ignore any logical argument against their beliefs.

Stereotyping turns to be fruitful in some cases. Stereotypes can help make sense of the world. They are a form of categorization that helps to simplify and systematize information. Thus, information is easily identified, recalled, predicted, and related to. Furthermore, the next purpose of stereotyping is for people to put forward their collective self in positive light. Stereotyping helps in categorizing individuals into groups by giving emphasis on similarities within the group and dissimilarities among different group. People gain social identity and depersonalizes own self. A depersonalized person will abandon his/her individual differences and embrace the stereotypes associated with his/her relevant group.

Stereotyping has dark sides as well. Stereotypes, prejudice, and discrimination are understood and related but different concepts. Stereotypes are regarded as the most cognitive component and often occurs without conscious awareness, whereas prejudice is

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the affective component of stereotyping and discrimination is the behavioral component or prejudicial action. Some possible negative side effects of stereotypes include:

- i. Justification of ill-founded prejudices or ignorance
- ii. Unwillingness to rethink about one's attitude and behavior towards stereotyped groups
- iii. Preventing some people of stereotyped groups from entering or succeeding in activities of other fields.

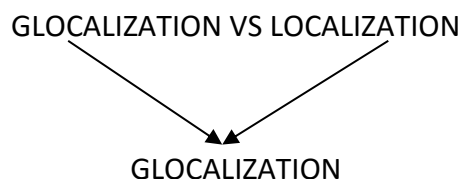
In a nutshell, stereotyping has its own pros and cons. It can turn out to be fruitful as well as dangerous too. Proper care should be taken while stereotyping, or while believing in stereotypes.

Q.no.2 Describe cross-cultural management and cultural diversity.

Despite the growth of global brands, and some degree of convergence (to become similar) of consumer tastes and habits, there remains enormous cultural differences among different countries and continents. This clearly presents a dilemma to multinational corporations: should they attempt to export their management methods to all their subsidiaries, or should they adopt their methods to the local culture in every country or continent (which is glocalization).

Glocalization is a business jargon for the adaptation of a product or service specifically to each locality or culture in which it is sold. Glocalization considers local cultural habits, beliefs and principles of each market.

Managing a multinational company is really very difficult because of different sets of objectives, goals, policies, practices, products and services from country to country.



The cultural diversity varies from place to place. However, in business perspective, it depends upon certain set of beliefs that the people follow. Some of the examples of such diverse cultures are as follows:

- a) Individualists : They think that smallest unit of survival is individual. They identify primarily with self and the needs of individual are satisfied before those of group. It is basically North American (US and Canada) and North West European as they are

influenced by protestenism. It is based on analysis, rationality, logic and system. In this type of management, the status has to be achieved or earned. A person with degree and talent can quickly rise to the higher post; age and experience does not matter. The more one works, the better one earns. US system of management is best example for it.

- b) Collectivists : For them, the primary group is the smallest unit of survival. One's identity is related with one's membership and role in the group. Harmony and independence of group members are stressed and valued. Latin culture of Southern Europe and Southern America is collectivist. In it, management is based on personal relations, intuition, emotion and sensitivity. Status comes with age and experiences and seniority counts. Rewards and promotions come with age and experience. The Chinese and Japanese are the best example of it.
- c) Universalities: They tend to feel the right is right, regardless of circumstances. They believe that there are certain absolutes that apply across the board, regardless of circumstances or the particular situation. Rules are very important. They distrust particularists because they break rules to help their friends. Germany can be the best example universalist culture.
- d) Particularists : Under this culture, how you believe in a given situation depends on the circumstances. What is right in one situation may not be right in another. Personal relationship and friendship are important. They distrust universalists because they will not even help a friend. More particularists in Latin, Asian countries and Africa are found.

CHAPTER 6: RECRUITMENT

Q.no.1 Why are there so few women in senior management position? Should this situation change? What advantages or disadvantages would a larger proportion of women in management position bring to business in general? Do you support affirmative action or positive discrimination programs which attempt to employ women in the context of our country? [TU 2006]

It's true in higher education and in lots of companies that women can get far, but they cannot get all the way to the top. There are following possible explanations or reasons for the lower numbers of women at the top level:

- a) Women are not capable of doing the work that is required at the top. Women are mentally and emotionally attached with their family environment which creates a kind of problem for them to fulfill their obligations effectively.

- b) Women do not have desire to be at the top. It does not mean that women lack the ambition to get to the top. It means women's approach to the workplace (in general) and to leadership (in particular) can have the superficial appearance of a lack of ambition in comparison to their counterparts.
- c) There are structural impediments preventing women from reaching the top; in short, there is discrimination. Men and women, in practice and in reality, are judged by different criteria and they are expected to perform differently. Workplaces are set up such that the behavior that gets one to the top is more stereotypically associated with men than women.

Female managers are more collaborative and democratic than male managers. Compared with men, women use more positive approach by encouraging and urging others rather than a negative approach of scolding and reprimanding (because women are not as harsh and aggressive as men in general). Women attend more to the individuals they work with, by mentoring them and taking their particular situations into account. In addition, female leaders tend to display a transformational leadership style which includes charisma (communicating the purpose and importance of a mission and serving as a role model), inspirational motivation, intellectual stimulation and individualized consideration.

All of these positive aspects about women certainly leads to contribute to leader effectiveness. And, of course, there is the matter of getting the job done effectively. Thus, the scenario of few women in top management would change.

However, women in top management bring some problems. Women are more collaborative but collaborative efforts tend to take the most time compared to other conflict resolution styles. Also, failure to use collaboration can stifle innovation and leave other team members feel they have no power. Sometimes, women also bring emotions in their workplace which may hinder their effective performance and create unpleasant environment in the workplace.

Talking about affirmative action, it affirms that organizations and individuals in organizations will seek to overcome the effects of past discrimination against women by making a positive and continuous effort in their recruitment, employment, retention and promotion. Affirmative action also means that organizations must actively seek to remove any barriers that artificially limit the professional and personal development of women.

In the context of our country, no matter how modern the cities are and how much the educated competent women are, affirmative action is a must for women empowerment and development.

CHAPTER 7: LABOUR RELATIONS

Q.no.1 What are labour relations? What do they do?

A labour relation is an organization of workers who have banded together to achieve common goals such as protecting the integrity of its trade, achieving higher pay, better working conditions, etc. Such unions, through its leadership, bargains with the employer on the behalf of union members and negotiates labour contracts (or collective bargaining) with employers. The most common purpose of these associations or unions is “maintaining or improving the conditions of their employment.”

Over the last three hundred years, trade unions have developed into a number of forms. Aside from collective bargaining, they do the followings:

a) Provision of benefits to members:

It provides a range of benefits to insure members against unemployment, ill health, old age, etc.

b) Protection of workers:

Unions prevent exploitation of workers, increase their wages, thereby reducing inequality.

c) Industrial action:

Trade unions may enforce strikes or resistance to lockouts in furthermore of particular goals.

d) Political activity: Unions may promote legislation favorable to the interests of their members as a whole. They may pursue campaigns, undertake lobbying, or financially support individual candidates or parties for public office.

e) Complaints: Unionized workers can file grievances against employers who can potentially lead to change in the workplace.

Unions are a necessary voice for the protection of worker's rights and interests. As long as employees have needs that need trade unions.

CHAPTER 8: PRODUCTION

Q.no.1 What is JIT production? What are its advantages and disadvantages?

Just-In-Time production is a production system whereby inputs are delivered to the production process just as they are needed. JIT philosophy emphasizes on producing what is needed when needed. JIT is a manufacturing system whose goal is to optimize processes and procedures by continuously pursuing waste reduction.

The JIT system is usually credited to Taiichi Onho, who was vice-president for manufacturing with Toyota in Japan in the early 1950s. JIT requires a great deal of organizational discipline. It requires tightly managed logistics to insure the timely arrival of inputs. Supplier

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relationships is a critical factor in the success of JIT production. Reliability and quality outputs are also critical factors. JIT emphasizes waste reduction, total quality control and devotion to the customer.

Some of the major benefits of JIT are as follows:

- a) It minimizes the cost of holding inventories. So, the funds that were tied up in inventories can be used elsewhere.
- b) Areas previously used to store inventories can be used for other more productive uses.
- c) Throughout time is reduced, resulting in greater potential output and quicker response to customers.
- d) Defect rates are reduced, resulting in less waste and greater customer satisfaction.
- e) It greatly reduces transportation and inventory costs, etc.

However, JIT production system has the following disadvantages:

- a) Implementing thorough JIT procedure can involve a major overhaul of business systems. It may be difficult and expensive to introduce.
- b) JIT manufacturing also opens businesses to a number of risks, notably those associated with the supply chain.
- c) With no stocks to fall back on, a minor disruption in supplies to the business from just one supplier could force production to cease at very short notice.

REPORT PRESENTATION

DATE: December 23, 2012

TO: Girish Khatiwada

FROM: Shiva Basnet

SUBJECT: A FEASIBILITY STUDY REPORT ABOUT DISTRIBUTING PRODUCTS IN NEPAL VIA VENDING MACHINE

1. INTRODUCTION

1.1 Purpose

The purpose of this report is to suggest about distributing products via vending machines in the existing market in Nepal.

1.2 Vending machines and its usefulness

A vending machine is a machine which dispenses items such as snacks, alcohol, cigarettes, and other consumer products to customers automatically after the customer inserts currency or credit into the machine.

A research made by “Automatic Vending Association” gave the following answers to the question, “Why use vending machines?”:

- a) Using vending machines saves money and avoids loss
- b) Using vending machine generates extra income
- c) Using vending machine provides greater satisfaction to the customers
- d) Using vending machine provides easy access to the consumable problem

2. DISCUSSION

2.1 Analysis of Nepalese Market

With the development of the concept of globalization and the knowledge of the market, Nepalese market is developing in comparison to the past few years. However, still there are some drawbacks and are listed below:

- Lack of expertise manpower (due to brain-drain), managerial talent, etc.
- Very few possess marketing and storage facility
- Tough competition due to heavy imports
- Shortage of capital
- Defective government policies and procedures, etc.

2.2 Nepalese Labour Market

Low labour payment, lack of technical knowledge, unease with latest technology, less competent labour, high number of unskilled labour, mass unemployment, etc are major characteristics of Nepalese labour market. In recent few years, even unskilled labours, along with skilled labours, are attracted towards foreign employment and they even get hired just because they are paid low and are ready to do anything.

There are very few or no labours who are very much familiar with the term “vending machine”.

2.3 Distributable possible products

The structure of Nepalese market is weak and the government cannot afford coins in large quantity and of big denomination, so the products to be distributed via vending machine are very limited.

Candy, gumballs, chocolates, cookies, ice-cream, cigarettes, and newspapers are the possible products for distribution via vending machine since they are cheap and it can be profitable.

2.4 Mode of payment

The current Nepalese market possesses only coins and currencies for paying consumable products. And the government cannot afford coins with high denomination. So, above listed possible products can be consumed by inserting coins in the vending machines.

Another possible mode of payment can be debit card, credit card, and others. However, such modes of payment cannot be feasible in Nepal.

2.5 Suitable locations to install vending machines

In 1980s, Contraceptive Retail Sales (CRS) was the first in the market to introduce the vending machine in Kathmandu at Ratnapark. But CRS wasn't able to meet its goal because Nepalese weren't and still aren't aware about the use of vending machine.

But today, the cities of Nepal are quite modern. Hospitals, shopping malls, airports, cinema halls, pubs and cafes, crowded markets, etc might be the locations to install the vending machines.

3 CONCLUSION

Finally, my study concludes that it is not better to introduce vending machines in Nepalese markets. Nepalese market and the culture of civilization is yet to develop properly. The usage of vending machine will not rise and it will not yield any profit until and unless the habit and the lifestyle of customers changes.

Thus, I recommend you not to install vending machines in Nepalese market at the current situation.

Q.no.3 When you talk about quality, what different aspects or criteria do you have in your mind? Explain.

Quality is perceptual, conditional and somewhat subjective attribute and may be understood differently by different people. Quality is the characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Quality can also be defined as a product or service which is free of deficiencies.

The perception regarding quality differs from product to product or service to service. E.g. good taste can be quality in case of a fast-food snack but the time of servicing order may be given top priority as quality in case of a restaurant meal.

However, in general, following aspects come in my mind while talking about quality-

- 1) Durability 2) Fashionable 3) Reasonable price 4) Better packaging 5) Market share, etc.

1. Durability

Durability is the ability to endure. Goods with long usable life does not quickly wear out so that I do not need to repair it or purchase new one. People, like me, from middle class family, perceives durable products as qualitative one.

2. Fashionable

If the products, that I use, do not conform to the current style, then will not meet my needs, desires and expectations.

3. Reasonable price

Until and unless the prices of products is reasonable and feasible, I will not use that product. Each and every people spends their money to get high satisfaction from the product. If the price is not reasonable, the product will not create any demand; thus, it cannot satisfy people.

4. Better packaging

Better packed products often attract me and sometimes even force me to have that product which I called quality of that product since it is creating demand.

5. Market share

The product owing larger market share is certainly qualitative one because consumers demand more for qualitative goods. Mostly, the price, intensity of promotions, etc. are changed in market only when those leading products wish to do so.

Q.no.4 What do you mean by brand loyal and brand switcher? Why are you loyal to some products and why do you switch to other products? Justify your answer.

Brand loyal or brand loyalty is a twofold aspect consisting of actual brand loyalty and repeating purchase behavior. The latter only covers repeat purchase where the customer buys a certain brand time and again for reasons of convenience or routine. Actual brand loyalty involves a psychological commitment to the brand in question. Being brand loyal means being aware of how advertising and the objectives of certain brand works. Truly profitable brands are not brands, they are brands with which customers actually fall in love.

Brand switchers, also known as brand jumpers, are those who choose to switch from routine use of one brand to steady usage of a different but similar product. Much of the advertising process is aimed at encouraging brand switching among the customers, thus helping to grow market share for a given brand. Brand switching can be provoked by price promotions, in-store display, perceived innovations in competitive brands, desire for novelty, changes in quality, level of satisfaction with the most recent purchase, etc.

While talking about brand loyalty, I am very much loyal to Ncell because of the following reasons:

- The quality of Ncell is far better than other. (It may be just my perception).

- Since the service provided by it is qualitative, I don't think much while spending money even if I have a tight budget.
- It provides greater satisfaction while using internet (fastest and flexible) and other variety of services.
- It is easily accessible for me.
- Its advertising are often attractive and eye-catching.
- Though it charges comparatively more than others, it has offered number of facilities (like Ncell sapati, bonus money after successful recharge of more than Rs 100, various MB packs etc.) which make those high charges fair.

However, I switch some products like noodles, biscuits, cold drinks, dairy products, etc. because of the following reasons-

- For me, these products have no great perceived variation in quality (however, sometimes taste may interrupt from being switcher).
- More attractive advertisements influence the usage of these products.
- Level of satisfaction gained after consumption of these products may vary.
- Price promotion techniques used by these products can make me switcher.

Q.no.5 Quality and price go together. Generally, low quality goods cost us less. In some exceptional cases, it may not be so. Quality is a much sought-after thing while buying and consuming anything. So in your opinion, on the context of fast food snacks and restaurant meal how do you define your taste of the quality?

The concept of quality differs from goods to goods and services to services. Regarding my personal opinion, I want the following things:

a) Fast food snack

A fast food snack is to be eaten in a short while. It may be taken away and eaten on the train too. Generally, if a fast food snack is fried one, it should be fairly warm. Luke warm food is rather a suspect. It should be crispy and appealing. Besides the warmth, I care the appearance and size of the food. Moreover, it should be fairly or considerably priced too.

If it is a take-away food, it should be neatly packed. Fast service is another aspect that adds to its quality. Moreover, the raw-material and the whole cooking process should be hygienic too.

b) A restaurant meal

A full wholesome meal is directly associated with our health. So, it should be qualitative. A restaurant meal should be fairly warm too. Luke warm again is a suspect. I feel hesitation accepting a lukewarm food. It should be fairly cooked i.e. it

should not be over-cooked, burnt and half-cooked. A restaurant food should be affordable and should look trustable. It should not look something uneatable. Moreover, it should be served in time. Furthermore, in case of taking the meal, the packaging also matters a lot. If the food is gravy, a proper perception should be used avoiding to get the liquid contaminated with the wrappers or the container material.

Other criteria are

- Kitchen-transparent
- Hygienic food and utensils
- Proper waste management- dumping

CHAPTER 10 : MARKETING

Q.no.1 What is marketing? What is the difference between marketing and selling?

Marketing is the process of communicating the value of a product or service to customers. It is a link between society's material requirements and its economic patterns of response. Marketing can be looked at as an organizational function and a set of process for creating, delivering and communicating value to customers in ways that benefit the organization. Marketing is the science of choosing target markets through market analysis and market segmentation as well as understanding consumer buying behavior and providing superior customer value.

There was a kind of misconception regarding the terms marketing and selling. Both of these were regarded as synonyms. But most management and marketing writers now distinguish between selling and marketing. Selling means to sell a product or service to customers by persuading them. Customers are persuaded by vigorous hard-selling techniques. Selling begins with a product or service whereas marketing begins with identifying possible customers for the product or services (i.e. marketing begins long before the product or service is put on the market).

Selling has a product focus and is mostly producer driven. It is only the action part of marketing and has short- term goal of achieving market share. The emphasis is on price variation for closing the sale where the objective can be "I must somehow sell the product". Selling converts the product into cash for the company in the short-run but it cannot retain the loyal customers for the company. Its task is to sell whatever the production department has manufactured.

On the contrary, marketing is much wider than selling and is also dynamic as the focus is on the customer rather than the product. It is the whole process of meeting and satisfying the

needs of the customer. Marketing consists of all those activities that are associated with product planning, pricing, promoting, and distributing the product. The task commences with identifying consumer needs and does not end till feedback on customer's satisfaction from the consumption of product is received. It is a long chain of activity which comprises production, packing, promotion, pricing, distribution and then the selling. Consumer needs become the guiding force behind all these activities. Mind share is more important than market share in marketing.

Q.no.2 What are 4Ps? Why do companies keep changing marketing mix?

The marketing mix is a business tool used in marketing . It includes all various elements of a marketing program, their integration, and the amount of effort that a company can expand in them in order to influence the target market. The marketing mix is often synonymous with the four Ps : Price, Product, Promotion and Place.

Product

It is an item that satisfies a consumer needs or wants. It is a tangible good or an intangible service. Aspects to be considered in marketing products include quality, features, style, brand name, size, packaging, services and guarantee.

Price

The price is the amount a customer should pay for the product. Price includes the basic list price, discount, the length of payment period, possible credit terms and so on. Price is very important as it determines the company's profit and hence, survival. When setting a price, the marketer must be aware of the customer perceived value for the product.

Promotion

It represents all the methods of communication that a marketer may use to provide information to different parties about the product. Promotion comprises elements such as advertising, public relations, personal selling and sales promotion. The weak promotion can affect the company for a long term ; it can even make the company shut-down.

Place

It reflects to providing the product at a place which is convenient for consumers to access. Place is synonymous with distribution. It includes such factors as distribution channels, locations of points of sale, transport, inventory size, etc.

The marketing mix must be flexible enough because 4Ps will never remain same as before. The product demanded by consumers may differ with the change in their taste and preferences. The price of product is influenced by various factors like customer's perception, inflation, price of the product of competitors, etc. Promotion techniques must be changed with the change in products, price, place and same promotion technique for same product may not attract customer. Thus, it is a job of product manager or a brand manager to look for ways to increase sales by changing the marketing mix.

Q.no.3 "Market research is an important part of marketing". Explain.

Marketing is communicating the value of the product or service to customer, for the purpose of selling that product or service. Marketing technique includes choosing target market, market analysis and, market segmentation as well as understanding the customer's behavior and advertising the product value to the customer.

Market research is any organized effort to gather information about target market and customers. Market research, which includes social opinion research, is a systematic gathering and interpretation of information about individual or organizations using statistical and analytical methods and techniques of applied social sciences to gain insight and support decision making.

Market research exists to guide business decision, by giving insight into products, services, marketing, and customers. By enabling us to make informed choices, market research will help to develop a marketing strategy. Market research helps to reduce risks by getting products, price and promotion right from the outset and also helps us to focus on our resources where they will be most effectively used.

There are two types of market research i.e. quantitative and qualitative. Quantitative research focuses on coming up with numbers whereas qualitative research gets behind the facts and figures to find out how people feel about products and what prompt customers to spend. Researchers can use survey and questionnaire methods in order to collect information. More in depth research activities involve understanding customer's profile, which is vital in case of launching new products. Secondary data sources are also used to market research which provides data on market size, sales trends, customer profiles, competitor's activity and customer's record including information about the purchasing power.

Market research helps in forecasting, as it helps to access key trends to anticipate market change. Market research is also vital as it helps in identifying new market segments, developing new products and choosing new target markets.

Market research needs to be regularly planned part of marketing. Even an established business needs to stay in touch with its customer's need as well as market trends and

competitors. Market research measures the effectiveness of a business's marketing giving it the information about attitudes to everything i.e. from packaging and advertising to brand awareness. Thus, market research is an important part of marketing.

CHAPTER 12: PROMOTIONAL TOOLS

Q.no.1 How would you explain the following promotional tools?

- i. Advertisement
- ii. Sales promotions
- iii. Public relations
- iv. Personal selling

Advertisement/ advertising

It is a form of communication for marketing and is used to encourage or persuade the customers to use the products. It informs consumers about the existence and benefits of products and services. Advertising should be based on human psychology. It should be interesting and attractive.

The best form of advertising is probably word-of-mouth advertising, which occurs when people tell their friends about the benefits or services that they have purchased. Yet virtually no providers of goods or services rely on this alone, but pay huge advertising expenses instead. Mostly, companies tend to use the services of large advertising agencies because they are likely to have more resources and more knowledge about all aspects of advertising and advertising media than a single company.

The agency creates ads and develops media plans specifying which media will be used and in which proportions. It should be focused on the fact that increased ad spending can increase current sales but excessive advertising is counter-productive.

Public relations

Public relations is concerned with maintaining, improving or protecting the image of a company or product. Companies need to have a constant interaction with customers, employees and different stakeholders.

Companies are looking at ways to converge with functions of marketing and public relation in marketing public relation(MPR). The direct responsibilities of MPR is to support corporate and product branding activities.

BUSINESS COMMUNICATION

It is an efficient tool in building awareness by generating stories in media. Once the story is in circulation, it can establish credibility and create a sense of enigma among sales people as well as dealers to boost enthusiasm.

Sales promotion

Promotion is an incentive tool used to drive up short term sales. The focus of advertising is to create reason for purchase but the focus of promotion is to create an incentive to buy. Consumer incentives could be samples, coupons, free trial and demonstrations. Others can be reductions, free goods, convention etc.

Sales promotion activity can have many objectives, for example- to grab attention of new customers, increase consumption of occasional users, etc. Sales promotion is usually targeted at brand switchers. Sales promotional activity is selected looking at the overall marketing objective of the company.

Once the activity is launched, it should be controlled as to remain within the budget. Evaluation program is a must after implementation of the promotional scheme.

Personal selling

It is the most expensive promotional tool. Personal selling occurs where an individual salesperson sells a product or service to a customer. Through personal selling, a customer can get advice on how to apply the product and can try different products. Products with relatively high prices, or with complex features, are often sold using personal selling.

Since salespersons are often the only person from a company that customers see, they are extremely important channel of information. It has been calculated that the majority of new product ideas come from customers via sales representatives.

CHAPTER 15: STOCKS AND SHARES

Q.no.1 Imagine that you have just come from a secret meeting of a company's board of directors, which has made a decision that you know will financially ruin a close friend of yours, unless she can sell some of the shares before the board's decision becomes known. Should she expect you to warn her? Discuss.

Of course, I would warn her. If I know that she will be financially ruined, then she can expect me to warn her. By nature, I am particularist and that is what I have learnt from my surroundings since my childhood. For me, my personal relationship and friendship means a lot. Being an independent does not mean that we can survive alone. We need people, friends, relatives in every situation of our life. If I do not need help from her, then how can I expect

her to help me indeed? I may not disclose all the facts but I will warn her and persuade her to sell some of her shares.

There may rise the question of ethics, business ethics. But what I believe is all

those ethics differ from person to person and situation to situation. Ethics are moral principles that control and influence a person's behavior. But the ethics developed in a person depends upon the environment where s/he grows. If the company is in the course of liquidation, then why should not I inform my friend? If I cannot do anything to save the company- even all the members of BOD have tried their best- at least I can save my friend.

Alternative answer

If I were to choose between letting my friend to be bankrupt and spilling out secrets of my organization then I would try my best to find out a middle way so that I should not have to particularly choose any one of the two options.

I am part of eastern society where people give emphasis to relations, friendship and love. We are particularists for we believe that our personal relations are as important as our professional relations. If I had been born in the western culture my choice of option might have been different. People there are more individualist. They are universalists as they value their professional relations and business values a more than that of personal relations. They prefer creating a clear line of distinction between professional and personal life.

Ethics is knowing the difference between what is right to do and what you have right to do. Business ethics or values are the ethical principles that should be followed by every member of the organization and social ethics are the ethical principles that should be followed as the part of the society. Sometimes these two aspects of morality are at the conflicting edges. Business ethics says it is not right to spill the things out and social ethics says that you cannot let your friend to be bankrupt. Business ethics compels me to stay silent whereas social ethics does not allow me to stay silent. After all a friend in need is a friend indeed. So leaving my friend to be insolvent, in the middle of nowhere, would pinch my soul; and I cannot do that.

In order to tackle with this situation, I would ask her to lend me some money which she could make by selling the company's stock. In this way, if the friend becomes ready to sell company's assets for my purpose then she won't be bankrupt. Or, I might even ask her to invest in some other kind of business together.

Therefore, I wouldn't directly share with my friend the decision made by the BOD; however, I would convince her to sell her assets so that s/he won't suffer. In this way, I would find a middle way which wouldn't hamper my business ethics as well as social ethics.

CHAPTER 16 BONDS

Q.no.1 What are bonds? What are the differences between bonds and stocks in terms of income and repayment? Elaborate between the different types of bonds.

A bond is a long term security or long term promissory note issued by a company or the government, promising to pay interest periodically (till the bond matures) and principal, on specific date, to the holders of the bond. While issuing a bond, the bond issuer must prepare an indenture. It is a legal agreement between the firm issuing the bonds and the bond trustee. The indenture provides the specific terms of loan agreement.

Bonds are different from stocks, which have an uncertain future pay-off, depending on a company's performance. In this sense, stocks are regarded as very risky type of security which may or may not receive dividend. Regarding the repayment or returning the principal money, stocks have no final maturity date, i.e. stocks are not repaid. On the contrary, bonds are repaid on the specified date mentioned in indenture.

There are different types of bonds and are as follows:

a) Floating rate notes

Like its name suggests, the interest rate on such bond is variable. Such bondholder would see the interest that they received vary over time, depending on the levels of interest rates in the market place.

b) Junk bonds

They are the bonds that are issued by companies that are seen too have a very high risk of default. The investors or bondholders are paid a premium to hold those securities because of their risk. It is also called high yield bond.

c) Convertible bonds

They have features of both a traditional bond as well as a stock. Convertible bond means that the bond is exchangeable for quality or stock, provided certain conditions are met (related to price of company's equity, general level of interest rates, etc.)

d) Perpetual bonds

They are the bonds which are issued without a finite maturity period. They promise to pay interest indefinitely and there is no contractual obligation to repay the principal. It is also called irredeemable bond.

e) Zero coupon bonds

In such kind of bonds, the bondholders do not get any interest during the holding period of the bond. Such bonds are usually issued at substantial discount from their par value and investors get fair return through capital gain. It is also called “pure discounted bond”.

Q.no.2 Explain the following jobs in simple words.

- | | |
|----------------------|--------------------------|
| a) Bond dealer | b) Stock broker |
| c) Personnel manager | d) Trade union organizer |
| e) Market researcher | |

Bond dealer

Bond dealer is a person who purchases or sells bonds for the clients or investors: s/he cannot purchase and hold the bond. But bond dealer directly buys the securities or bonds issued by the government and corporations with the intention of reselling them to others, thus bond dealer acts as a market dealers in auction is again redistributed in the market to the public at the price of bond fixed by the bond dealer. The rate of bond is unchangeable. The investors who want to buy and hold the bond of a certain company must go to bond dealer and buy it at the price set by bond dealer.

Since bond dealer purchased all the services and only then, those securities are available in the market at fixed price set by them. Bond dealers can also be regarded as primary dealers.

Stock broker

A stock broker is a regulated professional individual, usually associated with a brokerage firm, who buys and sells shares and other securities for both retail clients and institutional clients in return for a fee or commission.

A stock broker invests in the stock market for individuals and corporations. Only the members of the stock exchange can conduct transactions, so whenever individuals or corporations want to buy or sell stocks, they must go through a brokerage house. Stockbrokers often advise and counsel their clients on appropriate investments. They explain the working of the stock exchange to their clients and gather information from their needs and financial ability, and then determine the best investments for them.

So, stockbroker can be defined as an agent that charges a fee or commission for executing buy and sell orders submitted by an investor.

Trade union organizer

A union organizer is a specific type of trade union member (often elected) or an appointed union official. In most unions, the organizer's role is to recruit groups of workers for unions under the organizing model (conception regarding recruiting, operating and advancing the interests of members). In other unions, the organizer's role is largely that of servicing members and enforcing work rules. In some unions, organizers may also take on individual or legal roles such as making representations before tribunals, courts, etc.

Ensuring that unions member's rights under the union are honored is another job of the union organizer. Union organizers may also form committees to help run campaigns and manage worker concerns. Some union organizer role include a public speaking role. In this case, the trade union member would be responsible for representing his/her union at public events, rallies, strikes and other labour rights activities.

The work environment of a union organizer can vary dramatically. S/he may work primarily in the office or out in the field with various labour unions.

Market researcher

Market researchers prepare studies and surveys, analyze demographic information and purchasing histories, review the factors that affect product demand, and make recommendations to manufacturing and sales forces about the market for their products.

The work that a market researcher does help to inform political, social and economic decisions made by many organizations and businesses. Their primary aim is to collect and analyze data and information that is valuable to their clients. Mostly, market researchers are employed to collect information on customer opinions, investment and marketing decisions, product demand, etc. by company.

Typically, market researcher's work activities include the followings:

- Meeting with clients to negotiate and agree research projects,
- Researching a topic,
- Preparing briefs and commissioning research,
- Writing and managing the distribution of surveys and questionnaires,
- Advising clients on how to best use research findings, etc.

Personnel manager

BUSINESS COMMUNICATION

Personnel management or department deals with human resources of a concern. It manages both individual as well as blue-collar workers. Personnel manager is the head of personnel department. S/he performs both managerial and operative functions of management.

The major functions of personnel management or personnel manager includes manpower planning, recruitment, selection and training and development programs. Besides, his/her role can be listed as follows-

- Personnel manager provides assistance to top management. All kinds of policies related to personnel or workforce can be framed out effectively by the personnel manager.
- Personnel manager acts like a staff advisor and assists the line managers in dealing with various personnel matters.
- As a counselor, personnel manager attends problems and grievances of employees and guides them.
- Personnel manager acts as a mediator; s/he is a link between management and workers.

CHAPTER 18: MARKET STRUCTURE AND COMPETITION

What do you understand by market leaders, challengers and followers?

Typically, there are following types of market dominance strategies that a marketer will consider:

Market leader, market challenger, market follower and market nicher.

The market lender is dominant in its industry. It has substantial market share and often extensive distribution arrangements with retailers. It typically is the industry leader in developing innovative new business models. It sometimes has some market power in determining either price or output. The main options available to market leaders are as follows:

- Expand total market by finding new users and uses of the product.
- Protect existing market share by developing new ideas, reducing costs, etc.
- Expand market share by targeting one or more competitors.
Eg. Coke is the leading cold drink in the world.

A market challenger is a firm in a strong, but not dominant, position that is following an aggressive strategy of trying to gain market share. It typically targets the industry leader (for

example- Pepsi targets Coke), but it could also target smaller, more vulnerable competitors. The fundamental principles involved are assessing the strength of the target competitor, finding a weakness in the target competitor and attacking the weakness. Some of the options open to market challenger are as follows:

- Price discounts or price cutting,
- Introduce new products and increase product quality,
- Improve service, change distribution,
- Intensify promotional activity, etc.

The majority of companies in any industry are merely market followers which present no threat to the leader. The rationale is that by developing strategies that are parallel to those of market leader, they will gain much of the market from the leader while being exposed to very little risk. It is how “Burger King” retains its position behind “McDonalds”. The advantages of this strategy are as follows:

- No expensive research and development failures
- No risk of bad business model
- No risk of government anti-combines action
- Minimum risk of competitive attacks, etc.

Market nicher concentrates on a selected few target markets. Such strategy is also called focus strategy. The niche should be large enough to be profitable but small enough to be ignored by major industry players.

CHAPTER 19: TAKEOVERS, MERGERS AND BUYOUTS

When starting a business, or running it for a long time, there are lot of tendencies, way of its development and among them there is such a phenomena as takeovers and mergers.

When a company wants to introduce new products and services, there are two options for it to do it. Large companies have the choice of innovating or of buying another small company with successful products. If the other company is too big to acquire, another possibility is to merge with it. Another reasons for taking over or merging include reinforcing company's position, reducing competition, diversifying production, rationalizing the use of invested capital and searching for synergy.

A company that wants to grow or diversify can launch a raid- in other words, simply buy a large quantity of another company's shares on the stock exchange. Usually, the aim is to persuade enough other shareholders to sell to take control of the company.

If a raid is not, or would not be, successful, a predator can make a takeover bid: public offer to a company's shareholders to buy their shares, at a particular price during a particular period.

There are different ways of merging. It can be a horizontal integration when a company takes over other firms producing the same type of goods. A vertical integration is a company's acquisition of either its suppliers or its marketing outlets. A merger with one's supplier is called a backward integration whereas a merger with one's marketing outlets is called a forward integration.

There are lots of arguing in favour and against mergers and integration. Merging with other successful innovative firms reduces competition, ensures a stronger position on the market, etc. However, merging may become unmanageable and may fail to achieve synergy.

One more indication that the people who warn against takeovers might be right- is the existence of leveraged buyouts (LBOs). When in the 1960s, a big wave of takeovers in the US created conglomerates (i.e. merging), (mostly badly- managed, inefficient and underpriced), raiders were able to borrow money, buy them and then restructure, split them up and resell at the profit. Asset stripping –selling off the assets of poorly performed or undervalued companies- proved to be highly lucrative (i.e. profitable).

Theoretically, there was little risk of making a loss with a buyout, as the debts incurred were guaranteed by the companies' assets. So takeovers using borrowed money is 'leveraged buyouts'. Leverage means having a large proportion of debt compared to equity capital. When a company is bought by its managers, it is called management buyout. LBOs are often financed by junk bonds.

Raiders argue that the permanent threat of takeovers is a challenge to company managers and directors to do their job better. LBOs seem to be largely on American corporate periphery.

CHAPTER 21: BUSINESS ETHICS

What is business ethics?

Business ethics are the code of behavior that a business follows in its everyday operation. Or, business ethics are moral principles that guide a business behavior. It has both normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods.

The range and quality of business ethical issues reflects the interaction of profit-behavior with non-economic concerns. Many businesses have gained a bad reputation just by being in the business. To some people, businesses are interested in making money, and that is the bottom

line. It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior.

Pure market theorists disapprove welfare capitalism, and argue that all actions are inspired by social responsibility rather than attempting to maximize profits. Milton Friedman does not consider the possibility that stockholders might prefer to receive lower dividends but live in a society with less pollution or less unemployment and fewer social problems. Business managers have responsibilities to all the groups of people with an interest in the firm. These will include suppliers, customers, employees, and the local community, as well as the stockholders.

Here are three good reasons why social responsibility and ethics are important in the business:

- a) People want to buy from ethical business.
- b) People want to work for ethical business.
- c) People want to invest in ethical business.

Today consumers, employees and business owners are becoming very aware of the many social and ethical issues that abound in today's world. While talking about business ethics, normally following statements come in one's mind depending on what s/he perceives business ethics:

- ❖ "Business in business".
- ❖ "Apply own personal ethical standards when doing business".
- ❖ "Ethical obligation is to act within the law".
- ❖ "Maximize profit because shareholders expect high return".
- ❖ "A company has responsibility to its stakeholders".

CHAPTER22: THE ROLE OF GOVERNMENT

What is the current economic situation in your country? What can you do to improve the current situation in our country?

Nepalese economy- largely a subsistence as well as high- cost economy with no direct access to sea for expanding international trade, and limited transit facilities, rising interest rate on lending, high tax burden, and costly doing business- is passing through a downswing phase circumscribed by poverty and stagnation. Agriculture is the biggest but subsistence sector of the economy, where still more than 70% of the total population derives their livelihood

directly from agriculture encapsulated by staggering magnitude of disguised unemployment, mounting rural indebtedness and a high incidence of poverty. The contribution of manufacturing sector has been compressed to less than 6% of GDP in recent years.

The major problem associated with Nepalese economy are- poor industrial relations, lack of investment friendly environment, sluggish economic growth rate, poor governance, rampant corruption, high cost economy, diminutive budget estimation and under spending, lack of enduring peace and stability, prolonged liquidity crisis, political entrenchment, inadequate infrastructure, rigid labour laws, frequent banda and strikes, etc.

The macroeconomic indicators exhibit that Nepal's merchandise exports to India and overseas rapidly decline over the years resulting in a huge trade deficit. The share of trade with India alone is as high as 67%, which is evident of increasing dependency with India. In recent times, NRB sold US \$2.46 billion to Reserve Bank of India (RBI) for meeting requirements of Indian currency in Nepal equal to IRs 178.1 billion. This is further manifestation of growing dependency with India.

The following things can be done to improve current economic situation in our country:

- Creating employment opportunities to transfer excessively dependent population from agriculture to more productive non-agriculture sector.
- Effectively integrating Nepalese economy through trade and investment especially with neighborhood economies, regional as well as global economies and maximize benefits from globalization.
- Imposing high import tax to reduce import and high tax subsidy to promote export.
- Creating investment- friendly environment by enduring peace and stability and improving industrial relations, etc.

CHAPTER 23: CENTRAL BANKING, MONEY AND TAXATION

Q.no.1 What are the functions of central bank? What are the arguments for making central bank independent from the government?

Central bank is the supreme monetary authority of a country that manages state's currency, money supply and interest rates. Central bank also usually oversees the commercial banking system of a country. The major functions of central bank are firefly discussed below:

a) Issuing notes or currency

The central bank possesses a monopoly on increasing the nation's monetary base, and usually prints the national currency. This is the primary function of any central bank.

b) Government's bank

The central bank works as the banker, agent and advisor of the government. It maintains government account, manages public debt and even offers advice to the government in the formulation of fiscal, monetary policies and economic planning.

c) Banker's bank

The central bank works as the banker of other banks. The rights of supervision and control on other banks (including commercial banks) for the sound development of the banking system in the country lie with central bank.

d) Lender of the last resort

The central bank is the lender of the last resort. The central bank provides loans to the other banks at the time of financial crisis when they cannot get loans from the money market. Central bank provides such resort in following two ways-

- By rediscounting bills or purchasing government securities
- By providing loans against the short-term securities

e) Control of credit

The credit will have to be controlled for price stability. If inflation is caused by the expansion of credit, the central bank squeezes credit and vice-versa. Change in bank rate, cash reserve, open market operation, etc. are methods of credit control.

f) Exchange rate supervision

The central bank formulates and implements foreign exchange rate policies, manages foreign exchange reserves and makes transaction in foreign exchange.

Other functions of central bank include the following:

g) Clearing house function

h) Development functions

i) Maintains relationship with International Agencies

j) Publicity- publishes reports, journal and bulletins

The arguments for making Central Bank independent from the Government are as follows-

- i. Governments, that control Central Banks, have often used their power to increase the money supply and create inflation (instead of reducing inflation).
- ii. Independent central bank is supposed to prevent governments from inflating the money supply, and in other ways creating monetary mischief.
- iii. The top leaders misuse the bank's power in order to promote their short-term political gain if central bank is not independent from government.
- iv. It seems that independent central banking leads to better economic outcomes (because central bankers need to be judges rather than politicians).

- v. Central bank meets its responsibilities for transparency and accountability if it is independent from political leaders.

Q.no.2 As a present and future tax payer, do you prefer direct or indirect taxes, and progressive or non-progressive taxes?

The tax is a compulsory charge imposed by the government to the people and institutions. The people do not receive direct benefit for tax payment. The tax is compulsory in the sense that nobody can reject to pay tax. It is the main source of government revenue.

The taxes levied on the basis of incidence and impact is called direct or indirect taxes. The tax which cannot be shifted to other, the taxpayer bears the burden, is called direct tax. The incidence and impact of this tax fall on the same person. E.g. income and property taxes. On the one hand, such tax provides quality in a sense that more burden falls on the affluent ones and less on the poor. On the other hand, it kills the spirit of people to work more, earn more, save and invest more. The taxpayers may submit the wrong records in the tax office and conceal actual income for tax evasion.

Whereas, the tax whose burden can be shifted to other is called indirect tax. If a tax is levied on one person but is paid by other person either fully or partially, it is called indirect tax. E.g. sales tax, excise duty, export and import taxes, etc. These taxes are shifted to the customers by adding in the price of goods and services. So, paying the tax is convenient since tax is paid by customers while purchasing products. It is also difficult to evade the indirect tax.

Thus, I would prefer indirect tax which is convenient to pay. However, both direct and indirect taxes are a compulsion.

If the rate of tax changes with change in income, it is called progressive tax. So, the rich should pay more and the poor should pay less. This tax is very popular in developing countries like Nepal. The taxpayers are classified on the basis of income and the income tax is levied.

If the high rate of tax is levied to the poor and low rate is levied to the rich, it is called regressive or non-progressive tax. It is done to reduce more consumption made by poor and to invest capital funds of rich. However, it creates income inequality and makes injustice. This tax is impractical and inappropriate in countries like Nepal. The following table shows progressive and non-progressive tax system-

Income	Progressive tax		Non-progressive tax	
	Tax rate (%)	Tax amount (Rs)	Tax rate (%)	Tax amount (Rs)
1000	10	100	10	100
2000	15	300	8	160

3000	25	750	6	180
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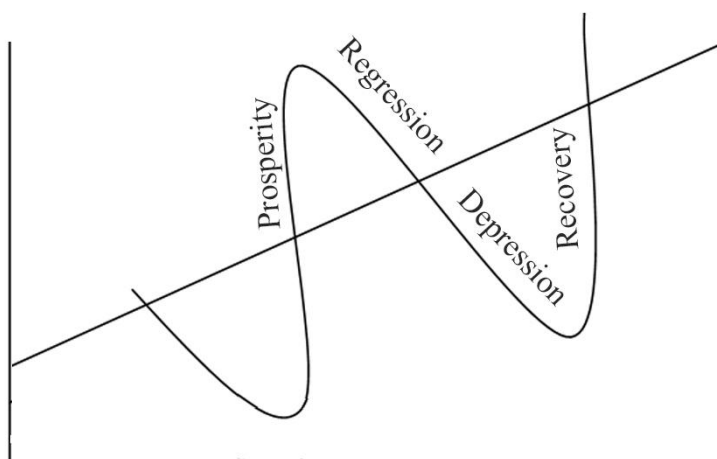
In this case, I would prefer progressive tax system.

CHAPTER 25: BUSINESS CYCLE

Q.no.1 Explain the business cycle.

Business cycle, also known as economic cycle, refers to economy-wide fluctuations in production, trade and economic activities (in general) over several months or years in an economy. These fluctuations occur around a long term growth trend, and typically involve shifts over time between periods of relatively rapid economic growth and period of relative stagnation.

Business cycle is divided into four phases which is shown in the figure below.



Prosperity phase

It is the phase of expansion or boom or upswing of the economy. When there is an expansion of output, income, employment, prices and profits, there is also a rise in the standards of living. The features of prosperity are-

- High level of output and trade.
- High level of effective demand.
- High level of income and employment.
- Rising interest rates.

- Large expansion of bank credit and inflation.
- High level of MEC (Marginal Efficiency of Capital) and investment.
- Full employment and maximum production.

There is upswing in an economic activities and economy reaches to peak. This is also called boom period.

Recession phase

The turning point from prosperity to depression is termed as recession phase. The features of recession are-

- Economic activities slow down
- Steady decline in output, income, employment, prices and profits.
- Demand and investment falls
- Pessimistic businessmen with low level of confidence.
- Contraction of bank credit, etc.

Depression phase

When there is a continuous decrease of output, income, employment, prices and profits, there is a fall in the standard of living and depression sets in. The features of depression are-

- Fall in volume of output and trade
- Decline in consumption and demand
- Deflation
- Overall business pessimism
- Fall in income and rise in unemployment
- Fall in interest rate, MEC and bank credit
- Contraction of bank credit
- Under utilization of resources

The aggregate economic activity is at the lowest, causing a decline in prices and profits until the economy reaches its trough (low point).

Recovery phase

The turning point from depression to expansion is termed as recovery or revival phase. The features of recovery are-

- Rise in economic activities
- Production and investment increases
- Steady rise in output, income, employment, prices and profits.

- Banks expand credit.
- Consumption and demand rises
- Businessmen gain confidence and become optimistic

Revival slowly emerges into prosperity, and the business cycle is repeated.

Q.no.2 Explain the theories of business cycle.

There are basically following two theories of business cycle-

- a) Internal (or endogenous) theory
- b) External (or exogenous) theory

Internal (or exogenous) theory

This theory considers business cycle to be self-generating, regular, and indefinitely repeating. A country's output, investment, unemployment, balance of payment, interest rates, and so on, all depend on millions of decision by consumers and industrialists on whether to spend, borrow or save. The business cycle results from one's optimistic or pessimistic expectation. E.g. when economic times are good or when people feel good about the future, they spend. But if people are worried about the possibility of losing their jobs in near future, they tend to consume less and save more.

Investment is closely linked to consumption and only takes place when demand and output are growing. Consequently, as soon as demand stops growing at the same rate, even at a very high level, investment will drop, probably leading to a downturn. Downswing also occurs when demand is strong and prices can be easily put up, and profits are increasing because in this situation employees will begin to demand higher wages and salaries. As a result, employers will either reduce investment or start to lay off workers.

External (Exogenous) theory

This theory looks for the causes outside the economic activity like – scientific advances, natural disasters, elections or political shocks, demographic changes, and so on. Joseph Schumpeter believed that the business cycle is caused by major technical invention which lead to the periods of “creative destruction”.

A simpler theory is that, where there is no independent central bank, the business cycle is caused by governments beginning their periods of office with a couple of years of austerity programs followed by tax cuts and monetary expansion in the two years before the next election.

CHAPTER 26: KEYNESIANISM AND MONETARISM

Q.no.1 When there is high unemployment during a recession, should the government intervene in the economy to create jobs?

There are various economic arguments against such governmental interventions. Monetarists insisted that money is neutral, meaning that in the long run, changes in the money supply will only change the price level and have no effect on output and employment. So, they argued that government should abandon any attempt to manage the level of demand and employment in the economy through fiscal policy. On the contrary, government should try to make sure that there is constant and non-inflationary growth in the money supply.

Monetarists argue that recession are caused by short-run errors (but not by long-run failures) by firms and workers who do not reduce their prices and wages quickly enough when demand falls. When economic agents recognize that prices and wages have to fall, the economy will come back to normal.

But I highly support the Keynesianism. Keynes believes that if people are worried about the possibility of losing their jobs in the near future, they will probably start saving money and consume less, which will lead to a fall in demand, and consequently in production and employment. People's saving will remain unused. But as classical economic theory states, in the long run, excess saving would cause interest rate to fall and investment to increase again. However, Keynes simply disagreed and said, "In the long run, we all are dead."

Keynes, therefore, recommended governmental intervention in the economy to counter the business cycle. During an inflationary boom, government could decrease their spending or increase taxation. During a recession, on the contrary, they could increase their expenditure, or decrease taxation, or increase the money supply and reduce the interest rates, so as to stimulate the economy and increase output, investment, consumption and employment. Keynes also argued that due to multiplier effect even a small amount of additional government spending or an increase in private investment causes output to expand by an amount greater than itself.

Monetarists assume price and wages to be flexible enough but neo-Keynesians argue that wages are inflexible because of labour union contracts, government regulation, quickly because they do not have perfect information and there are also many costs involved.

Economics can get looked into disequilibrium for long periods since the individuals and firms are unable to find the right prices that would lead the economy to rising output and high employment. Thus, unlike monetarists, Keynesians believe that there is still a role for either expansionary or deflationary government policies.

CHAPTER 27: INTERNATIONAL TRADE

Q.no.1 Compare and contrast between protectionism and free trade.

Protectionism is the policy adopted by countries to protect domestic products and domestic industries from foreign competition. Governments adopt the tariff and non-tariff barriers to adopt protectionism.

On the other hand, free trade means the transactions of goods and services between and among the countries without any barriers. If the government does not impose any kind of restriction in export and import of products between different countries, this is known as free trade.

The free trade and protection are two completely different trade policies. Following are the arguments in favor of free trade policy-

- It encourages international specialization in production of goods and services.
- It build-ups the competitive capacity of business enterprises in international market.
- It widens the market for domestic products in international products.
- It provides maximum satisfaction to both producers and consumers.
- Maximum utilization of human resources, natural resources and capital resources would be possible.
- It promotes friendly relation between orb among trading countries.

However, free trade is criticized on the following grounds-

- Harmful to infant and basic industries.
- It may invite unequal and unhealthy competition between developed and developing countries.
- It creates cut-throat competition leading to dumping etc.

Following arguments are favored for protectionism policy-

- It protects infant industries. It believes in “ Nurse the baby, protect the child and free the adult”.
- It helps to develop production capacity of weak industries in order to create more employment opportunities.
- It helps to formulate more capital within the country.
- It promotes the feeling of self-dependency among the citizens.

- It always promotes to expand domestic market.

However, protectionism is criticized on the following grounds-

- It may create misunderstanding between countries and also creates enmity.
- It makes a nation isolated from international arena of trade and commerce.
- No countries can be fully self-sufficient or self-dependent since no country is endowed with all kinds of resources.

CHAPTER 28: ECONOMICS AND ECOLOGY

Q.no.1 What do you think of the idea of an eco-efficiency label?

Eco-efficiency is the management philosophy that aims at minimizing ecological damage while maximizing efficiency of the firm's production processes. And eco-efficiency label is the methodology aiding the principle of eco-efficiency, which was developed by Marc Keiser.

Eco-efficiency label, as stated by Marc Keiser, gives a government legal framework but still leaves a free hand to companies to make some environmental improvements, to improve their performance, ecological performance. The methodology (i.e. eco-efficiency label) includes three models which are same basic elements and are based on same measuring units. These elements are all of quantitative nature. They concern three categories which are material resources, energy and emissions.

The third model (i.e. emissions) ought to inform consumers about the environmental acceptability of a product. Eco-efficiency of a product should analyze a finite product from the starting manufacturing step to disposal, including consumption and steps in between. And this would be expressed as a number, a coefficient between 0 and 100, so-called "eco-points". It is a definite scale, zero being the worst and one hundred being the best.

The ultimate target of eco-efficiency label is to facilitate the consumer to pick and choose the product on the basis of label. E.g. Product A has label which gives it number 50 and other similar product B has a label number of 60, this is an information for the customer that product B is more eco-efficient.

Thus, I think eco-efficiency label is a good idea for improvement of the environment and reducing environmental pollution. Successful implementation of eco-efficiency label may lead to following aspects:

- A reduction in the material intensity of goods or services.
- A reduction in the energy intensity of goods or services.
- Reduced dispersion of toxic materials.

- Improved recyclability
- Maximum use of renewable resources
- Greater durability of products.

Q.no.2 What do you mean by environmental pollution? Are you concerned about pollution and environment? What should be the role of government and people to reduce pollution?

Environmental pollution is the introduction of different harmful pollutants into certain environment that make this environment unhealthy to live in. The most common pollutants are usually chemicals, garbage, and sewages. Such pollution is happening in many parts of the world, especially are some of China's cities including capital Beijing, and the best example for water pollution is India with its Ganges river pollution problem.

Yes, I am concerned about pollution and environment. Globally speaking, environmental pollution problem is much bigger than we think it is. The most severe environment pollution is happening in developing countries like Nepal because such countries not only lack any form of sustainable management but also lack even the basic sanitation. Pollution of the environment is causing great damage to eco-system.

Many countries have introduced certain laws to not only regulate various types of pollution but also the laws to mitigate the adverse effects of pollution, Pollution levels need to be controlled all the time if we want to keep our environment safe and healthy. To do so, it is important to develop ecological conscience of nearby communities and effective waste management in form of recycling.

The government can adopt the following ideas to reduce pollution:

- a) Emission charges: Emission charges are prices established for the right to emit a unit of pollutant.
- b) Emission standards: Limits established by government on the annual amounts and kinds of pollutants that can be emitted into the air or water by producers or users of certain products.
- c) Command and control regulation: A system that requires the use of specific pollution control devices on certain sources of pollution or applies strict emission standards to specific emitters.
- d) Pollution rights: A government-issued permit allowing a firm to emit a specified quantity of polluting waste.
- e) Banking of emission: A firm that emits less than the specified level of pollutant is given a credit that allows them to emit more than the standard at some time in the future.

The firm is also allowed to sell these credits for cash to other firms who want to exceed the standards.

The people can adopt the 3R (Reuse, Reduce and Recycle) to central pollution at their level.