BUSINESS ORGANISATIONS AND ITS PRACTICES IN MANAGEMENT

-A study in some contemporary management practices

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Abstract

In modern the successes of any business organization depend on the management and it practices. Management is a process of planning, decision making, organizing, leading, motivation and controlling the human resources, financial, physical, and information resources of an organization to reach its goals efficiently and effectively. The term business refers to an organization or enterprising entity engaged in commercial, industrial, or professional activities. The purpose of a business is economic production of goods or services. Business ethics is the study and formulation of business policies based on a framework of values. This framework defines employee behavior in their interactions with each other and outsiders. It also defines the values and role of the business within a society. Aristotle emphasized the importance of individual virtue – intellectual and moral – in business dealings in ancient Greece. The present paper focuses on contemporary management practices of business organizations

KEY WORDS: ***MANAGEMENT INFORMATION SYSTEM***, ***JUST-IN TIME***, ***SIX SIGMA***, ***CAPABILITY MATURITY MODEL, ENTERPRISE RESOURCE PLANNING, BUSINESS PROCESS OUTSOURCEING***

Introduction

The term business refers to an organization or enterprising entity engaged in commercial, industrial, or professional activities. The purpose of a business is to organize some sort of economic production (of goods or services). Businesses can be for-profit entities or non-profit organizations fulfilling a charitable mission or furthering a social cause. Businesses range in scale and scope from sole proprietorships to large, international corporations. Business also refers to the efforts and activities undertaken by individuals to produce and sell goods and services for profit.

Objectives

1. To discuss various contemporary managerial practices of business organizations
2. To evaluate merits and demerits of the managerial practices

Methodology:

Second data was used for the present study and the results were analyzed accordingly

Discussion and Analysis of contemporary managerial practices:

Management Information Systems (MIS)

A management information system (MIS) is a computer system consisting of hardware and software that serves as the backbone of an organization's operations. An MIS gathers data from multiple online systems, analyzes the information, and reports data to aid in management decision-making.

- MIS is also the study of how such systems work.
- Improved Decision-Making

The purpose of an MIS is improved decision-making, by providing up-to-date, accurate data on a variety of organizational assets, including:

- Financials
- Inventory
- Personnel
- Project timelines
- Manufacturing
- Real estate
- Marketing
- Raw materials
- R&D

The MIS collects the data, stores it, and makes it accessible to managers who want to analyze the data by running reports.

JUST-IN TIME(JIT):

The just-in-time (JIT) inventory system is a management strategy that aligns raw-material orders from suppliers directly with production schedules. Companies employ this inventory strategy to increase efficiency and decrease waste by receiving goods only as they need them for the production process, which reduces inventory costs. This method requires producers to forecast demand accurately.

One example of a JIT inventory system is a car manufacturer that operates with low inventory levels but heavily relies on its supply chain to deliver the parts it requires to build cars, on an as-needed basis. Consequently, the manufacturer orders the parts required to assemble the cars only after an order is received.

KEY TAKEAWAYS

- The just-in-time (JIT) inventory system is a management strategy that minimizes inventory costs and increases efficiency.
- Just-in-time manufacturing is also known as the Toyota Production System (TPS) because the car manufacturer Toyota adopted the system in the 1970s.
- Kanban is a scheduling system often used in conjunction with JIT to avoid overcapacity of work in process.
- The success of the JIT production process depends on steady production, high-quality workmanship, no machine breakdowns, and reliable suppliers.

What Types of Companies Use JIT?

The JIT inventory system is popular with small businesses and major corporations alike because it enhances cash flow and reduces the amount of capital needed to run the business. Retailers, restaurants, on-demand publishing, tech manufacturing, and automobile manufacturing are some examples of industries that have benefited from just-in-time inventory.

Who Invented JIT Inventory Management?

JIT is attributed to the Japanese automaker Toyota Motor Corporation. Executives at Toyota in the 1970s reasoned that the company could adapt more quickly and efficiently to changes in trends or demands for model changes if it did not keep any more inventory in store than was immediately needed.

SIX SIGMA :

Six Sigma is a quality management methodology used to help businesses improve current processes, products or services by discovering and eliminating defects. The goal is to streamline quality control in manufacturing or business processes so there is little to no variance throughout.

Six Sigma was trademarked by Motorola in 1993, but it references the Greek letter sigma, which is a statistical symbol that represents a standard deviation. Motorola used the term because a Six Sigma process is expected to be defect-free 99.99966 percent of the time — allowing for 3.4 defective features for every million opportunities. Motorola initially set this goal for its own manufacturing operations, but it quickly became a buzzword and widely adopted standard.

Six Sigma is specifically designed to help large organizations with quality management. Six Sigma has been popular with large organizations ever since.

Six Sigma principles

The goal in any Six Sigma project is to identify and eliminate any defects that are causing variations in quality by defining a sequence of steps around a certain target. The most common examples you'll find use the targets "smaller is better, larger is better or nominal is best."

- Smaller is Better creates an "upper specification limit," such as having a target of zero for defects or rejected parts.
- Larger is Better involves a "lower specification limit," such as test scores — where the target is 100 percent.
- Nominal is Best looks at the middle ground — a customer service rep needs to spend enough time on the phone to troubleshoot a problem, but not so long that they lose productivity.

The process aims to bring data and statistics into the mesh to help objectively identify errors and defects that will impact quality. It's designed to fit a variety of business goals, allowing organizations to define objectives around specific industry needs.

Six Sigma methodologies

In practice, Six Sigma follows one of two sub-methodologies: DMAIC and DMADV:

Six Sigma DMAIC

The Six Sigma DMAIC project methodology includes five phases, each represented as a letter in the DMAIC acronym. These include:

- *Define* the problem, the customer, the project requirements and the ultimate goals and expectations of the customer.
- *Measure* performance of the current process by establishing a data collection plan to determine defects and gather metrics.
- *Analyze* the process to establish root cause of variations and defects to identify issues with the current strategy that stand in the way of the end goal.
- *Improve* the process by eliminating the root causes of defects through innovative solutions.
- *Control* the new process to avoid falling into old habits and to ensure it stays on track.

Six Sigma DMADV:

The Six Sigma DMADV, also known as the Design For Six Sigma (DFSS), includes five stages:

- *Define* realistic goals that suit the customer's requirements or the business strategy.
- *Measure* and identify the customer's critical to quality (CTQ) requirements and translate them into clear project goals.

- *Analyze* multiple options and alternatives for the customer along with the estimated total life cycle of the project.
- *Design* the process at a high level before moving onto a more detailed version that will become the prototype to identify errors and make modifications.
- *Verify* that the final iteration of the product or process is approved by all customers and clients — whether internal or external.

DMAIC vs. DMADV

The DMAIC and DMADV methodologies seem similar, but they have different use cases. The DMAIC methodology is designed for existing process or products that aren't meeting customers' needs or performing to standards. When a business needs to develop a product or process that doesn't already exist or when a product has been optimized but still falls short, that's when you want to use DMADV.

Six Sigma implementation roles

A key concept in Six Sigma is the idea of establishing clear leadership roles and a hierarchy for quality management. The key roles for Six Sigma implementation include:

- Executive leadership: This includes the CEO and other executive management who are charged with developing the vision for Six Sigma implementation. Leaders should also be responsible for encouraging new ideas and supplying the resources to act on innovation.
- Champions: Typically found in upper management, Champions are the people responsible for acting on executive leadership's vision and acting as mentors to black belts.
- Master Black Belts: These workers spend all their time on Six Sigma methodology, either by guiding Black or Green Belts or helping Champions. They're picked out by Champions and are tasked with ensuring consistency in the Six Sigma strategy.
- Black Belts: Working below Master Black Belts, Black Belts are responsible for executing on the Six Sigma strategy and typically act as leaders for specific tasks.
- Green Belts: Guided by Black Belts, Green Belts are new to the Six Sigma methodology and start learning it while maintaining their other job responsibilities.

You may find other belts — like white, yellow and orange. These are adopted by organizations to represent employees with some Six Sigma training, but aren't involved in the overall project.

CAPABILITY MATURITY MODEL (CMM):

The capability maturity model is a framework that describes an improvement path from an ad-hoc, immature process to a mature, disciplined process focused on continuous improvement.

The model's aim is to improve existing software development processes, but it can also be applied to other processes. This capability maturity model can be used to measure the maturity of an organization's human resources management process and to assist its progress from the initial/ad-hoc state toward the optimized state.

The capability maturity model describes a maturity curve on these capability levels:

INITIAL, which describes a poorly aligned function with non-documented strategies, manual management processes, lack of integrated systems and heavy reliance on spreadsheets/manual documents;

REPEATABLE, which describes a loosely aligned function supported by informal policies applied to processes performed by personnel with mixed skill levels;

DEFINED,which describes a strategic management structure in a place with well-defined processes supported by an organized and highly trained team;

MANAGED, which describes a function aligned with the organizational strategic plan and personnel; and

OPTIMIZED, which describes a management process performed at an optimal level with best practices in full use. In this sample, an OPTIMIZED organization has integrated business process that are performed in less than three days and forward-looking internal reports that give insight on operating variances. In this sample, OPTIMIZED organization frequently updates recruiting strategies to ensure continual alignment.

ENTERPRISE RESOURCE PLANNING(ERP):

Enterprise resource planning (ERP) is a process used by companies to manage and integrate the important parts of their businesses. Many ERP software applications are important to companies because they help them implement resource planning by integrating all of the processes needed to run their companies with a single system. An ERP software system can also integrate planning, purchasing inventory, sales, marketing, finance, human resources, and more.

KEY TAKEAWAYS

- ERP software can integrate all of the processes needed to run a company.
- ERP solutions have evolved over the years, and many are now typically web-based applications that users can access remotely.

- Some benefits of ERP include the free flow of communication between business areas, a single source of information, and accurate, real-time data reporting.
- An ERP system can be ineffective if a company doesn't implement it carefully.

ERP delivers a single data base that contains all data for the software moudules, which would include:

- Manufacturing
- Supply chain management
- Finaicials
- Human Resources
- Customer relationship management:
- Data warehouse and various self service interface for customers, suppliers and employees

BUSINESS PROCESS OUTSOURCEING (BPO)

The BPO stands for "Business Process Outsourcing". BPO (Business Process Outsourcing) is a form of outsourcing that focuses on functional areas of a business rather than specific tasks. BPO vendors are engaged for a variety of business processes including accounting, IT, sales, and customer support. BPO is generally leveraged to reduce costs.

BPO is split into two primary sub-categories: 'front-office' BPO and 'back-office' BPO.

Front-office BPO includes public-facing business operations like sales, customer support, and marketing.

Back-office BPO refers to internal functions such as finance, tax planning, and Human Resources (HR).

BPO is also split into categories *based on the location* of the BPO vendor.

Domestic BPO refers to outsourcing partners located within the same country. For example, a San Francisco tech startup might engage a vendor in Dayton Ohio for customer service, bringing down their cost while avoiding the legal complications of looking for lower prices abroad.

Nearshore BPO refers to BPO vendors outside the buyer's country, but within three time zones. This setup is ideal for reducing cost when significant overlap of time zone is still required for communication, for example with a software development vendor working in close partnership with an in-office product team.

Offshore BPO refers to BPO vendors who are located outside the country and with a significant time difference of four or more time zones. This option is often used for processes that have lower time

sensitivity to reduce cost further. For example, it is common for call center support to be run through BPO vendors in low-cost labor markets such as India and the Philippines.

Business process outsourcing is a growing sector

The outsourcing industry has been growing fast since it first appeared as a term in the 1970s. Back then, large manufacturing companies sought to lower the costs of non-essential processes. Today, it's common practice in most industries and new technology and globalization have made outsourcing available to smaller companies as well. Marketline reported that the global revenue for the BPO industry grew by an average of 3.3% between 2013 to 2017.

5 reasons businesses outsource their processes:

There are several reasons companies decide to outsource their processes. For some, it's a strategic decision to gain competitive advantages. For others, it just makes the most sense for a particular function of the business.

1. Decrease costs

BPO started as a way to decrease cost for processes that were non-essential to the business. With globalization and access to emerging economies, companies have been able to get jobs done for less offshore. Vendors in markets with lower labor costs and better tax conditions can offer better prices due to lower costs alone. Add to that the competitive pressures of being a supplier among many for a commodity service, and you have a market that's working at its best to keep prices down.

2. Expand global presence

In the front-end functions especially, outsourcing can help with reaching customers across the globe. Call centers that operate overseas make it easier to support customers in different time zones, and local presence can help larger companies get access to new markets.

Additionally, companies that seek strategic outsourcing partners to drive innovation can tap into business clusters in regions where science has advanced further than anywhere else. Silicon Valley is a good example of where the business infrastructure, ecosystem and talent give access to innovations that may not be available for companies in other parts of the world.

3. Become more flexible

It's a well-known fact that companies tend to stay in their wheel tracks for longer than they should when the winds of change are blowing. Inertia and internal resistance makes strategic changes a slow process. When outsourcing processes on the other hand, it's normally easier to both scale the amount of

resources used, and to adjust the operative direction of how those processes are performed. If the current vendor has the same problems with adjusting to new requirements, there's always the possibility of changing vendors.

4. Enhance speed and efficiency

When outsourcing a process to an outside vendor, it's likely that they have invested time and resources in perfecting the specific services that they offer. With more experience, specialized machines and optimized processes, they should be able to perform tasks faster and more efficiently than in-house teams working in companies where the process would be non-essential to the business.

5. Focus on core competencies

To be competitive in a global market, it's necessary for companies to find and continuously improve on the most essential skills, products and services that they offer. With non-critical processes out of the way and handled by vendors, companies find more room for doing just that–improving on what they can do best.

BUSINESS PROCESS REENGINEERING (BPR):

Business process reengineering (BPR) involves the examination and redesign of business processes and workflows in your organization. A business process is a set of related work activities that are performed by employees to achieve business goals. Basically, a business process is the way we perform our work and business process reengineering is the process of changing the way we do our work so we do it better to accomplish the goals of our business.

Why Engage in Business Process Reengineering

The idea behind business process reengineering is to make your company more flexible, responsive, efficient and effective for all stakeholders, including customers, employees and owners. In order for BPR to work, your business must be willing to make the following changes:

- Change from a management focus to a customer focus - the boss is not the boss, the customer is the boss.
- Empower your workers that are involved in each process to have decision-making and ownership in the process.
- Change your emphasis from managing activities to focusing on results.
- Get away from 'score keeping' and focus on leading and teaching so employees can measure their own results.

- Change the company's orientation from a functional orientation to a process or cross-functional orientation. This allows for an increase in organizational knowledge among its members and a greater degree of flexibility in accomplishing tasks.
- Move from serial operations to concurrent operations. In other words, multitask instead of just doing one thing at a time.
- Get rid of overly complex processes in favor of simple, streamlined processes.

Conclusion:

All above business practices immensely help for speedy development of the business organization.It is noted that MIS gathers data from multiple online systems, analyzes the information, and reports data to aid in management decision-making. The purpose of an MIS is improved decision-making, by providing up-to-date, accurate data on a variety of organizational assets. Six Sigma is a quality management methodology used to help businesses improve current processes, products or services by discovering and eliminating defects. Further it is noted that The Six Sigma process is expected to be defect-free 99.99966 percent of the time — allowing for 3.4 defective features for every million opportunities. Motorola initially set this goal for its own manufacturing operations, but it quickly became a buzzword and widely adopted standard. The capability maturity model is a framework that describes an improvement path from an ad-hoc, immature process to a mature, disciplined process focused on continuous improvement. The model's aim is to improve existing software development processes, This capability maturity model can be used to measure the maturity of an organization's human resources management process .Enterprise resource planning (ERP) is a process used by companies to manage and integrate the important parts of their businesses.

Finally it is noted that BPO is a form of outsourcing that focuses on functional areas of a business rather than specific tasks. BPO vendors are engaged for a variety of business processes including accounting, IT, sales, and customer support. BPO is generally leveraged to reduce costs. Business process reengineering (BPR) involves the examination and redesign of business processes and workflows in your organization. The idea behind business process reengineering is to make your company more flexible, responsive, efficient and effective for all stakeholders, including customers, employees and owners. Get rid of overly complex processes in favor of simple, streamlined processes.

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