
UNIT 2 RESPONSIBILITIES OF A PROFESSIONAL MANAGER

Objectives

The objectives of this unit are to help you to develop:

- a familiarity with the various responsibilities of a professional manager
- an appreciation of the responsibilities of a manager towards various society segments.

Structure

- 2.1 Responsibility Towards Customers
- 2.2 Responsibility Towards Shareholders
- 2.3 Responsibility Towards Employees
- 2.4 Responsibility Towards Suppliers
- 2.5 Responsibility Towards Distributors and Retailers
- 2.6 Responsibility Towards Industry and Competition
- 2.7 Responsibility Towards Union
- 2.8 Responsibility Towards Government
- 2.9 Responsibility Towards Society
- 2.10 Summary
- 2.11 Key Words
- 2.12 Further Readings

A firm is a social institution. Its very existence is dependent upon its harmonious relationships with various segments of the society. This harmonious relationship emanates from the firm's positive responsiveness to the various segments and its closely associated with the tasks a manager is expected to perform. The process of evolving this mutual relationship between firms and various interest groups begins by acknowledging the existence of the responsibilities of a manager. These responsibilities are towards customers, shareholders, employees, suppliers, distributors and retailers, competitors, unions, government and society.

2.1 RESPONSIBILITY TOWARDS CUSTOMERS

The manager must always remember that the customer comes first. The starting point for the business firm is an understanding of the needs of the customer, and the firm's foremost responsibility is towards the customer.

A firm's responsibility towards its customer is in terms of ensuring that the desired quality of product at a reasonable price is made easily available to the customers. Product quality is of the utmost concern and covers dimensions of product design, materials used in production, safety, purity, hygiene and aesthetic appeal. The quality of spices is measured in terms of its purity, fragrance, freshness, cleanliness and colour. In case of a car the quality refers to its fuel-efficiency, maximum speed at which it can run, reliability and trouble-free working of the engine, efficiency of its brakes, sturdiness of the body, comfortable sitting space, commodious boot for keeping luggage, fitted-in airconditioner, stereo system, foam seat covers, etc. The list is endless. This is because quality means different things to different people. For a professional racing driver the car's ability to accelerate to the maximum speed in the shortest possible time is probably the most important indicator of quality. In contrast a man buying a car for his family would give more importance to factors such as spacious seating and luggage keeping facility, sturdiness of the body and the engine's fuel-efficiency, availability of spares and servicing facility, etc. Connotations of **quality** vary not only from one individual to another but also from society-to



society because of different social; cultural and economic values. In most European, American and Japanese cars, features such as safety-belts, airconditioning, stereo systems, radio, clock, carpeted floors, upholstered seats are standard features. In India these are considered super-luxuries. Here we may think of Maruti which markets two models of its cars, ordinary and deluxe with all these additional features.

In India durability is a very important ingredient of quality. When we buy consumer durable products such as pressure cooker, sewing machine, bicycle, refrigerator, airconditioner, typewriter or even clothes, and furniture we expect them to last for 10 to 15 years if not more. The longer the product works or lasts, the better is its quality in our perception. In contrast, people in the developed countries discard even a perfectly functioning product in favour of a new one as soon as it is possible.

In attempting to provide the best quality product the manager must always remember that quality is perceived in relation to the price of the product. Your company may spend a fortune in producing the best quality product, but if it is priced significantly higher than the accepted price you will not be able to find any buyers **for** your product. Price is always determined in relation to your cost of production and what the customer thinks is good value for money.

It is the responsibility of the manager to provide the right match between quality and price. This relationship of quality and price is very important. Japan's economic recovery and rise to the position of world's number one position in electronics and automobiles is the result of its winning combination of best quality which competitors can't match and at prices which competitors can't beat.

Products manufactured by reputed companies carry stickers saying 'checked for quality control', 'tested', 'O.K.'. Over a period of time the customer starts associating certain level or connotation of quality with particular companies and their brand names. If, however, your products do not enjoy this kind of quality association, you can have the quality ascertained by government bodies such as the Indian Standards Institution which puts its ISI mark of approval on your product after testing for adherence to minimum quality standards. Getting such certifications will go a long way in building the customers' confidence in your products.

Having ensured the desired quality of your product, and fixed a reasonable price for it, your next responsibility is to ensure that your product is easily and conveniently available to your customers. Unless you happen to be marketing a product in which your company enjoys a monopoly and no substitute is easily available, persistent non-availability of your product will lead your customers to switch over to the best available substitute. As a manager you are also responsible for ensuring that the dealers or retailers through whom you sell your product provide the correct information about the product to the customers, charge the correct price, sell the correct weight or amount (if your product is sold loose) and provide the proper after sales support. A dealer who cheats on any one of these accounts is spoiling the image of your product and company and you should discard such dealers immediately.

Often firms, in their anxiety to make a success of a new product, make very tall claims about the potential benefits of their product. Such a promotional effort may create a short-term effect but can never provide a long-term stability. In India, there is a tendency on the part of many firms to bolster the image of their products by making claims far from the truth primarily because many customers are not in a position to challenge such claims either through a voluntary or legal framework. In the absence of pressure from consumers, it becomes the responsibility of the manager to promote the products only on the basis of real and not imaginary benefits.

Finally, there are always some product or service concepts the consumption of which is viewed to be unethical. For instance a private medical clinic promoting the concept of determining the sex of a foetus, knowing fully well that there is a distinct preference for a male child in most families, is certainly promoting an unethical service.

Therefore, in terms of responsibility towards customer, the management of a firm should always, aim at marketing, the right product, at the right price and of the right quality.



Activity A

What do you think are the responsibilities of the following firms and institutions towards their customers and users?

- a) A drugs and pharmaceutical company
- b) A commercial bank
- c) A university
- d) A food products company
- e) A cosmetic manufacturing company
- f) A pressure cookers manufacturing company
- g) An airline
- h) A lawyer's firm
- i) A toy manufacturing company
- j) A private hospital

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2.2 RESPONSIBILITY TOWARDS SHAREHOLDERS

Except in the case of a proprietorship firm where the capital is fully contributed by the proprietor, in all other companies, capital is collected from a variety of sources. The sources may be friends and relatives of the owners, financial institutions and, in case of public limited companies, individual members of the public. All those people who contribute capital to a firm are known as its shareholders.

The prime responsibility of the manager is to ensure the security of the shareholders' capital. The manager must ensure that the firm does not become bankrupt or it is faced with a situation where the shareholders' capital is endangered. In other words, the manager must, at least, ensure the survival of the firm.

Having done that, the manager has to ensure that the shareholders are able to earn profit on their capital. Shareholders invest their hard earned savings in your firm with the hope that they will be able to earn more on it than if they keep the money in a bank. Money invested by shareholders is representative of the faith they have in your competence and ability as a manager to put their money to good use and give them a satisfactory return. The onus is on you to make your firm profitable and provide regular dividends to your shareholders.

By virtue of the capital invested in your firm, shareholders are owners of your firm. As a manager you have to keep them regularly informed about all important decisions, activities and results. The balance-sheet and the annual general meeting are the usual yearly forums for such information sharing. You have to ensure that the information provided in reports and balance-sheets is correct and authentic, and does not in any way mislead the shareholders. During the annual general meeting or



any other such meeting with shareholders you must encourage them to ask questions about the working of the firm and also provide ideas for improvement, and not threaten or intimidate them in any manner.

Activity B

From the records of your company analyse and comment upon the service that it has rendered to its shareholders in terms of dividend payments and bonus issues. Do you think your company has behaved responsibly towards its shareholders? If not, what suggestions will you offer to your company's management?

2.3 RESPONSIBILITY TOWARDS EMPLOYEES

Your employees are your most important resource. Their hard work, ingenuity, loyalty and dedication are critical contributions to the success of your firm. In return, you have to ensure that you are giving them a fair deal in terms of wages and salaries, and compliance with the statutory obligation of provident fund, gratuity, insurance, bonus, etc. The wages and salaries which you give must, of course, be in accordance with the minimum level as specified by the government, but they must also be at par with other firms within your industry. Result or productivity linked bonus and incentives are a way to ensure that your employees can share in the growth and prosperity of the firm.

Apart from wages, provision of a safe, healthy environment which is conducive to work is your responsibility. There must be proper and adequate facilities such as canteen bathrooms, first-aid room, etc. The extent and importance of these facilities will vary from one organisation to another. In an administrative-office with -30 employees; you do not require a full-fledged first-aid room. A small first-aid box with the minimum accessories will suffice. In contrast, in a factory where the incidence of accidents is bound to be higher, a proper first-aid or emergency room with a doctor is an essential requirement. Realising the importance of a comfortable working environment, many progressive companies have canteens which provide hot, wholesome lunch at subsidised rates. Some companies also provide transportation for employees at their own cost.

Instrumentation Limited, Tata Iron and Steel Company and Hindustan Machine Tools have developed beautiful townships in Kota, Jamshedpur and Bangalore respectively with the best possible facilities and amenities for the benefit of their employees. Where the company is situated in a remote, undeveloped area, provision of housing and other facilities is necessary to attract and retain the required work-force. But in many other cases, development of such amenities is a reflection of **the** growing realisation by companies that employees are not simply another resource for production, but are human beings with emotions, desires, aspirations and have a life outside the factory too. Only a happy, satisfied human being can be a productive worker. Many firms extend their mantle of responsibility to include the employees' families too. They contribute towards education and marriage of their employees' children.

The thoughts of J.R.D. Tata, Chairman of Tata Steel, expressed in 1943 in a proposal for the creation of a Personnel Department in the company are noteworthy.

"What are the main causes of our difficulties with our workmen? In many respects we have treated our employees exceptionally well. Our rates of pay and bonuses; our hours of work and conditions of service; the accommodation, amenities and medical care we have provided for them



and their families, etc., exceeded what any other company in India had done for its employees. Normally, therefore, it would be reasonable to expect that our employees would be appreciative of the liberal treatment and generous terms of employment they get at Jamshedpur. If, instead, they are frequently discontented and mistrustful, and hostile towards us, I think we must assume that the fault lies with us and not win with them. It is, therefore, up to us to find out where we have been at fault and then formulate the necessary corrective."

Speaking about the importance of human level personal contact with employees J.R.D. Tata laments:

"One of the inherent drawbacks of modern industry, with its large and concentrated labour forces, is the difficulty of maintaining personal touch between management and employees. As a result, many petty grievances, negligible individually but substantial in the aggregate, which might have been eliminated by a friendly word or timely action, are allowed to build up a sense of discontent and frustration among the workers."

Your responsibility as a manager is also to ensure that all dealings with the employees are fair. Whether it is determining the profit linked bonus that is being calculated or the provident fund of a retired employee which has to be paid, you must ensure that the employees are not cheated, harassed or humiliated.

The fact that we still have child labour, bonded labour, workers suffering from debilitating diseases because of unhealthy, unsafe working environments speaks volumes for our collective failure to discharge managerial responsibility towards our employees.

2.4 RESPONSIBILITY TOWARDS SUPPLIERS

Responsibility towards your suppliers emanates from the fact that their survival and growth (partly or wholly) is dependent upon your survival-and growth. Suppliers provide you the raw materials, components and parts necessary for the production of your products. You are dependent upon your suppliers for regular, timely supplies of the specified quality at the agreed price. The suppliers in turn depend on you for providing correct design specification, adequate time for production, fixation of a fair price and prompt and timely payments. This two-way relationship works best when it is based on the realisation of mutual dependence and one party does not try to pressurise the other for its own benefit.

Escorts Limited and Hero Cycles are examples of how firms can play a responsible role in nurturing the growth of suppliers. As these firms have grown from success to success so have their suppliers. A full-fledged bicycle ancillary industry has been established in and around Ludhiana in response to the needs of Hero Cycles and other cycle manufacturers. In some cases firms may even provide the seed capital and other necessary infrastructural support to an individual to start an ancillary industry. There are numerous examples where these small ancillary industries have grown to be as successful and large as the firms to which they were originally supplying.

The manager's responsibility towards suppliers of funds, i.e. banks and other financial institutions, is that not only he has to make the interest payments, but make the repayment on time as per the agreed repayment schedules. By doing so the firm is not only helping the bank but also helping itself because the health of the bank will determine the health of the firm and vice versa. An added dimension of responsibility towards the banks is that the manager must provide accurate and complete information about the various facets of its business when applying for financial assistance. This will help the bank in assessing the risk and return potential of your project and determine the amount of loan it can sanction.

Advertising agencies supply creative inputs used in promoting your company's products. since their services are not of a very tangible nature, most firms have the tendency to postpone or delay making their payment. As a responsible manager you must check against this tendency. Advertising agencies after all, run a business, like any other, and are your suppliers, and payment delays from your end puts undue pressure on them and affects the efficiency of their operations.



Activity C

Prepare a list of all the suppliers of raw materials and components to your company. Meet them one by one to assess their level of satisfaction in terms of dealing with your company.

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2.5 RESPONSIBILITY TOWARDS DISTRIBUTORS AND RETAILERS

Distributors and retailers are the link between the firm and the actual customers who consume the product. In your capacity as a manager you are responsible for ensuring regular supplies to your distributors. Persistent delays in processing and supplying distributor's order can lead to a situation where the distributor eventually loses interest in your product and switches over to a competitor firm. Timely supplies have their relevance provided they are as per the order specification. Supplying spoons instead of forks, simply because forks are out of stock in the factory, is not a responsible way of dealing with your distributors.

The products that you supply to the distributor must be checked for quality to ensure that second grade or inferior quality goods are not shipped. Outer packaging of the product should protect it from damage in transit, because the dealer will return all spoiled and damaged stock which will eventually reflect negatively in your profits. A company manufacturing and marketing plastic bottles switched over from 5-ply to 7-ply cardboard carton when it started receiving complaints that the bottles were being dented and crushed out of shape in transit. The company had to absorb the increased cost of the heavier carton, but it was more than compensated by the fact that return of stock sharply declined and the distributors had no more cause for complaints. A television marketing company provides service engineers to all its outstation distributors for testing each TV before it is despatched onwards for sale. This adds an extra cost but ensures that the distributors and retailers receive sets which are trouble-free.

The distributors and retailers who sell your products are in it for business and they must earn a fair return. Apart from the fixed percentage which you provide to your dealers, target based incentives, commissions and rewards will motivate your dealers to push your products harder. Providing support to the dealers by way of extending credit, sharing promotion cost, after sales service and help for decorating the showroom also form part of your responsibility. You must also nurture and maintain cordial relationship with all your dealers. Many companies hold regular dealer meets in an attempt to build up dealer relations for better corporate gains.



Activity D

List all the distributors and major dealers of your company. Circulate a small questionnaire amongst them to assess their perception about your company: On the basis of the findings of this questionnaire make suggestions to your company's top management.

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2.6 RESPONSIBILITY TOWARDS INDUSTRY AND COMPETITION

Other firms within the industry are your competitors in the market place but *are* your associates when you have to lobby for or represent an industry and not as individual firms. Most industries have their own associations at the local, regional, national and international level. The objectives of organising such bodies are to protect and promote the interests of the industry, seek concessions from government and represent against any discrimination, and provide a forum for sharing and disseminating information on the latest technological and market trends.

As a manager it is your responsibility to register your firm as a member of your industry association and comply with all its rules and regulations. The information which you provide to your association must be correct so that the association can present a true picture of the industry. If you have developed or learnt some improved technology you may consider sharing it with other fellow firms.

All industry associations are voluntary bodies formed with the idea of providing support to individual firms within the industry. The onus of successfully managing the association is on all managers of individual firm members. You must be always willing to step forward and take an active responsibility in the association. It may impinge on your already tight schedule but it is good to remember that the interests of your firm are best served when the interests of the industry as a whole are served.

Healthy competition encourages firms to improve their performance and nurtures progress and it is the responsibility of each firm to ensure that the competition it indulges in is fair and ethical. Resorting to unfair practices, trying to push out other firms on the basis of political influence or financial strength may yield, some



short-term gains but will eventually tarnish the image of the entire industry. All your actions must be guided by concern for the stability and prosperity of the industry.

Activity E

Is your firm a member of any industry association?

How does your company representative, within the association, contribute towards improving the performance of the association?

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2.7 RESPONSIBILITY TOWARDS UNION

Your first responsibility towards your employees' union is to acknowledge it as a friend rather than as a foe of the firm. Most problems with unions arise because of the assumption of the managers that unions have no constructive contribution to make but are interested only in playing a negative role. As a responsible manager you must understand and appreciate the fact that the management and union have a great degree of mutual dependence and the union cannot further its interests at the cost of the firm's interests and vice versa. Only a relationship based on mutual trust and cooperation will best serve the interests of the firm and the union.

The union represents the collective strength of all the individual workers. In dealing with the union the manager must recognise and acknowledge the bargaining power of the union arising out of its collective strength. The union will always bargain with you for the maximum benefit. As a manager you should not try to block this bargaining process but aid it by providing the union with the correct facts and figures about costs and profits and thus aim for a realistic, workable agreement which suits both the parties.

Besides providing the correct information you should attempt to involve the union in the process of managing the firm. You can do this by inviting representatives of the union to sit on the management board. This is known as participative management. The chairman of Japan's Matsushita Electric Company often makes this little speech to his workers about participative management:

"Don't think I run this company. Each of you has a part to play in its management. We need the ideas, skill and knowledge of everyone to make a reservoir of wisdom for more efficient operation, better product and service quality, and effective management. We have a good future if we can work that way."

The basic requirement for encouraging participative management is the manager's positive attitude and creation of an atmosphere which encourages free and frank exchange of views among employees and management.



Activity F

Does your company have a recognised union?

What are the mutual perceptions of the management and the union?

What steps has your management taken to involve the union in its growth process?

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2.8 RESPONSIBILITY TOWARDS GOVERNMENT

It is wholly the responsibility of the manager to ensure that the constitution and operations of the firm are within the legal framework as specified by the government. This legal framework may vary, depending upon the nature of ownership of firm (proprietary, partnership, private limited, joint stock, Indian or foreign, etc.), size of the firm, and specific industry within which the firm operates. The government has laid down specific rules, guidelines and norms which impinge upon the firm right from the stage of its inception. As a responsible manager you must ensure that your company is operating well within the legal framework and is fulfilling all its obligations towards the government. Whether it is a matter of posting a copy of the company balance sheet to the Registrar of Companies or setting up a joint venture in a foreign country, the actions must not violate the laws and regulations.

The second area of discharging your responsibility towards the government is in the matter of paying regularly and fairly all taxes, dues and duties. The recent raids on large industrial groups are an attempt on the part of the government to unearth unpaid taxes and undeclared assets. A manager who acts in a responsible manner will be ensuring that his firm never has to face such a situation. The manager must strive to make his firm a model corporate citizen.

2.9 RESPONSIBILITY TOWARDS SOCIETY

Apart from the specific society segments with whom the firm interacts in the course of conducting its business, the manager also has responsibility towards his surroundings and the people living in the vicinity of his factory and office.

Firms behave irresponsibly when they pollute their physical environment by releasing harmful smoke and gas into the atmosphere, discharging toxic effluents into nearby rivers, lakes or seas, and dumping their waste matter in surrounding lands. All these have a detrimental effect on the environment and affect the health of the people by polluting the air they breathe, the water they drink and the food they eat. The Bhopal tragedy where poisonous gas leaking from the factory of Union Carbide caused the death of thousands of innocent people is an example of the extent of damage which can be caused if proper precautions are not taken.



The government is only now realising the irreparable harm which firms, in pursuit of their business, are causing to the environment and the ecological balance. Vast ' forests have been indiscriminately felled by firms in their narrow, single-minded pursuit of profit. This has created an imbalance in the ecology of the area. Floods have become a recurrent feature in areas which had never been known to be flood-prone. The pattern and extent of rainfall is changing, leading to frequent droughts in widespread areas. Rare species of animals, birds and plants have become extinct in the wake of the destruction of their natural habitat. People are deprived of their traditional means of livelihood and the rich cultural heritage is destroyed for ever. All this does not imply that there should be no factories, industry or no economic development. Certainly we need development, economic as well as ecological and environmental. The solution lies in matching economic development with development of the environment. When a firm puts up its factory it must also install a plant for treating and disposing of its industrial waste. When a timber merchant cuts 15 trees he must plant at least that many new saplings. Nature's resources are limited. When we consume them faster than they can be replenished or provided anew, it is our responsibility to ensure that our children inherit a world which is healthy, green and safe for all living creatures. It is your responsibility as a manager to make sure that the operations of your firm do not in any way obstruct, disturb, disrupt or destroy physical structures (historical buildings, monuments), the flora and fauna, and animal and human life.

Managers have much to learn by emulating the example of Indian Petrochemicals Corporation Limited (IPCL), a government undertaking, which is playing a very positive and active role in fulfilling its social responsibility. Reproduced below is the copy of IPCL's advertisement which appeared in the issue of BUSINESS INDIA (July 28 to August 10, 1986).

THE WELL WISHER

That's IPCL-caring for the environment, the economy and the people. Aiding industrial progress, at the same time, preserving the ecology and improving aesthetics, A Rs. 25 crores facility for round the clock monitoring of the environment and pollution control. A mini forest. An experimental farm using treated waste water. A living museum of trees. A lake-cum-bird sanctuary. Symbolic of our concern for preserving harmony in nature. Marble sculptures, murals and paintings by young artists-an effort at improving aesthetics. All within close vicinity of our manufacturing complex.

An involvement in modernising agricultural practices and promoting afforestation programmes through the use of plastics in water management, drip irrigation, mulching, nursery bags and food produce packaging.

That's not all. A special concern for small customers. Providing direct and indirect employment for 500,000 and reaching out to the farthest corners of the country, with raw materials for industry at uniform prices.

Caring for employees and our neighbourhood. An investment of Rs.25 crores in safety measures, a modern disaster management plan, and continuous safety audit.

A harmonious work environment for employees. The results are evident-seventeen years of no production loss due to industrial unrest.

A truly responsible manager not only takes steps to prevent or minimise any negative impact of his firm's operations on the society, but also takes the initiative in playing a more positive role towards society. Tata Steel's attempts at educating people about leprosy through advertisements in newspapers and magazines is an example of the useful, and constructive role firms can play in creating a more harmonious society. Many companies have founded educational institutions and free medical facilities for the benefit of society at large. Irrespective of the motivation behind such acts, the result is a tangible benefit for use by all society members. In times of calamities such as earthquakes and floods, many companies finance teams of doctors and rescue workers for relief work. In our aim towards a peaceful and prosperous society we need business firms who are willing to step out of the narrow confines of their offices into the larger arena of society and take bold decisive actions to create a better quality of life for all of us.

Konosuke Matsushita, the chairman of Matsushita Electric, has very aptly expressed the social responsibilities of a firm in the following words:

"The mission of a manufacturer is to overcome poverty, to relieve society as a whole from the misery of poverty and bring it wealth. Business and production are not meant simply to enrich the 'Stops or the factories of the enterprise concerned, but all of society. And society needs the dynamism and vitality of business and industry to generate its wealth. Only under such conditions will businesses and factories truly prosper...."



Finally, as a very practical code of conduct, to guide your actions and behaviour as a manager, we would recommend the following points as set forth by Matsushita way back in 1933:

- 1 spirit of service through industry
- 2 spirit of fairness
- 3 spirit of harmony and cooperation
- 4 spirit of striving for progress
- 5 spirit of courtesy and humility
- 6 spirit of accord with natural laws
- 7 spirit of gratitude.

Activity G

Enumerate the various schemes that your company may have initiated as part of fulfilling its responsibility towards society.

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2.10 SUMMARY

Your responsibilities as a manager arise out of the various social interactions in which your firm is engaged in the pursuit of its business. You may be directly involved in these as in the case of interactions with employees, shareholders, customers, etc. where the interaction is based on a fair and obvious exchange of money, goods and services. The interaction can also be indirect as in case of interaction with society where both the firm and society impinge upon and affect each other in hundreds of different ways. A firm which wants to maintain a positive image in the society must assume and discharge with utmost sincerity its social responsibility. Gone are the days when firms confined themselves solely to running their business without a thought for the society in which they existed. Today every firm, big or small, is expected to make its contribution towards a better quality of life for the entire society.

2.11 KEY WORDS

Balance sheet: Statement of company's financial position at a particular point, usually at the end of a financial year.

Bankrupt: When a firm is unable to pay its creditors and assets of the firm are distributed among the creditors.

Capital: Money and goods, such as buildings, plants, machines, used in running a business.

Dividend: Interest paid on capital.

Financial institutions: Institutions from which firms can borrow money, e.g. bank, State Financial Corporation, Industrial Development Bank of India, etc.

2.12 FURTHER READINGS

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