TECHNOLOGICAL INNOVATION MANAGEMENET & ENTREPRENEURSHIP – 21EC61

Module 3

Leadership: Meaning, Characteristics, Behavioural Approach of Leadership; Coordination - Meaning, Types, Techniques of Coordination; Controlling – Meaning, Need for Control System, Benefits of Control, Essentials of Effective Control System, Steps in Control Process.

Social Responsibilities of Business: Meaning of Social Responsibility, Social Responsibilities of Business towards Different Groups, Social Audit, Business Ethics and Corporate Governance

LEADERSHIP

Meaning: According to George R. Terry, "The will to do is triggered by leadership and lukewarm desires for achievement are transformed into burning passion for successful accomplishment by the skilful use of leadership."

According to Peter Drucker, "Leadership is the lifting of man's visions to higher sights, the raising of man's performance to a higher standard, the building of man's personality beyond its normal limitations."

Alford and Beatty define leadership as “The ability to secure desirable actions from a group of followers voluntarily without the use of coercion”.

According to Keith Davis, “Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals”.

Difference between a Leader and a Manager

1. A person *emerges* as a leader. The question whether he will or will not emerge as leader always depends on a number of situational factors. A manager, on the other hand, is always put into his position by *appointment*.
2. A leader always has some *personal power* (i.e., ability to influence) that enables him to lead. He may or may not have *positional power* (i.e., the right to command). A manager, on the other hand, always has some *positional power*. He may or may not have *personal power*.
3. A leader focuses on people and generally seeks those very objectives which are the objectives of his followers. Thus there is mutuality of objectives between the leader and his followers. A manager, on the other hand, focuses on systems and structures and seeks those objectives which his subordinates do not regard as their own. Thus there is *clash of objectives*.

4. A leader generally looks at the horizon and not just the bottom line. He is innovative, challenges the status quo and believes in *doing right things*. A manager, on the other hand, is generally bureaucratic, accepts the status quo and believes in *doing things right*, according to the rules, to cope with complexity.

CHARACTERISTICS OF LEADERSHIP

1. **Leadership implies the existence of followers:** We appraise the quality of a person's leadership in practice by studying his followers. We ask: How many and what kind of followers does he have? How strong is their commitment as a result of his leadership? How long will their commitment last? By answering questions of this nature we get to know the quality of leadership. The leaders within organizations are also followers. In formal organizations of several levels, a leader has to be able to wear both hats gracefully, to be able to relate himself both upward and downward.
2. **Leadership involves a community of interest between the leader and his followers:** The objectives of both the leader and his men are one and the same. If the leader strives for one purpose and his team of workers for some other purpose, it is no leadership. Leadership is the activity of influencing people to strive willingly for mutual objectives.
3. **Leadership involves an unequal distribution of authority among leaders and group members:** Leaders can direct some of the activities of group members; that is the group members are compelled or are willing to obey most of the leader's directions. The group members cannot similarly direct the leader's activities, though they will obviously affect those activities in a number of ways.
4. **Leadership implies that leaders can influence their followers or subordinates in addition to being able to give their followers or subordinates legitimate directions**: In other words, leaders not only tell their subordinates what to do by way of command but also influence by their behavior and conduct. The use of command by leaders succeeds only in bringing about a temporary behavioral change in the followers. Permanent attitudinal change in followers comes through the use of influence only. The leadership of the first type though successful is not effective. The second type of leadership is both successful and effective.

BEHAVIOURAL APPROACH OF LEADERSHIP

Under behavioural approach researchers have studied leadership behaviour from three points of view: motivation, authority and supervision.

Motivation: From the point of view of motivation leadership behaviour can be either positive or negative. In positive behaviour the leader's emphasis is on rewards to motivate the subordinates. In negative behaviour the leader's emphasis is on penalties and punishments. The leader tries to frighten the subordinates into higher productivity. The result is that subordinates' enough time is lost in covering; i.e., protecting themselves against management. There is useless documentation, recording and filing of letters and papers because people fear that these may be needed by them any time in future for their defence.

Authority: From the point of view of authority, leadership style can be autocratic, democratic or free-rein.

Autocratic leadership: In this type of leadership, the leader alone determines policies and makes plans. He tells others what to do and how to do it. He demands strict obedience and relies on power. An autocratic leader may sometimes be paternalistic or benevolent also who uses rewards for obtaining obedience from his employees. Both the forms of autocratic leadership (authoritarian and benevolent) are disliked by employees.

Merits:

1. This type of leadership, can increase efficiency, save time and get quick results, especially in a crisis or an emergency situation.
2. The paternalistic form of this style of leadership works well with employees who have a low tolerance for ambiguity, feel insecure with freedom and even minor decision-making requirements.
3. Chain of command, and division of work (who is supposed to do what) are clear and fully understood by all.

Demerits:

1. The apparent efficiency of one-way communication often becomes a false efficiency since one- way communication, without feedback, typically leads to misunderstandings, communication breakdowns and costly errors.
2. The autocratic leader is *alone in his decision-making*. He receives little, if any, information and ideas from his people as inputs into his decision-making. This

is generally dangerous in today's environment of technological and organizational complexity.

3. Today, most people resent authoritarian rule which excludes them from involvement and reduces them to machine-like cogs without human dignity or importance. They express their resentment in the form of massive *resistance, low morale and low productivity*.

Democratic leadership: In this type of leadership (also known as participative or person-oriented leadership) the entire group is involved in and accepts responsibility for goal setting and achievement. Subordinates have considerable freedom of action. The leader shows greater concern for his people than for high production

Merits:

1. When people participate in and help formulate a decision, they support it (instead of fighting or ignoring it) and work hard to make it work. The participative leader has the critical factor of built-in-personal motivation working for him.
2. The leader consistently receives the benefit of the best information, ideas, suggestions, and talent- and operating experience of his people.
3. This style of leadership permits and encourages people to develop, grow and rise in the organization.

Demerits:

1. The participative style can take enormous amounts of time and, may degenerate into a complete loss of leader's control. Subordinates may show greater absenteeism and tardiness.
2. Some leaders may use this style as a way of avoiding responsibility.

Free Rein: In this type of leadership, also called laissez faire leadership, the leader exercises absolutely no control. He only provides information, materials and facilities to his men to enable them to accomplish group objectives. This type can be a disaster if the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom.

Figure 3.1 shows the spectrum of a wide variety of leadership styles moving from a very authoritarian style at one end to a very democratic style at the other end. At the extreme left of the spectrum, the emphasis is on the leader on what he is interested in, how he sees things, how he feels about them. As we move towards the employee-centred end of the spectrum, the focus is increasingly on the subordinates-on what they are interested in, how they look at things, how they feel about them. The centre of the spectrum finds a more equitable balance between the authority exercised by the leader and the amount of participation the group can exercise.

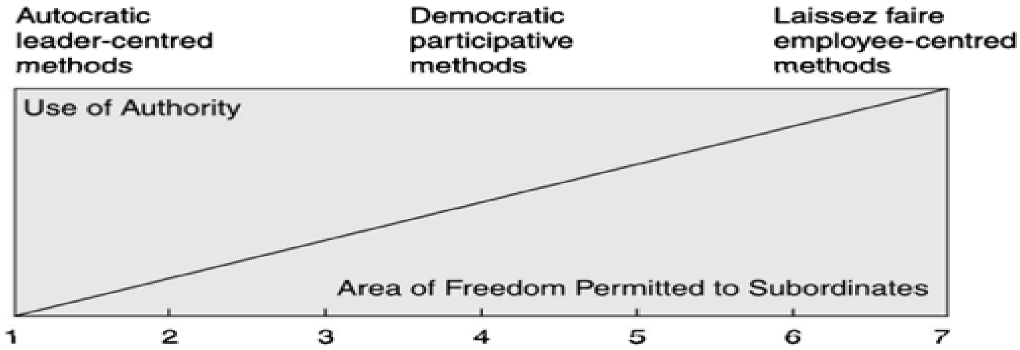

Fig. 3.1: Spectrum of leadership styles

Various points on the spectrum presented in Fig. 3.1 are described below.

1. Leader "tells" subordinates what his decision is.
2. Leader "sells" his decision i.e., persuades subordinates to accept it.
3. Leader invites questions from subordinates to give them a fuller explanation of his thinking.
4. Leader presents only a tentative decision subject to change.
5. Leader presents only the problem, invites solutions and then makes his decision.
6. Leader presents the problem and lets the group make a decision within certain limits of action.
7. Leader permits the group to make decision within limits defined by the situation.

Supervision: From the point of view of supervision, leadership style can be either employee-oriented or production-oriented. An employee-oriented leader is one who cares more for the welfare of his subordinates than for production. Similarly, a production-oriented leader is one who cares more for production than for the welfare of his subordinates. Two important studies under this category are the Ohio State University study and Management Grid.

Ohio State University Model: In Fig. 3.2, "initiating structure" refers to the leader's behaviour in structuring the job of the follower and establishing well-defined patterns of organisation and communication. "Consideration" is the leader's behaviour showing mutual trust, respect and friendship. These two types of leader behaviours are independent. Some leaders follow structure but provide little consideration; others are considerate, but provide little structure. Many leaders, do not fit into either of these two categories. They use a fairly even mix of structure and consideration. Still other leaders spend very little time using either structure or consideration behaviours. They are relatively uninvolved with their subordinates.

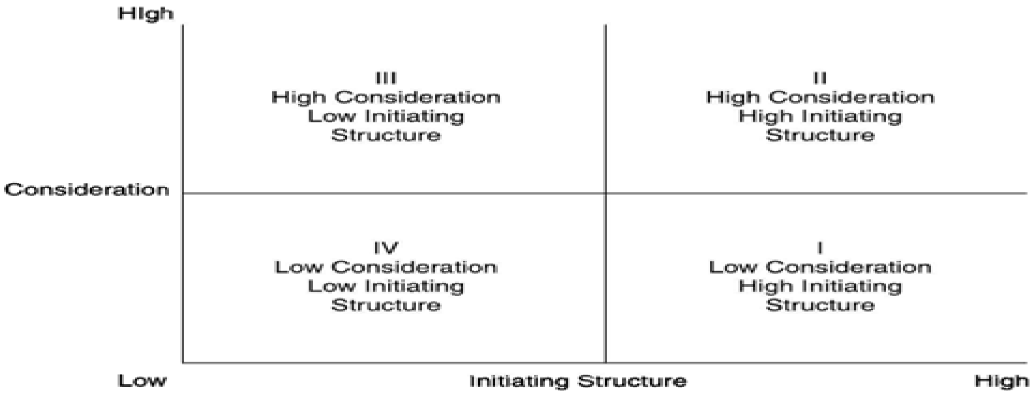

Fig. 3.2: The Ohio State model

Managerial Grid: Managerial Grid describes five types of managerial styles. They make use of the terms "concern for production" and "concern for people". These two dimensions (concern for people and concern for production) are plotted on a 9-point scale on two separate axes as shown in Fig. 3.3. There are 81 combinations of concerns represented on the grid. The main emphasis is on the styles in the 4 comers and at the middle of the grid. These are as under:

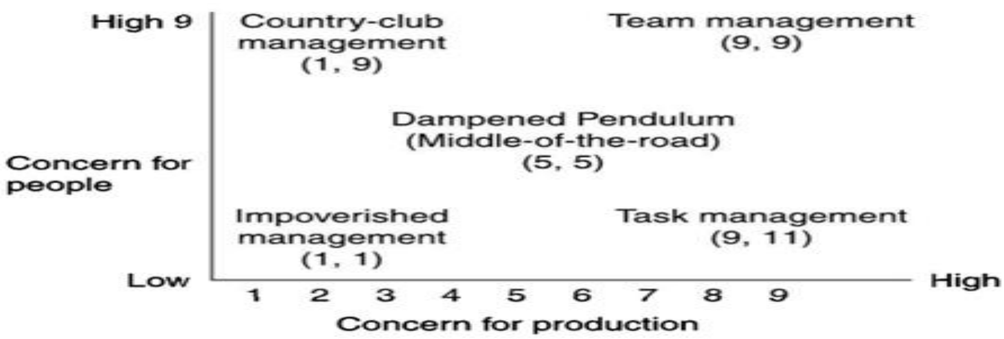

Fig. 3.3: Managerial Grid

1. Task management: Here the management shows maximum concern for production & least concern for people. It is called "authority-obedience" approach.

2. Country-club management: Here the management shows maximum concern for people and least concern for production. It is the "love conquers all" approach.

3. Impoverished management: Here the management shows least concern both for production as well as people. The manager ignores human relationships. It is the "speak no evil, hear no evil, see no evil" approach.

4. Team management: Here the management shows maximum concern both for production as well as people. The assumption is "one plus one can add up to three".

5. Dampened pendulum or the middle-of-road style: Here the management shows a balanced concern for production and people. Neither too much production is expected nor is too much concern for people expressed. The manager follows the middle position. "Get results but do not kill yourself".

COORDINATION

Meaning: Coordination is the management of interdependence in work situations. It is the orderly synchronisation or fitting together of the interdependent efforts of individuals, in order to attain a common goal. For example, in a hospital, the activities of doctors, nurses, ward attendants, and lab technicians must be properly synchronised if the patient is to receive good care. To coordinate is to keep expenditure proportionate to financial resources, equipment and tools to production needs, stocks to rate of consumption, sales to production, and so on.

Types: Coordination may be variously classified as *internal or external, vertical or horizontal and procedural or substantive.*

Coordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants, departments and sections is called internal coordination. Coordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external coordination.

Vertical coordination is what exists within a department where the departmental head is called upon to coordinate the activities of all those placed below him. On the other hand, horizontal coordination takes place sideways. It exists between different departments such as production, sales, purchasing, finance, personnel, etc.

Procedural coordination is the generalised description of the behaviours and relationships of the members of the organisation. Procedural coordination establishes the lines of authority, and outlines the sphere of activity and authority of each member of the organisation. Substantive coordination is concerned with the content of the organisation's activities. In an automobiles factory, an organisation chart is an aspect of procedural coordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive coordination.

Techniques of Coordination

I. Basic Coordinating Techniques:

Rules, Procedures and Policies: The specification of rules, procedures and policies is a very common device to coordinate sub-units in the performance of their repetitive activities. Standard policies, procedures and rules are laid down to cover all possible situations. The breakdown of rules and procedures begets more rules and procedures to take care of the breakdown.

Planning: Planning ensures coordinated effort. Under planning, targets of each department dovetail with the targets of all other departments. Strategic planning does the task of relating the organisation to the environment so as to reduce uncertainty and the need for strict coordination.

Hierarchy: The simplest device for achieving coordination is hierarchy or chain of command. By putting interdependent units under one boss, some coordination among their activities is ensured. For example, several aspects of materials management, including purchasing, receiving, stores, inspection, etc. may be put in one executive department for purposes of coordinated administration.

II. Increasing Coordination Potential:

Direct Contact: In order to prevent top executives from becoming overloaded with problems, as many problems as possible are resolved by the affected employees at lower levels by informal contacts. Strong cross-functional links at multiple levels may be established for this purpose.

Task Force: This is a temporary group made up of representatives from those departments which are facing a problem. It exists only as long as the problem lasts. When a solution is reached each participant returns to his normal tasks.

Committees: As certain decisions consistently arise the task forces become permanent. These groups are labelled committees. This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and encourages the acceptance of the commitment to policies and makes their implementation more effective.

Induction: Inducting the new employee into the new social setting of his work is also a coordinating mechanism. The device familiarises the new employee with the organisation's rules and regulations, norms of behaviour, values and beliefs and integrates his personal goals with the organisational goals.

Indoctrination: Indoctrinating organisational members with the goals and mission of the organisation is a device used commonly in religious and military organisations is another coordinating device. The leader should develop in the minds of his followers the desire and will to work together for a purpose.

Incentives: Providing interdependent units with an incentive to collaborate, such as a profit-sharing plan, is another mechanism. It promotes team spirit and better cooperation between employers and workers, between superiors and subordinates and between workers and workers.

Liaison Departments: In some cases where there is a large volume of contact between two departments, a liaison department evolves to handle the transactions. This typically occurs between sales and production departments.

Workflow: A workflow is the sequence of steps by which the organisation acquires inputs and transforms them into outputs and exports these to the environment. It is shaped by technological, economic, social considerations & helps in coordination.

III. Reducing Need for Coordination:

Some new forms of organisation structures such as autonomous work teams and matrix organisations reduce coordination needs.

CONTROLLING

Meaning: It is the process through which managers assure that actual activities conform to planned activities. In the words of E.FL. Brech, "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance". According to George R. Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans".

Need for Control System

A control system is needed for four purposes:

1. to measure progress,
2. to uncover deviations,
3. to indicate corrective action, and
4. to transmit corrective action to the operation.

1. To Measure Progress: There is a close link between planning and controlling the organisation's operations. The control process continually measures progress towards goals. The control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued & principles established.

2. To Uncover Deviations: Once a business organisation is set into motion towards its specific objectives, events occur that tend to pull it "off target". Major events which tend to pull an organisation "off target" are as follows:

a) Change: The control function enables managers to detect changes that are affecting their organisation's products or services. They can then move to cope with the threats or opportunities that these changes represent.

b) Complexity: Today's vast and complex organisations, with geographically separated plants and decentralised operations make control a necessity.

c) Mistakes: Managers and their subordinates very often commit mistakes. A control system enables managers to catch mistakes before they become serious.

d) Delegation: The only way managers can determine if their subordinates are accomplishing the tasks that have been delegated to them is by implementing a system of control. Without such a system, managers will not be able to check on their subordinate's progress, and so not be able to take corrective action until after a failure has occurred.

3. To Indicate Corrective Action: Controls are needed to indicate corrective actions. They may reveal, for example, that plans need to be redrawn or goals need to be modified or for conforming to the way the work should be done.

4. To Transmit Corrective Action to the Operation: Controls are needed to transmit corrective action to the operation while it is progressing so that the transformation subsystem modifies its inputs or its production plan to reduce any discrepancy or error and keeps the output "on course".

Benefits of Control

A well-developed control system

- increases productivity
- reduces defects and mistakes,
- helps meet deadlines,
- facilitates communication,
- improves safety,
- lowers cost, and
- gives the workers control over their environment.

Essentials of Effective Control System

Suitable: The control system should be appropriate to the nature and needs of the activity. Controls used in the sales department will be different from those used in finance and personnel. Hence, every concern should evolve such a control system as would serve its specific needs.

Timely and Forward Looking: Although an ideal control system, should be able to detect deviations before they occur, the same is not possible in personnel and marketing controls. The feedback system should be as short & quick as possible and information should reach the superior before it is too late to head off failures.

Objective and Comprehensible: The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees.

Flexible: The control system should be flexible so that it can be adjusted to suit the needs of any change in the basic nature of the inputs and/or the sizes, varieties or types of the same product or service. One way of introducing flexibility into a control system is to make the adjustments automatic.

Economical: Economy is another requirement of every control system. The benefit derived from a control system should be more than the cost involved in implementing it.

Prescriptive and Operational: A control system must provide solutions to the problems that cause deviations. The system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them, and what should be done about them. It must focus more on action than on information.

Acceptable to Organisation Members: The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, the employees may regard those standards as unreasonable or unrealistic. They may then refuse to meet them. Status differences between individuals also have to be recognised.

Reveal Exceptions at Strategic Points: A control system should be such as to reveal exceptions at strategic points. Small exceptions in certain areas have greater significance than larger deviations in other areas.

Motivate People to High Performance: A control system is most effective when it motivates people to high performance.

Should Not Lead to Less Attention to Other Aspects: Control over one phase of operations should not lead to less attention to other aspects.

Should be Periodically Reviewed and Evaluated: Every control system should be periodically reviewed and evaluated in relation to its objectives to see how effective and efficient the design proved to be or why it failed.

Steps in Control Process

There are three basic steps in a control process:

1. Establishing standards
2. Measuring and comparing actual results against standards
3. Taking corrective action

1. Establishing Standards: The first step in the control process is to establish standards against which results can be measured. Since entire operations cannot be observed, each organisation must develop its own list of key result areas for the purpose of control. Some key areas in all business organisations are: profitability, market position, productivity, employee attitudes and public responsibility. An executive who wishes to control a particular key area often finds that the work in question has several characteristics. He must, therefore, determine the **level of performance** or "**par**" for each characteristic in quantitative terms.

Pars should be accepted by the individuals involved. Pars need to be flexible in order to adapt to changing conditions. Generally, the pars should emphasise the achievement of results more than the conformity to rules and methods.

2. Measuring and Comparing Actual Results against Standards: The second step in the control process is to measure the result and compare it with the predetermined pars. If the purpose of control is to catch trouble while it is forming then this should be done at various strategic points before the end of the throughput process. Frequency of measurements depends on the nature of the task being controlled. The quality control of items coming off an assembly line often requires hourly monitoring because significant changes can take place any time in any items.

3. Taking Corrective Action: The next step that should be taken by the manager is to correct the deviations. Corrective action should be taken without wasting time so that the normal position can be restored. The manager should also determine the correct causes for deviation. The remedial action that should be taken depends on the nature of causes for variation.

SOCIAL RESPONSIBILITY OF BUSINESS

Meaning of Social Responsibility:

Adolph Berle has defined social responsibility as “the manager's responsiveness to public consensus”. This means that there cannot be the same set of social responsibilities applicable to all countries in all times.

According to Keith Davis, the term "social responsibility" refers to two types of business obligations: (a) the socio-economic obligation, and (b) the socio-human obligation.

The socio-economic obligation of every business is to see that the economic consequences of its actions do not adversely affect public welfare. This includes obligations to promote employment opportunities, to maintain competition, to curb inflation, etc. The socio-human obligation of every business is to nurture & develop human values (such as morale, cooperation, motivation & self-realisation in work).

Social Responsibilities of Business towards Different Groups

Towards the Consumer and the Community

1. Production of cheap and better quality goods and services by developing new skills, innovations and techniques, by locating factories and markets at proper places and by rationalising the use of capital and labour.
2. Levelling out seasonal variations in employment and production through accurate forecasts production scheduling and product diversification.
3. Deciding priorities of production in the country's interest and conserving natural resources.
4. Providing for social audit.
5. Honouring contracts and following honest trade practices.
6. Making real consumer needs as the criterion for selecting messages to be given by product advertisements. Nearly all current advertising seeks to create wants.
7. Preventing the creation of monopolies.
8. Providing for after-sale servicing.
9. Ensuring hygienic disposal of smoke and waste and voluntarily assisting in making the town environment aesthetically satisfying.
10. Achieving better public relations (by giving to the community, true, adequate and easily intelligible information about its working.
11. Supporting education, slum clearance and similar other programmes.

Towards Employees and Workers

1. A fair wage to the workers, which is possible only when the businessman is willing to accept a voluntary ceiling on his own profits.
2. Just selection, training and promotion (without any discrimination on grounds of sex, race, religion and physical appearance).
3. Social security measures and good quality of work life.
4. Good human relations.
5. Freedom, self-respect and self-realisation.
6. Increase in productivity and efficiency by recognition of merit, by providing opportunities for creative talent and incentives.

Towards Shareholders and Other Businesses

1. Promoting good governance through internal accountability and transparency.
2. Fairness in relations with competitors. Competition with rival businessmen should always be fair and healthy, based on rules of ethics and fair play rather than on rules of warfare.

Towards the State

1. Shunning active participation in and direct identification with any political party.
2. Observing all the laws of land which may have the following objectives:

(a) To provide direction to the economic and business life of the community.
(b) To bring about harmony between the limited enterprise interest and the wider social interest of the country.
(c) To provide safeguard against errant business practices.
(d) To compel business to play fair to all participants in the economy-employees, shareholders, minority shareholders, etc.
(e) To prevent oppression or exploitation of the weaker partners in business, such as employees, minority shareholders, etc.
(f) To enforce maximum production according to the priority of sectors and production lines laid down by the government.
(g) To allocate limited resources according to social priorities and preferences.
(h) To enforce distributive justice, especially to weaker sections of the community.
(i) To implement rural uplift and secure balanced development of the country.

SOCIAL AUDIT

A social audit is a systematic study and evaluation of the organisation's social performance as distinguished from its economic performance. The term "social performance" refers to any organisational activity that effects the general welfare of society.

Benefits

1. It supplies data for comparison with the organisations social policies & standards. The management can determine how well it is living up to its social objectives.
2. It develops a sense of social awareness among all employees. In the process of preparing reports and responding to evaluations, employees become more aware of the social implications of their actions.
3. It provides data for comparing the effectiveness of different types of programmes.
4. It provides data about the cost of social programmes, so that the management can relate this data to budgets, available resources, company objectives, etc.
5. It provides information for effective response to external groups which make demands on the organisation.

Limitations

An audit of social results is not made because:

1. They are difficult to measure.
2. Their classification under "good" or "bad" is not universally accepted. In other words, the same social result may be classed as "good" according to one opinion, and as "bad" according to another.
3. Most of them occur outside the organisation, making it difficult for the organisation to secure data from these outside sources.

BUSINESS ETHICS AND CORPORATE GOVERNANCE

Business Ethics: Business ethics is the application of moral principles to business problems. However, ethics extend beyond the question of legality and involve the goodness or badness of an act. An action may be legally right but ethically wrong.

The factors which affect the decision is ethical or unethical:

* Government legislation.
* Business codes. (But being voluntary in nature these codes, though pointed to with pride, are usually ignored in practice.)

* Pressure groups. (For example, in recent years Indian carpet industry has been facing consumer boycott from the west for employing child labour.)

* Personal values of the manager himself. (But a manager with strong personal values mostly finds himself in a dilemma when an unethical course of action becomes his only choice to achieve the company's goal).

Ethics and Corruption in International Business

With the arrival of the global economy, ethics and corruption have become a major concern in international management.

On an international scale, it is difficult to clearly define what constitutes corrupt business practices. The primary difficulty involved is differing cultural understandings related to these issues and the coinciding laws and norms under which various societies operate. However, four forms of corruption which are considered typical to international business are smuggling, money laundering, piracy & counterfeiting, and bribery.

Studies have shown that developing and transitional economies are more prone to corruption partly because of the inadequate legal framework, weak enforcement and lack of open and independent media.

CORPORATE GOVERNANCE

The term "corporate governance" is used to denote the extent to which companies run in an open and honest manner in the best interest of all stake-holders. The key elements of good corporate governance are transparency and accountability projected through a code which incorporates a system of checks and balances between all key players, viz., board of directors, auditors and stake-holders.

Benefits of Good Corporate Governance

1. It creates overall market confidence and long-term trust in the company.
2. It leads to an increase in company's share prices.
3. It ensures the integrity of company's financial reports.
4. It maximises corporate security by acting as a whistle blower.
5. It limits the liability of top management by carefully articulating the decision-making process.
6. It improves strategic thinking at the top by inducting independent directors who bring a wealth of experience and a host of new ideas.

Corporate Governance in India

1. The Securities and Exchange Board of India (SEBI) monitors corporate governance of listed companies in India through clause 49 which is incorporated in the listing agreement of stock exchanges with companies. All listed companies have to comply with the provisions of this clause as under:

- 50% of the board should consist of independent directors if the company has an executive chairman. In case of non-executive chairman, one-third of the board should consist of independent directors.
- Following persons are not qualified to act as independent directors:
  (a) a shareholder with more than 2% shareholding in the company,
  (b) a former executive who left the company less than 3 years ago,
  (c) a partner of current legal, audit, and consulting firm,
  (d) a relative of a promoter, or an executive director, or a senior executive one level below an executive director.
- The CEO and CFO should certify the financial statements affirming that elaborate risk management and internal control mechanisms have been established in corporate accounting.

2. The Companies (Amendment) Act, 2000, introduced several provisions relating to corporate governance such as setting up of audit committees, additional grounds of disqualification of directors & directors responsibility statement in directors report.

3. The World Council for Corporate Governance has instituted in 2001 the Golden Peacock Award to foster competition among companies to improve their quality of corporate governance. The criteria include an overview of the governance structure, leadership, role, term and liability of directors, remuneration of non-executive directors and so on. The Institute of Company Secretaries of India (ICSI) has instituted National Award for Excellence in Corporate Governance in the year 2001. This award is given annually to the company which is adjudged best on the basis of certain stipulated parameters such as board independence, transparency and disclosure, corporate social responsibility, shareholder value enhancement, etc.

4. India has several bodies that rate companies for their credit-worthiness. Credit Rating and Information Services of India Ltd. (CRISIL), Investment Information and Credit Rating Agency of India Ltd (CRAI), Credit Analysis & Research (CARE) and Duff & Phelps Credit Rating(DCR), India.

Assignment Questions:

1. Briefly explain the characteristics of leadership?
2. What are the differences between Leader and Manager?
3. Discuss Autocratic, Democratic and Free rein leadership styles.
4. What is coordination? Explain the types of coordination.
5. Briefly explain the techniques of coordination.
6. Explain the meaning of control. List the benefits of control.
7. Discuss the essentials of effective control system.
8. Briefly explain the steps in control process.
9. Why control system is needed? Explain.
10. Explain the meaning of social responsibility. Describe the social responsibility of business towards consumer and community.
11. What is social audit? What are its benefits & limitations?
12. What do you understand by business ethics?
13. What are the factors which affect the decision is ethical or unethical?
14. What is corporate governance? List the benefits of good corporate governance?
15. Explain corporate governance in India.