

**BUSINESS MANAGEMENT**  
**I B.COM(CA) – 16CCCA3**

**SECTION – (2 Marks)**

**1. Meaning of management.**

Management is the art of getting things done by a group of people with the effective utilisation of available resources.

**2. Definition of management.**

**Louis Allan** “Management is what a manager does”.

**Henry Fayol** “To manage is to forecast and plan, to organize, to compound, to co-ordinate and to control”.

**3. Define management Gilbreth.**

Gilbreth found out 18 basis elements in all work through the analysis of several methods of work. He identified these elements by using flow process charts. He called there elements as “therblings”. There are were

1)Search , 2)Find, 3)Select, 4)Grasp, 5)Position, 6)Assemble, 7)Disassemble, 8)Inspect, 9)Transport loaded, 10)Proportion, 11)Release load, 12)Rest, 13)Wait unavoidable, 14)Avoidable delay, 15)Use, 16)Plan.

**4. What is meant by Planning?**

Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the pre-determined objectives of the organization in future.

**5. Definition - Planning.**

W.H.Newman, “Generally speaking, planning is deciding in advance what is to be done, that is, a plan is a projected course of action”.

**6. What is the meaning of organization?**

Organization is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner.

### **7. Define Organization.**

Chester Bernard,"A system of co-operative activities of two or more persons is called organization.

### **8. Define Departmentation.**

Koontz and O Donnell,"A departmentation is a process of dividing the large monolithic functional organization in to small and flexible administrative units".

### **9. Explain the term Departmentation.**

Departmentation means the process by which similar activities of the business are grouped in to units for the purpose of facilitating smooth administration at all levels.

### **10. Definition - Authority.**

Dr.Peterson defines," The right to command and expect and enforce obedience".

### **11. What is meant by Delegation?**

Delegation is a process which enables a person to assign a work to others and delegate them with adequate authority to do it.

### **12. Discuss Communication.**

Communication is a process through which an information idea or opinion is transferred to more number of persons.

### **13. Definition of communication.**

Newman and Summer, "Communication is an exchange of facts, ideas, opinions or emotions by two or more persons".

### **14. Define leadership.**

Leadership is generally defined as influence, the art of process of influencing people so that they will strive willingly towards the achievement of group goals.

### **15 .Enumerate Leadership.**

Success of a business concern is dependent upon the ability of its leadership. Whenever and in whatever situation if someone tries to influence the behaviour of another individual or a group there is leadership.

### **16. Explain Motivation.**

The success of any organization depends upon the behaviour and interest of the employees. Before guiding or directing the employees, the reasons for such behaviour should be identified. The management can strategically motivate the employees based on such reasons.

### **17. Define Motivation.**

Beach defines, "Motivation as a willingness to expend energy to achieve a goal or a reward.

### **18. Explain Staffing.**

Staffing function comprises the activity of selection and placement of competent personal.

Staffing includes selection of right persons, training to those needs persons promotion of best person, retirement of old person etc. The success of any enterprise depends upon the successful performance of staffing function.

### **19. Explain Directing.**

The actual performance of a work starts with functions of direction, planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organisation objective.

### **20. Explain Co-ordinating.**

All the activities are divided groupwise or selection wise and an organizing function. Now, such group activities are co-ordinated towards the accomplishment of objectives of an organization.

### **21. What is the meaning of Organizing?**

Organising the human and physical resources of the business. This is done by assigning specific responsibilities to different people.

### **22. Explain Decision Making:**

Every employ of an organisaion have to take a number of decision everyday. Decision making helps in the smooth functioning of an organization.

**SECTION -B (5 Marks)**

**1) Explain the nature and scope of Management.**

- a. It is a Multi Disciplinary.
- b. It is Dynamic Nature of Principles.
- c. It is in Relative, Not Absolute Principles.
- d. Management is an Science or Art.
- e. Management as a Profession.
- f. Universality of Management.

**2) Briefly explain the Management is an Science or Art.**

**Management as an art**

It is an art is to achieve the success in a given action. According to George R. Terry, "Art is bringing about of a desired result through application of skill." Thus, art has 5 essential features.

- i. Practical Knowledge
- ii. Personal Skill
- iii. Concrete Result
- iv. Constructive Skill
- v. Improvement through practice

These 5 functions of art also belong to the management. When a manager uses his management skill then he must have practical knowledge for solving managerial problem. A manager also has power to face the problem to find out the result, which is only possible when he/she has constructive skills. To improve the managerial skill, managerial work should be done on regular basis because regularity and practice make the work effective.

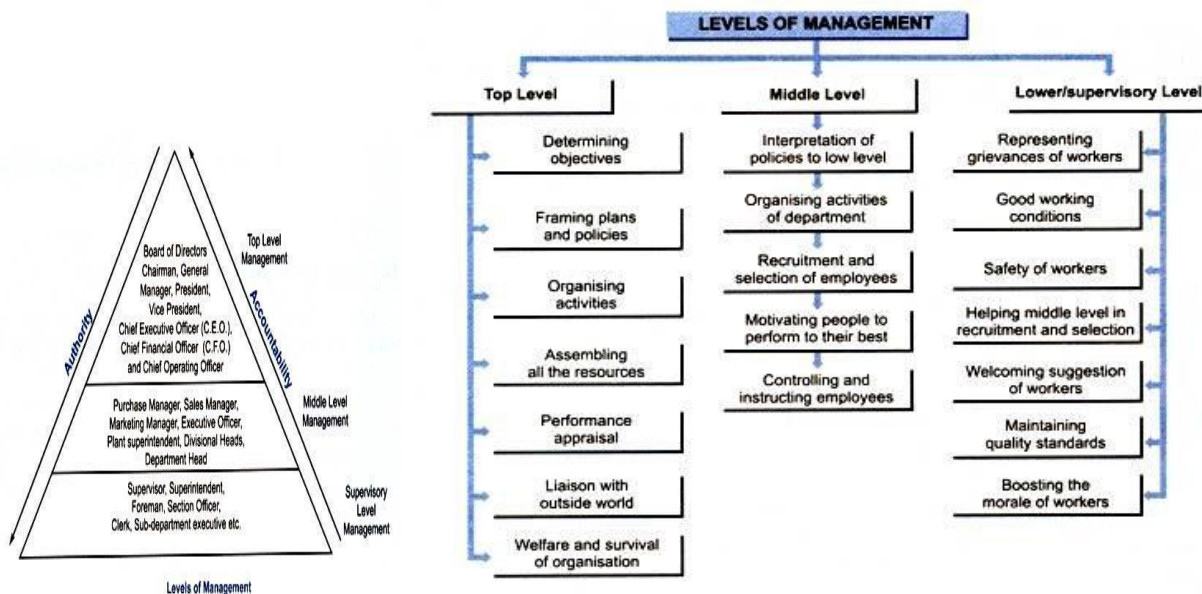
## Management as a Science

Science refers to an organized and systematic body of knowledge acquired by mankind through observation, experimentation and also based on some universal principles, concepts, and theories. Principles of science are developed through testing & observation. With the help of concept of science it can safely be concluded that management is also a science because it is based upon certain principle and concerned as a systematized body of knowledge, observation, test and experiment is a science, however it is not exact as physics, chemistry, biology, etc.

Science may be a described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is Systematized in the sense that relationships between variables and limit have been ascertained and underlying principal discovered. Three important characteristics of science are.

1. It is a systematized body of knowledge and uses scientific methods for Observation;
2. Its principles are evolved on the basis of continued observation and experiment; and
3. Its principles are exact and have universal applicability without any limitations.

### 3) What are the Levels of Management?



**I) Top Level:**

Top level management consists of Chairman, Board of Directors, Managing Director, General Manager, President, Vice President, Chief Executive Officer (C.E.O.), Chief Financial Officer (C.F.O.) and Chief Operating Officer etc. It includes group of crucial persons essential for leading and directing the efforts of other people. The managers working at this level have maximum authority.

**II) Middle Level :**

This level of management consists of departmental heads such as purchase department head, sales department head, finance manager, marketing manager, executive officer, plant superintendent, etc. People of this group are responsible for executing the plans and policies made by top level. They act as a linking pin between top and lower level management. They also exercise the functions of top level for their department as they make plans and policies for their department, organise and collect the resources etc.

**III) Supervisory Level / Operational Level:**

This level consists of supervisors, superintendent, foreman, sub-department executives; clerk, etc. Managers of this group actually carry on the work or perform the activities according to the plans of top and middle level management. Their authority is limited. The quality and quantity of output depends upon the efficiency of this level of managers. They pass on the instruction to workers and report to the middle level management. They are also responsible for maintaining discipline among the workers.

**4) What are the Features of Planning?**

1. Planning is looking in to the future
2. It involves predetermined lines of action
3. Planning is a continuous process
4. Planning integrates various activities of an organization
5. Planning is done for a specific period
6. It discovers the best alternatives out of available alternatives

7. Planning is a mental activity
8. Planning is required at all levels of Management
9. It is the primary functions of Management]
10. Growth and prosperity of any organization is depends upon planning

**5) Discuss the Objectives of Planning:**

1. To reduces uncertainty
2. To bring co-operation and co-ordination in the organisation
3. To bring economy in operations
4. Helps to anticipate unpredictable contingencies
5. To achieve the pre determined goals
6. To reduce competition.

**6) Bring out the Advantages of Planning;**

Planning helps the organization to achieve its objectives easily. Some of the advantages of planning are given below:

1. It helps the better utilization of resources
2. It helps in achieving the objectives
3. It helps in achieving economy in operations
4. It minimizes future uncertainties
5. It improves competitive strength
6. It helps effective control
7. It helps to give motivation to the employees
8. It develop rationality among management executives
9. It reduces red tapism
10. It encourages innovative thought
11. It improves the ability to cope with changes.
12. It create forward looking attitude in Management
13. It helps in delegation of authority
14. It provide basis for control

## 7) Discuss the Types of Delegation.

1. **General delegation:** It means granting authority to the subordinate to perform various managerial functions and exercise control over them.

2. **Specific delegation:** Here, orders or instructions are delegated to a particular person specifically.

3. **Written delegation:** When authority is delegated in written words it is known as written delegation.

4. **Unwritten delegation:** If authority is delegated on the basis of custom or usage etc, it is known as unwritten delegation.

5. **Formal delegation:** If duties and authority are shown in the organizational structure of the enterprise, then it is called formal delegation.

6. **Informal delegation:** If a person exercising authority without getting it from the top management in order to perform his assigned duties, it is a case of informal delegation.

7. **Downward delegation:** It is a case where the superior delegate duties and authority to his immediate sub ordinate.

8. **Sideward delegation:** A person delegate authority to another person who is also in the same rank as he is in the organization.

## 8) What are the Characteristics of Organizing?





- **Division of Labour:** Work is assigned to the employee who is specialised in that work.
- **Coordination:** Different members of the organization are given different tasks to perform when all the tasks are put together logically and sequentially, it results in the objectives, so coordination is required.
- **Objectives:** Objectives need to be specifically defined.
- **Authority-Responsibility Structure:** For an effective authority responsibility structure, the position of each manager and executive is specified, as per the degree of the authority and responsibility assigned to them, while performing the duties.
- **Communication:** The techniques, flow and importance of communication must be known to all the members.

### 9) What are the factors affecting the Span of Control?

1. **Nature of work:** If the works are repetitive in nature, the supervisor can control a large number of subordinates and vice versa.
2. **Leadership qualities of the supervisor:** If the supervisor has more skill and capacity to control the subordinates, the span of management may be increase and vice- versa.
3. **Capacity of the subordinates:** If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates.
4. **Delegation of authority:** If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased.
5. **Level of supervision:** Depending up on the requirement of supervision needed, the span of control may vary. In other words degree of span of control can be increased at bottom level and decreased at top level.
6. **Fixation of responsibility:** In case the responsibility of subordinate is clearly defined, then the superior can supervise large number of subordinates.
7. **Communication methods:** The methods used for communication is very important. If new and modern techniques are used, then lesser time is required to control and vice-versa.

8. **Using of standards:** If standards are used to detect the errors, then the executives can control more number of subordinates.

### 10) Explain the Process of Organizing:

Organizing is the core function which binds all the activities and resources together in a systematic and logical sequence. It encompasses a number of steps which are pursued to achieve organizational goals. Now, we will discuss those steps in detail:

- a) **Identification and division of work:** Organizing process begins with identifying the work and dividing them as per the plans. Basically, the work is classified into different manageable activities, to avoid redundancy, and sharing of work is encouraged.
- b) **Departmentalization:** After classifying the work into different activities, the activities having a similar nature are grouped together. This process is called as departmentalization which facilitates specialization and forms the basis for creating departments.
- c) **Assignment of the task:** After the formation of departments, employees are placed in different departments under a manager, called as a departmental manager. Thereafter, employees are assigned the jobs as per their skills, qualifications and competencies. For the effectiveness of the performance, the manager must ensure that there is a proper match between the job and the incumbent, i.e. the right person has to be placed at the right job.
- d) **Establishment of organizational hierarchy:** Deployment of work is not all, the employees must be aware of whom they have to report and who can give them orders. Hence, work relationships need to be established clearly, which helps in the creation of a hierarchical structure of the organization.
- e) **Provision of resources to the members:** Arrangement and deployment of resources such as money, materials, supplies, and machine, etc. which are important to carry out day to day operations of the organization.

- f) **Coordination of efforts and scheduling of activities:** The final step to this process is the coordination of efforts and scheduling the activities in a logical and systematic manner so that the common objectives can be achieved effectively.

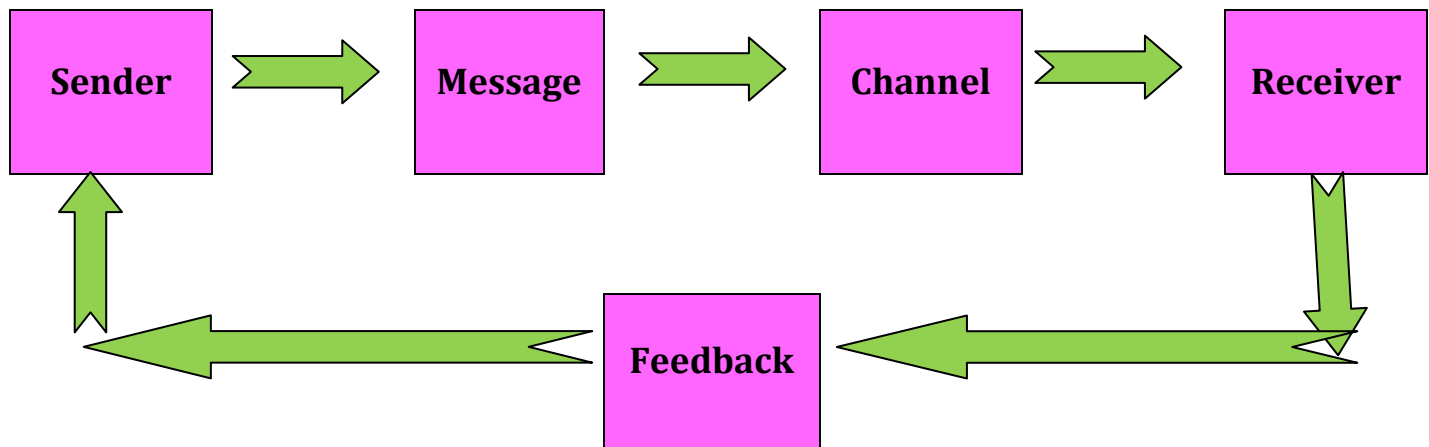
### 11) Describe the Principles of Organisation Charts:

- (i) The top management should faithfully follow the line of authority while dealing with subordinates. Any attempt to buy pass the organization chart will make it meaningless.
- (ii) The chart should define lines of position. The lines of different individuals should be so defined so that there is no overlapping and no two persons should be given the same position.
- (iii) The undue concentration of duty at any point should be avoided.
- (iv) The organization chart should not be influenced by personalities. Balance of organization should be given more importance than the individuals.
- (v) The organization chart should be simple and flexible.

### 12) Bring out the difference between Formal Organisation and Informal Organisation

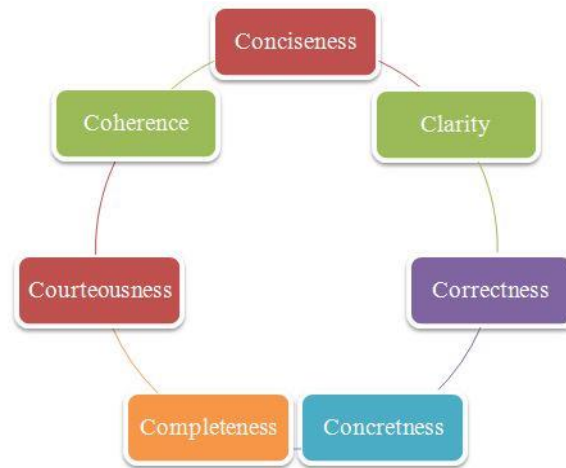
<b>Formal Organisation</b>	<b>Informal Organisation</b>
It is created deliberately	It is spontaneous.
Authority flows from top to bottom	Informal authority flows from top to bottom or horizontally.
It is created for technological purpose	It arises from man's quest for social satisfaction
It is permanent and stable	There is no such permanent nature and stability
It gives importance to terms of authority and function.	It gives importance to people and their relationship.
It arises due to delegation of authority	It arises due to social interaction of people
Duties and responsibilities of workers are given in writing	No such written rules and duties.
Formal organization may grow to maximum size	Informal organisation tends to remain smaller

### 13) What do you understand by Elements of Communication?



- **Source/ Sender:**  
Source or sender is the one who sends the message or information to another person
- **Message:**  
The actual content or information that is being communicated is termed as a message.
- **Medium/ channel:**  
A system or the means to transfer information or message between the sender and receiver.
- **Receiver:**  
As the term indicated, the receiver is the one who receives messages or information transmitted by the sender.
- **Feedback:**  
It is final element for completed for receiving feedback Receiver.

## 14) Describe the Principles of Communication:



### 1. Principle of Conciseness

The principle of Conciseness states that the message should be conveyed in concise form i.e. in the best shortest possible way. By following this principle, individuals and organizations can save time and cost as well. It also helps in a much better understanding of the message by excluding unnecessary and excessive parts of the message. This way, it is more convenient to understand the concise message by the receiver as well.

### 2. Principle of Clarity

While communicating, clarity or clear communication is also an important aspect for individuals and in business communication. It also helps the receiver to easily understand the given message or idea. Due to clarity, there is much appropriate and exact message transmission. Clarity should be there while communicating through verbal words or in writing.

### 3. Principle of Correctness

One can better understand or interpret the more accurate message. The guidelines for correct or accurate communication are covered under the principle of

correctness. If the message is correct then its impact is also great and it also boosts the confidence of the sender. So, the correct use of language is essential in effective communication and it also increases the trust factor between the sender and receiver.

#### **4. Principle of Concreteness**

The clear and particular message is defined as a concrete message. The concreteness principle of communication states that while communicating, the message should be to the point or specific, definite, and clear instead of being general or unclear. Concrete communication includes facts and figures to strengthen the message or idea. As the message is clear and specific, there are minimal or zero chances of misinterpretation of the message.

#### **5. Principle of Completeness**

The next principle of communication states that communication should be complete to be effective. A message is said to be complete when the recipients of the message receive all the necessary information that they want to be informed. It also consists of a call to action i.e. a statement that is specifically meant for getting instant response from the receiver. The facts and figures in messages are also part of it.

#### **6. Principle of Courteousness**

The principle of courteousness states that while communicating, the sender should show respect to the audience or receiver. So, the sender should be polite, enthusiastic, reflective, and sincere. Being courteous is when the sender takes care of own and receiver's feelings. These messages are focused on the audience, positive, and unbiased.

#### **7. Principle of Coherence**

The communication should be coherent i.e. both consistency and logic should be part of the sender's message. Without being logical or coherent, the main purpose or idea behind the message can't be conveyed properly. All terms of the message should be interconnected and relevant to the message being conveyed. Moreover, consistency should be maintained in the communication flow.

## 16) Give some notes Benefits of Motivation:

Motivation is an effective device in the hands of a manager for inspiring the work force and creating confidence in it. By motivating the work force, management can achieve the organizational goals. The various benefits of motivation are

1. A manager directs or guides the workers' actions in the desired direction for accomplishing the goals of the organization by motivating the workers.
2. Workers will try to be efficient as possible by improving upon their skills and knowledge so that they are able to contribute to the progress of the organization.
3. Ability to work and willingness to work are necessary for performing any task. These two things can be created only by motivation.
4. Motivation contributes to good industrial relations in the organization.
5. Motivation is the best remedy for resistance to changes. If the workers of an organization are motivated, they will accept any change whole-heartily for the organizational benefits.
6. Motivation facilitates the maximum utilization of all the factors of production and thereby contributes to higher production.
7. Motivation promotes a sense of belonging among the workers.
8. Motivation leads to lower turnover and absenteeism because a satisfied employee will not leave the organization.

## 17) What are the Significance of Motivation?

- **Increases Productivity:** Motivation as a process leads to an increase in productivity of the employee. Motivation meets the needs of the employee and thereby creates the drive to work at the best of his abilities.
- **Ensures Organisational Efficiency:** Motivation plays an important role in changing the attitudes of the employees in the organisation. Indifferent attitude is extinguished most efficiently by motivation. The presence of such favorable attitude allows the organisation to thrive and be successful.
- **Ensures Loyal Workforce:** A well-motivated workforce is a loyal workforce. Motivated employees have high levels of morale and commitment towards

the organisation and its goals and objectives. Motivation thus reduces employee turnover and reduces the need for constant induction of new employees.

- **Ensures a Reactive Workforce:** Adapting to changing business environments is an important feature of any successful business. In order to react to changes easily and to continue smooth functioning, an organisation requires extensive loyalty and commitment of its employees. This reduces resistance to the changes that the organisation intends to make. This in effect makes the organisation efficient in adapting to changing needs.
- **Facilitates Direction:** Direction is an important managerial function and forms one of its core function. Direction being a process that involves directing or initiating action according to a plan drawn up requires the employees to work wholeheartedly with commitment and loyalty.

## **18) Enumerate the Importance of Communication:**

### **1. Basis of Co-ordination:**

The manager explains to the employees the organizational goals, modes of their achievement and also the interpersonal relationships amongst them. This provides coordination between various employees and also departments. Thus, communications act as a basis for coordination in the organization.

### **2. Fluent Working:**

A manager coordinates the human and physical elements of an organization to run it smoothly and efficiently. This coordination is not possible without proper communication.

### **3. Basis of Decision Making:**

Proper communication provides information to the manager that is useful for decision making. No decisions could be taken in the absence of information. Thus, communication is the basis for taking the right decisions.

### **4. Increases Managerial Efficiency:**

The manager conveys the targets and issues instructions and allocates jobs to the subordinates. All of these aspects involve communication. Thus, communication is



essential for the quick and effective performance of the managers and the entire organization.

### 5. Increases Cooperation and Organizational Peace:

The two-way communication process promotes co-operation and mutual understanding amongst the workers and also between them and the management. This leads to less friction and thus leads to industrial peace in the factory and efficient operations.

### 6. Boosts Morale of the Employees:

Good communication helps the workers to adjust to the physical and social aspect of work. It also improves good human relations in the industry. An efficient system of communication enables the management to motivate, influence and satisfy the subordinates which in turn boosts their morale and keeps them motivated.

### 19) What are the Features of Controlling?

An effective control system has the following features:

It helps in achieving organizational goals.

Facilitates optimum utilization of resources.

It evaluates the accuracy of the standard.

It also sets discipline and order.

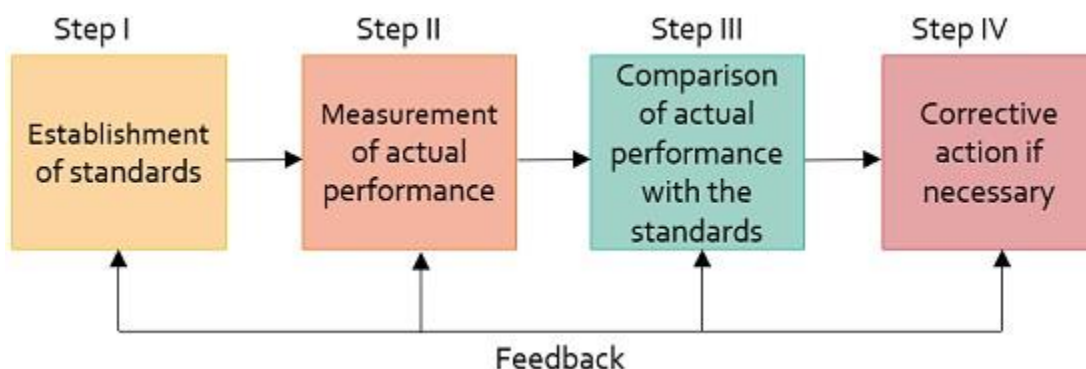
Motivates the employees and boosts employee morale.

Ensures future planning by revising standards.

Improves overall performance of an organization.

It also minimizes errors.

### 20) Enumerate the Process of Controlling:



Control process involves the following steps as shown in the figure:

- **Establishing standards:** This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.
- **Measurement of actual performance:** The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard:** This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions:** It is initiated by the manager who corrects any defects in actual performance. Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause

## 21) What are the Essential Qualities of a successful leader?

The following are the major innate qualities in a successful leader.

1. Physical features like height, weight, health and appearance
2. Intelligence
3. Emotional stability
4. Human relations
5. Empathy
6. Objectivity
7. Motivating skills
8. Technical skills
9. Communicative skills
10. Social skills.

## SECTION – C (10 Marks)

### **1. Explain the Functions Management.**

#### **a. Planning**

The first management function in scope of management functions that managers must perform is planning. Plan is created to accomplish the mission and vision of the business entity. The plan must define the time component and to plan necessary resources to fulfill the plan. Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.

#### **b. Organizing**

Organizing is the second function manager, where he had previously prepared plan, establish an appropriate organizational structure in business organization. In part, it determines the ranges of management, type of organizational structure, authority in the organization, types and ways of delegating and developing lines of communication.

#### **c. Staffing**

Staffing, as the next function of management, consists of a selection of appropriate staff for the organization to reach goals easier and more efficient. Staff is one of the more valuable, if not the most valuable resource in any successful organization. This may require a number of functions like manpower planning, recruitment, selection, training and development, performance appraisal, promotion transfer, etc.

#### **d. Directing**

Direction is an important managerial function through which management initiates actions in the organization. It is a function to be performed at every level of management. Direction is a continuous process and it continues throughout the life of the organization. It initiates at the top level in the organization and follows to the bottom through the hierarchy. It emphasizes that a subordinate is to be directed by his own superior only. Direction has dual objectives.

#### **e. Controlling**

Control is any process that guides activity towards some pre-determined goals. It is an element of management process and is defined as the process of analyzing whether

actions are being taken as planned and taking corrective actions to make these to conform to planning. It is a continuous process and control system is a co-ordinate integrated system.

## **2. What are the principles of Management?**

### **1) Division of work:**

Work should be divided up to that stage where it is optimum and just. This division of work can be applied at all levels of the organization. Fayol has advocated division of work to take the advantages of specialization

### **2) Authority and responsibility:**

Responsibility means the work assigned to any person, and authority means rights that are given to him to perform that work. It is necessary that adequate authority should be given to discharge the responsibility. Authority includes official authority and personal authority.

### **3) Discipline:**

It emphasizes that subordinates should respect their superiors and obeys their orders. On the other hand, superiors' behavior should be such that they make subordinates obedient. Discipline may be of two types; self imposed discipline and command discipline. Self imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognized authority.

### **4) Unity of command:**

Subordinates should receive orders from one superior only. If he receives orders from more than one person, he can satisfy none. The more completely an individual has a reporting relationship to a single superior.

### **5) Unity of Direction:**

Unity of direction is different from Unity of command in the sense that former is concerned with functioning of the organization in respect of its grouping its activities or planning while later is concerned with personnel at all levels in the organization in terms of reporting relationship.

**6) Subordination of individual to general interest:**

Individual interest must be subordinate to general interest when there is a conflict between the two. Superiors should set an example in fairness and goodness.

**7) Remuneration:**

Management should try to give fair wages to the employees and employees should have the satisfaction of being rightly paid. Remuneration must give satisfaction to both the employers and employees.

**8) Centralization:**

Everything which goes to increase the importance of subordinate's role is decentralization and everything which goes to reduce it is centralization. When a single person controls the affairs of an organization, it is said to be complete centralisation. In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organization, control is divided among a number of persons. Thus centralization is more in small concerns and it is less in big concerns.

**9) Scalar Chain:**

This is the chain of superiors from the highest to the lowest ranks. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made. It suggests that each communication going up or coming down must flow through each position in the line of authority.

**10) Order:**

This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. In social order, there should be right man in the right place..

**11) Equity:**

Equity is a combination of justice and kindness. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

### 12) **Stability of Tenure:**

Employees should be selected on the principles of stability of employment. They should be given necessary training so that they become perfect. There should not be frequent termination of employees. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well.

### 13) **Initiative:**

Within the limits of authority and discipline, managers would encourage their employees for taking initiative. It is concerned with thinking out and execution of a plan. It increases zeal and energy on the part of human beings.

### 14) **Esprit de Corps:**

This is the principle of 'Union is strength' and extension of unity of command for establishing team work. Managers should infuse the spirit of team work in their subordinates.

### 3) **Enumerate the Process of Planning:**



**FIGURE 3.1 PLANNING PROCESS**

**Perception of Opportunities:-** It is the beginning of planning process. This Provides an opportunity to set the objectives in real sense. It helps to take the advantage of opportunities and avoid threats. Once the opportunities are perceived, the other steps of planning are undertaken.

**Establishing the objectives:-** This stage deals with the setting of major organisational and unit objectives. The organizational objectives should be specified in all key areas. Once organizational objectives are identified, objectives of lower units can be identified in that context.

**Establishing planning premises:-** It means deciding the condition under which planning activities will be undertaken. Planning premises may be external or internal. The nature of planning premises differs at different levels of planning.

**Identification of alternatives:-** This point says that a particular objectives can be achieved through various actions. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce the number of alternatives.

**Evaluation of alternatives:** - Various alternatives which are considered feasible may be taken for detailed evaluation. It is evaluated on the basis of contribution of each alternative towards the organizational objectives in the light of its resources and constraints.

**Selection of alternatives:** - After the evaluation, the most fit one is selected. At the same time a planner must be ready with alternatives, normally known as contingency plans, which can be implemented in changed situation.

**Developing supporting plans:** - After formulating the basic plan, various plans are devised to support the main plan. These plans are known as derivative plans.

**Establishing sequence of activities:** - After formulating basic and derivative plans, the sequence of activities is determined, so that plans are put in to action.

#### 4) What are the steps of Decision Making Process?

##### Step 1: Identification of the purpose of the decision

First step, the problem is thoroughly analysed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.

- What exactly is the problem?
- Why the problem should be solved?

- Who are the affected parties of the problem?
- Does the problem have a deadline or a specific time-line?

### **Step 2: Information gathering**

A problem of an organization have many stakeholders. There can be dozens of factors involved and affected by the problem. In the process of solving the problem. It will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as 'Check Sheets' can be effectively used.

### **Step 3: Principles for judging the alternatives**

In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organizational goals as well as the corporate culture should be taken into consideration. As an example, profit is one of the main concerns in every decision making process.

### **Step 4: Brainstorm and analyse the different choices**

For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritization of causes.

### **Step 5: Evaluation of alternatives**

Judgement principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgement principles come into play. Need to compare each alternative for their positives and negatives.

### **Step 6: Select the best alternative**

The selection of the best alternative is an informed decision since have already followed a methodology to derive and select the best alternative.



## Step 7: Execute the decision

Convert the decision into a plan or a sequence of activities. Execute the plan by or with the help of subordinates.

## Step 8: Evaluate the results

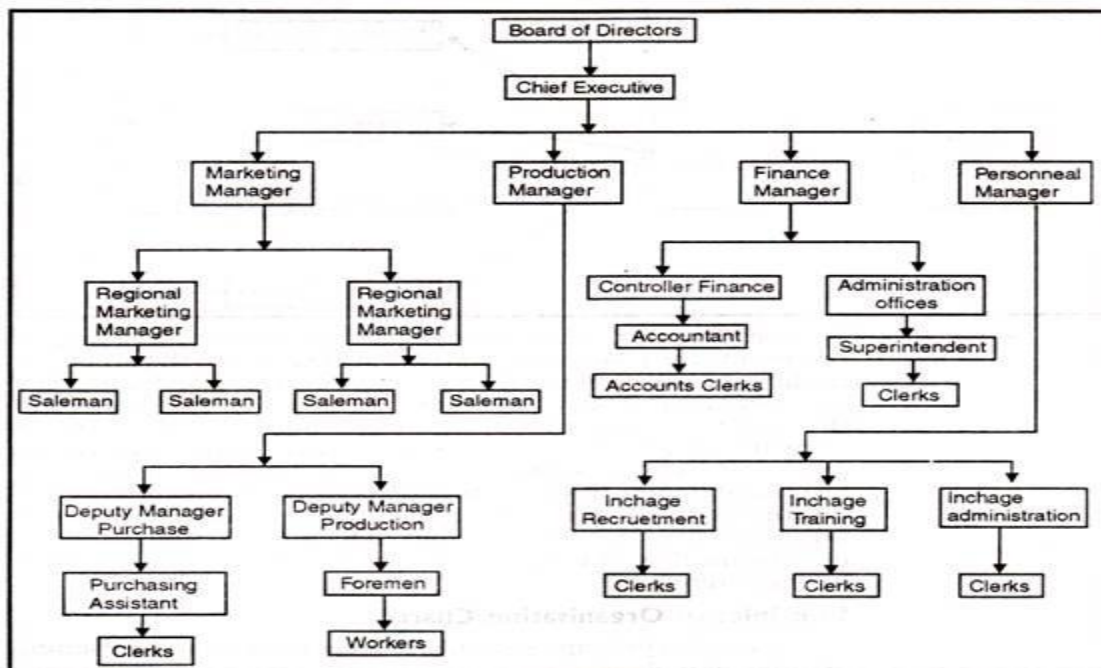
Evaluate the outcome of the decision. Anything learn and then correct in future decision making. This is one of the best practices that will improve decision-making skills.

### 5) Give the brief notes in types of Organizational Charts.

(i) Vertical, (ii) Horizontal and (iii) Circular

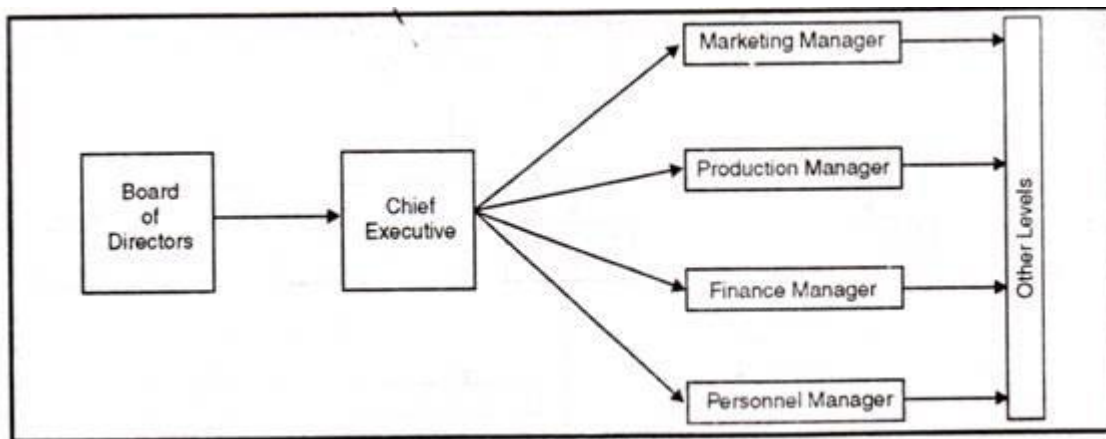
#### (i) Vertical or Top to Bottom:

In this chart major functions are shown at the top and subordinate functions in successive lower positions. In this chart scalar levels run horizontally and functions run vertically. The supreme authority is shown at the top while lowest authority at the bottom. The vertical chart is shown in the following diagram. In this diagram represents the Board of Directors is at the top of the organization. The chief executive controls various functional managers, who in turn have downward staff as the requirement of respective departments.



### (ii) Horizontal or Left to Right:

In this chart highest positions are put on the left side and those with diminishing authority move towards the right. The organizational levels are represented by vertical columns, the flow of authority from higher to lower levels being represented by movement from left to right. In other words it presents scalar levels in a vertical position and functions horizontally. The same levels of authority as shown in vertical chart can be depicted in a left to right chart as follows: In horizontal chart the supreme authority Le. Board of Directors is shown on the left and chief executive and functional managers and other levels move towards right.



### (iii) Circular:

In the circular chart the centre of the circle represents the position of supreme authority and the functions radiate in all directions from the centre. The higher the positions of authority, the nearer they are to the centre and the lesser the positions of authority, more distant they are from the centre. The positions of relative equal importance are located at the same distance from the centre. The lines forming different blocks of functions or positions indicate the channels of formal authority, the same as in other arrangements. The circular chart depicts the actual condition of outward flow of formal authority from the Chief Executive in many directions.

## 6) What are the bases of Departmentation?

### 1. Departmentation by Function:

Activities of a business are grouped into major departments or divisions under an executive who reports to the chief executive. This departmentation is most widely used basis for organising activities and is present in every organisation at some level .

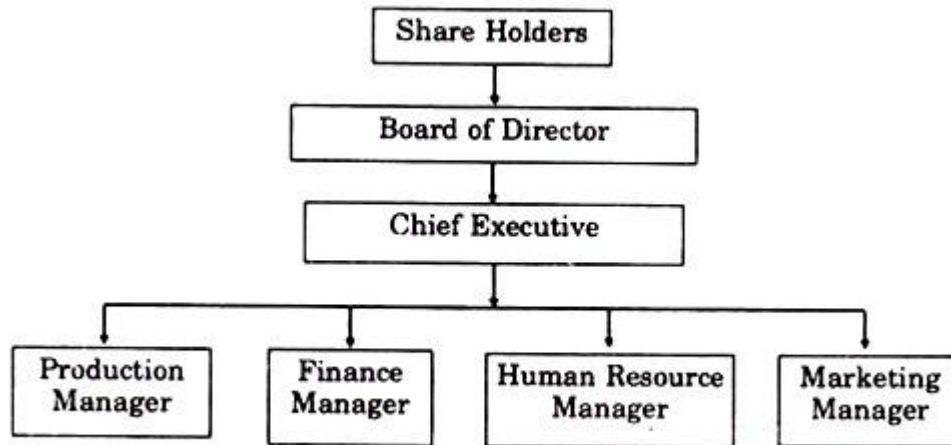


Fig. 6.6. Departmentation by function.

### Merits of Departmentation by Function:

1. It suits well the small enterprises for creating major departments.
2. It promotes specialization.
3. It economizes operations and makes possible the adoption of logical and comprehensible structure.
4. It facilitates inter-departmental co-ordination.
5. It suits well for those organisations which have single product line.

### Demerits of Departmentation by Function:

1. It may lead to excessive centralization.
2. Decision making process is delayed.
3. Poor inter-departmental co-ordination.
4. It is rather difficult to set up specific accountability and profit centres within functional departments so the performance is not accurately measured.
5. It hinders human development in all the areas.

## 2. Departmentation by Product:

In a multiproduct organisation the departmentation by product most suits. Here the activities are grouped on the basis of produce or product lines. All functions related to particular product are brought together under the umbrella of product manager.

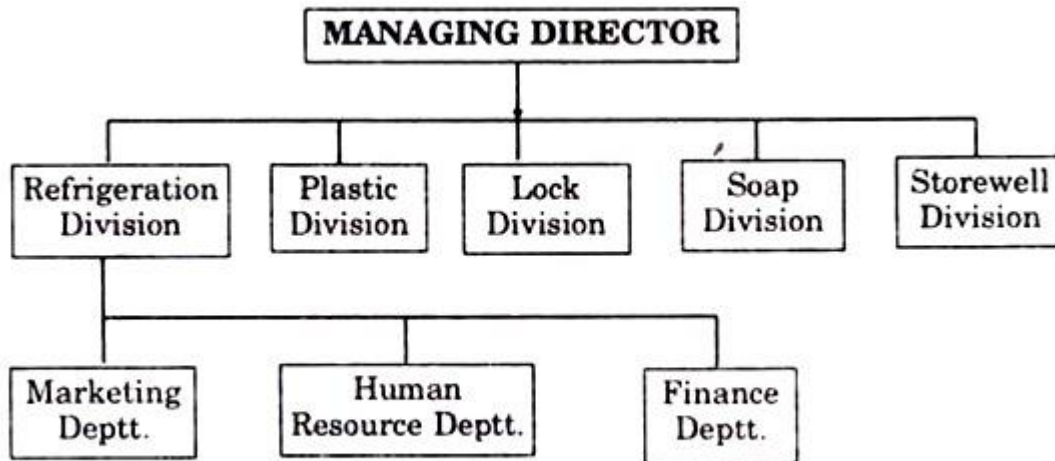


Fig. 6.7. Departmentation or geographic by product.

### Merits of Departmentation by Product:

1. Each product division can be taken as a viable profit centre for accountability purposes. The performance of individual products can be easily accessed to distinguish between profitable and unprofitable products.
2. Marketing strategy becomes more pragmatic.
3. Top management is relieved of operating task responsibility and can concentrate on such centralized activities as finance, research etc.
4. It facilitates decentralization.
5. Attention is given to product lines, which is good for further diversification and expansion.

### Demerits of Departmentation by Product:

- (1) It increases management cost. Service functions are duplicated both at the top and at the operating levels of management.
- (2) High cost of operation prevents the small & medium sized concerns from adopting this basis of classification, particularly for creating major units.
- (3) There are problems at the top of co-ordination.

### 3. Departmentation by Territory:

It is suitable for organisations having wide geographical market such as pharmaceuticals, banking, consumer goods, insurance, railways etc. Here, the market is broken up into sales territories and a responsible executive is put in charge of each territory. The territory may be known as district, division or region..



Fig. 6.8. Territorial or geographic departmentation

#### Merits of Departmentation by Territory:

1. It helps in achieving the benefits of local operations such as local supply of materials & labour, local markets etc.
2. Full attention can be paid to local customer groups.
3. A regional division achieves a better co-ordination and supervision of activities in a particular area.
4. It helps in reducing transportation and distribution costs.
5. It facilitates the expansion of business to different regions.

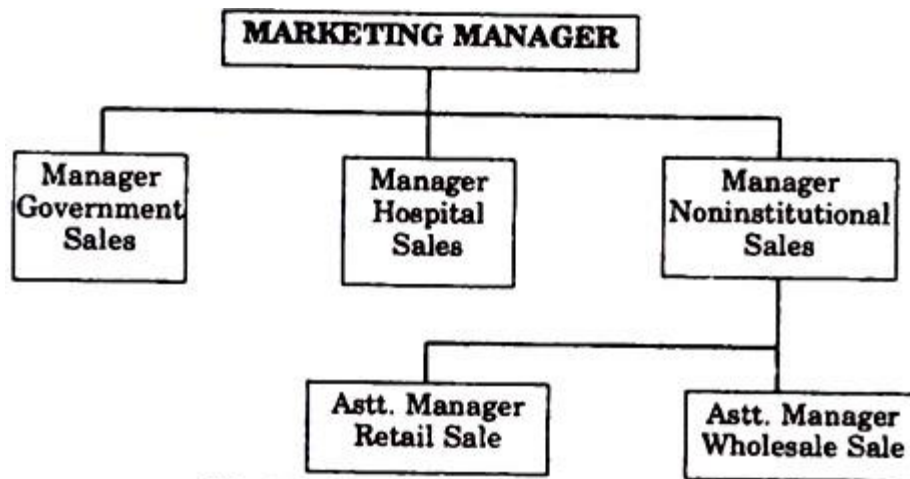
#### Demerits of Departmentation by Territory:

1. It creates the problem of communication and co-ordination between various regional offices.
2. It may be uneconomical due to costly duplication of personnel & physical facilities.
3. It may be difficult to provide efficient centralized services to various departments located in different areas.
4. The problem of top management control becomes difficult.

#### 4. Departmentation by Customers:

This type of classification is adopted by enterprises offering specialized services. To give the attention to heterogeneous groups of buyers in the market, marketing activities are often split into various several parts.

Such groups are suitable to organisations serving several segments like a pharmaceutical company supplying to institutional buyers such as hospitals and government and non-institutional buyers as wholesalers and retail chemists.



**Fig. 6.9. Departmentation by customers**

#### Merits of Departmentation by Customers:

1. The main advantage of following this type of departmentation is that particular needs of the particular- customers can be solved.
2. Benefits of specialization can be obtained.

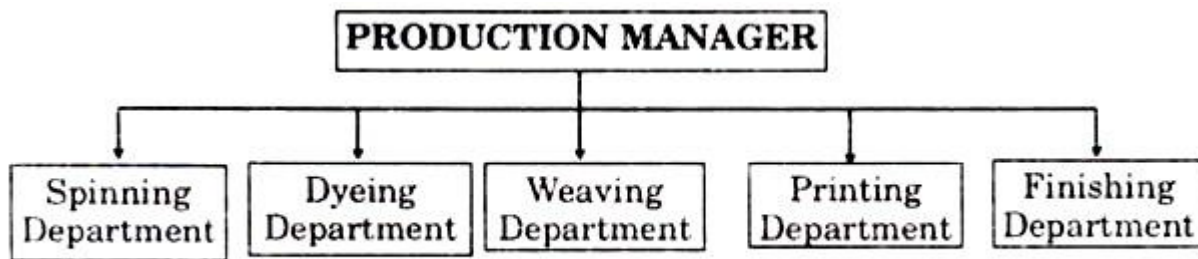
#### Demerits of Departmentation by Customers:

1. There may be duplication and underutilization of facilities and resources.
2. It may be difficult to maintain co-ordination among the different customer departments.

Thus, customers' departmentation is useful for those enterprises which have to cater to the special and varied needs of different classes of customers.

#### 5. Departmentation by Process:

The production function may be further subdivided on the basis of the process of production when the production process has distinct activity groups, they are taken as the basis of departmentation.



**Fig. 6.10. Departmentation by process (Textile mill)**

Process departmentation is suitable when the machines or equipment's used are costly and required special skill for operating. It is useful for organisations which are engaged in the manufacture of products which involves several processes.

**Merits of Departmentation by Process:**

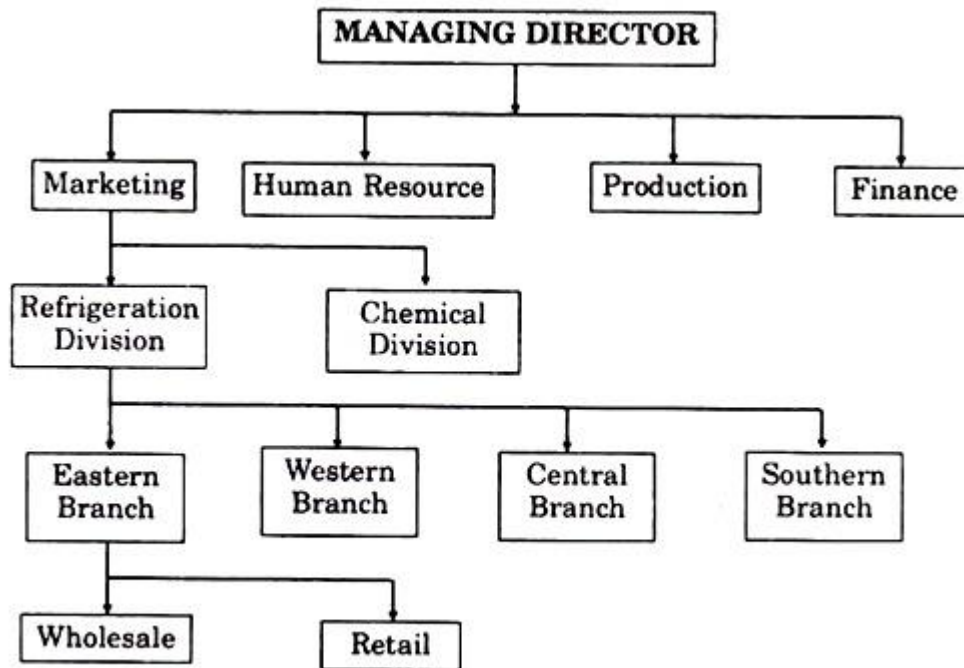
1. It provides economy of operation
2. The benefits of specialization are available.
3. Efficient maintenance of equipment's is possible.
4. It simplifies supervision and plant layout.

**Demerits of Departmentation by Process:**

1. There may be difficulties in coordinating the activities of different departments
2. Due to specialized activity, the employee mobility is reduced.
3. Extreme specialization may reduce flexibility of operations.
4. This type of departmentation may not provide opportunity for the all-round development of managerial talent.
5. Conflicts may arise among managers of different processes, particularly when they lose sight of the overall company goals.

**6. Departmentation-Combined Base:**

First the organisation is divided on the basis of functions. The marketing department is further divided on the basis of product lines i.e., refrigeration and chemical division. The refrigeration division is further divided on the basis of territory and the territory is further divided on the basis of customers i.e., retail and wholesale.



**Fig. 6.11. Mixed Departmentation**

Combined base departmentation is also called as composite departmentation or mixed departmentation. This type of departmentation provide the benefits of both functional and product structures. But the conflicts between different departments and division may increase. It becomes necessary to differentiate clearly between the line authority and functional authority of managers.

## 7) Describe the Types of Communication.

Communication may be of the following types:

### 1. Oral Communication

It takes place in face to face conversation, group discussions, etc. Spoken words are used to direct, instruct, and share experiences.

### 2. Written Communication

Putting in writing includes letters, reports, notes etc. The written words are used to transmit one's expectations, likes and dislikes.

3. **Vertical Communication** Vertical communication is the one that flows both up and down the organization, usually along with formal reporting lines. It consists of two type's namely upward communication & downward Communication.



**a. Upward Communication:**

It consists of messages from subordinates to superiors. The message may be in the form of requests, responses, suggestions, complaints etc.

**b. Downward Communication:**

It occurs when information flows down the hierarchy from superiors to subordinates. The message may be in the form of directions, assignments, performance, feed back etc.

**4. Horizontal Communication**

This communication occurs among colleagues and peers of the same level in an organization.

**5. Grapevine Communication**

In every organization, there is an informal channel of communication called the Grapevine. It is quite natural for a group of people working together to be interested in one another and talk about appointments, promotions, retirements or even domestic affairs. The grapevine is basically a channel of horizontal communication because workers of the same status can informally communicate with one another with perfect ease.

**6. Object Communication**

The most common form of object communication is clothing. Clothes determine one's personality traits. A good example of clothing as object communication is the uniform

**8) Briefly explain the theories of Leadership:**

It can be defined as a leader's behavior towards group members. It refers to the pattern of behavior which a leader adopts in influencing the behavior of his subordinates in the organizational context. Different leadership styles can be categorized as follows.

**1. Autocratic Leadership**

Autocratic leadership is also known as authoritarian, directive, leader centered or monothetic style. Under this style, leader concentrates all authority in himself, instructs a subordinate as to what to do, how to do it, when to do it etc. He also exercises close

supervision and control over his subordinates. There are three categories of autocratic leaders

a. **Strict Autocrat** – A strict autocrat relies on negative influence and gives orders which the subordinates must accept. He may also use his powers to disperse rewards to his group.

b. **Benevolent Autocrat** – The benevolent is affected in getting high productivity in many situations and he can develop effective human relationship. His motivational style is usually positive.

c. **Manipulative Autocrat** – A manipulative autocrat leader is one who makes the subordinates feel that they are participating in decision making process even though he has already taken the decisions.

## **2. Participative Leadership**

This style is also called as democratic, consultative, group centered or ideographic style. A participative leader is one who consults and invites his subordinates to participate in decision making process. Under this style, subordinates are freely allowed to communicate with the leader and also with their fellow subordinates and take their own initiative.

## **3. Laissez Faire or Free-rein Leadership**

This type of leader largely depends upon the group and its members to establish their own goals and make their own decisions. The leader is passive and assumes the role of just another member in the group. Only very little control is exercised over group members. This style is also known permissive style of leadership. This style is suitable to certain situations where the manager can leave a choice to his groups.

## **9) Discuss the Theories of Motivation.**

There are many internal and external variables that affect the motivation to work. Behavioral scientists started to search new facts and techniques for motivation. These are called as motivation theories. The most important theories are

### **1. Mc Gregor's Theory X and Theory Y**

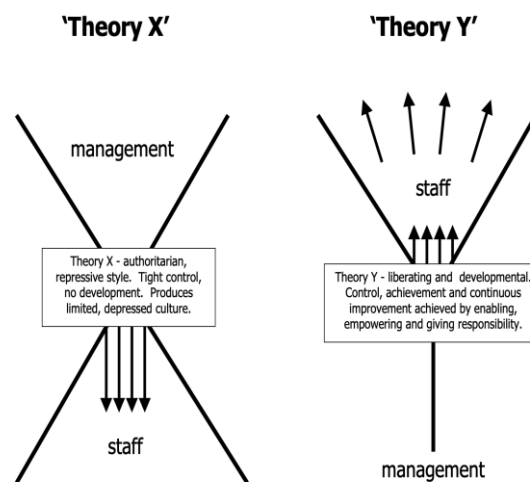
## 2. Herzberg's Two Factor Theory

## 3. Maslow's Need Hierarchy Theory

## 4. Mc Clelland's Achievement Theory

## Mc Gregor's Theory X and Theory Y

The style adopted by a manager in managing his subordinates is basically dependent upon his assumption about human behavior. Theory X is negative, traditional and autocratic style while theory Y is positive, participatory and democratic. Thus these two theories are contrasting set of assumptions about human behavior.



**Theory X** – This is the traditional theory of human behavior which makes the following assumptions

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. He lacks ambition, dislikes responsibility and prefers to be directed.
3. He is inherently self-centered, indifferent to organizational needs.
4. He is by nature resistant to change.
5. Working method of the people is generally traditional and hence there is little scope for the development and research.
6. People would be passive without active intervention by management. Hence they must be persuaded, rewarded, punished and properly directed.

7. He is gullible, not very bright.

**Theory Y** – As a result of many psychological and social researches Mc Gregor developed an opposing theory- theory Y. according to Mc Gregor, Theory Y is based on the following assumptions

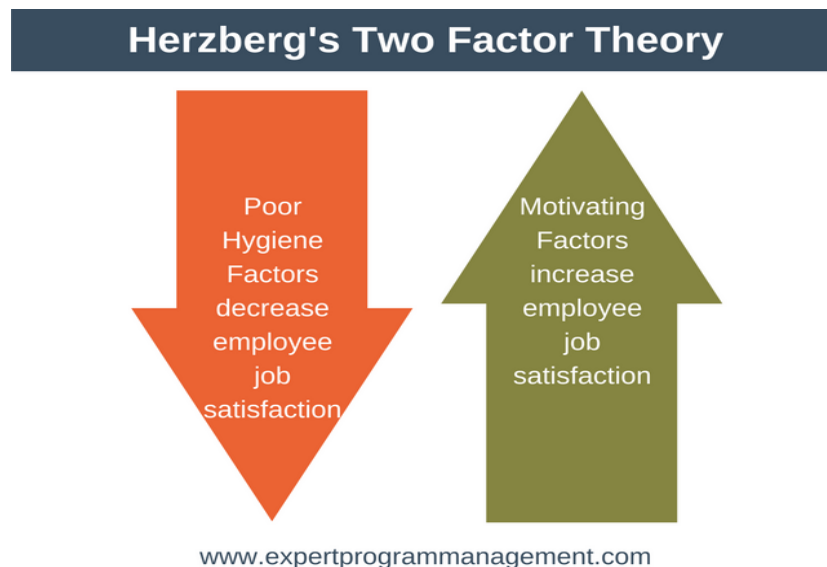
1. Work is natural as play or rest, provided the conditions are favorable. The average human being does not inherently dislike work.
2. External control; and the thrust of punishment are not the only means for bringing about efforts towards organizational objectives. Man will exercise self direction and self control in the service of objectives to which he is controlled.
3. Commitment to objectives is a result of the rewards associated with their achievement.
4. The average humans being, under proper conditions learn not only to accept responsibility but also to seek it.
5. He has capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems in widely, not narrowly distributed in the population.
6. Under conditions of modern industrial life the intellectual potentialities of people are only partially utilized.

<b>Theory X</b>	<b>Theory Y</b>
Theory X assumes human beings inherently <b>dislike work</b> and are dissatisfied with towards work.	Theory Y assumes that work is as natural as play or <b>like work</b>
Theory X emphasizes that people do <b>not have ambition</b> and they shrink responsibility.	Theory Y assumes just reverse. Given proper conditions, people have <b>ambitions and accept</b> responsibility.
Theory X assumes that people in general have little capacity for creativity.	According to Theory Y, the creativity is widely distributed in the population.
According to Theory X, people lack self	In Theory Y people are self directed

motivation and require be externally controlling and closely supervising in order to get maximum output.	and creative and prefer self control.
Theory X emphasizes upon centralization of authority in decision making process	Theory Y emphasizes the decentralization and greater participation in decision making process.

### Herzberg's Two Factor Theory (Motivation – Hygiene Theory)

The motivation – hygiene theory was proposed by Fredrick Herzberg, a well known psychologist, in 1959. According to Herzberg, there are two separate factors that influence motivation. They are (i) hygiene or maintenance factors and (ii) motivational factors.



(i) **Hygiene Factors** – They are also called as dissatisfiers. The presence of these factors will not motivate people in an organization. Otherwise dissatisfaction will arise. Herzberg called these factors as maintenance factors because they are necessary to maintain a reasonable level of satisfaction in the employees. Any increase beyond this level will not provide any satisfaction to the employees; however, any cut below this level will dissatisfy them.

(ii) **Motivation Factors** – These factors are satisfiers. These are a set of job conditions which operate primarily to build strong motivational factors. According to Herzberg, the six

motivational factors motivate the employees are achievement, recognition, advancement, challenging work, possibilities for growth and responsibility.

However, Herzberg model is not applied in all conditions. The classification as maintenance and motivating factors can only be made on the basis of level of persons' need satisfaction and relative strength of various needs.

### **Maslow's Need Hierarchy Theory**

Abraham Harold Maslow, an eminent US psychologist, gave a general theory of motivation known as Need Hierarchy Theory in 1943. According to him, there seems to be a hierarchy into which human needs are arranged. The needs are as follows:



**Fig. 17.2:** Maslow's Need Hierarchy

1. **Physiological Needs** – these needs are related to the survival and maintenance of life. These include hunger, thirst, shelter, sex and other bodily needs.
2. **Safety or Security Needs** – These consist of physical safety against murder, fire accident, security against unemployment etc.
3. **Social or Love Needs** – these needs are also called as affiliation needs. These consist of need for love, affection, belonging or association with family, friends and other social groups.
4. **Esteem or Ego Needs** – The esteem needs are concerned with self respect, self confidence, feeling of personal worth, feeling of being unique and recognition. Satisfaction of these needs produces feeling of self confidence, prestige, power and control.

5. **Self Actualization or Self Fulfillment Needs** – Self actualization is the need to maximize one’s potential, whatever it may be. It is the need to fulfill what a person considers to be his real mission in life. It helps in individual to realize one’s potentialities to the maximum.

### **Mc Clelland’s Achievement or Need Theory**

David C Mc Clelland, a Harvard psychologist, has proposed that there are three major relevant motives, most needs in work place situations. According to him, the motives are



1. The Need for Achievement i.e., strives to succeed.
2. The Need for Affiliation i.e., warm relationship with others.
3. The Need for Power i.e., controls other people.

According to Mc Clelland, every motive is acquired except striving for pleasure and avoiding pain. He proposed that people acquire these needs for achievement, power and affiliation through experiences over the time. On the job, people are motivated by these needs, and the manager can learn to recognize these needs in workers and use them to motivate behavior.

Mc Clelland used the Thematic Apperception Test (TAT) to study human needs. The TAT process involves asking respondents to look at pictures and write stories about what they see in the pictures. The stories are then analyzed to find certain themes that represent various human needs.

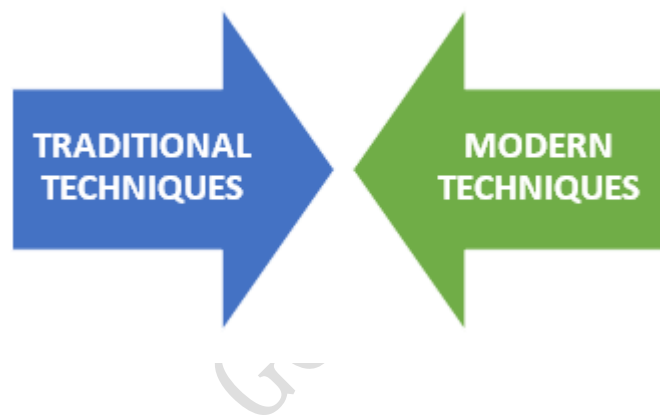
## 10) What are the techniques of Managerial Control?

### Techniques of Managerial Control

Control is a fundamental managerial function. It compares the actual performance and expected organizational standards and goals. There are various techniques of managerial control which can be classified into two broad categories namely-

Traditional techniques

Modern techniques



### Traditional Techniques of Managerial Control

Traditional techniques are those which have been used by the companies for a long time now. These include:

- Personal observation
- Statistical reports
- Break-even analysis
- Budgetary control

#### 1. Personal Observation

This is the most traditional method of control. Personal observation is one of those techniques which enables the manager to collect the information as first-hand information.

It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being observed



personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

## **2. Statistical Reports**

Statistical reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc., present useful information to the managers regarding the performance of the organization in various areas. This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

## **3. Break-even Analysis**

Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position. The sales volume at which there is no profit, no loss is known as the breakeven point. There is no profit or no loss. Breakeven point can be calculated with the help of the following formula:

$$\text{Breakeven point} = \text{Fixed Costs} / \text{Selling price per unit} - \text{variable costs per unit}$$

## **4. Budgetary Control**

Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets & actual results are compared with budgetary standards.

Some of the types of budgets prepared by an organisation are as follows,

- Sales budget: A statement of what an organization expects to sell in terms of quantity as well as value
- Production budget: A statement of what an organization plans to produce in the budgeted period
- Material budget: A statement of estimated quantity & cost of materials required for production
- Cash budget: Anticipated cash inflows & outflows for the budgeted period

- Capital budget: Estimated spending on major long-term assets like a new factory or major equipment
- Research & development budget: Estimated spending for the development or refinement of products & processes

### **Modern Techniques of Managerial Control**

Modern techniques of controlling are those which are of recent origin & are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organization can be controlled. These include:

- Return on investment
- Ratio analysis
- Responsibility accounting
- Management audit
- PERT & CPM

#### **1. Return on Investment**

Return on investment (ROI) can be defined as one of the important and useful techniques. It provides the basics and guides for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. It can be calculated as under-Net income before or after tax may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

#### **2. Ratio Analysis**

The most commonly used ratios used by organizations can be classified into the following categories:

- Liquidity ratios
- Solvency ratios
- Profitability ratios
- Turnover ratios

### **3. Responsibility Accounting**

Responsibility accounting can be defined as a system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as 'Responsibility centers'. The head of the center is responsible for achieving the target set for his center. Responsibility centers may be of the following types:

- Cost center
- Revenue center
- Profit center
- Investment center

### **4. Management Audit**

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency & effectiveness of management & to improve its performance in future periods.

### **5. PERT & CPM**

PERT (programmed evaluation & review technique) & CPM (critical path method) are important network techniques useful in planning & controlling. These techniques, therefore, help in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities.