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Dr. R.K. Tandon

INTRODUCTION

The theme of the Fifth edition of Trinity Management Review is "Creative Management Approaches". The current issue stresses on the importance of Creativity in management.

The first article in the journal is about 'Emerging Role of Banks in E-Commerce'. The article speaks about the advent of networks, widely known as the Internet, which vastly influenced the way communication take place across the globe.

Another article in the TMR is Value Engineering. This article talks of value engineering in today's economic world where there is a lot of competition.

One of the crucial articles is on Impact of Attribution Style on Employees Creativity. It explains the need to be creative to have an edge over its competitors and meet the requirement of the customers effectively.

Another article is on Financial Due Diligence. Current definition of due diligence is 'purposeful, systematic, professional, investigation of business opportunity and risk during on-going sale negotiation'.

Another article is Creative Approaches in Management: Green Marketing which explains the concept of marketing as one of the important aspect of every institution- An organization or a society.

Another article in the Journal is Activity-Based Costing (Abc): Accurate Cost Management Methodology which describes Activity based costing is an accounting technique that utilizes cost attachment rather than cost allocation to determine the actual cost of products and services.

The Journal is concluded with the Expert Review by Dr. J.P.Singh (Director,TIPS) who lists his valuable review on the topic of Creativity in the Journal.

The Emerging Role of Banks in E-Commerce

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Abstract

The advent of network of networks, widely known as the Internet, has vastly influenced the way communication take place across the globe. It started a new era of information accumulation and dissemination envisaged the importance of data management for corporate as well as banking entities. In order to compete in the technology age, banks are embracing “e-commerce,” or business conducted on-line over computer networks, as a means of expanding markets, improving customer service and reducing costs. Banks are taking steps to expand the use of networking technology in their business operations. Moreover, banks are beginning to deliver credit and deposit products electronically. **Electronic Commerce**, commonly known as **E-commerce**, is trading in products or services using computer networks, such as the Internet.

Keywords: E-Commerce, Banking, Networking Technology, Financial Intermediation

Introduction

Electronic commerce, commonly known as **e-commerce** or **E Commerce**, is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer ,supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail.

E Commerce businesses

- Online shopping web sites for retail sales direct to consumers
- Providing or participating in online marketplaces, which process third-party business-to-consumer or consumer-to-consumer sales
- Business-to-business buying and selling
- Business-to-business electronic data interchange
- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters)
- Engaging in retail for launching new products and services

In India, the Information Technology Act 2000 governs the basic applicability of e-commerce. It is based upon UNCITRAL Model but is not a comprehensive legislation to deal with e-commerce related activities in India. Further, e-commerce laws and regulations in India are also supplemented by different laws of India as applicable to the field of e-commerce. For instance, e-commerce relating to pharmaceuticals, healthcare, traveling, etc. are governed by different laws though the information technology act, 2000 prescribes some common requirements for all these fields.

Advantages of E-Commerce for Banks. Banks have an important reason to pursue the conduct of business on-line. If they fail to respond to the opportunities posed by the Internet, they could be consigned to a largely secondary role as commerce shifts toward electronics over time. In that event, they would process payments for buyers and sellers engaged in e-commerce (Figure 1, solid lines), but they would have little chance to engage independently with buyers and sellers or to offer their own products in the electronic marketplace. By contrast, if banks do establish a presence on the Internet (Figure 1, dotted lines), they should be in a position both to market traditional banking products more efficiently and to develop and sell new products sought by e-commerce participants.

Banks' Changing Response to E-Commerce. A review of the banking industry's response to on-line commerce suggests that even as recently as five years ago, banks' involvement with the Internet was quite limited. A bank might set up a web site to provide consumers with information about its services. Actual banking transactions, however, still took place at the branch, through the mail, by telephone, or over the automated teller machine (ATM) network.

In the last few years, however, many banks have begun to use the Internet as a supplementary channel for delivering traditional products to consumers and businesses. Some banks are also investigating how they might expand their current service offerings to include some products designed exclusively for e-commerce.[3] In the remainder of this section, we describe both types of initiatives and the benefits they may bring to banks and their customers.

Electronic Delivery of Traditional Banking Products Many banks have established transactional web sites where individuals and businesses can perform many basic banking functions such as checking balances, transferring funds, or applying for credit cards. Small businesses can apply for loans, initiate wire transfers, and take advantage of cash management and payroll services.[4] When limited to such services, these web sites function as another access channel for basic banking services—one that is not all that different from the branch networks or telephone centers maintained by banks except that customers use personal computers and the Internet to communicate with their banks.

Development of E-Commerce Products

Banks are designing and deploying a range of new e-commerce products. If the products described below prove successful, the basic business mix of banking is likely to change. Banks may increasingly function as facilitators of on-line commerce and see a decline in their long-standing role as financial intermediaries.

Establishing Internet Portals. A number of banks are planning to participate in special Internet portals, "supersites" where many sellers will display their product offerings and large numbers of buyers will visit.[5] The transactional web sites offer banks and their customers notable advantages. Customers are attracted by the convenience of this access channel, while banks welcome the cost savings that arise when customers perform the transactions themselves rather than dealing with a bank representative at a teller window or over the phone. A recent estimate suggests that between 6 million and 7 million consumers are banking on-line, with high rates of new users interested in this service.

Verifying Identities. Banks are also planning to offer a product that would protect e-commerce participants against fraud arising from the misrepresentation of identities.[6] Using encryption technology, each bank would certify the identities of its own account holders and serve as the intermediary through which its account holders could verify the identities of account holders at other banks. In this way, both sides of an e-commerce transaction would have some assurance that they were not dealing with an impostor.

Assisting Small-Business Entries into E-Commerce. Another effort being undertaken by some banks involves helping smaller firms set up the infrastructure— interactive web site and payment capabilities—for engaging in e-commerce. In addition, a few banks are offering small businesses electronic procurement services, including the negotiation of volume discounts from vendors (Wilder 1999; Dalton 1999).

Electronic Billing. Electronic bill presentment and collection services are being developed as an enhancement to the existing cash management and remittance processing services offered by banks to large companies that send out substantial volumes of recurring bills. In this effort, banks will combine the e-mail capability of the Internet to send out bills with their own ability to process payments electronically through the interbank payment networks.

Facilitating Business-to-Business E-Commerce. A few of the largest commercial banks have begun to offer firms the technology for electronic business-to-business commerce. These banks are essentially undertaking to automate the entire information flow associated with the procurement and distribution of goods and services among businesses.[8] From the banks' perspective, this service is a natural extension of the automated cash management services they already provide to large corporations.

Issuing Electronic Money and Electronic Checks. Two e-commerce products still in the planning stage are electronic money and electronic checks. As more computers become equipped with "smart card" readers, banks are considering issuing electronic money that could be stored on these cards and spent over the Internet. In addition, a banking technology organization is working with the U.S. Treasury and some banks to test an electronic version of a paper check. The check could be sent over the Internet from a buyer to a seller, electronically endorsed by the seller, and then forwarded on-line to the seller's bank for electronic collection from the buyer's bank.[9]

Integrating the ATM and Internet Networks. Some technology companies and a banking technology group are exploring the feasibility of allowing access to the Internet and to bank web sites from ATMs. If the integration of these two networks can be accomplished, consumers should be able to use ATMs to engage in e-commerce or to conduct their banking in the flexible environment of their bank's web site.[10]

Banks will also have to respond to new competitive pressures created by nonbank firms that function as information aggregators in the electronic marketplace. These firms offer a search service, pricing similar products across a large number of competing institutions and making their findings available on-line. Hence, consumers seeking the most favorable rates on credit cards, deposits, and mortgages can obtain this information quickly over the Internet. Electronic comparison-shopping will reduce the geographic barriers to finding the best terms on banking products, depriving banks of market power in local regions.

In reaction to this development, banks have sought to retain customers by adopting a strategy of bundling products to fit individual preferences. While the information aggregators effectively transform banking products into commodities, making price the paramount consideration, banks are cultivating relationships with their customers and tailoring their services to meet their customers' needs. By persuading customers to purchase a range of financial products, banks bind their customers to them and create an opportunity to offer new services (such as financial planning) at different stages in their customers' life cycles.

However, this bundling approach has an important drawback: the need to gather and monitor data on customers' preferences raises privacy concerns. Potential customers may be reluctant to divulge information that banks could pass on to other business firms.

Conclusion

How are banks responding to the opportunities created by the rise of on-line commerce? Many banks have already put in place a cost-efficient electronic access channel for traditional banking products. In addition, a number of banks are planning to offer new products designed specifically for e-commerce. If these initiatives are widely adopted within the industry, the composition of banks' business activities will change. Indeed, banks may increasingly act as e-commerce facilitators while their long-standing business lines decline in importance. Such a change would probably prompt banks to scale back the size or alter the scope of their branch networks and to devote more resources to the development and maintenance of computer networks and software. The precise role that banks ultimately play in e-commerce, however, will depend in large part on how well they manage the strategic and operational risks associated with doing business in the electronic marketplace.

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Value Engineering

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Abstract

In today's economic world, there is lot of competition and every organization wants to be the best in its industry, reaching out to more customers and satisfying their needs. But how is this possible? How will the organizations compete when they all are producing similar products? Solution is to optimize the process involved in producing the goods/ services. But how to bring this optimization? The answer lies in creativity. Creative management is the need of the hour; it helps in creating differentiation among the organizations. A concept called Value Engineering is a creative approach towards management which helps the organizations to organize their project efficiently. The article discusses about the concept of value engineering.

Keywords: Value Engineering, creativity, quality, analysis, customer, efficiency

Introduction

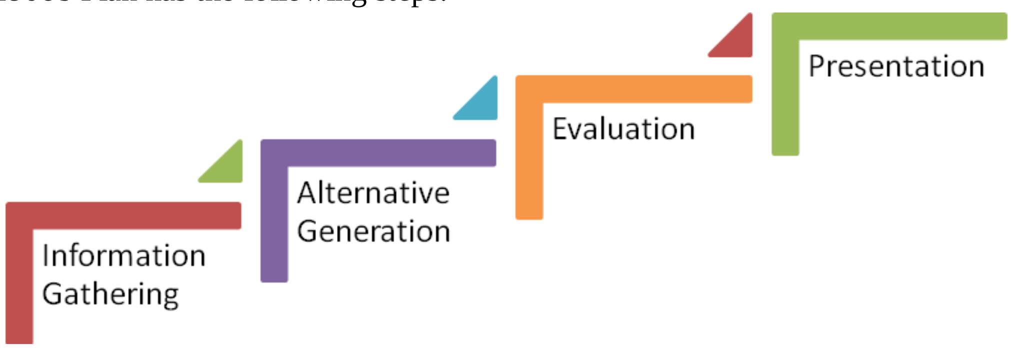
Value Engineering is a creative approach towards management. It is an organized and systematic technique to carry on a project efficiently. Under this approach managers try to substitute resources and procedures with less expensive alternatives, but not at the cost of functionality and cost.In other words, it can also be said to be a method to improve the value of products etc. by taking care of the various function involved in making it. The term 'value' is expressed as having a direct relationship with function and an indirect relation with cost. Thus the value will increase upon increasing the functions, and upon decreasing the costs.
Value Engineering's main focus is towards the functions of various components and materials and not only on their physical attributes, that is, achieving the functions at the lowest cost in an organized way.

Value analysis is synonyms with value engineering and is defined as "Skill which maximizes the value of products, services or processes of an organization". It is also said to be a method to increase the value of the product from customer's view without compromising the quality. But how does, value engineering maintain quality with reduced costs of production? It is very simple; Value Engineering or analysis ceases only those unnecessary costs that don't have any contribution in the formation of good quality of a product, such as- poor designing, poor built ability, improper selection of material. It abandons all the unnecessary costs that are irrelevant to any particular function.

Evolution. Value engineering was initiated at GE (General Electric Co.) during World War-II as an accident and turned out to be a systematic and creative management technique. World War II led to the shortages in production resources such as raw material, labour etc. To overcome these shortages, GE's Lawrence Miles, Jerry Leftow and Harry Erlicher looked for substitutes and observed that these substitutions often reduced either costs, or improved the product, or did both and this led to the evolution of Value analysis or engineering.

Process of Value Engineering. Value analysis is a multi-stage job plan activity. The original system devised by Larry Miles was a 6 step procedure and was called "Value Analysis Job Plan". The basic job plan has been modified depending upon the application and constraints of an organization.

The basic Job Plan has the following steps:



The process starts with finding the requirements for the project. An important technique- Function analysis is also done to determine the different functions that are essential for the project. Questions such as –"What must and what must not we do?', "what should and what should not it do?" are usually answered in this stage.The second stage comprises of finding out alternatives- alternative ways of meeting requirements, how to perform the functions in different ways, what all different resources, materials can be used etc.

In the next stage, evaluation of all the alternatives listed in the previous section. A thorough analysis is done to find out feasibility of each alternative. It is followed by Presentation stage, wherein the best alternative is chosen among the lot and is presented to the client/customer for final decision.

Conclusion

Value Engineering finds its application across different departments and sector. Initially it was related to manufacturing sector, but nowadays it is present across diverse industries, such as- construction, service, government, agriculture, education & healthcare etc.

Value Engineering provides the following benefits to the organizations:

- Reduced operations and maintenance costs
- Improved quality management
- Decreased paperwork
- Increased procedural efficiency
- Improved efficiency of resources
- Elucidated procedures
- Reduction in staff costs
- Efficient construction expenditures
- Value attitudes in staff
- More successful than competitors

Thus we conclude that Value engineering is one of the most important and creative approaches to management which helps the organization to be more efficient and effective in their working. It is a combination of both optimized costs and proficient functions which bring about quality outputs, be it products or services.

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Impact of Attribution Style on Employees Creativity

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Abstract

In today's environment organizations have to creative to have an edge over its competitors and meet the requirement of the customers effectively. Creativity in an organization comes from its employees. If employees try something new and fail in that, they start to question their own ability and feel that there is not much that they can do to secure the desired outcome. This further hampers creativity amongst such employees. This article aims at providing an understanding about employee creative efforts and Attribution style.

Keywords: employee, creativity, attribution

Introduction

Creativity is mean constantly aspiring process of innovation and progress. Creativity and innovation management these days are important keys to any effort how to be success in business world. Forces of creativity in company or in entrepreneurship should be able to provide innovation and contribute to solve problems. The new idea are often accepted as the main activity of creative management and the vision, strategy, goals or ideas are understands like equipment of creativity (Janakova, 2012).

At times people feel that things are not going the way they had expected and ask themselves the question -"Why does everything bad happen to me?" or may tell themselves - "Let's not try this, it is not allowed." Whether the employee asks such question to them or not usually depends on their attribution style. Attribution style as stated by Letegan and Spangerberg (1993) "is a construct used to describe an individual's inclination to attribute events to specific kinds of causes". Fritz Heider (1896–1988), a psychologist, first developed the attribution theory. Attributions are made for both positive and negative events. Attribution has three dimensions (a) Internal/External: when a person believes that the result/outcome is because of their efforts is internal or when outcome was due to outside force is external. (b) Stable/Unstable across time: when a person believes that negative cause will affect their future i.e. it is long-enduring is stable or when it will not affect future is unstable. (c) Global/Specific to its effect: Belief that the cause of the negative event will apply to many areas of person's life is global or only in a specific area is specific.

Someone with an optimistic style tends to see positive events as being internal, stable, and global and negative events as external, unstable and specific. People with a more pessimistic attribution style are the opposite. If something good happens to them they attribute that to external, unstable, and specific factors. Employees attributing failure to internal, stable, and global factors (pessimistic attribution style) see things negatively and always doubt their own capability. If employees try something new and fail in that, they start to question their own ability and feel that there is not much that they can do to secure the desired outcome. This further hampers creativity amongst such employees.

Implications for HR Professionals

This article suggests that employee may be given enough freedom to plan and act on their own as due to lack of autonomy employee self-confidence may come down and thereby discouraging them from taking tasks willingly or taking initiative for doing work differently by adopting more creative ideas. Furthermore organization may adopt a culture of appreciation where employees are more often appreciated for their small successes also. This may be done by declaring employee of the month or making all to clap for employee who performs well etc. (Kankus, Richard, Cavalier and Robert 1995). Manger should become a role model for employees by being a good creative initiator. If manager themselves will resist new ideas this will give a bad impression to the employees of the organization, manager should tell the stories of past success to the employees so that they can get positive feeling of trying new things until ultimate goal is achieved. Appropriate reward system may be formulated and information about the same can be communicated to the employees, so that they know the relation between reward and performance. This will help to increase employee participation in the working of the organization.

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Financial Due Diligence

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Abstract

Current definition of due diligence is ‘purposeful, systematic, professional, investigation of business opportunity and risk during on-going sale negotiation’ (Picot, 2002). If we spread “financial” word in this definition we get a financial due diligence definition of “financially purposeful, systematic and professional, financial investigation of business opportunity and financial risk during on-going sale negotiations”.To achieve this bidder companies forms internally and/or externally sourced due diligence teams to perform financial due diligence.

Keywords: financial due diligence, financial audit, M&A, projections

Introduction

According to Borgese and Borghese (2002), financial due diligence covers ensuring target financial statement accuracy, performing sanity check projections by trend based ratios, understanding tax issues, valuing target, and recommending appropriate financing. And “finance team” must perform following four key activities during the acquisition process: ‘corporate finance, tax strategy, audit, and cash management’ (Borgese and Borghese 2002)

Steps in Financial Due Diligence

Whether it is horizontal or conglomerate, main evaluation of an M&A performance will be financial at the end. This can be listed as profit, or revenue, or share prices of the company for following years. Hence it is important for an M&A to financially make sense. To understand if it financially makes sense, a crude analysis of historic revenue or profit figures may seem enough to make the decision. But in order to achieve the value sought from M&A thorough analysis is needed. This analysis is termed as Financial due diligence.

Financial due diligence process starts with financial audit by ensuring target financial statement accuracy and goes further by standing on them. Financial due diligence will rely on target company’s balance sheet and statement of income. Also at audit step of due diligence the audit procedures and the adequacy of audit procedures or internal auditing of target firm can be monitored and understood too. Understanding the audit procedures can be important for the finance team especially if the acquirer company is not familiar with the target’s industry.

There is a certain asymmetry between the so called seller and purchaser parties of mergers and acquisitions. ‘The buyer tends to lack a wide range of information required in order to determine, for example, an appropriate purchase price, to ascertain synergies, or to minimize risk. The seller party, on the other hand, either has all such information readily at to hand, or has the ability to obtain such information without undue difficulty’ (Picot 2002). The purchaser tries to overcome this obstacle by making financial audit and financial due diligence through the process.

After sound figures have obtained to make projections the procedure continues by running the numbers. “Finance team” will use numbers obtained from financial statements in valuation of the target company and in ratio analysis. Ratio analysis of the target company should be compared with its industry ratios to understand the performance. “A successful competitor’s performance ratios may be used if the industry average data is not available’ (DePamphilis 2003). Analyzing trends in various ratios is important to understand characteristics of the business and to estimate a scope for the business. Ratio analysis helps to pinpoint strengths and weaknesses of the target firm, which may help all over due diligence process. Combining the result of ratio analysis with the strategic goals of the bidder company is important in success of M&A. Finance team should analyse the target company and its industry with profitability, liquidity, activity, and leverage ratios. Ratios should be studied in trends to achieve a sound understanding.

After studying financial statements and financial ratios of the target next step in financial due diligence will be tax before valuation. In order to understand incumbents of M&A before deciding about the value of target tax due diligence has to be applied.

‘The tax due diligence exercise primarily concerned with two completely independent tasks: a) Ensuring fiscally optimised acquisition arrangement for purchaser and seller b) Protection of the purchaser against tax-related financial risks arising from the past’ (Picot 2002).

Agreements covering the followings may be necessary to include in the contract of sale: Who is responsible for the business related tax amounts? Who is responsible for unexpected tax payments or refunds? Who bears liability for additional tax payments arising from constructive dividends/ disguised profit distribution/ previously non-deductible dividends? (Picot 2002)

Apart from tax, unrecorded liabilities have to be specified before valuation. Such as ‘pension liabilities, employment benefits, customer allowances/discounts, and product and service warranties.’ (Borgese and Borghese 2001)

Consolidating above variables; cash flow projections, asset and liability values, tax liabilities, and unrecorded liabilities finance team will have a sound base to make valuation calculations. Valuation can be done in various ways:

‘Enterprise (free cash flow to the firm) and equity (free cash flow to equity investor) discounted cash – flow methods’-- The projection of cash flow has to be considered with other teams such as marketing to make a sound valuation. While the historic data might shed some light, there are so many variables determining future prospects. Future prospects are important to decide about the growth rate of cash flows. It can be zero, constant, or volatile with respect to market structure. (DePamphilis 2003)

Market-based valuation methods can be applicable if the target company is open to public and bears the assumption the market has fairly priced the company and/or the others in the industry. (DePamphilis 2003) Asset-oriented and replacement cost methods: Much more reliable after financial audit. But cannot be applicable in every situation as the value lies on the future prospects of the target much more than the current position. (DePamphilis 2003)

Weighted average method is finding an average value for the target by giving a weight to each valuation method. (DePamphilis 2003)

After a value for the target has been attained financing of M&A takes place. If the acquirer company will give its own share for some or all of the target company, valuing the bidder is next step. Afterwards, if payment occurs, the bidder company has to uncover its own strengths and weaknesses through internal auditing and ratio analysis too.

Conclusion

Financial due diligence process will therefore start with financial audit, which supplies sound data to be dealt along the financial due diligence process, and ends with suitable financing of merger and acquisition activity. Financial due diligence should aim the maximum reliability with optimal solutions for both parties of merger in order to help to achieve the value sought in M&A. Financial due diligence is a part of whole due diligence process and finance team always have to be interactive with other team to form right projections and assess trends in company history, which shed light future prospects of the deal.

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Creative Approaches in Management: Green Marketing

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Abstract

This article explains the concept of marketing as one of the important aspect of every institution- An organization or a society. There are various approaches in Marketing, however, nowadays, every marketer is realizing the importance of environment and the urgency to keep it safe and preserve it for the future. Due to this they have come up with a concept which is gaining popularity these days is Green Marketing. It is all about marketing the products that are environmentally safe and does not harm the environment in any sense. The concept of Green Marketing is made up of the Traditional Marketing-Mix which includes the 4P's –Product, Price, Promotion and Place and additional 3P's- Public, Partnerships and Policy. After realizing its importance, various Companies too have started marketing Green products in order to satisfy the customers and at the same time preserve the environment.

Key Words: Marketing, Green Marketing, Environment, 4P's, 3P's, Customer satisfaction, Sustainable development.

Introduction

Marketing is one of the important fields in management which contributes a lot to the success of the organization. Marketing is defined as the selling goods and services to the customers to satisfy their needs and wants. There are various initiatives in marketing; however the one which is gaining popularity these days is Green Marketing.

Nowadays, the companies are becoming more environmentally aware and realizing the importance of environment for future endeavors which has led to the onset of the concept Green Marketing.

Thus, Green marketing is the marketing of products that are environmentally preferable to others and safe for them.

Green Marketing activities-

- Product Modification.
- Changes in the production process.
- Sustainable packaging.
- Modified advertising.

The integral aspects of the new marketing approaches include- Green, environmental and eco-marketing which not only give a different view for the present marketing initiatives, but also focus on sustainability as one of the significant element of marketing.

The Marketing-mix of Green marketing comprises of the four ‘Ps’ which enables to satisfy the customers in totality-

- Product: A product is defined as the bundle of utilities which aims to provide satisfaction to the customers by fulfilling their needs and wants. The producer should offer such a kind of a product to the customer which is ecologically safe and does not damage or harm the environment and aims to cater the requirements of the customers.
- Price: Price is defined as the value of the product, the prices of such ecologically safe products is quite higher; however they provide a lot more added benefits to the customers. Even the customers are willing to pay higher prices for them.
- Place: The product should be placed nearby to the customer’s location so that it is easier for them to have an access to it. The main focus is on ecological packaging so that once the product is disposed off; it does not harm the environment.
- Promotion: The green product should be well promoted or encouraged in front of the customers so as to make them aware of the green products and green initiatives by the company.The expenditures by the company on environmental protection should also be advertised so as to make the customers aware of it.

Additional "P's" that are used in this process are:

- Publics: "Public" is the external and internal groups involved in the program. External publics include the target audience, secondary audiences, policymakers etc, while the internal publics are those who are involved in some way with either approval or implementation of the program.
- Partnership: These green initiatives and promotion of the green products are quite complex issues and thus require the marketer to get associated with some community or groups so as to promote it successfully in front of the customers.
- Policy: A company supporting the green products and green initiatives need to make sure that its policy too should include green initiatives so as to make its employees too environmentally aware.

Green Marketing and Sustainable Development

Companies practicing CSR and Sustainable development are more into practicing and promoting Green marketing and green initiatives as these companies are more environmentally aware and conscious. Nowadays, most of the organizations are promoting and implementing the sustainable business practices so as to make the customers get attracted to the products they are offering and thereby even reduce their expenses on packaging, transportation and others.

Green marketing is one of the contemporary topics in marketing which is being used creatively by different companies in producing green products which can benefit the environment as well as the customers at large.

Starbucks. It is the largest coffee chain from US and has expanded its operations globally, thus making its presence across national boundaries. Starbucks is whole heartedly supporting and promoting green marketing and green initiatives.

It is a promoter of sustainable coffee-growing practices, pays a premium price to encourage farmers to encourage them to adopt more environmentally-friendly practices. The green initiative by Starbucks “Shared Planet” promotes environmental responsibility among its stores, employees, and customers.

PHILIPS CFL Light Bulbs and LED Bulbs. Initiative by Philips in producing compact fluorescent light (CFL) bulb and LED blubs (Low Emission Diodes) are aimed at conserving energy and even reducing the electricity bills for the customers too.

Products And Services. Now companies are offering more eco-friendly alternatives for their customers. Recycled products for example, are one of the most popular alternatives that can benefit the environment. These benefits include sustainable forestry, clean air, energy efficiency, water conservation, and a healthy office. One example is the E-commerce business and office supply company SHOPLET which offers a web tool that allows you to replace similar items in your shopping cart with greener products.

Companies are making use of waste materials so as to recycle them to satisfy the needs and want of the customers and keep environment safe.

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Activity-Based Costing (ABC): Accurate Cost Management Methodology

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Abstract

Activity based costing is an accounting technique that utilizes cost attachment rather than cost allocation to determine the actual cost of products and services. ABC has the ability to clearly define the critical attributes of today's business processes. The real beauty of ABC model is that its forces organization to adopt a cost management paradigm that focuses and understanding this processes. In this article the main focus is on the adaptation of ABC technique for identifying the key areas which are absorbing too many resources and encourage managers to reallocate funds to more profitable areas. Activity-based costing provides a more direct means of controlling company funds. It also depicts the cost attached at each level activity and thus decides about the true cost.

Keywords: Activity based costing, Cost management, Allocation of funds, Cost pools

Introduction

Activity based costing is a management technique which focuses on Indirect Cost of the Products/services. Activity based system may develop a comprehensive picture about different products or services to show that which product or service is more worthwhile for a business growth. It is a special costing model that manages business costs or expenses by identifying activities used for the production of products or services. It is based on the fact that objects consume activities and activities consume resources. It is this consumption of resources that derives cost. One can use ABC when overhead is high, products are varied, Cost of error is high and competition is high. ABC also makes it easier to understand variable cost behavior and cost of quality for activities and processes. The costs of associated activities are assigned to all products or services in order to ascertain the actual value of the output. This model assigns indirect costs, such as overhead, to products or services so as to better distinguish which products are profitable and which are actually inefficient.

Activity Based Costing

Originally emerging in the 1980s, activity-based costing was an output of an increasingly competitive global market, in which technological improvements in production processes required less manual labor and greater oversight of costs associated with production. While it fell out of fashion in the late 1990s and early years of the 21st century, activity-based costing can be a valuable means of accurately assessing corporate costs and expenses. Activity base costing is an accounting technique that utilizes cost attachment rather than cost allocation to determine the actual cost of product and services. ABC has the ability to clearly define the critical attributes of today's business processes. The real beauty of an ABC model is that it forces Organization to adapt a cost management paradigm that focuses on understanding their processes. Once an organization accepts this Paradigm, they soon recognize that their product or services are produced through cross functional business processes. These processes contain a wide variety of activities that not only define the process, but also more importedly, reflect how effectively the process performs. Activity Based Costing highlights the consumer characteristics in terms of buying behavior and distribution requirements. It depicts the cost at each level of activity and thus decides about the true cost. ABC uses a more logical basis for allocating the costs.

Activity based costing increases the number of cost pools used to accumulate overhead costs. The number of pools depends upon the cost driving activities. Thus, instead of accumulating overheads cost in a single company wise pool or departmental pools, the cost are accumulated by activities. It charges overhead cost to different jobs or products in proportion to the cost driving activities in place of a blanket rate based on direct labor cost or direct hours or machine hours. It improves the traceability of the overhead cost which results in more accurate unit cost data for management. It also helps in identification of cost during activities and their causes not only help in computation of more accurate cost of a product or a job but also eliminate non value added activities. The elimination of non value added activities would drive down the cost of the product. This in fact is an essence of Activity Based Costing.

Methods of Conducting Activity-Based Costing. There are four principal steps involved in the performance of activity-based costing. First and foremost, businesses must compile a master list of activities. While originally this stage had to be conducted from scratch, innovations in technology and experience have allowed today's companies to use digital methods and past precedent to compile lists. Activities can be identified by first considering a business' products or services, and then compiling lists of all the activities necessary to deliver the outcome. Secondly, it is important to determine costs associated with carrying out each of the identified activities. The ABC model requires that costs be allocated to each activity performed. For example, when considering a machinery repair activity, a business would have to consider the cost of paying a maintenance person, as well as any associated hardware costs. Next, corporations utilizing activity-based costing ought to compile a list of all the products or services provided by the business. This stage also entails associating activities with the particular products or services they help develop. This stage permits the business to identify whether resources are being expended wisely. Businesses can examine the total cost of creating a particular product or service and determine whether a profit is being made. These conclusions can then be connected with the revenue generated from customers and sales, in order to create a comprehensive picture of company costs. Finally, businesses ought to identify sources of costs associated with various activities. Commonly referred to as "cost drivers," these sources of expense generally fall into three categories: transaction drivers, duration drivers, and intensity drivers. These drivers identify the chief categories into which activities fall, thereby permitting businesses to determine their most expensive types of tasks. Businesses can then adjust their practices accordingly.

Conclusion

Activity based system may develop a comprehensive picture about different products or services to show that which product or service is more worthwhile for a business growth. ABC is very simple to implement and can provide lots of benefits. Activity-based costing is applicable to a wide range of business needs. It may be used to look at a small portion of production or at the full scope of business operations. With ABC, businesses can respond to inefficiencies. By identifying the key areas which are absorbing too many resources, managers can reallocate funds to more profitable areas. Activity-based costing provides a more direct means of controlling company funds. With ABC, businesses can be managed in a way to know exactly where funds are used and how resources are being utilized. With activity-based costing, businesses can respond quickly and efficiently to demands for greater competition. Companies that do not have internal expertise or capacity to conduct this kind of analysis should consider hiring an outside service provider with expertise in activity-based costing.

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Expert Review

Creative Management Approaches

Dr. J.P.Singh

1. Introduction: There was a time when the concept of creativity was only associated with writers, painters, musicians and similar people in artistic professions. But with the ever increasing necessity of cultivating a unique brand personality, the need for creative thinking has transitioned from the arts into everyday business. In addition, the act of producing a product that distinguishes itself from competitors in a marketplace, where differences are often hard to come by demands, a high degree of creativity both in innovation and marketing is utmost important. As a result, it has now become common place for companies both large as well as small to adopt policies that foster creativity and thereby promote innovation.

2. But what is meant by creativity: Creativity is the mental and social process used to generate ideas, concepts and associations, that leads to the exploration of new ideas. Through in the creative process, employees are tasked with exploring the profitable outcome of an existing or potential endeavor, which typically involves generating and applying alternative options to a company's products, services and procedures through the use of conscious or unconscious insight. This creative insight is the direct result of the diversity of the team specifically, the individuals who possess different attributes and perspectives.

3. How can it be harnessed effectively: It's important to note that innovation is usually not a naturally occurring phenomenon. Like a plant, it requires the proper nutrients to flourish, including effective strategies and frameworks that promote divergent levels of thinking. For example, by supporting an open exchange of ideas among employees at all levels, organizations are able to inspire personnel and maintain innovative workplaces.

Therefore supervisors must manage for the creative process and not attempt to manage the creativity itself, as creativity typically does not occur exclusively in an individual's head but is the result of interaction with a social context where it is codified, interpreted and assimilated into something new. Within this system, incentives are paramount ranging from tangible rewards such as monetary compensation to the intangible, including personal satisfaction and social entrepreneurship.

4. Conclusion: Creativity is not a new venture. Rather it is prevalent since time immemorial. Necessity is the mother of invention. In ancient days human being used to light the wood by hitting stones together. Today we can see a mother using innovative ideas to prepare breakfast, preparing child for school, getting husband's lunch box ready and getting child dropped at School Bus. Two ladies, do the same task in different manner by using their innovative ideas. Two companies operating under same environment and possessing same kind of business have different turnovers. It is due to innovative ideas of mode of operation. At times higher turnover is generated by lesser number of manpower of a company in contrast with more number of manpower by another company, in a similar kind of business. It is the creativity or innovation of management of a company and its manpower differentiates it from other company.

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BCA	120	60	60
BBA (G)	120	60	60
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