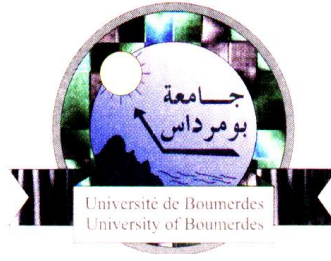


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وزارة التعليم العالي و البحث العلمي
جامعة أمحمد بوقرة بومرداس
كلية العلوم الاقتصادية، التجارية
و علوم التسيير

Textbook

Topics In Business English

Intended to: Undergraduate students And Master Students

Specialty: Economics – Insurance- Management

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Preface

This textbook in Business English is intended for the upper level of undergraduate students, for post graduate students and as a pedagogical tool for instructors.

At this stage, students are supposed to master the basic structures of the English language.

The material in this textbook are adapted to the Modern Business context, in the sense, in one hand, that they are integrated and go along with some courses taught in their level as Economics, Management, Insurance. In the other hand, today more than ever before, the changes taking place in the world around us, in our social, political and economic environment must be considered in the study of business. This text book reflects some of the characteristics of this new environment of business like Globalization, Unemployment among young graduates.

Three types of questions follow each or a set of topics: First, Vocabulary, to enable students to learn a lot of terms used in this field and in various other fields.

Second, Comprehension questions which are closely tied to the study objectives. They are specifically answered in the text material.

Third, Discussion questions as essay that are more analytical and are intended to take the student beyond the memorization level.

A Glossary is supplemented at the end of this textbook to help students consolidate their knowledge.

I hope that this textbook will be of interest to students and instructors will find it a useful pedagogical tool. Knowing that, no textbooks well designed are entirely suitable for a specific teaching situation.

What Is Globalization ?

Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

Globalization is not new, though. For thousands of years, people and, later, corporations have been buying from and selling to each other in lands at great distances, such as through the famed Silk Road across Central Asia that connected China and Europe during the Middle Ages. Likewise, for centuries, people and corporations have invested in enterprises in other countries. In fact, many of the features of the current wave of globalization are similar to those prevailing before the outbreak of the First World War in 1914.

But policy and technological developments of the past few decades have spurred increases in cross-border trade, investment, and migration so large that many observers believe the world has entered a qualitatively new phase in its economic development. Since 1950, for example, the volume of world trade has increased by 20 times, and from just 1997 to 1999 flows of foreign investment nearly doubled, from \$468 billion to \$827 billion. Distinguishing this current wave of globalization from earlier ones, author Thomas Friedman has said that today globalization is “farther, faster, cheaper, and deeper.”

This current wave of globalization has been driven by policies that have opened economies domestically and internationally. In the years since the Second World War, and especially during the past two decades, many governments have adopted free-market economic systems, vastly increasing their own productive potential and creating myriad of new opportunities for international trade and investment. Governments also have negotiated dramatic reductions in barriers to commerce and have established international agreements to promote trade in goods, services, and investment. Taking advantage of new opportunities in foreign markets, corporations have built foreign factories and established production and marketing arrangements with foreign partners. A defining feature of globalization, therefore, is an international industrial and financial business structure.

Technology has been the other principal driver of globalization. Advances in information technology, in particular, have dramatically transformed economic life. Information technologies have given all sorts of individual economic actors , consumers, investors, businesses—valuable new tools for identifying and pursuing economic opportunities, including faster and more informed analyses of economic trends around the world, easy transfers of assets, and collaboration with foreign partners.¹

¹ What is Globalization ? <http://www.globalization101.org/what-is-globalization/>

1. Answer the following questions :

- Give other definitions of globalization.
- Is globalization a new process? Why?
- How the world has entered a qualitative new phase in its economic development?
- What distinguish current wave of globalization from earlier ones?
- What did governments to conduct the current wave of globalization?
- How can we define the framework of globalization?
- Who was the second principal conductor of globalization? How?

2. Say whether the following statements are true or false. Correct the false ones.

- ☐ Globalization is a process driven by information technology;
- ☐ Globalization began to be common after the First World War;
- ☐ Because of political and technology developments these past few decades, the world entered a qualitatively new phase in its economic development;
- ☐ Since 1950, the volume of world trade and the flow of foreign investment doubled during the past two decades;
- ☐ Globalization has been conducted by policies that have opened domestic and international economies;
- ☐ Advances in information technology have contributed a little to the economic life boom;

The Pro-and Anti-Globalization Lobbies

Globalization is the process of increasing the connectivity and interdependence of the world's markets and businesses. This process has speeded up dramatically in the last two decades as technological advances make it easier for people to travel, communicate, and do business internationally. Two major recent driving forces are advances in telecommunications infrastructure and the rise of the internet.² This process has speeded up dramatically in the last few decades as technological advances make it easier for people to travel, communicate, and do business internationally. Two major recent driving forces are advances in telecommunications infrastructure and the growth of the internet. In general, as economies become more connected to other economies, they have increased opportunity but also increased competition. Thus, as globalization becomes a more and more common feature of world economics, powerful pro-globalization and anti-globalization lobbies have arisen.

The **pro-globalization** lobby argues that globalization brings about much increased opportunities for almost everyone, and increased competition is a good thing since it makes agents of production more efficient. The two most prominent pro-globalization organizations are the World Trade Organization and the World Economic Forum.

- The World Trade Organization is a pan-governmental entity (which currently has 159 members) that was set up to formulate a set of rules to govern global trade and capital flows through the process of member consensus, and to supervise their member countries to ensure that the rules are being followed.
- The World Economic Forum, a private foundation, does not have decision-making power but enjoys a great deal of importance since it has been effective as a powerful networking forum for many of the world's business, government and not-profit leaders.

➤ The **anti-globalization** group argues that certain groups of people who are deprived in terms of resources are not currently capable of functioning within the increased competitive pressure that will be brought about by allowing their economies to be more connected to the rest of the world. Important anti-globalization organizations include environmental groups like Friends of the Earth and Greenpeace; international aid organizations like Oxfam; third world government organizations like the G-77; business organizations and trade unions whose competitiveness is threatened by globalization like the U.S. textiles and European farm lobby, as well as the Australian and U.S. trade union movements.³

² Globalization & Technology. <http://e4gi.weebly.com/globalization--technology.html>

³ Globalization. <http://www.investorwords.com/2182/globalization.html#ixzz1QnYht4cC>

1. Define the following Terms:

Process, Advances, Driving forces, Infrastructure, Lobby, Pro-globalization, Anti-globalization, World Trade Organization, World Economic Forum.

2. Answer the following questions according to the text:

- Define Globalization?
- What are the two main factors of globalization?
- Why powerful pro and anti –globalization lobbies came into existence?
- Quote the argument of the pro-globalization;
- Name organizations in favor of globalization;
- Quote the argument of the anti-globalization;
- Name organizations opposed to globalization;

3. True and false statements. Correct the false ones.

- ☐ Globalization means the dependence of the world's markets and businesses on each other;
- ☐ The pro-globalization organization is a movement whose participants are opposed to capitalism and globalization;
- ☐ The technological advances make it harder for people to travel, communicate and do business;
- ☐ The common model of world economics is globalization;
- ☐ World Trade organization and World Economic Forum are private foundations;
- ☐ The anti-globalization movement emphasizes on economic efficiency and human decency versus corporate competition profits at any cost;

Globalization and Communication Technology

Globalization has played a major role in making the world a global village and it is widely believed that globalization would have been a dream without the help of communication. It is important to remember that there are various factors that have contributed to globalization and communication technology is just one of them. However, communication technology has played one of the most important roles in spreading globalization.

Globalization is dependent on communication technology, and communication technology is in turn dependent on globalization. Various reports over the years have concluded that communication technology will become one of the vital components in governance, and lead to a more transparent public administration system. Already, America and majority of countries in Europe have implemented a governing system that is based on the sharing of data and information and many developing countries like India, China and Brazil are following suit. Experts are of the view that putting a strategic communication technology system in place will help the developing countries to get better access to information from developed nations, and this could help them to compete in the world economy. Governments can now exchange data, research, analysis, and reports with each other on a real-time basis and this has led to increased cooperation between nations.

Globalization would never be complete without the exchange of information. Multi-national companies like Coca-Cola, McDonalds, and Nike etc. rely on a fast and reliable communication system to enable them to monitor their overseas activities. Communication technology allows an organization to get the latest updates from different parts of the world where its business is located and also allows them to have an increased regulation. The latest innovations in web-conferencing have made it possible for businessmen to interact with each other in a better way. The developments that we have seen in the business sector would have never been possible without the presence of an effective communication system. These developments have made managers to work closely with their counterparts from other countries, which apart from a business perspective also gives them an opportunity to understand each other's cultures in a better way.

The impact of communication technology on globalization can be seen in the education sector as well. There are a lot of students who are now able to get access to information through Internet. Students can now get certifications from foreign Universities by completing an online program. The innovations in communication technology have brought a marked difference to the way education is imparted and has led to an improvement in the quality of education.

It is now possible for you to transfer money to your friend through a click of the mouse. You can travel to foreign countries without carrying any cash. The innovation in communication technology has also led to the globalization of banking industry as leading banks from all over the world now have their offices in almost every country of the world.

While the impact of communication technology has been overly positive, it has led to certain challenges. There is a wide disparity when it comes to access to technology between developing and developed nations. The developing nations do not have a proper infrastructure in place which, and this has created challenges for a lot of people in these countries. This can be disadvantageous to the developing countries and can lead to economic disparity. Many are of the view that advent in communication technology has given more power to certain countries while making it difficult for others to compete on a global-scale. . There has been a lot of progress in the last few years and developing countries like Algeria, Nigeria and Kenya have started to take steps to encourage their people to be acquainted with the latest developments in communication technology.⁴

1. Define the following Key words:

Communication technology, Governance, Innovation, Web-conferencing, Online, Challenges.

2. Give opposites to the words that follow:

Most, majority, fast, latest, positive, disparity, challenges, power, education, never.

3. Read the text carefully, and then answer the following questions.

- How did globalization become reality?
- What are the benefits of a communication technology system?
- What is the positive impact of communication technology on globalization?
- What is the negative impact of communication technology?

4. Say whether these statements are true or false; Correct the false ones

- ☐ Globalization and communication technology are interdependent.
- ☐ Globalization is complete with the exchange of information.
- ☐ Developing countries have implemented a communication technology system that is based on the sharing of data and information.
- ☐ An effective communication system made it possible the growing developments in the business sector.

⁴ Communication Technology and Globalization. <http://www.buzzle.com/articles/impact-of-communication-technology-on-globalization.html>

- ☐ The introduction of new technology in communication had an impact on education and banking industry.
- ☐ There is equity when it comes to access to technology between developing and developed nations.

5. Essay

We use internet on the regular basis in our daily life. It is a gift of modern science for common people. It has created a revolution all over the globe in the field of exchange of ideas and information. Develop highlighting the uses, advantages and disadvantages of internet.

History of Insurance

The history of insurance consisted of the development of the modern business of insurance against risks, especially regarding cargo, property, death, automobile accidents, and medical treatment.

In some sense, we can say that insurance dates back to early human society. We know of two types of economies in human societies: natural or non-monetary economies (using barter and trade with no centralized nor standardized set of financial instruments) and monetary economies (with markets, currency, financial instruments and so on).

Insurance in the former case entails agreements of mutual aid. If one family's house gets destroyed, the neighbors are committed to help rebuild it. Granaries embodied another early form of insurance to indemnify against famines. These types of insurance have survived to the present day in countries or areas where a modern money economy with its financial instruments is not widespread

The first methods of transferring or distributing risk in a monetary economy, were practiced by Chinese and Babylonian traders in the 3rd and 2nd millennia BC, respectively.

Chinese merchants travelling through river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel's capsizing.

The Babylonians developed a system which was recorded in the famous Code of Hammurabi, 1750 BC, and practiced by early Mediterranean sailing merchants. If a merchant received a loan to fund his shipment, he would pay the lender an additional sum in exchange for the lender's guarantee to cancel the loan should the shipment be stolen, or lost at sea.

At some point in the 1st millennium BC, the inhabitants of Rhodes created the 'general average'. This allowed groups of merchants to pay to insure their goods being shipped together. The collected premiums would be used to reimburse any merchant whose goods were jettisoned during transport, whether to storm or sinkage.

The first known insurance contract dates from Genoa in 1347 (i.e., insurance policies not bundled with loans or other kinds of contracts), and in the next century maritime insurance developed widely and premiums were intuitively varied with risks. These new insurance contracts allowed insurance to be separated from investment, a separation of roles that first proved useful in marine insurance.⁵

⁵ History of Insurance. <https://www.wikimediafoundation.org/>

1. Find in the text antonyms

2. Read the text carefully then answer the following questions:

- When did insurance appear?
- Name the different risks faced by persons or entity.
- What are the early forms of insurance?
- Why these types of insurance exist until the present day?
- Who developed the first methods of transferring risk? And how?
- Explain the law of general average?
- When did the first insurance contract appear? What are its characteristics?

3. Give some information about:

Babylonia. The code of Hammurabi. Rhodes. Genoa.

Meaning of Insurance

Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

Insurance means a promise of compensation for any potential future losses. It facilitates financial protection by reimbursing losses during crisis.

An entity which provides insurance is known as an insurer, insurance company, or insurance carrier. There are many insurance companies offering a wide range of insurance options to choose from. Some of the popular insurance policies are health insurance, automobile insurance and home insurance.

A person or entity who buys insurance is known as an insured or policyholder.

The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss.

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

The amount of money charged by the insurer to the insured for the coverage set forth in the insurance policy is called the premium.

If the insured experiences a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claims adjuster.

Mainly, insurance is used as an effective tool of risk management as quantified risks of different volumes can be insured.⁶

1. Define the following key words:

Risk management, To hedge, Insurance company, Insured, Insurer, Premium, Claim.

2. Read the text carefully then answer the following questions:

- Define insurance risk.
- What are the various sources that risks can come from?
- Name some of the types of financial tools that a hedge can be constructed from?

⁶ Meaning of Insurance. <https://www.wikimediafoundation.org/>

- What is the difference between a contract and an insurance policy?
- What is the difference between an insurance underwriter and a claims adjuster?
- Give a comprehensive definition of Insurance.

3. Essay

Present a brief history of insurance in Algeria.

Types of Insurances and Insurance Companies

Major types of insurances are as mentioned below:

- **Life insurance:** Life insurance is a financial security for the family after the insurer passes away. It helps the family overcome the loss of income resulting from the death of the insurer. The person who has been named as the beneficiary receives the amount after the insurer passes away.
- **Automobile insurance:** Automobile insurance is aimed at the owner of a vehicle and covers damages and legal expenditures resulting in financial losses such as accidents.
- **Health insurance:** Health insurance takes care of the cost of medical treatment and other expenditures. Premium is the amount of money paid by the policy-holder or their sponsor (who is basically an employer) to the health plan to buy health coverage. The dental insurance covers the dental costs of the insurer.
- **Credit insurance:** Credit insurance is a kind of a life insurance and is helpful in times of financial crisis. Borrowers often fail to repay debts, loans and mortgages due to certain unavoidable circumstances. These can be paid off with credit insurance.
- **Property insurance:** Property protection insurance provides protection from risks associated to theft, fire, floods, and so on. Property insurance will also provide financial protection to the homeowner in case somebody who has been injured on the property decides to sue. This type of insurance can be further classified into specialized forms as follows:
 - Fire insurance
 - Earthquake insurance
 - Flood insurance
 - Home insurance

At present insurance market is much vibrant than before and this has an impact on the rates of different insurance premiums.

Types of Insurance Companies:

Insurance companies can be categorized into two main divisions which are as follows:

General Insurance Companies: These companies provide all types of insurance such as automobile, homeowner's policies and many more. However, they do not cover life insurance.

Life Insurance Companies: These companies deal with life insurance, pension products.

Insurance companies are usually identified as stock companies. Insurance is a device for indemnifying an individual against loss and in the recent past due to natural calamities. Few insurance companies have suffered financial setback. Premiums of few insurance policies have suddenly gone uphill as plenty of insurance providers have become insolvent. While selecting an insurance company, financial strength of the company must be considered, as viability of the insurance provider is extremely crucial.⁷

⁷ Types of Insurance and Insurance Companies. <http://finance.mapsofworld.com/>

1. Define the following keywords:

Damages, Expenditures, Pension, Stock companies, calamities, Insolvent, Viability.

2. Read the text carefully then answer the following questions:

- Define life insurance policy.
- Name the factors that the insurance premium to be charged by an auto insurance policy is dependent on.
- What is a group health insurance plan?
- Define credit insurance, consumer credit insurance.
- Give the difference between debt, loan and mortgage.
- Give the difference between property insurance, home-owner's property and builder's risk insurance.
- What do we need to consider while choosing company insurance?

3. Essay

List the different actors of the insurance market in Algeria given in a chart.

Theories of Economic Growth

The aim of every community is to reach a higher level of economic development. According to Walt Whitman Rostow, the transition from underdevelopment to development can be described in terms of a series of stages through which all countries must proceed. In his book “The Stages of Economic Growth” (1960), he mentioned that these countries must go through the stages in their economic development. The five stages in question are:

- 1) The traditional society: at this stage, the economic and social systems are still very archaic. The economy is based chiefly on agriculture.
- 2) The stage of the establishment of the pre-conditions for “take-off” This stage is considered as a period of transition from the traditional systems to industrialized economies. At this stage, the economy is made really to utilize modern science and technology.
- 3) The take-off stage: at this stage, the “old blocks and the resistance to steady growth are finally overcome” The economy is made capable of generating its own economic and industrial development.
- 4) The drive to maturity: at this stage new industries are developed. The economy utilizes efficiently the most advanced fruits of modern science and technology. The rate of exports is higher than the rate of imports.
- 5) The age of high mass consumption: this stage is regarded as the highest point of an economic development. It is characterized by durable and sophisticated consumers’ goods.⁸

1. Answer the following questions from the text:

- What can be described in terms of a series of stages, according to Rostow’s theory?
- What did W.W Rostow do in his book “The Stage of Economic Growth”?
- What is the basis of the economy in the traditional society?
- Why is the second stage regarded as a period of transition?
- What is the main characteristic of the age of high consumption?

⁸ Smail Benmoussat, Economics And English, Office des Publications Universitaires, 1998.

2. Say whether the following statements are true or false. Correct the false ones.

- ☐ According to W.W Rostow, some countries must go through the five stages of economic growth;
- ☐ At the first stage, the traditional society, the socio-economic systems are not yet developed;
- ☐ The stage of the establishment of the pre-conditions for “take-off” is a period of transition from the first stage to industrialized economies;
- ☐ At the drive to maturity stage, the rate of imports exceeds the rate of exports;
- ☐ The age of high mass consumption is seen as the stage of durable and sophisticated goods;

Meaning and Definitions of Economics

The principal fact about Economics that we must always remember is that it is a social science.⁹

The word 'Economics' originates from the Greek work '*Oikonomikos*' which can be divided into two parts:

- (a) '*Oikos*', which means 'Home', and
- (b) '*Nomos*', which means 'Management'.

Thus, Economics means 'Home Management'. The head of a family faces the problem of managing the unlimited wants of the family members within the limited income of the family. In fact, the same is true for a society also.

If we consider the whole society as a 'family', then the society also faces the problem of tackling unlimited wants of the members of the society with the limited resources available in that society.

So "Economics" means the study of the way mankind organizes itself to tackle the basic problems of scarcity.

We have now formed an idea about the meaning of Economics. This at once leads to a general definition of Economics.

"Economics is the social science that studies economic activities."

This definition is, however, too broad. It does not specify the exact manner in which the economic activities are to be studied. Economic activities essentially mean production, exchange and consumption of goods and services.

However, with the progress of civilization, the complexity of the production, exchange and consumption processes in society have increased manifold.

Economists at different times have emphasized different aspects of economic activities, and have arrived at different definitions of Economics.

Some of these definitions can be classified into four groups:

1. Wealth definitions;
2. Material welfare definitions;
3. Scarcity definitions;
4. Growth – centered definitions;

⁹ Meaning and Definitions of Economics. www.newagepublishers.com/samplechapter/001983.pdf

1. Say whether these statements are true or false. Correct the false ones

- ☐ Economics is considered as an integral part of human science;
- ☐ If Economics means home management, it concerns only the head of the family;
- ☐ The general definition of Economics is accurate;
- ☐ Globalization has made the economic activities processes increase;
- ☐ Economists have focused on one aspect of economic activities;
- ☐ Some definitions are gathered into one group;

2. Essay

Bring out the main ideas of the text.

Wealth and Material welfare definitions

1. Adam Smith's Definition

Adam Smith, considered to be the founding father of modern Economics, defined Economics as “the study of the nature and causes of nations wealth” or simply as the study of wealth.

The central point in Smith's definition is wealth creation. Implicitly, Smith identified wealth with welfare. He assumed that, the wealthier a nation becomes the happier are its citizens. Thus, it is important to find out, how a nation can be wealthy.

Economics is the subject that tells us how to make a nation wealthy. Adam Smith's definition is a wealth-centred definition of Economics.¹⁰

1.1 Main Characteristics of Wealth Definitions

1. Exaggerated emphasis on wealth: These wealth centered definitions gave too much importance to the creation of wealth in an economy. The classical economists like Adam Smith, J.S. Mill, J.B. Say, and others believed that economic prosperity of any nation depends only on the accumulation of wealth.

2. Inquiry into the creation of wealth: These definitions show that Economics also deals with an inquiry into the causes behind the creation of wealth. For example, wealth of a nation may be increased through raising the level of production and export.

3. A study on the nature of wealth: These definitions have indicated that wealth of a nation includes only material goods (*e.g.*, different manufactured items). Non-material goods were not included. Hence, non-material goods like services of teachers, doctors, engineers, etc., are not considered as ‘wealth’.

2. Alfred Marshall's Definition

Alfred Marshall also stressed the importance of wealth. But he also emphasized the role of the individual in the creation and the use of wealth. He wrote: “Economics is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man”. Marshall, therefore, stressed the supreme importance of man in the economic system. Marshall's definition is considered to be material-welfare centered definition of Economics.

¹⁰ Wealth And Material Welfare Definitions. . www.newagepublishers.com/samplechapter/001983.pdf

2.1 Features of Material Welfare Definitions

The main features of material welfare-centred definitions are as follows:

- 1. Study of material requisites of well-being:** These definitions indicate that Economics studies only the material aspects of well-being. Thus, these definitions emphasize the materialistic aspects of economic welfare.
- 2. Concentrates on the ordinary business of life:** These definitions show that Economics deals with the study of man in the ordinary business of life. Thus, Economics enquires how an individual gets his income and how he uses it.
- 3. A stress on the role of man:** These definitions stressed on the role of man in the creation of wealth or income.

1. Explain the following terms:

Founding, Nation, Citizens, Prosperity, Well-being.

2. Read the text carefully then answer the following questions.

- Who is considered as the pioneer of modern Economics?
- What is the difference between wealth and welfare?
- Why are they related to each other?
- Why Adam Smith's definition is called wealth centered definitions?
- According to Adam Smith, what does wealth of a nation include?
- Why Alfred Marshall's definition is considered to be material welfare centered definitions?

3. Fill in a chart with the main characteristics of Adam Smith and Alfred Marshall definitions.

Scarcity and Growth – centered definitions

3. Lionel Robbins' Definition

The next important definition of Economics was due to Prof. Lionel Robbins. In his book '*Essays on the Nature and Significance of the Economic Science*', published in 1932, Robbins gave a definition which has become one of the most popular definitions of Economics. According to Robbins, "Economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses". This definition was carried on their analysis in line with this definition. It is a scarcity-based definition of Economics.¹¹

3.1 Main Features of Scarcity Definition

The principal features of scarcity definitions are as follows:

1. **Human wants are unlimited:** The scarcity definition of Economics states that human wants are unlimited. If one want is satisfied, another want crops up. Thus, different wants appear one after another.
2. **Limited means to satisfy human wants:** Though wants are unlimited, yet the means for satisfying these wants are limited. The resources needed to satisfy these wants are limited. For example, the money income (per month) required for the satisfaction of wants of an individual is limited. Any resource is considered as scarce if its supply is less than its demand.
3. **Alternative uses of scarce resources:** Same resource can be devoted to alternative lines of production. Thus, same resource can be used for the satisfaction of different types of human wants. For example, a piece of land can be used for either cultivation, or building a dwelling place or building a factory shed, etc.
4. **Efficient use of scarce resources:** Since wants are unlimited, so these wants are to be ranked in order of priorities. On the basis of such priorities, the scarce resources are to be used in an efficient manner for the satisfaction of these wants.
5. **Need for choice and optimization:** Since human wants are unlimited, so one has to choose between the most urgent and less urgent wants. Hence, Economics is also called a science of choice. So, scarce resources are to be used for the maximum satisfaction (i.e. optimization) of the most urgent human wants.

¹¹ Scarcity And Growth-Centered Definitions. . www.newagepublishers.com/samplechapter/001983.pdf

5. Modern Growth-Oriented Definition of Samuelson

In relatively recent times, more comprehensive definitions of Economics have been offered. Thus, Professor Samuelson writes, “Economics is the study of how people and society end up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses to produce various commodities over time and distributing them for consumption, now or in the future, among various persons or groups in society. It analyses costs and benefits of improving patterns of resource allocation”. A large number of modern economists subscribe to this broad definition of Economics.

4.1 Features of the Modern Growth-Oriented Definition

1. **Growth-orientation:** Economic growth is measured by the change in national output over time. The definition says that, Economics is concerned with determining the pattern of employment of scarce resources to produce commodities ‘over time’. Thus, the dynamic problems of production have been brought within the purview of economics.

2. **Dynamic allocation of consumption:** Similarly, under this definition, Economics is concerned with the pattern of consumption, not only now but also in the future. Thus, the problem of dividing the use of income between present consumption and future consumption has been brought within the orbit of Economics.

3. **Distribution:** The modern definition also concerns itself with the distribution of consumption among various persons and groups in a society. Thus, while the problem of distribution is implicit in the earlier definitions, the modern definition makes it explicit.

4. **Improvement of resource allocation:** The definition also says that, Economics analyses the costs and benefits of improving the pattern of resource allocation. Improvement of resource allocation and better distributive justice are synonymous with economic development. Thus, issues of development of a less developed economy have also been made subjects of the study of Economics.

1. Explain the following Terms:

Alternative, Supply, Demand, To rank, Priorities, Optimization. Cost, Benefits, Issues.

2. Read the text carefully then answer the following questions:

- Who gave the most popular definitions of Economics? And why?
- Why Lionel Robbins definition is a scarcity-based definition of Economics?
- Regarding the unlimited wants and limited means, what are the steps to follow?
- How can we describe the definition of Samuelson?
- Why Samuelson definition is called modern growth-oriented definition?
- What are the different issues made subject of the study of Economics?

3. Fill in a Table with the main characteristics of Lionel Robbins and Samuelson definitions

4. In your opinion, which of the four definitions is the most comprehensive?

Micro Economics VS Macro Economics

‘Economics’ is defined as the study of how the humans work together to convert limited resources into goods and services to satisfy their wants (unlimited) and how they distribute the same among themselves. Economics has been divided into two broad parts i.e. Micro Economics and Macro Economics. The former is the study of an economic behavior of a particular individual, firm, or household, i.e. it studies a particular unit. On the other hand, the latter **is** the study of aggregates i.e., not a single unit but the combination of all.¹²

1. Definition of Micro Economics

Microeconomics is the branch of economics that concentrates on the behavior and performance of the individual units, i.e. consumers, family, industry, firms. Here, the demand plays a key role in determining the quantity and the price of a product along with the price and quantity of related goods (complementary goods) and substitute products, so as to make a judicious decision regarding the allocation of scarce resources, concerning their alternative uses.

2. Definition of Macro Economics

Macroeconomics is the branch of economics that concentrates on the behaviour and performance of aggregate variables and those issues which affect the whole economy. It includes regional, national and international economies and covers the major areas of the economy like unemployment, poverty, general price level, GDP (Gross Domestic Product), imports and exports, economic growth, globalization, monetary/ fiscal policy, etc. It helps in resolving the various problems of the economy, thereby enabling it to function efficiently.

As microeconomics focuses on the allocation of limited resources among the individuals, the macro economics examines that how the distribution of limited resources is to be done among many people, so that it will make the best possible use of the scarce resources. As micro economics studies about the individual units, at the same time, macro economics studies about the aggregate variables. In this way, we can say that they are interdependent.

Micro and Macro Economics are not contradictory in nature, in fact, they are complementary. The only important thing which makes them different is the area of application.

¹² Micro Economics VS Macro Economics. <http://keydifferences.com/difference-between-microeconomics-and-macroeconomics.html#Definition>

1. Give synonyms or definitions to the following Terms.

Unit, Aggregate, Unemployment, GDP, GNP, Monetary policy, Fiscal Policy, Globalization.

2. Read the text carefully then answer the following questions:

- In how many parts is divided Econometrics?
- What does mean Micro and Macro?
- Bring another definition of Micro Economics and Macro Economics?
- What is the main purpose of Micro and Macro Economics?
- Why are they interdependent?
- Name the major difference between them?

3. List in a chart the key differences between Micro and Macro Economics.

Economic Indicator

An economic indicator is a piece of economic data, usually of macroeconomic scale, that is used by analysts to interpret current or future investment possibilities or to judge the overall health of an economy. Economic indicators can be anything the investor chooses, but specific pieces of data released by government and non-profit organizations have become widely followed. Such indicators include but aren't limited to: the consumer price index (CPI), gross domestic product (GDP), unemployment figures and the price of crude oil.

Economic indicators are key statistics that indicate the direction of an economy. While the indicators can be numerous, there are three broad categories of economic indicators: leading indicators, coincident indicators and lagging indicators.

Leading indicators, such as consumer durables, net business formations and share prices, are used to predict the future movements of an economy. Coincident indicators, which include such things as GDP, employment levels and retail sales, are seen with the occurrence of specific economic activities. Finally, lagging indicators, such as gross national product (GNP), CPI, unemployment rates and interest rates, are only seen after a specific economic activity occurs. Most of these economic indicators have a specific schedule for release, allowing investors to prepare for and plan on seeing certain information at certain times of the month and year.

An economic indicator is only useful if one interprets it correctly. History has shown strong correlations between economic growth, as measured by GDP, and corporate profit growth. However, determining whether a specific company may grow its earnings based on one indicator of GDP is nearly impossible. Indicators provide signs along the road, but the best investors utilize many economic indicators, combining them to glean insight into looking patterns and verifications within multiple sets of data.¹³

1. The following key words are necessary to define in order to have a better comprehension of the text:

Data, Indicator, Analysts, Economic growth, Corporate profit, Leading and Lagging indicators.

¹³ Economic Indicator. http://www.investopedia.com/terms/e/economic_indicator.asp

2. True and false statements. Correct the false ones.

- ☐ An economic indicator is a tool of Micro-economics;
- ☐ Computer engineer uses economic data to judge the health of the economy;
- ☐ Data made available by government have become widely followed by investors;
- ☐ There are few economic indicators gathered in one category;
- ☐ There are connections between two or more economic indicators;
- ☐ The best analysts are the ones who are limited to the interpretation of a single economic indicator;
- ☐ A useful economic indicator is the one interpreted correctly;

3. Essay

Present an overview of the Algerian economy by the end of 2016, illustrating the main economic indicators.

Unemployment among Young Graduates

As a social phenomenon, the unemployment of young graduates is the object of relatively little study but is increasingly present in the political and media spheres. Because unemployment is considered one of the major causes of the degradation of social ties, even young graduates experience unemployment as a kind of social disqualification, humiliation or social disdain.

In the Maghreb region, the unemployment rate of young university graduates is greater than 30% in Morocco , 30.5% in Tunisia and 22% in Algeria (the official figures for 2014 give us 10%), which is to say that the issue of unemployment is at the heart of social movements. This phenomenon, which was already at the heart of the Tunisian revolution, has only worsened since then. Unemployed graduates have therefore begun organizing, notably by creating associations to inform public opinion and public authorities about the precarious nature of the current situation and about the continued risk to social cohesion. The National association of unemployed graduates in Morocco, created in 1991 in Morocco, is one such association. Other examples include the National Committee of Unemployed Graduates in Algeria, the Union of unemployed graduates in Tunisia, and the Mauritanian Association of Unemployed Graduates in Mauritania. The very creation of these associations demonstrates the extent to which unemployment has become an omnipresent motive for protest throughout the Maghreb region.

From an economic perspective, some data taken from the National Statistical Office (ONS) will help us to highlight certain characteristics of the Algerian labor market. In April 2013, the labor force, as defined by the International labor organization (ILO), stood at 11,716,000 people. Of these, more than two million (2,288,000 people) were women, who thus comprised 19.5% of the overall labor force. Women's access to education, and especially to higher education, was highly determinative of women's participation in the labor market. Women were most commonly employed by the public sector, which accounted for 61.2% of the total employment of women. .

While important gender disparities therefore existed, the gap was narrower when education levels were higher (Table 1). Thus the gap in activity rate stood at nearly 50% among workers with no university degree and at 14.1% among university graduates.

Table 1: Unemployment rate by level of education, degree obtained, and gender (%).

	<i>Male</i>	<i>Female</i>	<i>Total</i>
Level of education			
No education	2.9	4.3	3.1
Primary	7.3	8.8	7.4
Intermediary	11.2	16.2	11.7
Secondary	7.4	14.1	8.9
Higher Education	9.7	15.9	12.6
Degree attained			
No degree	8.2	10.7	8.5
Vocational degree	10.2	16.7	11.9
University degree	10.0	15.9	9.8
Total	8.9	14.2	9.8

Source: Employment-Unemployment Survey, April 2014, National Statistics Office.

With regard to placement in the labor market, the trend is contrary to that which is most commonly observed in developed countries: young graduates in Algeria are at higher risk of unemployment, even though their diplomas are logically supposed to afford them better protection from that very risk. Furthermore, employment prospects for university graduates are not encouraging. One explanation for this phenomenon is that the skills developed through university education are of little relevance to the needs observed in corporations or public administrations. The educational system and universities are increasingly disconnected from the labor market, to the point that it is easier for the latter to integrate workers with little or no education.

Algerian companies complain of difficulty in finding suitable employment candidates among university graduates, concluding that universities do not adequately prepare students to meet business needs. Universities in turn complain that companies are rarely specific enough when it comes to articulating their needs in terms of skills. As these two worlds thus turn their backs on each other, young graduates are left in great difficulty when it comes to finding qualified employment, with the exception of public-sector employment. Moving from one odd job to the next, these young graduates often rationalize their precarious employment situation as figuring within the rite of passage into decent, qualified employment. This disconnect between the educational system and the working world has numerous consequences

- ✓ A waste of human resources, as a largely state-financed investment in human capital is not used in such a way as to contribute significantly to economic growth;
- ✓ Unemployment among young graduates impacts individual behavior, as youth increasingly chose to forego education in order to improve their chances of finding formal or informal employment and developing meaningful professional experience;
- ✓ Students increasingly prefer to prolong their studies in order to avoid entering the job market and confronting the difficulty of finding employment.

In the few informal interviews which the author had the occasion to conduct with young graduates in Algeria, Yacine, who is 27 years old, who has a Master's degree in management, has a similar outlook after an accumulation of periods of unemployment interspersed between various odd jobs. He has never been able to find a job corresponding to his level of qualification. "By continuing to the Master's level, I thought I would be armed against unemployment and that I would quickly find work in the human-resources management field in a private or public firm. Despite sending numerous CVs, I was only contacted for a few interviews which ultimately did not lead to anything. Every time, they tell you they'll call you but they never do. Here in Algeria, it's all about your connections. Your degrees don't matter. What matters is whether you know someone with power who can find you decent, well-paid work. Unfortunately, that's not my case. I'm a farmer's son who doesn't know anyone who can help me to find work... After so many periods of unemployment, you become bitter and you hold it against everyone. My parents are the first in line to give me a negative image of myself, not to mention the many others who see at you as living at their expense... I've seen kids stop studying after middle school or high school and go on to be more successful than I am. I finally end up asking myself why I studied so much for nothing, if at the end of the day they're only willing to give me unskilled work..."¹⁴

1. Find antonyms in the text to the following words:

Employment, insignificant, lower, former, equality, connected, often, unskilled, permanent, decline, informal, limit, positive, continue.

2. Decide whether these statements are true or false. Correct the false ones:

- ☐ Several researchers have studied the phenomenon of unemployment among graduates;
- ☐ Young graduates are not affected by unemployment;
- ☐ In the Maghreb region, the unemployment rate of young university graduates is the highest in Morocco;
- ☐ Unemployed graduates have therefore begun organizing, notably by creating cultural associations;

¹⁴ Mohamed Madoui. Unemployment among Young Graduates in Algeria: A Sociological Reading* Scientific Research Publishing Inc. 2015

- ☐ Women were most commonly employed by the public sector, which accounted for 61.2% of the total employment;
- ☐ The gap in activity rate was larger when education levels were higher;
- ☐ With regard to placement in the labor market of young graduates in Algeria, the trend is similar to that observed in developed countries;
- ☐ The skills developed through university education are of high relevance to the corporations or public administrations needs ;
- ☐ The Algerian companies and the universities share the same point of view concerning the employment of young graduates;
- ☐ Qualified employment for young graduates is more or less accessible in the public sector;
- ☐ This disconnect between the educational system and the working world has no impacts ;

3. Essay

Do you think you are going to be confronted with the same situation as Yacine? Will you surrender to that situation or try hard to overcome it? Discuss.

The Field Of Management

Every organization, whether it is a government agency, a social club, an athletic team, a masjid, or a business corporation, needs competent managers.

In a sole proprietorship, the owner is also the manager. In a partnership, one partner is often designed as the “managing partner”. Business corporations, employ professional managers.

This chapter is an introduction to that field where it concentrates on the theory and practice of general management activities.

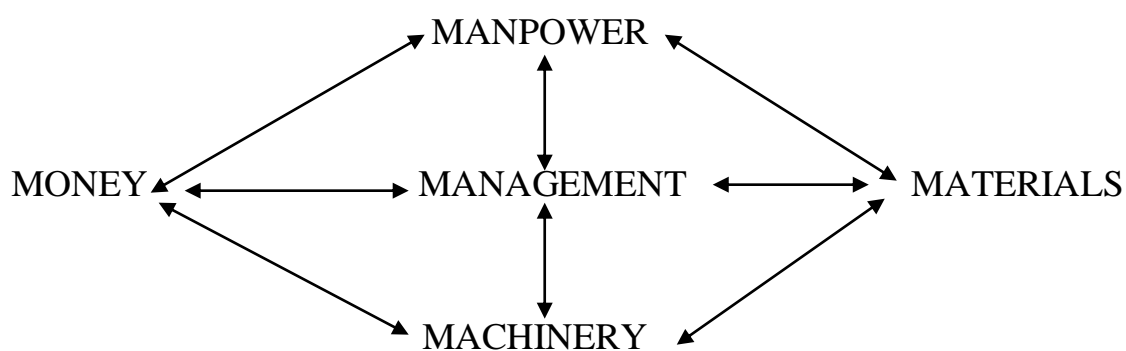
What Is Management?

Managers are those individuals who bring together the money, manpower, materials, and machinery to operate a business. They must plan for the future, organize the enterprise, direct the activities of employees, and control the entire business.

In common usage, **managers** are people who make decisions. When several persons get together in all organization, one of them must fill the role of leader to supply orderly and efficient handling of the business affairs.

Management is the process of getting work done through other persons. Managers do not produce a finished product, nor do they directly sell a product to a customer. Instead they direct others to do these things. Figure 1 shows the “M’s” of management.¹⁵

Figure 1: The M’s of management



¹⁵ Vernon A. Musselman, Eugene H. Hughes. Introduction To Modern Business. Prentice Hall . Inc. U.S.A. 1981

What specifically do managers do? The process of MANAGEMENT includes planning, organizing, directing, and controlling the activities of an enterprise to achieve specific objectives. Managers perform these functions in varying degrees at different organizational levels. They are the basic managerial tasks.

Management has also been called the art of decision making, since managers spend so much time choosing among alternative solutions to business problems. Table 2 lists typical problems that may occur and some alternative ways of dealing with them. These problems occur at all levels.

In the organizational hierarchy, large businesses ordinarily have at least three levels of management, which are often referred to as the “management pyramid”. These three levels are (1) top management, (2) middle management, and (3) operating management. These levels are shown in figure 1 as you can see each level of the pyramid contributes a different amount of major decisions.

Top management. The highest level is top management, often referred to as senior managers or key managers, who have usually had many years of varied experience. This level is composed of the board of directors, the president or chief executive officer, and other corporate officers. Top management develops broad plans for the company and makes important decisions about such things as mergers, new products, and stock issues.

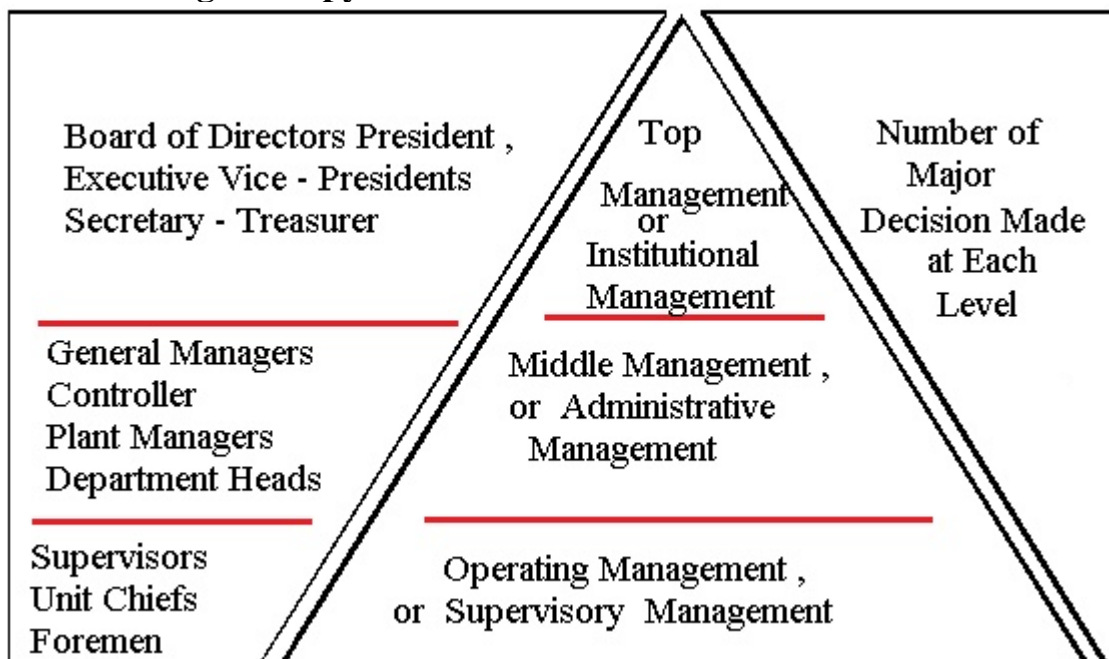
Middle management. The next level of the management pyramid, known as middle or administrative management, is composed of plant superintendents and/or division managers. These managers have the responsibility for developing the operating plans that implement the broader plans made by top managers.

Operating management. This is the lowest level of the management pyramid. It is primarily concerned with putting into action plans devised by middle managers. Operating managers are often referred to as “first line supervisors” because they are responsible for supervising the workers who perform the day to day operations.

Table 2: Typical problems encountered by managers.

<i>Problems</i>	<i>Alternative solutions</i>
1- Need to employ more experienced personnel	A- Revise job requirements to employ more experienced persons. B- Review wage scale to see if it is competitive. C- Develop on the job training employees.
2- High absenteeism in certain departments	A- Discuss absenteeism with department manager to find causes B- Consider changing department managers C- Talk to employees involved
3- Trusted employee was caught stealing	A- Dismiss employee B- Discipline employee since this is a first offense
4- Dissatisfied executive threatens to resign	A- Review complaint to see what can be done to keep the executive B- Encourage the executive to stay C- Let the executive resign
5- Sharp decline in profits	A- Review operating costs B- Raise product prices C- Increase advertising budget
6- Union trying to organize employees	A- Improve conditions that employees complained about B- Agree to bargain with union C- Hire an attorney and fight the union
7- Newspaper article charges firm is polluting the air	A- Employee public relations firm to explain the company's side B- Ignore the article C- File a lawsuit against the newspaper

Figure 2: The management pyramid



1. Explain the followings terms:

Management, manpower, materials, machinery, to operate, a manager, a leader, to supply, to handle, to implement, planning, organizing, directing, controlling, to perform, tasks, to occur, key executives, superintendent, supervisor, foremen.

2. Answer the following questions:

- Give your proper definition of a manager.
- Name the Tools of management.
- What are the basic managerial tasks?
- What is the role of a leader in an organization?
- What is management?
- What kind of manager needs an organization? Argue.
- In the organizational hierarchy of large companies, who contributes a different amount of major decisions? explain

3. Say whether these statements are true or false. Correct the false ones.

- ☐ Every organization needs a manager;
- ☐ Managers do not have to plan for the future;
- ☐ Management is the act of making decisions;
- ☐ Management is the process of getting work done by one person;
- ☐ The basic managerial tasks are performed by managers;
- ☐ Managers spend little time choosing among solutions to business problems;
- ☐ Large businesses have less than three levels of management described as the “management pyramid”;
- ☐ The levels in the pyramid management are (1) institutional management, (2) administration management, (3) supervising management;

Importance of Management

1. **It helps in Achieving Group Goals** - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization** - To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification.
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.¹⁶

¹⁶ Importance of Management. http://www.managementstudyguide.com/management_importance.htm

1- Explain the following terms :

Convert, Attainment, Wastage, Scarce, Sound, Accountable, Welfare.

2- Find in the text, opposites to the terms that follow:

Input, Gain, Minimum, Worst, Increase, Wrong, Easy, Superiors.

3- Fill in the gaps with the most appropriate Words:

- Management is ----- oriented;
- The purpose of an enterprise can be achieved by employing ----- persons, and making better ----- of ----- resources;
- Management ----- human, physical, and financial -----;
- Management brings ----- among -----, -----, and ----- resources;
- Management involves ----- handling of problems and ----- Hence it is an ----- process;
- Management is ----- in all ----- of -----, irrespective of ----- or ----- of activity,
- Management involves the use of ----- to achieve predetermined goals.

4. Read the text carefully, and then answer the following questions.

- How does management help realize group goals?
- What is the condition to no under employment of any resources?
- What is the combination used by management in order to reduce costs?
- Why management is in agreement with the objective of organization?
- What does efficient management imply?
- Why is it important that the organization survives in changing environment?

5. Essay

Bring out the main advantages of management.

Levels of Management

The term “Levels of Management” refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

Top level / Administrative level

Middle level / Executory

Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows:

1. Top management lays down the objectives and broad policies of the enterprise.
2. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
3. It prepares strategic plans & policies for the enterprise.
4. It appoints the executive for middle level i.e. departmental managers.
5. It controls & coordinates the activities of all the departments.
6. It is also responsible for maintaining a contact with the outside world.
7. It provides guidance and direction.
8. The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as :

1. They execute the plans of the organization in accordance with the policies and directives of the top management.
2. They make plans for the sub-units of the organization.
3. They participate in employment & training of lower level management.
4. They interpret and explain policies from top level management to lower level.
5. They are responsible for coordinating the activities within the division or department.
6. It also sends important reports and other important data to top level management.
7. They evaluate performance of junior managers.
8. They are also responsible for inspiring lower level managers towards better performance.

Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include :

1. Assigning of jobs and tasks to various workers.
2. They guide and instruct workers for day to day activities.
3. They are responsible for the quality as well as quantity of production.
4. They are also entrusted with the responsibility of maintaining good relation in the organization.
5. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
6. They help to solve the grievances of the workers.
7. They supervise & guide the sub-ordinates.
8. They are responsible for providing training to the workers.
9. They arrange necessary materials, machines, tools etc for getting the things done.
10. They prepare periodical reports about the performance of the workers.
11. They ensure discipline in the enterprise.
12. They motivate workers.
13. They are the image builders of the enterprise because they are in direct contact with the workers.¹⁷

¹⁷ Levels of Management. http://www.managementstudyguide.com/management_levels.htm

1. Read the text carefully then answer the following questions:

- Define the term levels of management.
- What does the level of management determine?
- Name the main functions of each level of management. Explain.
- At which level of management does most planning occur? At which level does the least planning occur?

2. Say whether these statements are true or false. Correct the false ones

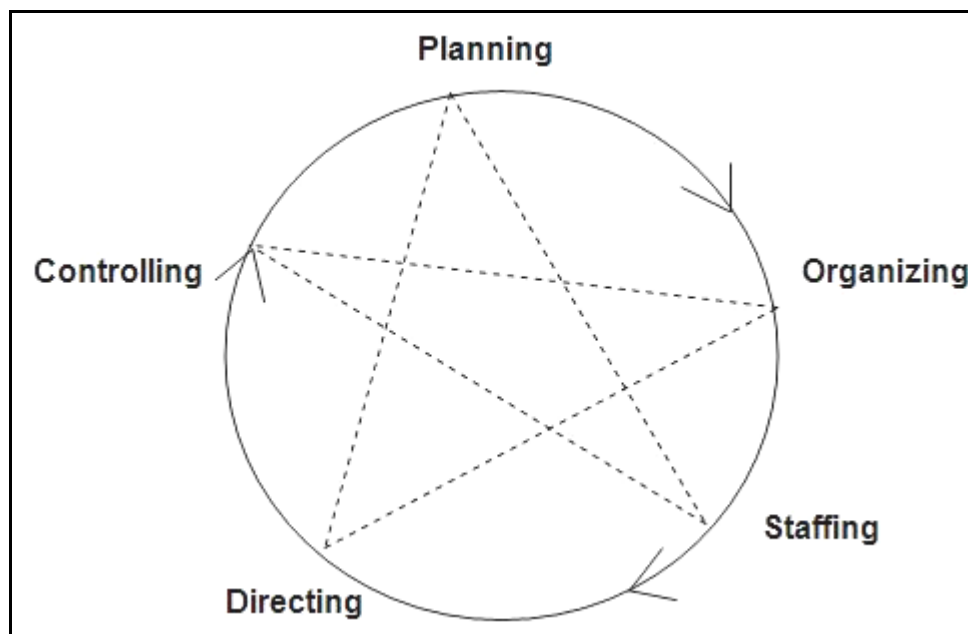
- ☐ Levels of management refer to the limits between different managerial ranks in an organization;
- ☐ The number of levels in management decreases when the size of the business and work force increases;
- ☐ Managers perform one function at each level;
- ☐ The top management is the most extreme source of authority;
- ☐ In small organization, there is no middle level management;
- ☐ The top management is responsible only for managing goals and policies for the firm;
- ☐ The branch managers evaluate performance of the worker;
- ☐ Executives in the lower level management are responsible only for the quantity of production;
- ☐ Building a positive image of the enterprise is very important;

Management Functions

We previously mentioned that management serves by performing certain functions. These functions are generally known as planning, organizing, directing, and controlling. Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword 'POSDCORB' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. Planning, Organizing, Staffing, Directing and Controlling.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are highly inseparable. Each function blends into the other & each affects the performance of others.¹⁸



¹⁸ Management Functions. http://www.managementstudyguide.com/management_functions.htm

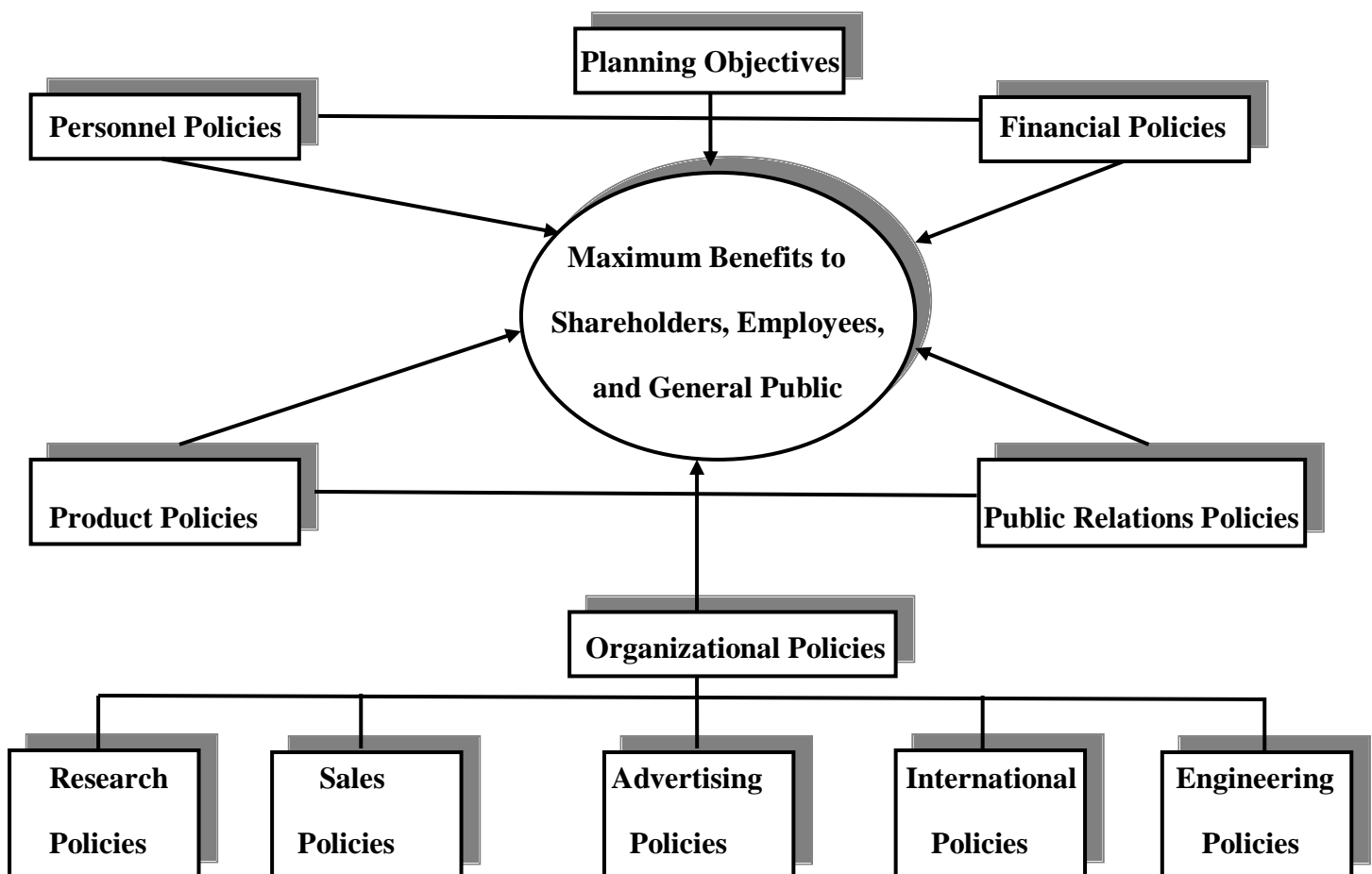
1. Planning

It is the basic function of management. It deals with planning a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals.

According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals.

Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, etc. Planning is as important for day-to-day activities. It is also a continuous process because business conditions are constantly changing. Figure 3 below¹⁹ illustrates how planning is related to the entire firm and to the stockholders, customers, and general public.

Figure 3: Management function of planning



¹⁹ Vernon A. Musselman, Eugene H. Hughes. Introduction To Modern Business. Prentice Hall . Inc. U.S.A. 1981

Planning is directed toward achieving objectives. It progresses through a series of steps: Identifying the problem, collecting and classifying the facts, analyzing the facts, examining alternative courses of action, and selecting an alternative. Once plans are completed, the next function is typically that of organizing.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- ✓ Identification of activities.
- ✓ Classification of grouping of activities.
- ✓ Assignment of duties.
- ✓ Delegation of authority and creation of responsibility.
- ✓ Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job. According to Kootz & O’Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed in the structure”. Staffing involves:

- ✓ Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- ✓ Recruitment, selection & placement.
- ✓ Training & development.
- ✓ Remuneration.
- ✓ Performance appraisal.
- ✓ Promotions & transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising,

motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- ✓ Supervision
- ✓ Motivation
- ✓ Leadership
- ✓ Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communication- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. Therefore controlling has following steps:

- ✓ Establishment of standard performance.
- ✓ Measurement of actual performance.
- ✓ Comparison of actual performance with the standards and finding out deviation if any.
- ✓ Corrective action.

We have identified and discussed the management functions. These are common to all levels of management. The sequence that these functions follow is not rigid. However, the logic behind the order of these functions is that planning occurs first, followed by organizing, staffing, directing, and controlling.

1. Read the text carefully, and then answer the following questions.

- What is meant by management functions?
- In practice, can the functions of management be separated? Why?
- What deals with planning as a basic management function?

- In order to select the most appropriate alternative, planning needs to progress through what?
- Name the means needed to achieve organizational goals?
- In the past, staffing was considered as a sub function of organizing, why is it now a managerial function?
- Does directing mean only commanding subordinates to do the work? Why?
- Why controlling function is necessary?

2. Say whether these statements are true or false. Correct the false ones.

- ☐ Managers perform the different functions at all levels of management;
- ☐ The management functions are interdependent;
- ☐ Planning is important for the day to day activities only;
- ☐ Planning is closely related to all management;
- ☐ Organizing is the process of bringing capital;
- ☐ The main objective of staffing is to put the right person on right place;
- ☐ The term actuating includes influencing, guiding, supervising, and motivating.
- ☐ Managers do not pass information, experience to subordinates.
- ☐ Control implies correcting deviation when it occurs.
- ☐ Logically, planning seems to be the first function, followed by the other functions.

Work

In recent years, many countries of the world have been faced with the problem of how to make their workers more productive. Some experts claim the answer is to make jobs more varied. But do more varied jobs lead to greater productivity? There is evidence to suggest that while variety certainly makes the worker's life more enjoyable, it does not actually make him work harder. As far as increasing productivity is concerned then. Variety is not an important factor.

Other experts feel that giving the worker freedom to do his job in his own way is important and there is no doubt that is true. The problem is that this kind of freedom cannot easily be given in the modern factory with its complicated machinery which must be used in a fixed way. There is usually very little that can be done to create it. Another consideration is how much each worker contributes to the product he is making. In most factories, the worker sees only small part of the product. Some car factories are now experimenting with having many small production lines rather than one large so that each worker contributes more to the production of the cars on his line. It would seem that not only is degree of worker's contribution an important factor therefore but it is also one we can do something about.

To what extent does more money lead to greater productivity? The workers themselves certainly think this is important but perhaps they want more money only because the work they do is so boring. Money just lets them enjoy their spare time more. A similar argument may explain demands for shorter working hours. Perhaps if we succeed in making jobs more interesting, they will neither want nor money nor will shorter working hours be so important to them.²⁰

1- Answer the following questions according to the text:

- In most factories, what does the worker see of the product he is making?
- Does variety make the workers' life more or less pleasant?
- How can the workers' productivity be increased?
- The workers' claims are various. How could they be more satisfied with their jobs?
- Do you think that giving the workers the freedom to do their job on their own is important? Why? Why not?

²⁰ Work. <http://www.koolearn.com/shiti/st-2-793383.html>

2- Find to the following words in the text:

- Synonyms

Pleasant, a fact, complex, testing, degree, Employees.

- Opposites

Interesting, much, certainty, easier, reducing.

- Definitions

- Rate of producing goods.
- Right to do what you want without anyone stopping you.
- Buildings where goods are made.
- Anything that proves something.
- Like something but not exactly the same
- Reason for or against.
-

3- Fill in the blanks so that the text makes sense :

Since the industrial revolution, relations workers and the factories' owners have begun to change.

In the past, workers asked for shorter working hours nor for more pleasant They were happy to have a job and worked as hard they could. The working in coal-mines were terrible and exhausting. Many children used to in the mines and suffered a lot from various that often their death.

Nowadays, all over the world, it is forbidden to employ children, but still many children in the rich and poor countries have to work to

4- Reorder the following sentences into a coherent paragraph. One sentence is irrelevant and must be left out:

- A- But if you ask employees to work more,
- B- Governments, factories' managers all want a better production.
- C- To achieve this aim, more productive workers are needed.
- D- She is the most productive worker I have ever met.
- E- They answer that they need an incentive.
- F- "Give us more money, we'll produce more" they claim.
- G- Which incentive? Money.

Employee Motivation

It is essential that managers have an understanding of motivation. After world war two, behavioral scientists began a rather intense study of the subject of motivation. Psychologists generally agree that all behavior is motivated. That is, people generally have reasons for what they do. Behavior is not just random.

Meaning of motivation

The word motivation is derived from the Latin word “movere” meaning “to move”. Motivation is an internal force that makes people move toward satisfying a need. Motivation is also the word derived from the word ‘motive’ which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. Once a motive is active, the individual will act to satisfy that desire or need associated with the motive. In the work goal context the psychological factors stimulating the people’s behavior can be :

desire for money, success, recognition, job-satisfaction, teamwork, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

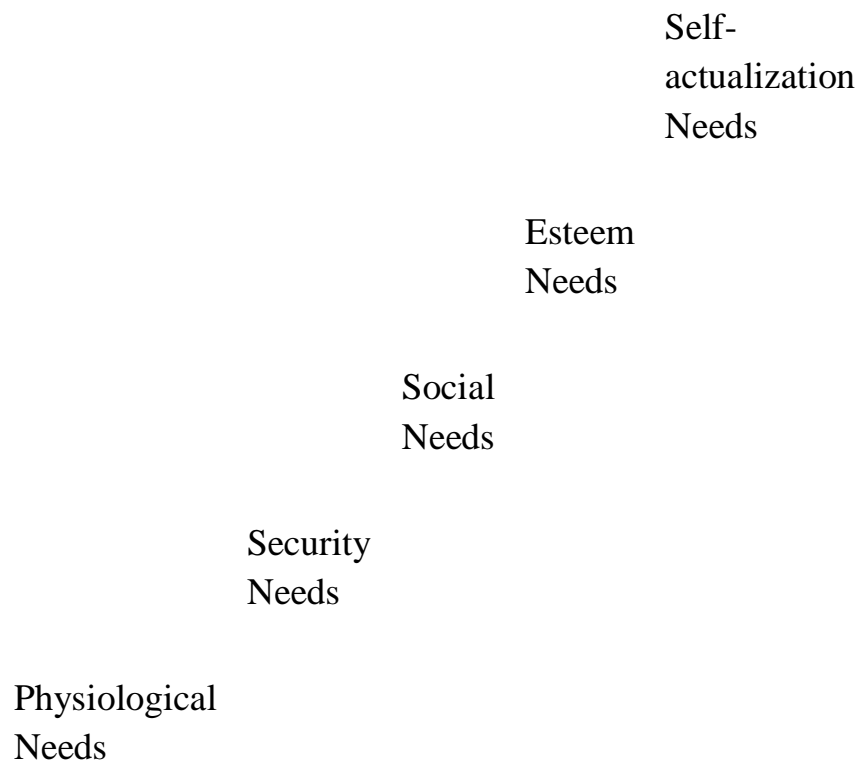
Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.²¹

Maslow’s Need Hierarchy Model

Human behavior is goal-directed. Motivation cause goal-directed behavior. It is through motivation that needs can be handled and tackled purposely. This can be understood by understanding the hierarchy of needs by manager. The needs of individual serves as a driving force in human behavior. Therefore, a manager must understand the “hierarchy of needs”. Maslow has proposed “The Need Hierarchy Model”.

²¹ Vernon A. Musselman, Eugene H. Hughes. Introduction To Modern Business. Prentice Hall . Inc. U.S.A. 1981

FIGURE 4 : Maslow's Need Hierarchy Model



The needs have been classified into the following in order:

Basic Physiological needs- These are the basic needs of an individual which includes food, clothing, shelter, air, water, etc. These needs relate to the survival and maintenance of human life.

Safety needs- These needs are also important for human beings. Everybody wants job security, protection against danger, safety of property, etc.

Social needs- These needs emerge from society. Man is a social human being. These needs become important. For example-, affection, belongingness, friendship, conversation, etc.

Self-Esteem needs- These needs relate to desire for self-respect, recognition and respect from others.

Self-actualization needs- These are the needs of the highest order and these needs are found in those person whose previous four needs are satisfied. This will represent the accomplishment.

It is important to recognize that the Maslow model does not explain all human motivation at work. Maslow's major contribution lies in his hierarchical concept. He was the first to

suggest that once a need is satisfied, a higher level need emerges. Maslow's need theory has had a strong impact on businesses' approach to the motivation of employees.²²

1- Explain the following key words.

Behavior, Random, Drives, Willingness, Belongingness, Self-respect, Accomplishment

2- Answer the following questions:

- When did the subject of motivation begin?
- What are the different definitions of motivation according to the words it derives from?
- Why behavior is related to motivation?
- What are the psychological factors of the people's behavior?
- In the context of motivation, what is the role of a leader and why?
- Name the stages in the process of motivation.
- Give the author definition of motivation.
- According to Maslow's model, identify the hierarchy of needs.
- What was the contribution of Maslow's need theory?

²² Maslow's Need Hierarchy Model. http://www.managementstudyguide.com/maslow_need_hierarchy.htm

Importance of Motivation

Motivation is a very important for an organization because of the following benefits it provides:

1- Puts human resources into action

Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

2- Improves level of efficiency of employees

The level of a subordinate or an employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

- a) Increase in productivity,
- b) Reducing cost of operations, and
- c) Improving overall efficiency.

3- Leads to achievement of organizational goals

The goals of an enterprise can be achieved only when the following factors take place

- a) There is best possible utilization of resources,
- b) There is a co-operative work environment,
- c) The employees are goal-directed and they act in a purposive manner,
- d) Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

4- Builds friendly Relationship

Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- a) Monetary and non-monetary incentives,
- b) Promotion opportunities for employees,
- c) Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

- a) Effective co-operation which brings stability,
- b) Industrial dispute and unrest in employees will reduce,
- c) The employees will be adaptable to the changes and there will be no resistance to the change,
- d) This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
- e) This will result in profit maximization through increased productivity.

5- Leads to stability of work force

Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employers. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, “Old is gold” which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. Motivation is important to an individual as:

- 1- Motivation will help him achieve his personal goals.
- 2- If an individual is motivated, he will have job satisfaction.
- 3- Motivation will help in self-development of individual.
- 4- An individual would always gain by working with a dynamic team.

Similarly, motivation is important to a business as:

- 1- The more motivated the employees are, the more empowered the team is.
- 2- The more is the team work and individual employee contribution, more profitable and successful is the business.
- 3- During period of amendments, there will be more adaptability and creativity.
- 4- Motivation will lead to an optimistic and challenging attitude at work place.²³

²³ Importance of Motivation. http://www.managementstudyguide.com/importance_of_motivation.htm

1. Read the text carefully and then answer the following questions:

- Define employee motivation.
- Why is motivation very important for an organization?
- What motivates employees?
- What are the benefits that motivation brings?
- Why a manager should frame an incentive plan?
- Why is motivation a continuous process?
- Why is motivation important both to an individual and a business?

2. Essay

In what ways can a business improve the qualifications of its managers?

Herzberg's Two-Factor Theory of Motivation

In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of “Satisfaction” is “No satisfaction” and the opposite of “Dissatisfaction” is “No Dissatisfaction”.

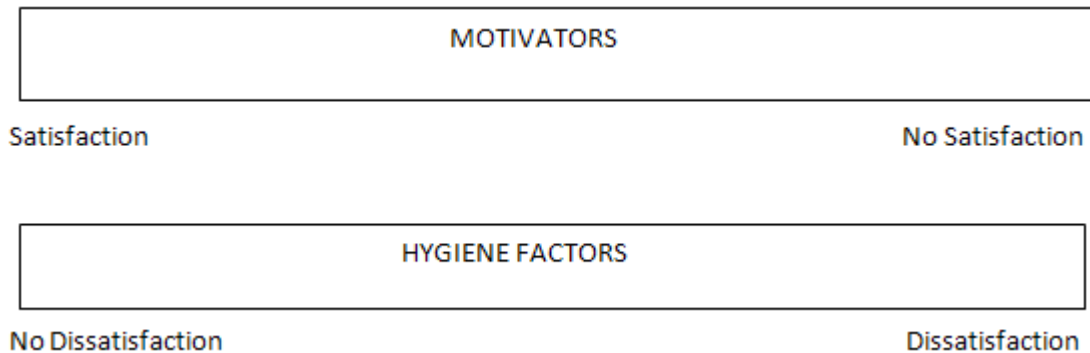


FIGURE 5: Herzberg's view of satisfaction and dissatisfaction

Herzberg classified these job factors into two categories-

Hygiene factors- Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent, if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate, reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled.

Hygiene factors include:

Pay- The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.

Company Policies and administrative policies- The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.

Fringe benefits- The employees should be offered health care plans (mediclaim), benefits for the family members, etc.

Physical Working conditions- The working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained.

Status- The employees' status within the organization should be familiar and retained.

Interpersonal relations- The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.

Job Security- The organization must provide job security to the employees.

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit.

Motivational factors include:

Recognition- The employees should be praised and recognized for their accomplishments by the managers.

Sense of achievement- The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.

Growth and promotional opportunities- There must be growth and advancement opportunities in an organization to motivate the employees to perform well.

Responsibility- The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.

Meaningfulness of the work- The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.²⁴

1- Find words with their opposites in the text.

2- Answer the following questions

- Present the Herzberg's two factors theory of motivation.
- Define hygiene factors.

²⁴ Herzberg's Two-Factor Theory of Motivation. <http://www.managementstudyguide.com/herzbergs-theory-motivation.htm>

- Why these factors are called maintenance factors?
- What are the conditions in order to fulfill the physiological needs?
- Explain the concept of motivational factors.
- What are the conditions in order to realize the psychological needs?

3- Say whether these statements are true or false. Correct the false ones

- ☐ Behavior is just random;
- ☐ There is no behavior without motivation;
- ☐ Frederick Herzberg is regarded as one of the great original thinker in management and motivational theory;
- ☐ According to Herzberg, there is some job factors existent at work place that lead to negative satisfaction;
- ☐ The hygiene factors represent the physiological needs, whereas motivational factors symbolize the psychological needs;

4- Fill in the chart with the biography of Frederick Herzberg.

Last name	
First name	
Date of birth	
Place of birth	
Nationality	
Date of death	
Place of death	
Contributions to motivational theory	

Theory X and Theory Y

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behavior at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

An average employee intrinsically does not like work and tries to escape it whenever possible. Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.

Many employees rank job security on top, and they have little or no aspiration/ ambition.

Employees generally dislike responsibilities.

Employees resist change.

An average employee needs formal direction.

Assumptions of Theory Y

Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.

Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.

If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.

An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.

The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behavior at work, while Theory Y presents an optimistic view of the employees' nature and behavior at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the

safety needs; while Theory X is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Implications of Theory X and Theory Y

- ✓ Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.
- ✓ Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction. Employees should be given opportunities to contribute to organizational well-being. Theory Y encourages decentralization of authority, teamwork and participative decision making in an organization. Theory Y searches and discovers the ways in which an employee can make significant contributions in an organization. It harmonizes and matches employees' needs and aspirations with organizational needs and aspirations.

Several business and economics professors and theologizes sustain McGregor was in some way misinterpreted. They say that McGregor wrote his book “The human side of enterprise” with the objective of leading managers into investigating the two theories and into inventing new ones according to their situation or reality. Instead, his theory Y was accepted as a new superior ethics, a set of moral values that ought to replace the values managers usually accept.

Nevertheless, there is no doubt that McGregor's work has had a tremendously beneficial impact on the way managing is looked at today.²⁵

²⁵ Theory X and Theory Y. <http://www.managementstudyguide.com/theory-x-y-motivation.htm>

1- Read the text carefully, and then answer the following questions.

- What was the behavioral theory that formulated Douglas McGregor?
- According to McGregor, what are the two aspects of employee's behavior?
- Give the differences between them.
- What is the relation between McGregor and Maslow's theory?
- Why Theory Y is more valid than theory X?

2- Fill in the chart with the biography of Douglas McGregor.

Last name	
First name	
Date of birth	
Place of birth	
Nationality	
Date of death	
Place of death	
Contributions to motivational theory	

McClelland's Theory of Needs

David McClelland and his associates proposed McClelland's theory of Needs / Achievement Motivation Theory. This theory states that human behavior is affected by three needs - Need for Power, Achievement and Affiliation. Need for achievement is the urge to excel, to accomplish in relation to a set of standards, to struggle to achieve success. Need for power is the desire to influence other individual's behavior as per your wish. In other words, it is the desire to have control over others and to be influential. Need for affiliation is a need for open and sociable interpersonal relationships. In other words, it is a desire for relationship based on co-operation and mutual understanding.

The individuals with high achievement needs are highly motivated by competing and challenging work. They look for promotional opportunities in job. They have a strong urge for feedback on their achievement. Such individuals try to get satisfaction in performing things better. High achievement is directly related to high performance. Individuals who are better and above average performers are highly motivated. They assume responsibility for solving the problems at work, they set challenging targets

for themselves and they take deliberate risk to achieve those set targets. Such individuals look for innovative ways of performing job. They perceive achievement of goals as a reward, and value it more than a financial reward.

The individuals who are motivated by power have a strong urge to be influential and controlling. They want that their views and ideas should dominate and thus, they want to lead. Such individuals are motivated by the need for reputation and self-esteem. Individuals with greater power and authority will perform better than those possessing less power. Generally, managers with high need for power turn out to be more efficient and successful managers. They are more determined and loyal to the organization they work for. Need for power should not always be taken negatively. It can be viewed as the need to have a positive effect on the organization and to support the organization in achieving its goals.

The individuals who are motivated by affiliation have an urge for a friendly and supportive environment. Such individuals are effective performers in a team. These people want to be liked by others. The manager's ability to make decisions is hampered if they have a high affiliation need as they prefer to be accepted and liked by others, and this weakens their objectivity. Individuals having high affiliation needs prefer working in an environment providing greater personal interaction. Such people have a need to be on the good books of all. They generally cannot be good leaders.

In his later work, McClelland (1988) added a fourth need, avoidance which functions to motivate people to avoid situations and people with which they have, or expect to have, unpleasant experiences. These avoidance motives include fear of rejection, fear of failure, fear of success, and generalized anxiety. In this work he also stressed that there are both conscious and unconscious intents that affect a person's motivation.²⁶

1- Read the text carefully and then answer the following questions:

- What theory proposed McClelland?
- Define the three needs theory.
- Give the Individual's high need for the three types.
- What are the implications for management?
- Compare McClelland theory with the previous models we studied.

2- Fill in the chart with the biography of David McClelland.

Last name	
First name	
Date of birth	
Place of birth	
Nationality	
Date of death	
Place of death	
Contributions to motivational theory	

²⁶ McClelland's Theory of Needs. <http://www.managementstudyguide.com/mcclellands-theory-of-needs.htm>

Qualities of Executive leadership

Now that you are familiar with the Functions of business management and the levels of an organization in which these functions are performed, let us turn to the role of the executive. What qualities make him or her executive? What skills does he or she use?²⁷

The terms **executive** and **administrator**, had their origin in government. Such persons were concerned with the administration and execution of estates, laws and justice. The terms have since been accepted by business, and other institutions.

An EXECUTIVE is a top level management person responsible for the work performed by others under his or her supervision. An executive is the medium from which orders flow to employees. Executives also originate orders, make decisions, and translate company policy. As decision makers, executives use three skills, which we will call technical, human, and conceptual. While interrelated, they can be examined separately.

Technical skills: These include the ability to use the methods, equipment, and techniques involved in performing tasks.

Human skills: These represent the ability to work effectively with others. Such skills require a sense of feeling for others and an appreciation of the rights of others. They are demonstrated by the way the individual recognizes subordinates, equals, and superiors.

Conceptual skills: These include intelligence, verbal ability, and the ability to see the whole enterprise as a unit of operation. Such skills are critical in decision-making one is able to conceive the nature of the problem before attempting to solve it.

The proportion of these executive skills tends to differ at various levels. For example, supervisors at the operating-management level perform more technical skills than middle or top managers. Conceptual skills, by contrast, are more important at the executive level.

A business that loses its leader is like a team without its captain; the business, as well the team can lose its direction. Some managers rely heavily on the authority that goes with the position they occupy in order to motivate people. In business an effective leader is expected to exert a degree of leadership to motivate subordinates. It is through the quality of leadership that the firm's potential is realized.

Some behavioral theories give the impression that leadership is exactly the same as management. But this assumption is not completely accurate. Leaders are found wherever there are groups of people. They may or may not also be managers.

Leadership is the ability to influence others to behave in a certain way. In this process the leader influence members of the group and is responsive to their needs.

²⁷ Vernon A. Musselman. Eugene H. Hughes. Introduction To Modern Business. Prentice Hall . Inc. U.S.A. 1981

Leadership is useful in any kind of group or organization. And it can mean the difference between success and failure of any kind of organization, in or out business.

Certain variations in leadership styles are effective in different situations. One is to make decisions autocratically without consulting the subordinates. Another is to consult with subordinates before making decision. And still a third is to let the subordinate make the decision.

The three basic styles of leadership are:

An **Autocratic leader**: Is one who makes decisions without consulting subordinates.

A **Democratic leader**: Encourages the group's participation in making decisions that affect them.

A **Free-rein leader**: Allows most decisions to be made by subordinates with a minimum of direction from the leader.

1. Match these business terms with the statements that follow:

- a- Autocratic leader
 - b- Democratic leader
 - c- Directing,
 - d- Free rein leader
 - e- Leadership
 - f- Management
 - g- Motivation
 - h- Organizing
 - i- Planning
 - j- k- System
- The process of planning, organizing, directing and controlling activities of an enterprise to achieve specific objectives
 - Means by which managers coordinate human and material resources within the formal structure of tasks and authority
 - Preparing a plan of action, setting company objectives, determining strategy, and selecting alternative courses of action
 - An entity made up of two or more independent parts that interact to form a functioning organism

- The ability to influence others to behave in a certain way
- Achieving organizational objectives by motivating and guiding subordinates
- A procedure for measuring performance against objectives
- One who allows most decisions to be made by subordinates with a minimum of direction the leader
- An internal force that moves people toward satisfying a need
- One that encourages the group's participation in making decisions that affect them.
- One who makes decisions without consulting subordinates

2. Read the text carefully, then answer the following questions:

- Define the term executive and give its origin.
- What is the role of an executive in business?
- Name the basic managerial skills.
- What is the quality common to the managerial skills?
- Why does the proportion of these executive skills tend to differ at various levels? Illustrate.
- What is leadership?
- What are the different styles of leadership?

3. Say whether these statements are true or false. Correct the false ones.

- ☐ The term executive had its origin in industry.
- ☐ The proportion of the executive skills is equal at various levels.
- ☐ A business needs a leader as much as a team.
- ☐ The assumption that leadership is synonym of management is completely accurate.
- ☐ An Autocratic leader is one who gives subordinates freedom to make most decisions.

Leadership Skills

MAKING THE MOST OF YOUR LEADERSHIP ABILITIES

Leaders are not born. Leadership is not conferred by title or position, nor can it be taught or learned from reading books or articles. Leadership comes not from doing. Often, in fact, it's about doing nothing.

Rather, leadership is about being. It's a discipline that comes from within. It's about reaching inside to tap the skills and talents, the heart and drive to be all that you can be. It's about your ability to inspire trust, loyalty, and commitment, among team members. Credibility in leadership comes from competence (what you do), character (who you are), and connection (your relationship with followers).

What, then, are the elements of leadership that can help transform your heart, mind, and spirit to get people to think, believe, see and do what they might not have without you?²⁸

- **Character.** Ground yourself in the core values that never change over time: honesty, respect, faith, perseverance, caring, and diligence. Or to put it simply, follow the Golden Rule: Treat others the way you would want to be treated. Strong moral inspire trust and confidence.
- **Authenticity.** You must be genuine. Don't pretend to be someone you're not. Make sure your actions and words are aligned with your core values. Guard against doing and saying things that are superficial or intended just to attract attention. Don't make changes just to put your fingerprints on things. That's where the level of leadership skills, commitment and influence become evident.
- **Vision.** Always look ahead and develop a compelling vision of the future. But be guided by your vision of what it is you want to accomplish.
- **Optimism.** Be positive. People are not likely to believe or to follow if they are not convinced that success is at hand. Be confident in your own abilities and those around you.
- **Planning.** Effective leadership skills mean beginning with the end in mind. Effective leaders know where they are going and how they want to get there. They evaluate alternatives, consider their resources and plan constantly and meticulously.
- **Communication.** Articulate your vision clearly and repeatedly. Spell out your plan of action, asking for everyone's support and showing confidence in a positive outcome. Keep those around you in the loop. Arm them with information that helps give them an accurate assessment of where they are, and what they have to do to achieve their goal. Make them feel part of an inner circle. That shows respect for them as individuals and their abilities. Listen attentively so you are well grounded with your team and the environment that surrounds you. Know who your friends and enemies are and keep malcontents close to you to win their support.
- **Humility.** Lead by example. Don't ever ask anyone to do anything that you would not, could not or haven't done yourself. From the lowliest of assignments, do the work. That will help provide an understanding of what you need others to do.
- **Courage.** In the face of adversity that inevitably will surface, remain true to your core principles, values and vision. The strongest tree of the forest is not the one that is protected from the storm and hidden from the sun. It's the one that stands in the open

²⁸ Leadership Skills. http://www.kellyservices.com.my/uploadedFiles/Singapore_Kelly_Services/New_Smart_Content/Candidate_Resource_Center/Managing_Your_Career/LEADERSHIP%20SKILLS.pdf

where it is compelled to struggle for its existence against the winds and rains and the scorching sun.

- **Flexibility.** Even when you plan constantly and meticulously, things often can and do go wrong. Evaluate why something isn't working, replace it with a better plan and move on. Don't stay stuck on the same plan if it's not working.
- **Enjoyment.** A huge part of leadership comes in maintaining morale. For example the pessimism that sets in when facing tremendous challenge, people need to have fun being around you. Use humor and other diversions to relieve tension.
- **Diversity.** Broaden your cultural and social horizons beyond your usual experiences. Learning to see things from different perspectives will give you greater flexibility in problem solving at work. In a rapidly changing world, be willing to venture in new directions to seize new opportunities and learn new skills.
- **Empathy.** Cultivate a sense of compassion and responsibility for others. You have a bigger impact on the lives of those under you than you can imagine. Always nurture and protect those around you.
- **Winning Attitude.** Develop and stick to a routine that fosters an environment of security and productivity. Look for ways to create small victories that will lead to other, more important victories. Create a sense of accomplishment.
- **Continuous Improvement.** Learn from mistakes - the ones you make and those made by others. Don't let failure paralyse you. Within those failures are the seeds for improvement. Look at them as opportunities for constructive growth. And develop ways to improve and develop yourself and those around you appropriately.
- **Empowerment.** Surround yourself with people who have the skills you lack but that share your passion and vision. Then challenge them to live up to their capabilities. When people sense that you expect great things from them, they tend to be challenged by that expectation and work hard to live up to it. Load your people with responsibility (and the authority), provide them with the resources to do the job, and stand behind them when they make mistakes.
- **Responsibility.** As a leader, your shoulders must be broad. To develop effective leadership skills, you have to take responsibility for your actions. Don't make excuses. Accept the responsibility when things go wrong and learn from it so you and your team can grow and enhance performance.
- **Praise.** The side of accepting responsibility when things don't work out as planned is to give the credit (publicly) to others when things go right. Never take credit for what someone else contributed to.

Essay

Do you agree with those who believe that leaders are born? Or with those who believe that qualities are more important than skills? How about the concept and qualities of leadership in Islam? Discuss

Glossary

Accountability: Holding a subordinate answerable for the responsibility and authority delegated to him or her.

Appraisal: Evaluation of an employee's performance on job.

Asset: Any item of value owned by a business.

Autocratic Leader: One who makes decision without consulting subordinates.

Barter: Trading of one good for another.

Business: Organized efforts of enterprises to supply consumers with goods and services.

Capital: Money, equipment and machinery used in business and industry.

Capitalism: An economic system based upon the right of private ownership and the freedom to make choices.

Citizen: Person who has full rights as a member of a country.

Collateral: Property or security deposited with a creditor to warrant payment of a debt.

Competition: The practice of striving for something that is also being sought by others.

Consumer credit: credit granted to consumers to promote personal consumption.

Consumerism: A multifaceted movement to inform consumers and protect them from business malpractice.

Contract: An agreement between two competent parties in the form required by law that is legally enforceable.

Controlling: A procedure for measuring performance against objectives.

Coordination: Synchronizing all individuals toward a common objective.

Corporate: companies especially large ones.

Credit: The ability to secure goods or services in exchange for a promise to pay later.

Delegation: Giving one person the power and obligation to act for another.

Democratic Leader: One who encourages the group's participation in decision making that affects them.

Development: Attempt to use knowledge in the production of useful products.

Directing: Achieving organizational objectives by motivating and guiding subordinates.

Economics: Science that deals with the satisfaction of human wants through the use of scarce productive resources.

Entrepreneur: Chief initiator or organizer of a business enterprise.

Environment: All external forces surrounding and affecting individuals, businesses, and communities.

Ethics: A code of conduct that guides an individual in dealing with others.

Executive: A top-level management person responsible for the work performed by others under his or her supervision.

Exports: Goods or services produced in some country and sold abroad.

Foreign exchange rate: Rate at which the currency of one country is exchanged for that of another country.

Free-Rein Leader: One who allows most decisions to be made by subordinates with a minimum of direction from the leader.

Globalization: The worldwide movement toward economic, financial, trade, and communication integration.

Government: Center of political having power to govern those it serves.

Gross National Product: Total value of all finished goods and services produced by an economy in one year.

Growth: An increase in economic activity.

Imports: Materials and goods shipped into a country.

Income: The revenues or earnings resulting from business operations.

Insurance: A financial arrangement that redistributes the cost of unexpected losses from risk.

Insurance Adjuster: An independent person or a company that decides whether insurance claims are valid or not and how much should be paid.

Insurance Company: An organization whose business is providing insurance.

Insurance Premium: The price paid by the insured for insurance protection.

Insurance Underwriter: A person whose job is to estimate the risk involved in a particular activity or a particular client and decide how much Sb must pay for insurance.

Insurance Risk: The possibility of loss or damage that Sb is insured against.

Investment: The process or action of using money to make profits or earn interests.

Job: An organizational unit of work – it is made up of tasks, duties and responsibilities.

Labor Market: The number of people who are available for work in relation to the number of jobs available.

Leadership: The ability to influence others to behave in a certain way.

Management: Process of planning, organizing, directing, and controlling activities of an enterprise to achieve certain objectives.

Manufacturing: Process of using materials, labor, and machinery to produce finished goods.

Market: The exchange of goods or services between buyer and seller at a mutually agreed upon price.

Market Analysis: Determining the supply of and the demand for a given product.

Market value: The price of bonds or stock shares on the market.

Merchant: A Wholesaler who provides a wide variety of goods to retailers.

Money: Anything generally accepted in exchange for goods and services.

Mortgage: Property pledged as security for a loan.

Motivation: An internal force that makes people move toward satisfying a need.

Multinational Business: Firm with a number of directly controlled operations in different countries with a worldwide perspective.

Non-Profit Organization: An organization that does not have the aim to make profit.

Organization: A structure of relationships to get the job done.

Organizing: Coordination of human and material resources within the formal structure.

Planning: Preparing a plan of action, setting company objectives determining strategy, and selecting alternative courses of action.

Policy: A written or oral statement that serves as a general guide for decision making.

Price: The exchange value of a product or a service.

Product: Something that offers a combination of attributes that give a customer appeal.

Production: All activities involved in removing natural resources from the earth and processing them into finished goods.

Productivity: Efficiency of production- the amount of output in relation to the input needed to produce it.

Profit: The net increase in company assets resulting from the operation of an enterprise.

Recession: A period in which the pace of business activity is very low.

Risk: Uncertainty associated with an exposure to losses.

Risk Management: Planning to deal with potential losses before they occur.

System: An entity made up of two or more independent parts that interact to form a functioning organism.

Unemployment: Number of people without a job.

World Trade: Business transactions between citizens, companies, and governments conducted on an international scale.

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