

# PRINCIPLES OF MANAGEMENT

## UNIT 1

### PART A

#### 1. Define Management. (May 2016/2017)(Nov2017)

“Management is the process of designing and maintaining of an environment in which individuals working together in groups efficiently accomplish selected aims”.

“Management is the art of getting things through and with people in formally organized groups”.  
Ex: Human Resource Management, Financial Management.

#### 2. Is Management - an art or science?

Management is the art of getting things done from people. It has the following features that make it an art.

- Creative
- Individual approach
- Application and dedication
- Initiative and
- Intelligence.

Management also involves a systematic approach towards designing and maintaining an environment in which individuals work together in groups to effectively accomplish selected aims. The following features make it a science.

- Systematic decision making
- Universal management process
- Situational output and
- Universally accepted management.

Thus management can be called both as an art and science.

#### 3. Give some features of Management.

Management is the process of designing and maintaining an environment in which individuals working together in groups effectively accomplish selected aims. The features of Management include:-

- Purposeful and goal oriented
- Dynamic
- Multidisciplinary
- Jobs accomplished by others
- Associated with groups
- Intangible
- Continuous process and
- It is aided but not replaced by computers.

#### 4. What are the essential skills of Managers?

Skill refers to expertness, practical ability, or facility in an action or doing something. The major skills required or expected out of managers are:-

- **Technical skills** – Pertaining to knowledge and proficiency in activities involving methods and procedures;
- **Human skills** – Ability to work effectively with other persons and to build up cooperative group relations to accomplish organizational objectives;
- **Conceptual skills** – Ability to recognize significant elements in a situation; and to understand the

relationship among those elements; and

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- **Design skills** – Ability to solve problems in ways that will benefit the enterprise.

## **5. Define Scientific Management. .(NOV/DEC 2015) (APRIL/MAY2015)**

Scientific management involves specific method of determination of facts through observation. The concept of scientific management was introduced by Frederick Winslow Taylor in the USA in the beginning of 20th century. It was further carried on by Frank and Lillian Gilbreth, Henry Gantt, etc. It was concerned essentially with improving the operational efficiency at the shop floor level.

“Scientific Management is concerned with knowing exactly what you want men to do and then see in that they do it best and cheapest way”.

## **6. Father of Scientific Management (NOV2015).**

Scientific management was introduced by F.W Taylor who is known as the Father of Scientific Management. He adopted scientific methods to increase the productivity and greater efficiency in production.

The principles of Scientific Management are:-

- Separation of planning and working
- Functional foremanship
- Job analyzers
  - Time study
  - Motion study
  - Fatigue study
- Standardization
- Scientific selection of training
- Financial incentives and
- Economy and mental revolution.

## **7. What is the current trend in management.(Nov2016)?**

Traditionally a rule was used in management that laid emphasis on estimation rather than precision. Prior to scientific management, skilled craftsmen who had learned their jobs in lengthy apprenticeships performed work. They made their own decisions about how their job was to be performed. This is known as the ‘Rule of the thumb’. It lays emphasis on estimating a situation’s solution. This rule was replaced by F.W Taylor’s rule of Scientific Management.

## **8. List the contributions of Fayol towards Management.**

Henry Fayol is a French industrialist whose contributions are termed as operational management or administrative management. He followed ‘The Classical Approach’ to the evolution of management thought. His contributions are given as follows:-

- Grouping of activities of an industrial organization into six groups, namely- Technical, commercial, financial, security, accounting and managerial;
- Identified six types of qualities of a manager are- Physical, mental, moral,
- educational, technical and experience;
- Fourteen principles of Management namely- Division of Work, Authority and responsibility and so on; and
- Five elements/functions of management- Planning, organizing, commanding, coordinating and controlling.

## 9. What do you mean by ‘Scalar Chain’?

‘Scalar Chain’ is the number of different levels of authority through which decisions are passed in the organization. It suggests that each communication going up or coming down must flow through each position in the line of authority. The scalar chain of command of reporting relationships from top executive to the ordinary shop operative or driver needs to be sensible, clear and understood. The same levels of hierarchical positioned people in different departments of an Organization communicate with each other by establishing a plank.

## 10. What do you mean by “Organizational culture”?(May2017)

Organizational culture emphasized the need for building and maintaining of harmony among the work force, team work and sound interpersonal relationships which is ‘Esprit de corps’. It is one of the 14 principles of management laid by Fayol. It is a French word that means “Feelings of harmony and union among personnel”. Union is strength is what this phrase directly implies. It emphasizes that all employees should cooperate and coordinate with each other, which is very essential for the organization’s growth.

## 11. What are the various levels of Management?

Management is the process of designing and maintaining an environment in which individuals working together in groups effectively accomplish selected aims. The basic three levels of management are:-

- Top level management (Features: Decision-making, Policy formulation, etc.  
Positions held: Board of Directors, Managing Director, CEOs, COOs, etc.)
- Middle level management (Features: Staffing, Directing, etc.  
Positions held: Finance manager, Marketing manager, Production manager, etc.)
- Low level management (Features: Implementing, Time scheduling, etc.  
Positions held: Supervisors, Foremen, etc.)

## 12. What are the roles/functions played by a Manager?( MAY 2015/NOV 2016)(MAY18)

Role is defined as the pattern of behavior which is defined for different positions. A manager in an organization has different tasks to be accomplished. His functions in an organization are not restricted to one area. He has different contexts of managing which are said to be different roles played by him. Managerial roles depend on the formal authority which is delegated to the manager in an organization. The following are his roles:-

### **INTERPERSONAL ROLES INFORMATIONAL ROLES DECISIONAL ROLES**

- (i) Figurehead (i) Recipient (i) Entrepreneurial
- (ii) Leader (ii) Dissemination (ii) Disturbance handler
- (iii) Liaison (iii) Spokesperson (iii)Resource allocator
- (iv) Negotiator

## 13. What are the functions of management? (May 2016)

“Management is the art of securing maximum results with minimum effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service”.

The functions of Management are:

- Planning – conscious determination of future course of action.
- Organizing – process of dividing work into convenient tasks or duties.
- Staffing – manning of the various positions created by the organization.
- Directing – includes communicating, motivating and leading.
- Controlling – involves comparison of actual results with expected results as set by the planning process.

#### **14. What is the classification of Business organizations?**

A Business organization comes into existence when there are a number of persons in communication and relationship to each other and are willing to contribute towards a common objective. The classification of Business Organizations is:

- \* Sole proprietorship concern
- \* Partnership concern
- \* Joint Stock Companies
  - Private Limited Company
  - Public Limited Company
- \* Co-operative societies
- \* Public and Private Sector Companies.

#### **15. Define 'Sole proprietorship'.**

A Business unit that is owned and controlled by a single individual is known as a sole trading or sole proprietorship concern. He uses his own savings for running the business. The sole trader makes all purchases and sells on his own and maintains all the accounts. He alone enjoys all the profits and bears all the losses. Ex: A Fancy store.

#### **16. What do you mean by a 'Partnership firm'?(May/NOV2017)**

A partnership is an association of two or more persons to carry on business and to share its profit and losses. The relation of a partnership arises from contract. The maximum number of partners is limited to 10 in the case of banking business and 20 in the case of other business.

Ex: Chand & Co.

#### **17. What do you understand by the term 'Joint Stock Company'?**

By a Company we mean an association of many persons who contribute money or money's worth to a common stock and employs it in some trade or business and also shares the profit and loss as the case may be arising there from".

There are two types of Joint stock companies:-

- \* Private Limited company – Ex: M/s Key Media Pvt. Ltd.
- \* Public Limited company – Ex: M/s Pearl Credits Ltd.

#### **18. Who is (i) an active partner (ii) a sleeping partner?**

Any partner who is authorized by others to manage the business is known as active partner.

Any partner who does not express his intention to participate in the business can be called as a sleeping partner. He will be just an investor who has a right to share profits.

#### **19. What is a Co-operative Enterprise?**

A Co-operative enterprise is a voluntary association of persons for mutual benefit and its aims are accomplished through self-help and collective effort. It may be described as a protective device used by the relatively less strong sections of society to safeguard their economic interests in the face of exploitation by producers and sellers working solely for maximizing profits.

Ex: AAVIN Milk Federation Cooperative Society

## **20. What is a Private limited company?**

A Private limited company is a company which has a minimum paid up capital as may be prescribed. It can be incorporated with just two persons. It can have a maximum of 50 members. It cannot go in for a public issue. It restricts the transfer of its shares. It is particularly suitable for industrial ventures which can get many concessions in respect of income tax.

Ex: M/s Key Media Pvt. Ltd.

## **21. What is a Public limited company?**

A Public limited company should have a minimum of 7 members and the maximum limit is unlimited. It can issue shares to the Public. The financial statement should be sent to all the members and to the Registrar of Companies. The shares of a public limited company can be transferred by the members to the others without any restriction by the company. Such transfers are made through organized markets called 'stock markets' or 'stock exchanges'. Ex: M/s Pearl credits Ltd.

## **22. What is a Public sector Enterprise?**

Public enterprise or State enterprise is an undertaking owned and controlled by the local or state or central government. They are financed and managed by the government. They are started with a service motive. Ex: NLC Ltd.

## **23. Difference between Public Corporation and Private limited company.(MAY18)**

A Public corporation is an autonomous body corporate created by a special statute of a state or central government. A public corporation is a separate legal entity created for a specific purpose.

Ex: LIC. A Private limited company is a company which has a minimum paid up capital as may be prescribed. It can be incorporated with just two persons.

## **24. What is social responsibility?**

“By Social Responsibility, we mean the intelligent and objective concern for the welfare of society that restrains individual and corporate behavior from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the latter may be defined”.

## **25. What are Values?**

Values are defined as global beliefs that guide actions and judgments across a variety of situations. Human values are the core of ethical or unethical behavior. Values represent basic convictions that a specific mode of conduct is personally socially preferable to an opposite mode of conduct

## **26. Diferrence between administration and management (Nov 15)**

The behavioral approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach of administration thought generally concerns ways to manage work and organizations more efficiently

## PART B

### 1. Trace The Evolution Of Management With Reference To The Contributions Made By Management Thinkers? (May 2016)(Nov2016)

#### **EVOLUTION OF MANAGEMENT THOUGHT**

The origin of management as a discipline was developed in the late 19th century. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management are based on somewhat different assumptions about human beings and the organizations for which they work. The different approaches of management are

- a) Classical approach
- b) Behavioral approach,
- c) Quantitative approach,
- d) Systems approach,
- e) Contingency approach

Management approaches	Beginning dates	Emphasis
<b>CLASSICAL APPROACH</b>		
Scientific Management	1880s	Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work
Administrative Management	1940s	Gives idea about the primary functions of management and The 14 Principles of Administration
Bureaucratic Management	1920s	Replaces traditional leadership and charismatic leadership with legal leadership
<b>BEHAVIORAL APPROACH</b>		
Human Relations	1930s	workers' attitudes are associated with productivity
Behavioral Science	1950s	Gives idea to understand human behavior in the organization.
<b>QUANTITATIVE APPROACH</b>		
Management Science (Operation research)	1940s	Uses mathematical and statistical approaches to solve management problems.
Production and Operations Management	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services
<b>RECENT DEVELOPEMENTS</b>		
Systems Approach	1950s	Considers the organization as a system that transforms inputs into outputs while in constant interaction with its' environment.

Contingency Approach	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation
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### **Different period of management**

#### 1. Scientific Management:

- (i) Fredrick Taylor.
- (ii) Henry L. Gantt.
- (iii) Frank and Lillian Gilberth.

#### 2. Operational Management

- (i) Henri Fayol.

#### 3. Behavioral Science:

- (i) Munster berg.

#### 4. System Theory.

- (i) Chester Barnard

#### 5. Modern Management /Recent contribution to management thoughts.

- (i) Peter F. Drucker 1974.
- (ii) Edwards.
- (iii) Thomas Peter & Robert Waterman. 1982

### **a) THE CLASSICAL APPROACH:**

The classical approach is the oldest formal approach of management thought. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

### **b) THE BEHAVIORAL APPROACH:**

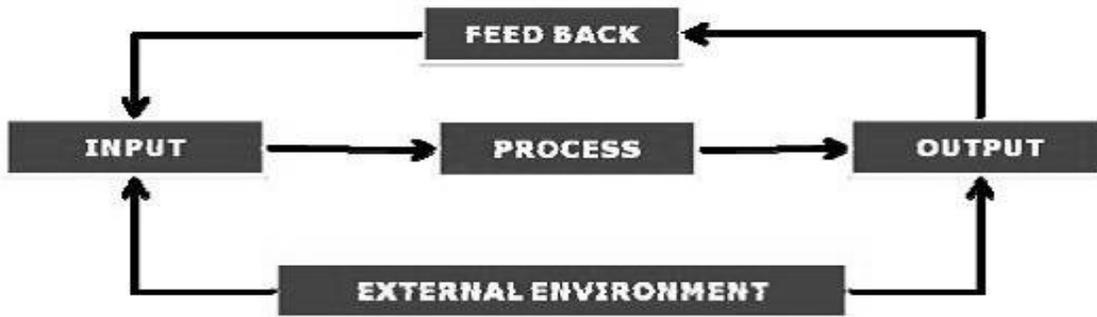
The behavioral approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behavior. Thus, the behavioral approach focused on trying to understand the factors that affect human behavior at work.

### **c) THE QUANTITATIVE APPROACH:**

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

### **d) SYSTEMS APPROACH:**

The simplified block diagram of the systems approach is given below.



e)CONTINGENCY

### APPROACH:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

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## 2. Explain The Contributions Of F.W.Taylor To Management (MAY18)

F.W.Taylor are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

### Taylor's Scientific Management

Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasis the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- (a) Observation
- (b) Measurement
- (c) Experimentation and
- (d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words:

- Science, not rule of thumb
- Harmony, not discord

- Co-operation, not individualism
- Maximum output, in place of restricted output
- The development of each man to his greatest efficiency and prosperity.

**Elements of Scientific Management:** The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. Scientific Task and Rate-setting, work improvement, etc.
2. Planning the Task.
3. Vocational Selection and Training
4. Standardization (of working conditions, material equipment etc.)
5. Specialization
6. Mental Revolution.

**1. Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement.

Work study includes.

(a) **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

(d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

**2. Planning the Task:** Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottlenecks and the work goes on systematically.

**3. Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematised. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

**4. Standardization:** Standardization may be introduced in respect of the following.

(a) **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in

damage to machinery.

(c) **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

(a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.

(b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

(c) **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.

(d) **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.

(e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

(f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.

(g) **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

(h) **The Inspector:** To show to the worker how to do the work.

6. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

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### 3. Explain The Contributions Of Henry Fayol. (APRIL/MAY 2015) (MAY/JUNE 2016)(Nov2017)

#### **Henry Fayol's 14 Principles of Management:**

The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.

2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.

3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies

and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline – preferably voluntary discipline.

4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).

5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.

6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

14. **Esprit de Corps:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

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#### 4. Explain The skills Of managers from lower level to upper level. (May 2015)

The skills Of managers from lower level to upper level:

(One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator. As per his theory these needs are:

##### (i) Physiological needs:

These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.

##### (ii) Security or Safety needs:

These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

##### (iii) Social needs:

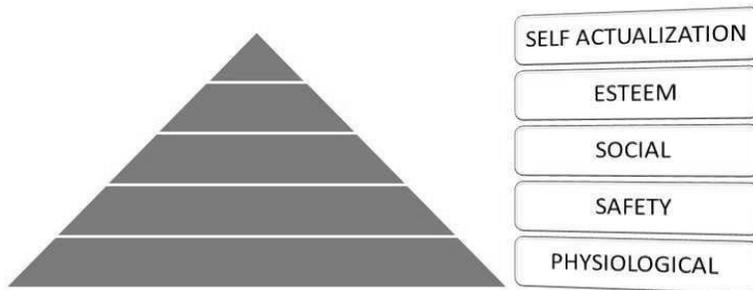
Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

**(iv) Self Esteem needs:**

According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

**(v) Need for self-actualization:**

Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming; it includes growth, achieving one's potential and self-fulfillment. It is to maximize one's potential and to accomplish something.



All of the needs are structured into a hierarchy and only once a lower level of need has been fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. For example a person who is dying of hunger will be motivated to achieve a basic wage in order to buy food before worrying about having a secure job contract or the respect of others.

A business should therefore offer different incentives to workers in order to help them fulfill each need in turn and progress up the hierarchy. Managers should also recognize that workers are not all motivated in the same way and do not all move up the hierarchy at the same pace. They may therefore have to offer a slightly different set of incentives from worker to worker.

**McGregor's Theory X and Theory Y:**

McGregor states that people inside the organization can be managed in two ways. The first is basically negative, which falls under the category X and the other is basically positive, which falls under the category Y. After viewing the way in which the manager dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mold his or her behavior towards subordinates according to these assumptions.

Under the assumptions of theory X :

- Employees inherently do not like work and whenever possible, will attempt to avoid it.
- Because employees dislike work, they have to be forced, coerced or threatened with punishment to achieve goals.
- Employees avoid responsibilities and do not work fill formal directions are issued.
- Most workers place a greater importance on security over all other factors and display little ambition.
- Physical and mental effort at work is as natural as rest or play.
- People do exercise self-control and self-direction and if they are committed to those goals.
- Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.

- That the way the things are organized, the average human being's brainpower is only partly used.

On analysis of the assumptions it can be detected that theory X assumes that lower-order needs dominate individuals and theory Y assumes that higher-order needs dominate individuals. An organization that is run on Theory X lines tends to be authoritarian in nature, the word "authoritarian" suggests such ideas as the "power to enforce obedience" and the "right to command." In contrast Theory Y organizations can be described as "participative", where the aims of the organization and of the individuals in it are integrated; individuals can achieve their own goals best by directing their efforts towards the success of the organization.

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## 5. Outline the various types of business organizations.(NOV/DEC 2016)(May2017)

### Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

#### a) Sole Proprietorships

The vast majority of small business starts out as sole proprietorships . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

#### b) Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, its hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc

#### c) Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes

#### d) Joint Stock Company:

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives.

The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions. There are two main types of joint stock Companies.

- Private limited company.
- Public limited company

(i) **Private limited company:** This type company can be formed by two or more persons. Te maximum number of member ship is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

(ii) **Public Limited Company:** Its is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to genera public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

**e) Public Corporations:**

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

**f) Government Companies:**

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & party by one to more state governments. It is managed b the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed ever year on the table of the parliament or state legislatures along with the comments of the government to concerned department.

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**6. Discuss the merits and demerits of various types of organization**

**VARIOUS TYPES OF ORGANIZATION:**

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business

**1. Sole Proprietorships**

The vast majority of small business starts out as sole proprietorships very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business.

**Merits:**

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner's personal tax return.

- The business is easy to dissolve, if desired.

**Demerits:**

- Unlimited liability and are legally responsible for all debts against the business.
- Their business and personal assets are 100% at risk.
- Has almost been ability to raise investment funds.
- Are limited to using funds from personal savings or consumer loans.
- Have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Employee benefits such as owner's medical insurance premiums are not directly deductible from business income (partially deductible as an adjustment to income).

**b) Partnerships**

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed.

**Merits:**

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

**Demerits:**

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.

**c) Corporations**

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders.

**Merits:**

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

**Demerits:**

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

**d) Joint Stock Company:**

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives.

The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions. There are two main types of joint stock Companies.

- (i) Private limited company.
- (ii) Public limited company

**Merits:**

- The liability being limited the shareholder bear no risk & therefore more as make persons are encouraged to invest capital.
- Because of large numbers of investors, the risk of loss is divided.

- Joint stock companies are not affected by the death or the retirement of the shareholders.

**Disadvantages:**

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

**e) Public Corporations:**

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions.

**Merits:**

- These are expected to provide better working conditions to the employees & supported to be better managed.
- Quick decisions can be possible, because of absence of bureaucratic control.
- More Flexibility as compared to departmental organization.
- Since the management is in the hands of experienced & capable directors & managers, these are managed more efficiently than that of government departments.

**Demerits:**

- Any alteration in the power & Constitution of Corporation requires an amendment in the particular Act, which is difficult & time consuming.
- Public Corporations possess monopoly & in the absence of competition, these are not interested in adopting new techniques & in making improvement in their working.

**f) Government Companies:**

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & partly by one to more state governments. It is managed by the elected board of directors which may include private individuals.

**Merits:**

- It is easy to form.
- The directors of a government company are free to take decisions & are not bound by certain rigid rules & regulations.

**Demerits:**

- Misuse of excessive freedom cannot be ruled out.
- The directors are appointed by the government so they spend more time in pleasing their political masters & top government officials, which results in inefficient management.

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**7. Explain Public sector and Private sector enterprises with reference to Indian companies?**

There are two main types of joint stock Companies.

- Private limited company.
- Public limited company

**Private limited company:** This type company can be formed by two or more persons. The maximum number of membership is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

**Public Limited Company:** Its is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to genera public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

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**8. Discuss the Gilberth experiments in the development of managerial thinking.(May2015)**

**The Contributions of Gilberth Experiments In The Development Of Managerial Thinking.**

**Gilberth** and his associates greatly contributed to the human relations approach and **Gilberth** is rightly called as "The Father of Human Relations Movement". Elton Mayo conducted a few experiments to find out factors that could increase productivity. These experiments were called 'THE

**Gilberth EXPERIMENTS**

The following were the experiments:-

- Illumination experiments
- Bank wiring experiments
- Relay assembly room experiments
- Mass interviewing experiments

**CONTRIBUTIONS**

- Human relations Approach
- Non economic awards
- Social man
- Organization as a social system

**LIMITATIONS**

- Criticized for lack of scientific and vigorous research
- Experiments were too narrow to warrant generalizations.

**Bureaucratic Theory**

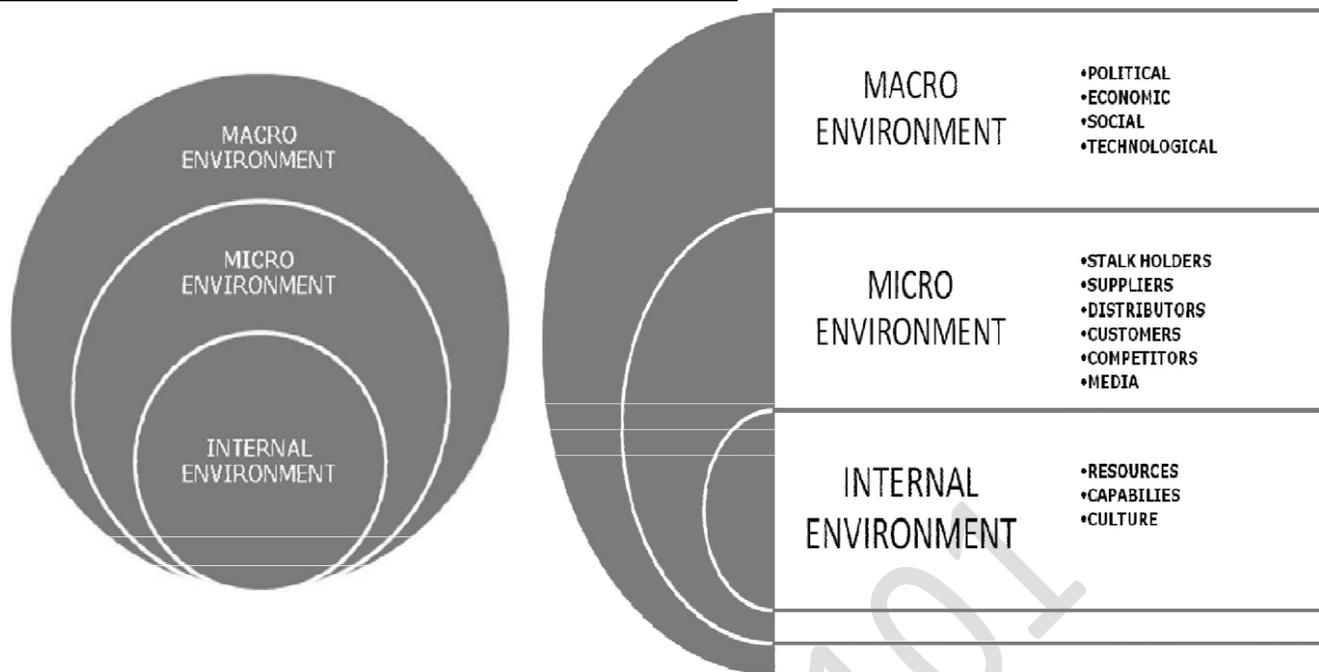
MAX WEBER, a German sociologist who was a teacher at Berlin University was a chief exponent of bureaucratic model. It was rational approaches wherein specific objectives of organization are laid down are organization is designed to achieve them and it is legal because authority stemmed from a clear defined set of rules, procedures and functions.

**Features**

- A clear separation between superior and subordinate
- Division of labour based on competence and functional specialization
- Clear divorce between personnel and official matters
- System of rules, regulations, procedures
- There is hierarchy in positions based on legal authority and power.

**9. What are the various environmental factors that a manager should consider in an organization? (NOV 2015)(MAY18)**

## CLASSIFICATION OF ENVIRONMENTAL FACTORS



On the basis of the extent of intimacy with the firm, the environmental factors may be classified into different types namely internal and external.

### 1) INTERNAL ENVIRONMENTAL FACTORS

The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors. It can alter or modify these factors. The internal environmental factors are resources, capabilities and culture.

#### i) Resources:

A good starting point to identify company resources is to look at tangible, intangible and human resources.

Tangible resources are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm's financial statements

Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (proprietary technology and know-how).

#### ii) Capabilities:

Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm's capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal functional areas.

#### iii) Culture:

It is the specific collection of values and norms that are shared by people and groups in an organization and that helps in achieving the organizational goals.

### 2) EXTERNAL ENVIRONMENT FACTORS

It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

## **MICRO ENVIRONMENTAL FACTORS**

These are external factors close to the company that have a direct impact on the organizations process. These factors include:

### **i) Shareholders**

Any person or company that owns at least one share (a percentage of ownership) in a company is known as shareholder. A shareholder may also be referred to as a "stockholder". As organization requires greater inward investment for growth they face increasing pressure to move from private ownership to public. However this movement unleashes the forces of shareholder pressure on the strategy of organizations.

### **ii) Suppliers**

An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier. Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. A closer supplier relationship is one way of ensuring competitive and quality products for an organization.

### **iii) Distributors**

Entity that buys non-competing products or product-lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their customers. Often getting products to the end customers can be a major issue for firms. The distributors used will determine the final price of the product and how it is presented to the end customer. When selling via retailers, for example, the retailer has control over where the products are displayed, how they are priced and how much they are promoted in-store. You can also gain a competitive advantage by using changing distribution channels.

### **iv) Customers**

A person, company, or other entity which buys goods and services produced by another person, company, or other entity is known as customer. Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

### **v) Competitor:**

A company in the same industry or a similar industry which offers a similar product or service is known as competitor. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share. Competition also requires companies to become more efficient in order to reduce costs. Fast-food restaurants McDonald's and Burger King are competitors, as are Coca-Cola and Pepsi, and Wal-Mart and Target.

### **vi) Media**

Positive or adverse media attention on an organisations product or service can in some cases make or break an organisation.. Consumer programmes with a wider and more direct audience can also have a very powerful and positive impact, enforcing organisations to change their tactics.

## **9.EXPLAIN CURRENT TRENDS & ISSUES IN MANAGEMENT (NOV 2017)**

An organization's macro environment consists of nonspecific aspects in the organization's surroundings that have the potential to affect the organization's strategies. When compared to a firm's task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment.

The macro environment consists of forces that originate outside of an organization and generally cannot be altered by actions of the organization. In other words, a firm may be influenced by changes within this element

of its environment, but cannot itself influence the environment. The curved lines in Figure 1 indicate the indirect influence of the environment on the organization.

Macro environment includes political, economic, social and technological factors. A firm considers these as part of its environmental scanning to better understand the threats and opportunities created by the variables and how strategic plans need to be adjusted so the firm can obtain and retain competitive advantage.

#### **i) Political Factors**

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:

- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

#### **ii) Economic Factors**

Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the macro economy:

- economic growth
- interest rate
- exchange rates
- inflation rate

#### **iii) Social Factor:**

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:

- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

#### **iv) Technological Factors**

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include:

- R&D activity
- automation
- technology incentives
- rate of technological change

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### **10. What are the challenges before Indian managers?**

#### **THE CHALLENGES BEFORE INDIAN MANAGERS:**

Every business has to come up with the external environments prevailing at different times. This environment provides a set of outside challenges faced by the modern Indian managers.

#### **Information Technology**

- Revolution of IT (Computers, Internet, telecom...)
- Proper training of employees required

- Managers must be aware of the opportunities and threats posed to the organization by the updated technology revolution.

### **Globalization Of Economy**

- Communication revolution brought world closer
- Opening of Indian markets in MNCs
- Planning of business strategies keeping in view the world economy.

### **Intellectual Capital**

- Principal assets of modern organization lie in the minds of workers than machinery
- To capture and use the knowledge of workers that is an asset.

### **Newer Organizational Designs**

#### **Changing Job Profile**

#### **Changing Workforce Profile**

#### **Increasing Role Of Women Employees**

#### **Emphasis On Knowledge Management**

In order to face the challenges that have been posed or likely to be posed, managers have to change their practices which they have used to adopt in pre- liberalized era.

## **11. Discuss whether Management is an Art or Science?(MAY2016)**

### **DEFINITION**

According to Harold Koontz, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

### **Is Management - an art or science?**

Management is the art of getting things done from people. It has the following features that make it an art.

- Creative
- Individual approach
- Application and dedication
- Initiative and
- Intelligence.

Management also involves a systematic approach towards designing and maintaining an environment in which individuals work together in groups to effectively accomplish selected aims. The following features make it a science.

- Systematic decision making
- Universal management process
- Situational output and
- Universally accepted management.

**Thus management can be called both as an art and science.**

\*\*\*\*\*

## **12. Give the overall view of scope and nature of management? (Nov 2015)**

### **Management**

Management is the process of working with and through others to achieve organizational objectives in a changing environment. Central to this process is the effective and efficient use of limited resources.

“Management is the process of designing and maintaining of an environment in which individuals working together in groups efficiently accomplish selected aims”.

“Management is the art of getting things done by other”

## **POSDCoRB – Planning, Organizing, Staffing, Directing, Cooperation, Reporting, Budgeting**

### **1. Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. A plan is a future course of actions. Planning is necessary to ensure proper utilization of human & nonhuman resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

### **2. Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

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

### **3. Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job. Staffing involves:

- Manpower Planning
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer.

### **4. Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. Direction is that inter-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinates for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

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

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

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

**(iv) Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

### **5. Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure

achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur Controlling has following steps:

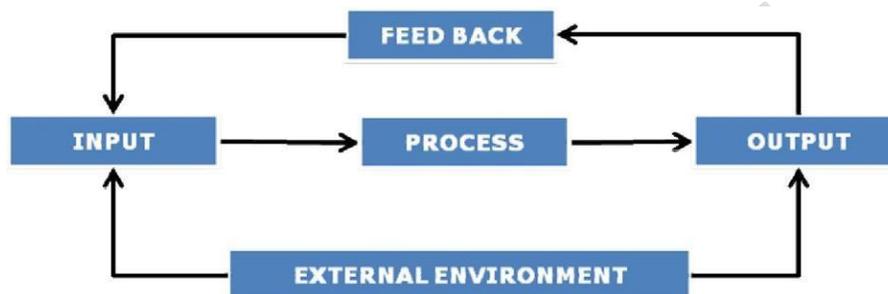
- (i) Establishment of standard performance.
- (ii) Measurement of actual performance.
- (iii) Comparison of actual performance with the standards and finding out deviation if any.
- (iv) Corrective action.

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### 13. Explain systems approach and contingency approach in detail?

#### SYSTEMS APPROACH:

The simplified block diagram of the systems approach is given below.



The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

#### CONTINGENCY APPROACH:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

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### 14. Discuss the Roles of Manager (May2017)

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows

#### a) Interpersonal Roles

The ones that, like the name suggests, involve people and other ceremonial duties. It can be further classified as follows

- Leader – Responsible for staffing, training, and associated duties.
- Figurehead – The symbolic head of the organization.

- Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

### **b) Informational Roles**

Related to collecting, receiving, and disseminating information.

- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all important information received from outsiders to the members of the organization.
- Spokesperson – On the contrary to the above role, here the manager transmits the organization's plans, policies and actions to outsiders.

### **c) Decisional Roles**

Roles that revolve around making choices.

- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

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## **15. Explain Management as a Science and as an Art and as both. (May 2016)**

**Ans.** According to the nature of management, there is a controversy that whether management is a science or an art. This controversy is very old & is yet to be settled. It should be noted that, learning process of science is different from that of art. Learning of science includes principles while learning of art involves its continuous practice.

### **Management as a Science**

Science is a systematic body of knowledge relating to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

**Science is characterized by following main features:**

1. **Universally accepted principles** – Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. E.g. – law of gravitation which can be applied in all countries irrespective of the time.

2. **Experimentation & Observation** – Scientific principles are derived through scientific investigation & researching i.e. they are based on logic.

E.g. the principle that earth goes round the sun has been scientifically proved. Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers.

E.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

3. **Cause & Effect Relationship** – Principles of science lay down cause and effect relationship between various variables.

E.g. when metals are heated, they are expanded. The cause is heating & result is expansion.

The same is true for management; therefore it also establishes cause and effect relationship.

4. **Test of Validity & Predictability** – Validity of scientific principles can be tested at any time or any number of times i.e. they stand the time of test. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles.

Principles of management can also be tested for validity.

### **Management as an Art**

Art means application of knowledge & skill to get the desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters –

**Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles.

**Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another.

**Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination. Management is also creative in nature like any other art. It combines human and non-human resources in an useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.

**Perfection through practice:** Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.

**Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to help in the growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with shaping the attitude and behaviour of people at work towards the desired goals.

### **Management as both Science and Art**

Management is both an art and a science. The above mentioned points clearly reveal that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a well-judged combination of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to 'know' and art teaches to 'do'. E.g. a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.). To conclude, we can say that science is the root and art is the fruit.

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### **16.Explain the Qualities of a good leader (May 2016)**

1. Courage
2. Confidence
3. Concentration
4. Passion
5. Values

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## UNIT- II

### PART A

#### 1. PLANNING:

Planning involves selecting missions and the objectives and the actions to achieve them. It ends with decision making, which is choosing the best alternative from the available future courses of action.

(OR)

Planning is deciding in advance what to do, how to do, when to do and who is to do it. It is the selection among alternatives of future course of action for enterprise as a whole and each department within it. Plans involve selecting enterprise objectives and determining ways of achieving them.

Ex: The goal set for limited period like five year plans

#### 2. TYPES OF PLANNING

- ✓ Corporate and functional planning.
- ✓ Strategic and tactical planning.
- ✓ Long term and short term planning.
- ✓ Proactive and reactive planning.
- ✓ Formal and informal planning.
- ✓

#### 3. STRATEGIC MANAGEMENT (NOV2017):

A STRATEGIC MANAGEMENT helps the organization to link its activities to the needs of the society in which it operates. In short mission is a basic fundamental principles for which the organization is created.

Ex: Canara Bank “Good People To Grow With”

#### VISION

A vision statement indicates how the organization should be, after a particular time period

#### 4. MBO: :

Management by objectives is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organizational and individual objective.

(OR)

“MBO is a process whereby the superiors and the subordinate managers of an enterprise jointly identify its common goals, define each individual major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.” - GEORGE ODIORNE

#### 5. POLICIES(Nov2016)

“Policy is a statement which provides guidance in decision making to members of an organization in respect to any course of action. Policies are the guidelines to achieve goals.” - L.M.PRASAD

(OR)

“Policies are general statements of understandings which guide or channel think-ing in decision making or subordinates.” - KOONTZ and WEIHRICH

#### 6. TYPES OF PLANS:

##### 7. ✦ Multi use plans

- ✓ Objectives
- ✓ Strategies
- ✓ Policies
- ✓ Procedures

- ✓ Rules

#### ♣ **Single use plans**

- ✓ Programmes
- ✓ Budgets
- ✓ Schedules
- ✓ Projects
- ✓ Methods

#### **7. Purpose of Planning:** (May 2015/2017)

“Strategy is the determination of basic long term objectives and the adoption of course of action and allocation of resources to achieve these goals”-Alfred D Chandler. Three definitions are indicative of more common use of strategy:

- ♣ General programs of action and deployment of resources to attain comprehensive objective.
- ♣ The programs of objectives of an organization and their changes, resources used to attain these objectives and policies governing the acquisition, use and disposition of these resources.
- ♣ The determination of basic long term objectives of an enterprise and the adoption of course of action and allocation of resources to achieve these goals. Ex: Team goal

#### **8. FEATURES OF POLICIES:**

- ♣ Policy provides guidelines for deciding a course of action.
- ♣ Tends to predefined issues and avoid repeated analysis.
- ♣ It is expressed in qualitative, conditional or general way.

#### **9. PLANNING PREMESIS:(NOV/DEC2015)(MAY18)**

The assumptions about future derived from forecasting and used in planning are known as planning premises. It implies not only the assumptions about the future but also predictions. They are the anticipated environment in which plans are expected to operate. Planning premises are the limitations that lay down the boundary for planning. Two types:

- ✓ Internal premises.
- ✓ External premises.
- ✓ Controllable and uncontrollable

#### **10. PLANNING TOOLS (MAY2017):**

- ✓ Environmental analysis
- ✓ Self appraisal
- ✓ Strategic alternatives
- ✓ Strategic choice
- ✓ Strategy implementation.

#### **11. DIFFERENCE BETWEEN OBJECTIVES AND GOALS:**

##### **OBJECTIVES**

- ♣ Timeless and enduring.
- ♣ Deals with matter of image style and self perception.
- ♣ Externally focused.

##### **GOALS**

- ♣ Temporary and time phased.
- ♣ It is specific and accomplished.
- ♣ Internally focused.

## **12. DIFFERENCE BETWEEN STRATEGY AND TACTICS:(APRIL/MAY 2015)**

### **STRATEGY**

- ♣ Determines what major problem are to be undertaken.
- ♣ Developed at highest level of management.
- ♣ Strategy formulation is continuous and irregular.
- ♣ Has long term perspective.

Ex. Vision statement

### **TACTICS**

- ♣ Is a means by which determined plans are executed.
- ♣ Employed at lower level of management.
- ♣ Determined on a periodic basis.
- ♣ Has short term perspective.

Eg. Mission statement

## **13. DIFFERENCE BETWEEN POLICIES AND STRATEGY:(NOV 2015)**

### **POLICIES**

- ♣ Policy is a statement which provides guidance in decision making to members of an organization in respect to any course of action.
- ♣ Policies are the guidelines to achieve goals

### **STRATEGY**

- ♣ Guidelines
- ♣ Procedure is a series of related task that make up the chronological se-quence and established way of per-forming the work to be accomplished.
- ♣ They provide the guideline for per-forming the action.
- ♣ Rules to be followed

## **14. INTERNAL EXTERNAL FACTORS:**

- ♣
- ♣ INTERNAL- Strength & Weakness
- ♣ EXTERNAL- Opportunities & Threats

## **15. DIFFERENT TYPES OF POLICIES:**

- ♣ Formulated policy.
- ♣ Implied policy.
- ♣ Imposed policy.
- ♣ Appealed policy.

## **16. SWOT ANALYSIS:**

- ♣ S- Strength
- ♣ W-Weakness
- ♣ O- Opportunities
- ♣ T- Threats

## **17. LEVELS OF STRATEGY:**

- ♣ Corporate strategy.
- ♣ Business level.
- ♣ Functional level.

## 18. MAIN OBJECTIVE OF PROJECT:

A project may be defined as a complex cluster of related activities with distinct object and a definite completion time period. Major plans can be decomposed into a number of projects each with a clear cut set of objectives.

## 19. FEATURES OF MBO: (NOV2016)

Management by objectives is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organizational and individual objective.

(OR)

“MBO is a process whereby the superiors and the subordinate managers of an enterprise jointly identify its common goals, define each individual major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.” - - GEORGE ODIORNE

### Features of MBO are:

- ♣ Comprehensive planning and control technique.
- ♣ Approach and philosophy to management, not a technique.
- ♣ Joint application of number of principles and techniques.
- ♣ Matches objectives and resources.
- ♣ Characterized by participation of concerned managers in objective setting and performance reviews.
- ♣ Periodic review of performance and provide guidelines for appropriate system.

## 20. FORECASTING:

Forecasting is the process of predicting future conditions that will influence and guide the activities, behavior and performance of the organization. Ex: forecasting the output by sales department

## 21. BUDGETS:

A budget is a single use plan since it is drafted for a particular period of time. It is a statement of expected results expressed in quantitative terms. A budget forces an enter-prise to make in advance a numerical compilation of expected cash flow, expenses and revenues, capital outlay or machines or utilization.

### Two types of budgets:

- ♣ Based on activity
- ♣ Based on flexibility.

## 22. METHOD:

A method specifies how a step of procedure is followed. The determination of the method to be employed in any given situation depends upon the manager's experience, knowledge and creativeness.

**Ex:** The way of handling situations in case emergencies like strikes, fire accidents

## 23. RULES:

A rule is prescribed by a conduct or action. It is established authoritatively and utilized in order to inform employees of conditions under which designated activities are to be performed. Rules are a form of communication for acting in a particular way which is helpful in completing the task and hence contributing to the achievement of organizational objectives. **Ex:** While working in a company the workers should not whistle blow the secrets of the company.

## 24. PROJECT:

A project may be defined as a complex cluster of related activities with distinct object and a definite completion time period.

## **25. PERFORMANCE BUDGETING:**

Budgets serve as a standard of measuring actual performance. Budgets may be prepared for various groups of activities or in terms of time, money or physical terms like tones.

## **26. TECHNIQUES OF FORECASTING:**

Forecasting is the process of predicting future conditions that will influence and guide the activities, behavior and performance of the organization. **Ex :** forecasting the output by sales department

- ♣ Time series analysis.
- ♣ Extrapolation.
- ♣ Regression analysis.
- ♣ Input-output analysis.
- ♣ Econometric models.
- ♣ Historical analogy.
- ♣ Business barometers.
- ♣ Panel consensus method.
- ♣ Delphi technique.
- ♣ Morphological analysis.

## **27. BCG MATRIX / PORTFOLIO ANALYSIS:**

The business Portfolio Matrix was developed by the Boston Consulting Group. The main features of BCG matrix are:

- ♣ Business in the “Question marks” quadrant, with a weak market share and a high growth rate, usually require cash investment so that they can become “Stars”.
- ♣ “Stars” represents the business in the high growth, strongly competitive position. This kind of business has opportunities for growth and benefit. If properly handled, they can turn out to be the firm’s “cash Cows” of the future.
- ♣ The “Cash Cows”, with a strong competitive position and a low growth rate, are usually well established in the market, and such enterprises are in a position of making the products at a low cost. Therefore, the products of these enterprises provide the cash needed for the operation.
- ♣ The “Dogs” are business with a low growth rate and a weak market share position. These businesses are usually not profitable and generally should be disposed off.

## **28. TYPES OF STRATEGIES:**

- ♣ **Grand or master strategy**
  - Stability strategy.
  - Growth strategy.
  - Integration strategy.
  - Turnaround strategy.
  - Closure strategy.
- ♣ **Functional strategy.**

## **29. PLANING OBJECTIVES (MAY2016):**

Programme refers to a set of clear instructions in a clear and logical sequence to perform a particular task. They explain how to carry out a given course of action. They are ordinarily supported by budgets.

### **30. METHOD:**

A method specifies how a step of procedure is followed. The determination of the method to be employed in any given situation depends upon the manager's experience, knowledge and creativeness.

### **31. DIFFERENCE BETWEEN POLICY AND RULES (NOV 2017):**

#### **POLICY**

- ♣ They are used repeatedly in situations of similar nature.
- ♣ Used again and again.
- ♣ They are long term in nature.

#### **RULES**

- ♣ Objectives, mission statement
- ♣ They are developed to meet non repetitive situations.
- ♣ Discarded when a problem is solved.
- ♣ They are short term in nature.
- ♣ Budget, targets

### **32. INTUTIVE DECISION MAKING (MAY18):**

A INTUTIVE decision is an act of choice where in an executive form of conclusion about what must be done in a given situation.

A INTUTIVE Decision making is the process of selecting a course of action from among alter-natives; it is the core of planning.

### **33. DECISION MAKING PROCESS STEPS: (May 2016)**

Decision making is not as easy as it involves many steps to follow. It requires lot of skill. Every decision is the outcome of a dynamic process which is influenced by multiple forces. In order to make good decisions, managers should follow a sequence of steps. If they do not go for systematic steps, the decision may not be effective. The decision making process depends upon the nature of the problem and the nature of organization.

### **34. TECHNIQUES OF DECISION MAKING:**

- ♣ Marginal cost analysis.
- ♣ Cost benefit analysis.
- ♣ Operations research.
- ♣ Linear programming.
- ♣ Network analysis.

### **35. BRAINSTORMING:**

One of the best known techniques for facilitating creativity has been developed by Alex F Osborn, who had been called "The father of brainstorming". The purpose of this approach is to improve the problem solving by finding new and unusual solutions. In the brainstorming session, a multiplication of ideas is sought. The rules are as follows:

- ♣ No ideas are ever criticized.

- ♣ The more radical the ideas are, the better the quantity of the idea production is stressed.
- ♣ The improvement of ideas by others is encouraged.

## PART-B

### 1. Explain the steps & process involved in Planning? (Nov 2015)(May 2017)

**STEPS IN PLANNING** There are eight applicable steps in planning which should be followed by managers in connection with major programs and in any other through planning.

#### 1. AWARENESS OF OPPORTUNITIES

An awareness of opportunities in the external environment as well as within the organization is the real starting point for planning. All managers should take look at future opportunities and see them clearly and completely. They should know where they stand in light of their strengths and weakness, understand what problems they wish to solve and why, and know what they expect to gain. Setting realistic objectives depends on this awareness. (i) About market (ii) About expected competition (ii) What customers wants (iv) Awareness about their qualities and weakness

#### 2. SETTING OBJECTIVES

The second step in planning is to establish or set objectives for the entire enterprise and then for each subordinate work unit. Objectives specify the expected results and indicate the end points of (i) What is to be done (ii) Where the primary emphasis is to be placed (iii) What is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs.

**3. DEVELOPING PREMISES** The third logical step in planning is to establish planning premises. Such as forecasts, applicable basic policies and existing company plan. The are assumptions about the environment in which the plan is to be the carried out. It is important for all the managers involved in planning to agree on the premises. Forecasting is important in premising: What kind of markets will be there? What volume of sales? What prices? What products? What technical developments? What cost? Etc

**4. IDENTIFYING ALTERNATIVE COURSES OF ACTION** The forth step in planning is to search and examined alternative courses of actions. The planner must usually make preliminary examination alternative courses to accomplish the goal.

**5. EVALUATING ALTERNATIVE COURSES** After determining alternative courses and examining their strong and weak points, the next step is to evaluate the alternatives. That which alternative will give the best of meeting goals at the lowest cost and highest profit in a given period.

**6. SELECTING A COURSE** Selecting an alternative is the real point of decision making. This is the point at which the plan is adopted. After identifying and evaluating alternative the manager has to decide one best alternative or several alternative courses of action.

**7. FORMULATING DERIVATIVE PLANS** The seventh step in planning is formulating derivative plans. When a decision is made next step is to formulate a supporting plan, such as to buy equipment, materials, hire and train workers and develop a new product.

**8. NUMBERISING PLANS BY MAKING BUDGETS** After decision making and formulating plans the final step in planning is to numbers decision and plan by converting them into budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resulting profit. Budgets are important thing in planning process.

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### 2. Explain the various goals organizations might have and plan for its accomplishment (MAY18)?

1. **Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
2. **Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
3. **Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
4. **Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
5. **Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
6. **Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
7. **Flexibility:** The process of planning should be adaptable to changing environmental conditions.
8. **Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.

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### 3. Explain various characteristics identified in planning?

#### DEFINITION

According to Koontz O' Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

#### Features of Planning

- It is primary function of management.
- It is an intellectual process
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process
- It is a pervasive function.

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### 4. Describe the Objectives and characteristics of sound objective? (May 2016)

Objectives may be defined as the goals which an organisation tries to achieve. Objectives are described as the end- points of planning. According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme." Objectives constitute the purpose of the enterprise and without them no intelligent planning can take place.

Objectives are, therefore, the ends towards which the activities of the enterprise are aimed. They are present not only the end-point of planning but also the end towards which organizing, directing and controlling are aimed. Objectives provide direction to various activities. They also serve as the benchmark of measuring the efficiency and effectiveness of the enterprise. Objectives make every human activity purposeful. Planning has no meaning if it is not related to certain objectives.

#### Characteristics of Objectives

- The objectives must be predetermined.
- A clearly defined objective provides the clear direction for managerial effort.

- Objectives must be realistic.
- Objectives must be measurable.
- Objectives must have social sanction.
- All objectives are interconnected and mutually supportive.
- Objectives may be short-range, medium-range and long-range.
- Objectives may be constructed into a hierarchy.

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## **5. What are the features and process of MBO? (May/NOV 2015)(NOV17)(MAY18) MBO(MANAGEMENT BY OBJECTIVES)**

MBO was first popularized by Peter Ducker in 1954 in his book 'The practice of Management'. It is a process of agreeing within an organization so that management and employees buy into the objectives and understand what they are.

### **Definition**

“MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual’s major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

### **Features of MBO**

- MBO is concerned with goal setting and planning for individual managers and their units.
- The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
- Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
- MBO focuses attention on appropriate goals and plans.
- MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

### **MBO process consists of:**

- 1) Establishing a clear and precisely defined statement of objectives for the employee
- 2) Developing an action plan indicating how these objectives are to be achieved
- 3) Reviewing the performance of the employees
- 4) Appraising performance based on objective achievement

### **1) Setting objectives:**

For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors.

The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them.

Management by Objective (MBO) systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets. Managers need to identify and set objectives both for themselves, their units, and their organizations.

### **2) Developing action plans**

Actions plans specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action and according to what timeline. An overall, top-

level action plan that depicts how each strategic goal will be reached is developed by the top level management. The format of the action plan depends on the objective of the organization

### 3) Reviewing Progress:

Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced. Effort refers to the amount of energy an employee uses in performing a job. Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time. Role perception refers to the direction in which employees believe they should channel their efforts on their jobs, and they are defined by the activities and behaviors they believe are necessary.

### 4) Performance appraisal:

Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion. Appraisals can also provide input for determining both individual and organizational training and development needs. Performance appraisals encourage performance improvement. Feedback on behavior, attitude, skill or knowledge clarifies for employees the job expectations their managers hold for them. In order to be effective, performance appraisals must be supported by documentation and management commitment.

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## 6. What are the steps in strategic planning process? (May 2016) Strategic

### Planning Process:

1. **Input to the Organization:** Various Inputs (People, Capital, Management and Technical skills, others) including goals input of claimants (Employees, Consumers, Suppliers, Stockholders, Government, Community and others) need to be elaborated.
2. **Industry Analysis:** Formulation of strategy requires the evaluation of the attractiveness of an industry by analyzing the external environment. The focus should be on the kind of compaction within an industry, the possibility of new firms entering the market, the availability of substitute products or services, the bargaining positions of the suppliers, and buyers or customers.
3. **Enterprise Profile:** Enterprise profile is usually the starting point for determining where the company is and where it should go. Top managers determine the basic purpose of the enterprise and clarify the firm's geographic orientation.
4. **Orientation, Values, and Vision of Executives:** The enterprise profile is shaped by people, especially executives, and their orientation and values are important for formulation the strategy. They set the organizational climate, and they determine the direction of the firm though their vision. Consequently, their values, their preferences, and their attitudes toward risk have to be carefully examined because they have an impact on the strategy.
5. **Mission (Purpose), Major Objectives, and Strategic Intent:**  
Mission or Purpose is the answer to the question: What is our business? The major Objectives are the end points towards which the activates of the enterprise are directed. Strategic intent is the commitment (obsession) to win in the competitive environment, not only at the top-level but also throughout the organization.
6. **Present and Future External Environment:** The present and future external environment must be assessed in terms of threats and opportunities.
7. **Internal Environment:** Internal Environment should be audited and evaluated with respect to its resources and its weaknesses, and strengths in research and development, production, operation, procurement, marketing and products and services. Other internal factors include, human resources and financial resources as well as the company image, the organization structure and climate, the planning and control system, and relations with customers.

8. **Development of Alternative Strategies:** Strategic alternatives are developed on the basis of an analysis of the external and internal environment. Strategies may be specialize or concentrate. Alternatively, a firm may diversify, extending the operation into new and profitable markets. Other examples of possible strategies are joint ventures, and strategic alliances which may be an appropriate strategy for some firms.

9. **Evaluation and Choice of Strategies:** Strategic choices must be considered in the light of the risk involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm. Another critical element in choosing a strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriate time.

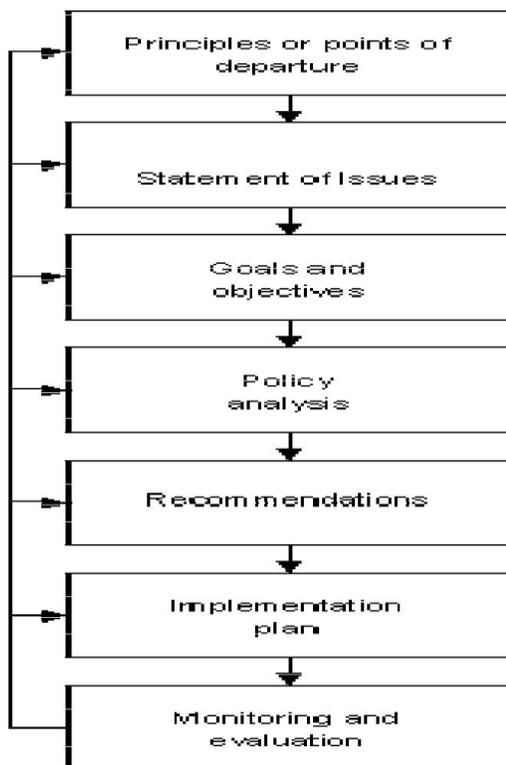
10. **Medium/Short Range Planning, Implementation through Reengineering the Organization Structure, Leadership and Control:** Implementation of the Strategy often requires reengineering the organization, staffing the organization structure and providing leadership. Controls must also be installed monitoring performance against plans.

11. **Consistency Testing and Contingency Planning:** The last key aspect of the strategic planning process is the testing for consistency and preparing for contingency plans.

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7. **what are the tools of organizational strategies. (May 2015)?**

organizational strategies are general statements or understandings that guide managers' thinking in decision making. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make.



The first step in the process of organizational strategies, as shown in the diagram below, is to capture the values or principles that will guide the rest of the process and form the basis on which to produce a statement of issues. The statement of issues involves identifying the opportunities and constraints affecting the local

housing market, and is to be produce thoroughly analyzing the housing market. The kit provides the user with access to a housing data base to facilitate this analysis.

The statement of issues will provide the basis for the formulation of a set of housing goals and objectives, designed to address the problems identified and to exploit the opportunities which present themselves.

The next step is to identify and analyze the various policy options which can be applied to achieve the set of goals and objectives. The options available to each local government will depend on local circumstances as much as the broader context and each local authority will have to develop its own unique approach to addressing the housing needs of its residents.

An implementation program for realizing the policy recommendations must then be prepared, addressing budgetary and programming requirements, and allocating roles and responsibilities.

Finally, the implementation of the housing strategy needs to be systematically monitored and evaluated against the stated goals and objectives, and the various components of the strategy modified or strengthened, as required.

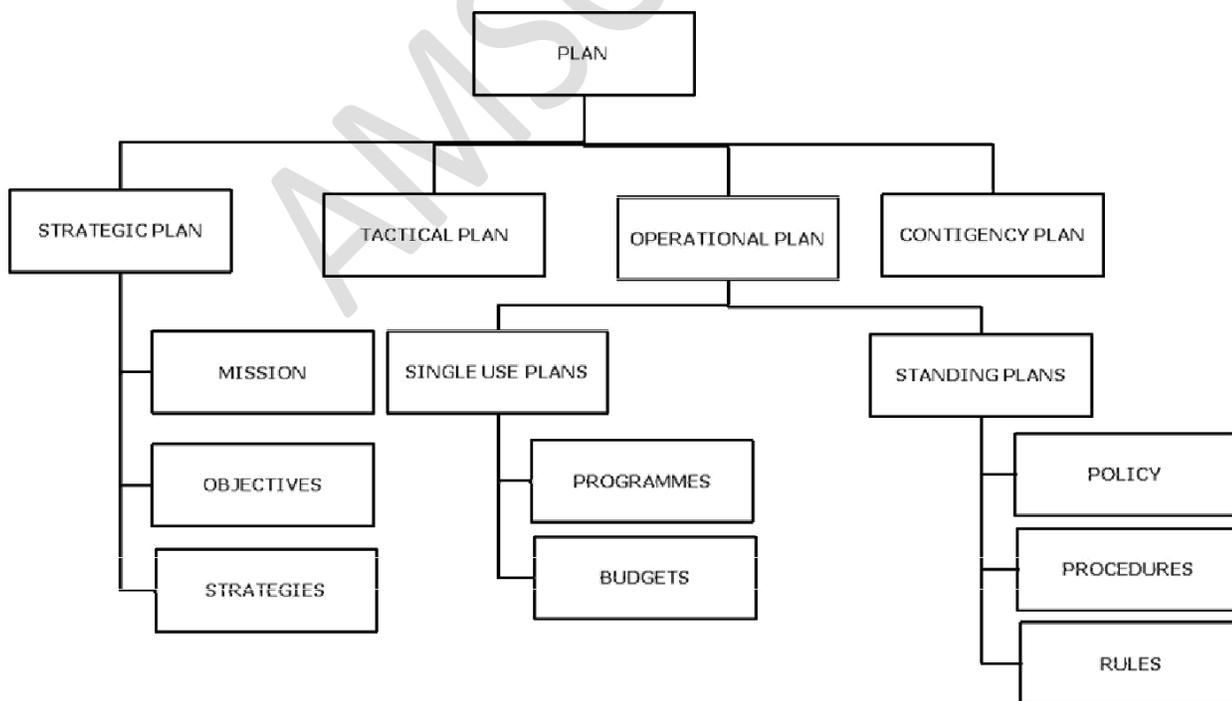
An implementation program for realizing the policy recommendations must then be prepared, addressing budgetary and programming requirements, and allocating roles and responsibilities. Finally, the implementation of the housing strategy needs to be systematically monitored and evaluated against the stated goals and objectives, and the various components of the strategy modified or strengthened, as required.

At each step of the way, each component of the strategy needs to be discussed and debated, and a public consultation process engaged in. The extent of consultation and the participants involved will vary with each step.

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**8. Explain the types organizational plans. (May 2015)**

In the process of planning, several plans are prepared which are known as components of planning.



Plans can be broadly classified as

- a) Strategic plans**
- b) Tactical plans**
- c) Operational plans**

Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

**a) Strategic plans:**

A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. It is further classified as

**i) Mission:**

The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company is the answer of the question : why does the organization exist?

Properly crafted mission statements serve as filters to separate what is important from what is not, clearly state which markets will be served and how, and communicate a sense of intended direction to the entire organization.

Mission of Ford: “we are a global, diverse family with a proud inheritance, providing exceptional products and services”.

**ii) Objectives or goals:**

Both goal and objective can be defined as statements that reflect the end towards which the organization is aiming to achieve. However, there are significant differences between the two. A goal is an abstract and general umbrella statement, under which specific objectives can be clustered. Objectives are statements that describe—in precise, measurable, and obtainable terms which reflect the desired organization’s outcomes.

**iii) Strategies:**

Strategy is the determination of the basic long term objectives of an organization and the adoption of action and collection of action and allocation of resources necessary to achieve these goals.

Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization. Top-level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning.

**b) Tactical plans:**

A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

**c) Operational plans**

The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. “Process 150 sales applications each week” or “Publish 20 books this quarter” are examples of operational goals.

An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or a standing plan.

i) **Single-use plans** apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.

→ **Programme:** Programme consists of an ordered list of events to be followed to execute a project.

→ **Budget:** A budget predicts sources and amounts of income and how much they are used for a specific project.

ii) **Standing plans** are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

→ **Policy:** A policy provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

→ **Procedure:** A procedure is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

→ **Rule:** A rule is an explicit statement that tells an employee what he or she can and cannot do. Rules are “do” and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

#### d) Contingency plans

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a “keeping all options open” approach at all times — that’s where contingency planning comes in.

Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

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## **9. What are the types of STRATEGIES.? Explain in detail(NOV2015)**

### **DEFINITION**

According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

### **STRATEGY TYPES:**

#### **Strategic**

Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning .

#### **Strategic Planning**

- It is the process of deciding on Long-term objectives of the organization.
- It encompasses all the functional areas of business

#### **Tactical**

A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. It is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions

#### **Tactical Planning**

- It involves conversion of detailed and specific plans into detailed and specific action plans.
- It is the blue print for current action and it supports the strategic plans.

#### **On the basis of time period**

- **Long term planning**

- Time frame beyond five years.
- It specifies what the organization wants to become in long run.
- It involves great deal of uncertainty.

- **Intermediate term planning**

- Time frame between two and five years.
- It is designed to implement long term plans.

- **Short term planning**

- Time frame of one year or less.
- It provide basis for day to day operations

#### **Operational**

An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or a standing plan.

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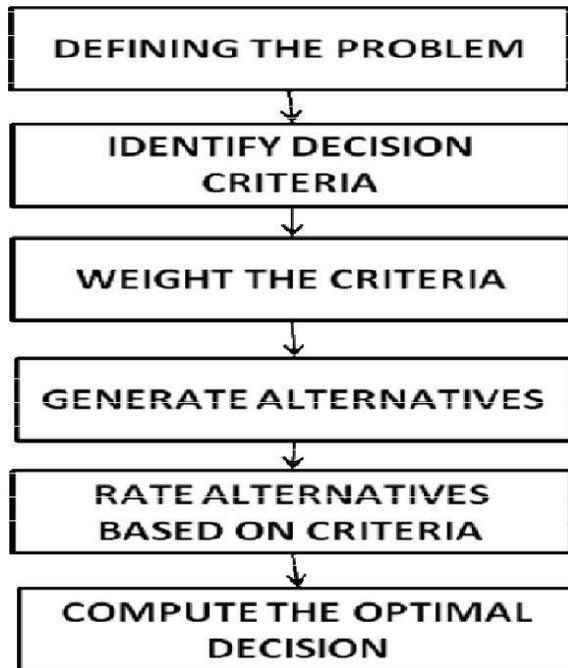
**10. Describe the steps involved in decision making (May 2015)(MAY/NOV2016)(MAY2017)**

**DECISION MAKING**

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable. In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

**STEPS INVOLVED IN DECISION MAKING**

1. Define the problem.
2. Identify decision criteria
3. Weight the criteria
4. Generate alternatives
5. Rate each alternative on each criterion
6. Compute the optimal decision



**1) Defining the problem**

This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.

**2) Identify decision criteria**

Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision.

This step brings the decision maker's interests, values, and personal preferences into the process.

Identifying criteria is important because what one person thinks is relevant, another may not. Also keep in mind that any factors not identified in this step are considered as irrelevant to the decision maker.

**3) Weight the criteria**

The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.

#### **4) Generate alternatives**

The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

#### **5) Rate each alternative on each criterion**

The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.

#### **6) Compute the optimal decision**

Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

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### **10. Discuss classification of Planning (Nov 2016)(NOV2017)**

**Planning** is defined as the selection of course of action from among alternative. It is the core of planning. A plan cannot be said to exist unless a decision has been made. Managers sometimes see decision making as their central job because they must constantly choose what is to be done, who is to do it and when, where and how it will be done. Decision making is the part of planning and everyone's daily living.

**a) Programmed and Non-Programmed Planning:** Herbert Simon has grouped organizational decisions into two categories based on the procedure followed. They are:

**(i) Programmed Planning:** Programmed Planning are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.

**ii) Non-Programmed Planning:** Non-programmed Planning are decisions taken to meet non-repetitive problems. Non-programmed Planning are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

**b) Strategic and Tactical Planning:** Organizational **Planning** may also be classified as strategic or tactical.

**i) Strategic Planning:** Basic Planning s or strategic Planning are decisions which are of crucial importance. Strategic decisions a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.

**ii) Tactical Planning:** Routine Planning or tactical decisions are decisions which are routine and repetitive. They are derived out of strategic decisions. The various features of a tactical decision are as follows:

- Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently.
- Tactical decision is mostly a programmed one. Therefore, the decision can be made within the context of these variables.
- The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.

- The authority for making tactical decisions can be delegated to lower level managers because: first, the impact of tactical decision is narrow and of short-term nature and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on strategic decisions.

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### 11. Is decision makes a rational process.? Discuss(Nov 2017)

decision makes a rational process:

1. **process of Contribution:** It is to ensure the effective and efficient achievement of corporate objectives, in-fact, the basic criteria for the formulation of plans are to achieve the ultimate Objectives of the company
2. **process of Sound and Consistent Premising:** Premises are the assumptions regarding the environmental forces like economic and market conditions, social, political, legal and cultural aspects, competitors actions, etc. These are prevalent during the period of the implementation of plans.
3. **process of Limiting factors :** The limiting factors are the lack of motivated employees, shortage of trained personnel, shortage of capital funds, government policy of price regulation, etc. The company requires to monitor all these factors and need to tackle the same in an efficient way so as to make a smooth way for the achievement of its ultimate objectives.
4. **process of Commitment:** A commitment is required to carry-on the business that is established. The planning shall has to be in such a way that the product diversification should encompass the particular period during which entire investment on that product is recovered.
5. **process of Coordinated Planning:** Long and short-range plans should be coordinated with one another to form an integrated plan, this is possible only when latter are derived from the former. Implementation of the long-range plan is regarded as contributing to the implementation of the short-range plan. Implementation of one plan should contribute to all the other plans, this is possible only when all plans are consistent with one another and are viewed as parts of an integrated corporate plan.
6. **Principle of Timing:** Number of major and minor plans of the organization should be arranged in a systematic manner. The plans should be arranged in a time hierarchy, initiation and completion of those plans should be clearly determined.
7. **process of Efficiency:** Cost of planning constitute human, physical and financial resources for their formulation and implementation as well. Minimizing the cost and achieving the efficient utilization of resources shall has to be the aim of the plans. Cost of plan formulation and implementation, in any case, should not exceed the organizations output's monetary value. Employee satisfaction and development, and social standing of the organization are supposed to be considered while calculating the cost and benefits of plan.
8. **process of Flexibility:** Plans are supposed to be flexible to favour the organization to cope-up with the unexpected environments. It is always required to keep in mind that future will be different in actuality. Hence companies, therefore, require to prepare contingency plans which may be put into operation in response to the situations.
9. **process of Navigational Change:** Since the environment is always not the same as predicted, plans should be reviewed periodically. This may require changes in strategies, objectives, policies and programmes of the organization. The management should take all the necessary steps while reviewing the plans so that they efficiently achieve the ultimate goals of the organization.
10. **process of Acceptance:** Plans should be understood and accepted by the employees, since the successful implementation of plans requires the willingness and cooperative efforts from them. Communication also plays a crucial role in gaining the employee understanding and acceptance of the

plans by removing their doubts and misunderstanding about the plans also their apprehensions and anxieties about consequences of plans for achievement of their personal goal.

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### **Unit III PART A**

#### **1. Define Organization.**

An identified group of people contributing their efforts towards the attainment of goals is called an organization. Organization is the process of establishing relationships among the members of the enterprise.

**ORGANISATION** may be defined as the process of:

- i. Identifying and grouping the work to be performed
- ii. Defining and delegating responsibility and authority
- iii. Establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

#### **2. What is the purpose of Organization?**

Organizing activities are very important for the success of an enterprise. Organization is the foundation stone upon which the whole structure of management is built. It is the backbone of management. A sound organization can contribute to the success of an organization by serving the following purposes-

- Facilitates Administration
- Increases the efficiency management
- Stimulates creativity and innovation
- Facilitates growth and diversification and
- Facilitates co-ordination and communication.

#### **3. What is Organizing? (MAY/JUNE 2016) (Nov 2016)**

Organizing is the act of rearranging elements following one or more rules. It is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. Organizing is defined as the management function of assigning duties, grouping tasks, formal reporting relationships and ensuring effective coordination within the organization.

#### **4. What is Specialization?**

Specialization is the process in which a person is specialized in a particular subject, in a profession, art, course or in a work, they are said to be more known in a particular subject. Specialization means the process of dividing the work. Specialization permits individuals to develop expertise in their assigned tasks and their own and group's effectiveness. Specialization refers to the degree to which the overall organizations activity is broken down into smaller components.

#### **5. What is assessment centre (May 2015)?**

Assessment centre is usually broad enough to accommodate people's needs and desires. It may be especially appropriate to design jobs for exceptional persons in order to utilize their potential. People spend a great deal of time on the job and it is therefore important to design jobs so that individuals feel good about their work.

- To meet the organizational requirements such as higher productivity, operational efficiency, quality of products/service etc.
- To satisfy the needs of the individual employees like interests, challenge, achievement etc.

## **6. What are the benefits of Specialization?**

Specialization refers to the degree to which the overall organizations activity is broken down into smaller components. The benefits of specialization are as follows:-

- Good quality of products
- Less consumption of work time
- Less but effective utilization of resource and
- Organizational growth.

## **7. What are the limitations of Specialization?**

Specialization permits individuals to develop expertise in their assigned tasks and their own and group's effectiveness. The limitations of specialization are as follows:-

- Workers who must perform highly specialized tasks over and over again become bored and dissatisfied with the work;
- Specialized tasks seldom offer the worker any real challenge and few opportunities to learn and grow;
- Worker becomes bored with the work, monotony, absenteeism, tardiness increases and the quality of work decreases; and
- The worker's dissatisfaction has a strong negative impact on overall organizational morale and effectiveness.

## **8. What is Job rotation?**

Job rotation is an important method for broadcasting the outlook of managers and potential managers. They are transferred from one job to another and from one department to another in a systematic way. This method provides a great deal of job experience for potential executives who need the broadening of their outlook and an increased understanding of managerial aspects. The idea in this method is to import an overall knowledge and familiarity with different jobs.

## **9. What is Job enlargement? (May 2015)**

Job enlargement refers to enlarging the range of tasks in a job to make it more broad-based. It is the strategy adopted by many managers to combat the maleffects such as division of labour, assembly line and job simplification which has made the jobs dull and monotonous. It attempts to make a job more valid by removing the dullness associated with performing repetitive operations. As a result there was variety and challenge in the job. Workers will get job satisfaction and there is also improvement in their performance.

## **10. What is Job Design (May18)?**

Job enrichment is a non-financial motivational technique which emphasizes the need for challenging and interesting work. It implies increasing the contents of the job or the deliberate upgrading of responsibility, scope and challenge in work. It is therefore based on the assumption that in order to motivate personnel, the job itself must provide opportunities for achievement, recognition, responsibility, advancement and growth. The job is designed in such a manner that it becomes more interesting and challenging to the job holder.

## **11. What is Delegation of authority?( Nov 2015)(May2017)**

Delegation of authority means the process of grouping of similar activities of the business into department, division or other homogenous unit. It is used for the purpose of facilitating smooth administration at all levels. This facilitates communication, co-ordination and control, thus contributing to organizational success.

It creates semi-autonomous units with independent responsibilities, providing satisfaction to the manager which in turn improves efficiency and effectiveness.

## **12. What is Departmentation?(Nov 2016)**

Grouping activities in accordance with the functions of an enterprise called departmentation embodies what enterprises typically do. Since all enterprise functions are production, selling and financing, it has been logical to group these activities into such departments as engineering, production, sales or marketing and finance.

## **13. What are the advantages of Functional Departmentation?**

Functional departmentation involves the grouping of people on the basis of their overall function such as manufacturing, finance, production and human resources. The advantages of Functional departmentation are:-

- Most logical, time proven and natural form of departmentation
- Provides specialization which makes optimum utilization of man power
- Ensures the performance of all activities necessary for achieving organizational objectives
- Facilitates delegation of authority
- Permits effective control over performance
- Eliminates costly duplication of effort and
- Makes management easier because managers have to be experts only in a narrow range of skills.

## **14. What are the demerits of Functional Departmentation?**

Functional departmentation involves the grouping of people on the basis of their overall function such as manufacturing, finance, production and human resources. The disadvantages of functional departmentation are given below:-

- Provides poor communication across functional departments
- Slow response times to external changes
- Decisions to be concentrated at the top management resulting in delays and
- Creates an atmosphere in which it is difficult to pinpoint responsibility for problems.

## **15. What are Career management (NOV17)?**

Career management means the process of grouping of similar activities of the business into department, division or other homogeneous units. It is used for the purpose of facilitating smooth administration at all levels. The various components of divisional departmentation are:-

- Career management by Functions
- Career management by Products
- Career management by Territory
- Career management by Customers
- Career management by Process or Equipments and
- Career management by Time and Numbers.

## **16. What is DECENTRALIZATION?(MAY2016)**

Product departmentalization is defined as creating a division or department for each product or product line. Every major product is organized as a separate department. It is generally employed when the product is relatively complex and a great deal of capital is required for plant and equipment.

**For ex:** A big company with diversified product line may have three product divisions- one for plastic, chemicals and metals. Each division is subdivided into production, sales, finance and personnel activities.

### 17. What is Recruitment and Selection?

**Recruitment:** Recruitment is the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of applicants from which new employees are selected.

**Selection:** Selection is the process of differentiating between applicants in order to identify those with a greater likelihood of success in a job. It is the process of making choice of individuals possessing the required qualifications and skills necessary to perform the job successfully.

### 18. What is Aptitude test?

Aptitude test is used for measuring human performance characteristics related to the possible development of proficiency on specific jobs. It measures the latent or potential characteristics to do something provided proper environment and training are added to individuals. Aptitude test is designed to examine whether a candidate is likely to be able to acquire the skills and knowledge necessary to perform the job. It is used to measure the job proficiency and job training of an employee.

### 19. What is Intelligent test?

Intelligent tests are the tests that measure a candidates existing intelligence. It is related to job concern such as wiring, assembling, artistic etc. This includes verbal comprehension, word fluency, memory, reasoning, speed of perception, etc. IQ (Intelligent Quotient) is calculated as follows: mental age

$$IQ = \frac{\text{mental age}}{\text{actual age}} * 100.$$

### 20. Why performance management is important (May2017)?

performance management is administered to predict performance success for jobs that require dealing with people, or jobs that are essentially supervisory or managerial in character. It is a projective test as it projects the personality of an individual who may be employed by the organization. performance management are a type of psychological questionnaire designed to measure the more permanent emotional tendencies people have, that make up their personality.

Ex: Thematic Apperception Test (TAT)

On-the-job describes training that is given in a normal working situation, using the actual tools, equipment, documents or materials that they will use when fully trained. On-the-job training (OJT) is one of the best training methods because it is planned, organized, and conducted at the employee's worksite. OJT will generally be the primary method used for broadening employee skills and increasing productivity. It is particularly appropriate for developing proficiency skills unique to an employee's job- especially jobs that are relatively easy to learn and require locally-owned equipment and facilities. **Ex: Coaching.**

### 22. What is Off-the-job training?

Off-the-job training takes place away from normal work situation which means that the employee is not regarded as productive worker when training is taking place. An advantage of off-the-job training is that it allows people to get away from work and totally concentrate on the training being given. This is most effective for training concepts and ideas.

Ex: Seminars and lectures.

### 23. What is Matrix Organisation?

Matrix structure is a hybrid organizational form, containing characteristics of both project and functional structures. It is two dimensional pattern developed to meet the problems of growing size and complexity of undertakings. Matrix organization is any organization that employs multiple command structure but also related support mechanism and an associated organizational culture and behavioural pattern.

It is defined as “any organization that employs a multiple command system that includes not only the multiple command structure but also related support mechanism and an associated organizational culture and behaviour pattern”.

#### **24. What is an Organizational chart?(NOV2017)**

According to George Terry, “Organizational chart is a diagrammatical form, which shows the important aspects of an organization including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in charge of each respective function”. It is a representation of the framework or structure of an organization. It may be a vertical or top-down chart, horizontal or left to right chart and circle or concentric chart.

#### **25. What is Span of Control?**

Span of Control or Span of Management means the number of people effectively managed by a single superior in an organization. It is also known as ‘Span of Supervision’, ‘Span of Authority’ and ‘Span of Responsibility’. It is very difficult to decide the appropriate span of control. It is related to the degree of responsibility exercised by the group members. It refers to the number of subordinates that report directly to a single manager or superior.

#### **26. What are the limitations of Line authority?(Nov 2015)**

“Line authority, the basic authority in an organization, is the ultimate authority to command, act, decide, approve or disapprove-directly or indirectly-all the activities of the organization. It is the authority to direct the work of others and to require them to conform to decisions, plans, policies, systems, procedures and goals”. Line authority exists between superior and his subordinate.

In the organizing process, activities are assigned to the individuals making them responsible for the proper performance of these activities. Line officials are in the chain of command from the highest executive to the lowest position in the organization.

#### **28. What are the limitations of Staff authority? Nov 2015)**

“Staff authority refers to those elements which have responsibility and authority for providing advice and services to line in attainment of objective”. It is best defined as authority whose scope is limited, by the absence of the right to direct or command, to such auxiliary and facilitating activities as planning, recommending, advising or assisting.

The nature of staff authority is advisory. Staff managers cannot issue orders. They can provide better solutions to organizational problems in their areas. Staff may be divided into- personal staff, specialized staff and general staff.

#### **29. What is the example of Functional authority in an organization?(May15)**

Functional authority occupies a midway position between line and staff authority. It is a means of putting the staff specialists in top positions for the entire enterprise and it confers upon the holders a limited power to command over the people of different departments concerning their function. It remains confined to functional guidance of different departments.

Functional authority differs from line authority in that its right to command is limited to a particular specialized area. It differs from staff authority in that functional authority confers upon its holders the right to command in matters pertaining to that function.

## **27. What is a Committee organization?**

A committee is a group of persons formed to discuss and deliberate on problems and to recommend or decide solutions. Its area of operation is determined by its constitution. Its scope of activities is limited. This authority is expressed in terms of one member one vote. It is a group of six people- two to do the work, three to pat those two on the back, and one to present a minority report". A committee usually represents a modification in the existing line, line and staff and functional organization structures. It is an aid to the existing organization, rather than an essential part of it. According to the nature of their constitution and functions, committees are classified as:

- Line and Staff committees
- Formal and Informal committees
- Standing and Adhoc committees
- Executive committee and
- Coordinating committee.

## **28. What is a performance appraisal?(NOV2016)**

performance appraisal is oriented towards the completion of a big project or small number of big projects of long duration. It is usually structured to facilitate planning and designing of the product, completion of the assigned task and phasing out of the project. Each project is organized as a semi-autonomous project division. The activities of project team members are coordinated by a project manager who is ultimately responsible for success of project.

The need for project organization is felt when an organization is to execute a project or programme which is subject to high standards of performance as in case of aircraft companies.

## **29. Differentiate authority and power (May18)**

Authority differs from power in that its right to command is limited to a particular specialized area. It differs from power in that authority confers upon its holders the right to command in matters pertaining to that function.

## UNIT-III

### PART-B

1. **DELEGATION OF AUTHORITY is the ability to get the result through others .(May/NOV 2015)**

#### **DELEGATION OF AUTHORITY**

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub allocation of powers to the subordinates in order to achieve effective results.

#### **Elements of Delegation**

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives.

Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of **responsibility**.

Delegating the authority to someone else doesn't imply escaping from **accountability**. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it.

3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

#### **DELEGATION PROCESS**

The steps involved in delegation are given below

1. **Allocation of duties** – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. **Granting of authority** – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Assigning of Responsibility and Accountability** – The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties

in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted.

4. **Creation of accountability** – Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

#### **ADVANTAGES OF DELEGATION**

- It reduces the work pressure of the manager
- Leads to better decisions
- Speeds up decision making
- It improves the morale of the employees
- Creates a feeling of mutual trust between the superior and subordinates
- Helps to create a formal organization structure

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## **2. Explain the concept of decentralization**

### **DECENTRALIZATION:**

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tears in the organization, because there is more autonomy in the lower ranks.

#### **Characteristics**

- Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.
- Decision-making: democratic, participative, detailed.
- Organizational change: emerging from interactions, organizational dynamics.
- Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.
- Participation, accountability. Low risk of not-invented-here behavior.

#### **Three Forms of decentralization**

- **De-concentration.** The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.
- **Delegation.** A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.
- **Devolution.** A third type of decentralization is devolution. The authority for decision-making is transferred completely to autonomous organizational units.

#### **Advantages of Decentralization**

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action
- Develop Second-line managers
- Promote employee's enthusiasm and coordination
- Facilitate actions by lower-level managers

#### **Disadvantages of Decentralization**

- Top-level administration may feel it would decrease their status

- Managers may not permit full and maximum utilization of highly qualified personnel
- Increased costs. It requires more managers and large staff
- It may lead to overlapping and duplication of effort

Centralization and Decentralization are two opposite ways to transfer decision-making power and to change the organizational structure of organizations accordingly.

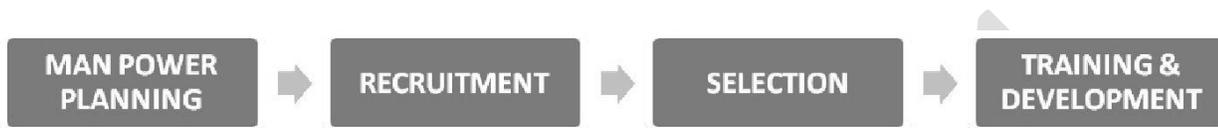
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### 3. Explain the task associated with identifying and recruiting competent employees in detail(May18)

#### **STAFFING**

Staffing involves filling the positions needed in the organization structure by appointing competent and qualified persons for the job.

The staffing process encompasses man power planning, recruitment, selection, and training.



#### **a) Manpower requirements:**

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

#### **b) Recruitment:**

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies.

Job descriptions and job specifications are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates.

### C) Selection:

Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

### d) Training and Development:

Training and Development is a planned effort to facilitate employee learning of job-related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms “training” and “development”; “training” denotes efforts to increase employee skills on present jobs, while “development” refers to efforts oriented toward improvements relevant to future jobs. In practice, though, the distinction is often blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).

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### 4. Discuss the different sources of recruitment.

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. The recruitment process consists of the following steps

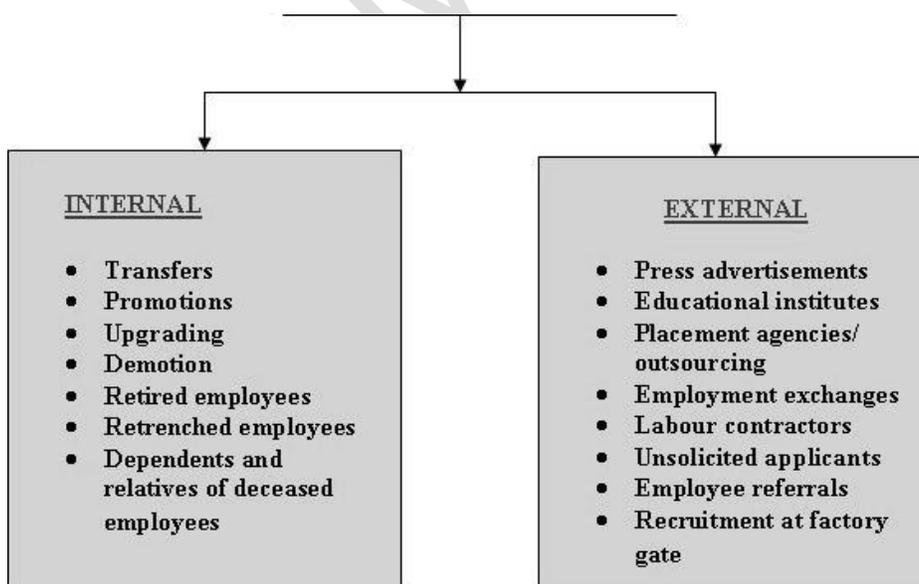
- Identification of vacancy
- Preparation of job description and job specification
- Selection of sources
- Advertising the vacancy
- Managing the response

### Selection of Recruitment Resources:

Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of the recruitment.

### Sources of recruitment

- **Internal sources of recruitment**
- **External sources of recruitment**



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### 5. Explain in detail the elements of Organizational design. (May 2018)

## ELEMENTS OF ORGANIZATIONAL DESIGN:

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies.

Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers. Though there is no fool proof selection procedure that will ensure low turnover and high profits, the following steps generally make up the selection process-



### a) Initial Screening

This is generally the starting point of any employee selection process. Initial Screening eliminates unqualified applicants and helps save time. Applications received from various sources are scrutinized and irrelevant ones are discarded.

### b) Preliminary Interview

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

### c) Filling Application Form

An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

### d) Personal Interview

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee. It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some Companies, the selection process comprises only of the Interview.

#### **e) References check**

Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into - former employer, former customers, business references, reputable persons. Such references are contacted to get a feedback on the person in question including his behavior, skills, conduct etc.

#### **f) Background Verification**

A background check is a review of a person's commercial, criminal and (occasionally) financial records. Employers often perform background checks on employers or candidates for employment to confirm information given in a job application, verify a person's identity, or ensure that the individual does not have a history of criminal activity, etc., that could be an issue upon employment.

#### **g) Final Interview**

Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer hopes to determine whether or not the applicant is suitable for the job. Different types of tests are conducted to evaluate the capabilities of an applicant, his behavior, special qualities etc. Separate tests are conducted for various types of jobs.

#### **h) Physical Examination**

If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

#### **i) Job Offer**

A candidate who clears all the steps is finally considered right for a particular job and is presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job.

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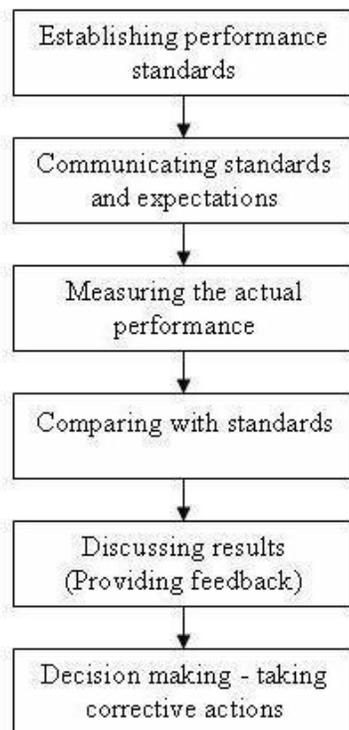
### **6. Performance appraisal METHODS? (NOV 2015) PERFORMANCE APPRAISAL**

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

#### **Objectives of Performance appraisal:**

- To review the performance of the employees over a given period of time.
  - To judge the gap between the actual and the desired performance.
  - To help the management in exercising organizational control.
  - Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
  - To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
  - To provide feedback to the employees regarding their past performance.
  - Provide information to assist in the other personal decisions in the organization
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
  - To reduce the grievances of the employees.

#### **Process of performance appraisal**



**a) Establishing performance standards:**

The first step in the **process of performance appraisal** is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards

**b) Communicating the standards:**

After establishing the standards, it is the responsibility of the management to communicate the standards to all the employees of the organization

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

**b) Communicating the standards:**

After establishing the standards, it is the responsibility of the management to communicate the standards to all the employees of the organization.

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

**c) Measuring the actual performance:**

The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

**d) Comparing the actual with the desired performance:**

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

**e) Discussing results:**

The **result of the appraisal** is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

**f) Decision making:**

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

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**7. Discuss the importance of training and the methods of training. (MAY 2015)**

**Training:**

Training is the process of planned programs and procedures undertaken for the improvement of employee's performance in terms of his attitude, skills, knowledge and behavior. These training and development programs can significantly improve the overall performance of organization.

**Importance of Training**

- Globalization of business
- Advancement in technology
- Increase in skills at workplace
- Constant change

**THE METHODS OF TRAINING:**

**a) On-the-job training**

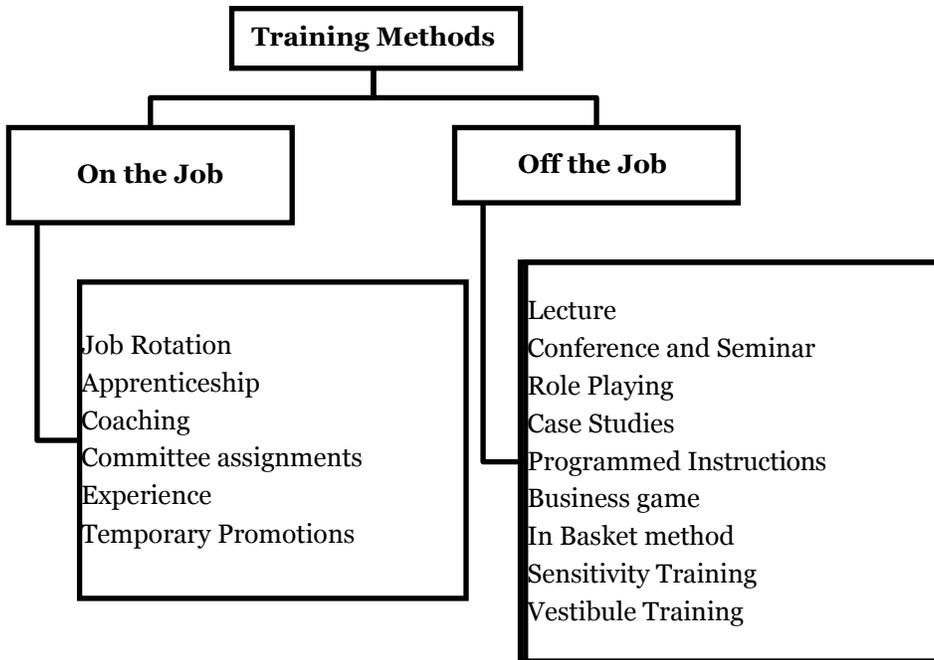
On the job training occurs when workers pick up skills whilst working along side experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works. New workers may simply **“shadow”** or observe fellow employees to begin with and are often given instruction manuals or interactive training programmes to work through.

**b) Off-the-job training**

This occurs when workers are **taken away from their place of work** to be trained. This may take place at training agency or local college, although many larger firms also have their own training centers. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations. The various types of off-the-job training are

- (i) **Instructor presentation:** The trainer orally presents new information to the trainees, usually through lecture. Instructor presentation may include classroom lecture, seminar, workshop, and the like.
- (ii) **Group discussion:** The trainer leads the group of trainees in discussing a topic.
- (iii) **Demonstration:** The trainer shows the correct steps for completing a task, or shows an example of a correctly completed task.
- (iv) **Assigned reading:** The trainer gives the trainees reading assignments that provide new information.

- (v) **Exercise:** The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.
- (vi) **Case study:** The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.
- (vii) **Role play:** Trainees act out a real-life situation in an instructional setting.
- (viii) **Field visit and study tour:** Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.



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**8. nature, structure,types&purpose of organization?  
(May2016/2017)(NOV17)ACCORDING TO LOUIS A ALLEN,**

"Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing Relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

**Nature or characteristics of organization:**

- Division of Work
- Coordination
- Plurality of Persons
- Common Objectives
- Well-defined Authority and Responsibility
- Organization is a Structure of Relationship
- Organization is a Machine of Management
- Organization is a Universal Process

**Organization structure**

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization.

## **Significance of Organization Structure**

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

## **Organization Structure**

- **FORMAL ORGANIZATION**
- **INFORMAL ORGANIZATION**

AMSCE - 1101

## 9. Discuss the difference between Formal and Informal organization (Nov 2012) (May 2015)

### Formal organization:

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."

Basis	Formal Organization	Informal organization
<b>1. Origin</b>	Formal organization is created deliberately and consciously by management.	Informal organization emerges spontaneously
<b>2. Purpose</b>	Formal Organization is created for achieving the legitimate objective of the organization	Informal Organization is created by the members of the organization for their social and psychological satisfaction
<b>3. Size</b>	Formal group may be quite large in size.	Informal groups tend to be small.
<b>4. Nature of Group</b>	Formal groups are stable and may continue for a very long period of time.	Informal groups were quite unstable in nature
<b>5. Number of Group</b>	More no. of groups	Less no. of groups
<b>6. Authority</b>	Formal organization is bound together by a hierarchical structure.	In Informal organization all members are equal
<b>7. Communication Flow</b>	From top to bottom	IT may flow vertically or horizontally
<b>8. Behavior of Members</b>	In formal organization behavior of the members were governed by formal rules and regulations	In the informal organization the behavior of the members is governed by norms beliefs and value of the group
<b>9. Durability</b>	Tends to be permanent	Characterized by instability
<b>10. Orientation</b>	It is more or less impersonal and arbitrary structure to which individuals must adjust	A highly flexible structure designed to satisfy social and psychological needs of individuals

<b>11. Abolition</b>	Management can abolish the formal groups at any time	Management has no control over informal groups which are the creation of natural desire of human beings to interact
<b>12. Leadership</b>	In informal organization, leadership is vested in managers.	In informal organization, leadership is not associated with manager ship.
<b>13. Status</b>	There are sharp status differentials among the members of formal organization, which inhibit free interaction and socialization.	In informal organization there may be social ranking among people but these do not prevent free interaction among people.

\*\*\*\*\*

**10. Jacob one of assistants in fire insurance company so meticulous and perfect oriented responsible to review changed policies endorsements, maintaining records. He does not delegate authority and responsibility but rechecks in detail, as a result quiet busy from early morning to late night. You are afraid about Jacobs workaholic behavior and heading for nervous breakdown if he fires any of his people the replacements would mostly like terrible.(May18)**

**1. Why people do not delegate authority and responsibility.**

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."

**2. What are Jacobs responsibilities as supervisors.**

He gives the trainees reading assignments that provide new information.

**3. Which can he delegate and how .?**

The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.

**4. Mention the leadership characteristics that Jacob lacks.**

Attitude, skills, knowledge and behavior

**5. How can you go about developing in them.?**

Stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.

### **LIMITATION OF FORMAL ORGANIZATION:**

#### **formal organization**

- The formal organization does not take into consideration the sentiments of organizational members.
- The formal organization does not consider the goals of the individuals. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

**11. Explain the characteristics and limitations of informal organization**

## **INFORMAL ORGANIZATION**

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organization according to its environment.

### **Characteristics features of Informal organization**

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- The inter-relations amongst the people in an informal organization cannot be shown in an organization chart.
- In the case of informal organization, the people cut across formal channels of communications and communicate amongst themselves.
- The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- Membership of informal groups can be overlapping as a person may be member of a number of informal groups.
- Informal organizations are based on common taste, problem, language, religion, culture, etc.
- It is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organization.

\*\*\*\*\*

### **12. How development is different from training? (NOV17)**

<b>Basis</b>	<b>Development</b>	<b>Training</b>
<b>1. Origin</b>	Development is created deliberately and consciously by management.	Training organization emerges spontaneously
<b>2. Purpose</b>	Development is created for achieving the legitimate objective of the organization	Training is created by the members of the organization for their social and psychological satisfaction
<b>3. Size</b>	Development group may be quite large in size.	Training groups tend to be small.
<b>4. Nature of Group</b>	Development groups are stable and may continue for a very long period of time.	Training groups were quite unstable in nature
<b>5. Number of Group</b>	More no. of groups	Less no. of groups

<b>7. Communication Flow</b>	From top to bottom	IT may flow vertically or horizontally
<b>8. Behavior of Members</b>	behavior of the members were governed by formal rules and regulations	the behavior of the members is governed by norms beliefs and value of the group
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### 13. Discuss about the factors determine an effective span of control?(Nov 2015)

#### **SPAN OF CONTROL**

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

#### **Factors Affecting Span of control:**

**a) Capacity of Superior:**

Different ability and capacity of leadership, communication affect management of subordinates.

**b) Capacity of Subordinates:**

Efficient and trained subordinates affects the degree of span of management.

**c) Nature of Work:**

Different types of work require different patterns of management.

**d) Degree of Centralization or Decentralization:**

Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.

**e) Degree of Planning:**

Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.

**f) Communication Techniques:**

Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.

**g) Use of Staff Assistance:**

Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.

**h) Supervision of others:**

If subordinate receives supervision from several other personnel besides his direct supervisor. In such a case, the work load of direct superior is reduced and he can supervise more number of persons.

- i) Geographical closeness of others
- j) Direction and coordination
- k) Subordinate training
- l) Economic consideration

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**14. Explain Departmentation in detail? Types.(Functional Organisational Structure) (May 2016) (NOV 2016)**

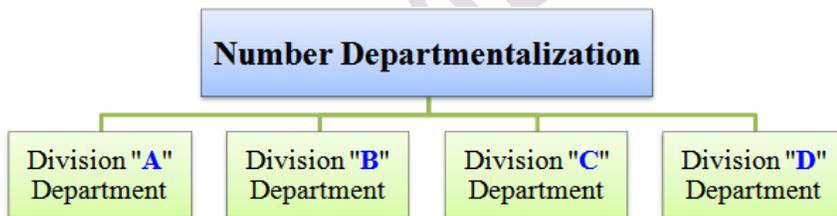
**DEPARTMENTATION BY DIFFERENT STRATEGIES**

DEPARTMENTATION refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units.

**Key Factors in Departmentation**

- It should facilitate control.
- It should ensure proper coordination.
- It should take into consideration the benefits of specialization.
- It should not result in excess cost.
- It should give due consideration to Human Aspects.

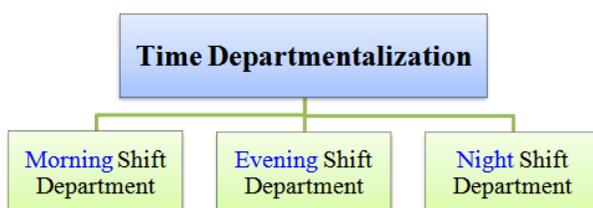
**1-DEPARTMENTATION BY NUMBERS:**



Departmentation by number is telling off persons who are to perform the same duties and putting them under the superior of a manager the essential fact is not what these people do, where they work? Or

what they work with.

**2-DEPARTMENTATION BY TIME**



It is grouping activities on the basis of time. It is oldest form of departmentation and it is generally used in low level of departmentation. It is particularly applied in hospitals and steel manufacturing enterprise where continue process of service and manufacturing is used.

## ADVANTAGES

- 1- It is process of working and services throughout 24 hours.
- 2- It is continuing service process.
- 3- Expensive machinery is used in shifts.
- 4- Students can work evening or at night.

## DISADVANTAGES

- 1- There is lacking supervision at night.
- 2- Exhaustion factor.

---

### 3- DEPARTMENTATION BY FUNCTION

It is grouping activities on the basis on function of an enterprise. The basic enterprise functions are production, selling, and financing functional departmentation is bases for organizing activities and in organizational structure.



It organizes by function to be performed. The function reflects the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common

skills, knowledge and orientations together in common units.

## ADVANTAGES

- 1- It is logical reflection of function.
- 2- Maintains power of major functions.
- 3- Simplifies training.

## DISADVANTAGES

- 1- De-emphasis of overall company objectives.
- 2- Reduces coordination between function.
- 3- Slow adoption to change in environment.

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### 4- DEPARTMENTATION BY GEOGRAPHY

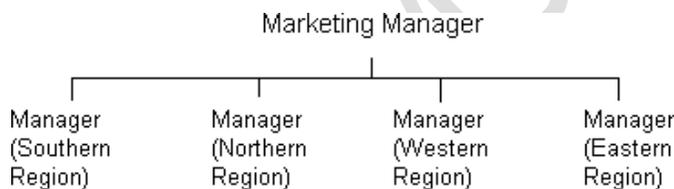


Figure : Departmention by Terriroty

Departmentation by geography is followed where geographic marked appear to offer advantages. Geographic department most often use in sales and production, it is not use in finance. Departmentalization by geographical regions groups jobs on the basis of territory or geography. For example a major pharmaceutical company, have its domestic sales departmentalized by regions

such as Northeast, Southeast, & Northwest

## ADVANTAGES

- 1- It emphasis on local markets and problems.
- 2- Improves coordination in a region.
- 3- Better face to face communication.

## DISADVANTAGES

- 1- Increases problem of top management control.
- 2- Requires more persons with general manager abilities

---

### 5. DEPARTMENTATION BY CUSTOMER



Figure : Departmentation by customer

Departmentalization by customer groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not for-profit organizations. A current departmentalization trend is to structure

work according to customer, using **cross-functional teams**. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance and marketing is created to prepare a technology plan.

**ADVANTAGES**

- 1- Departmentation by customer emphasis on customer needs.
- 2- It develops experience in customer area.

**DISADVANTAGES**

- 1- It may be difficult to analysis customer demands.
- 2- It requires managers and staff expert in customer problems.
- 3- Customer groups may not always be clearly defined

**6- DEPARTMENTATION BY PROCESS**

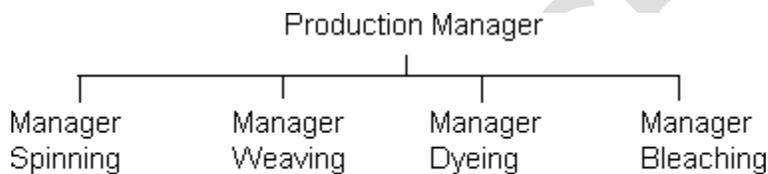


Figure : Departmentations by process

This type of departmentation is found in production and operative levels. Such type of departmentation can be found in paint or electroplating process. Departmentalization by process groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis

for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, and then go through the admitting process, undergo a procedure in surgery, receive post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

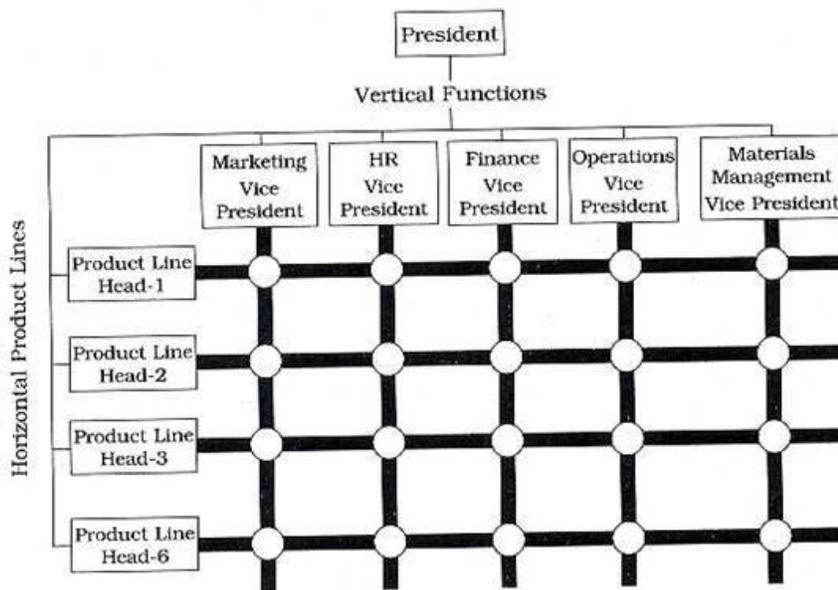
**Advantages :**

- High operational efficiency.
- Benefits of specialisation.
- Reduction in manufacturing time and unnecessary movements in the process

**Disadvantage :**

- High Costs.
- Requiring continuous training

**MARTIX DEPARTMENTATION (May 2015)**



In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method,. One of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case.

The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.

#### **Advantages**

- Efficiently manage large, complex tasks
- Effectively carry out large, complex tasks

#### **Disadvantages**

- Requires high levels of coordination
- Conflict between bosses
- Requires high levels of management skills

### **15. Explain the concept& types of decentralization,**

#### **(NOV 2016) Decentralization:**

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tears in the organization, because there is more autonomy in the lower ranks.

#### **Characteristics**

- Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.
- Decision-making: democratic, participative, detailed.
- Organizational change: emerging from interactions, organizational dynamics.
- Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.
- Participation, accountability. Low risk of not-invented-here behavior.

#### **Three Forms of decentralization**

- De-concentration. The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.

- Delegation. A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.
- Devolution. A third type of decentralization is devolution. The authority for decision-making is transferred completely to autonomous organizational units.

#### **Advantages of Decentralization**

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action
- Develop Second-line managers
- Promote employee's enthusiasm and coordination
- Facilitate actions by lower-level managers

#### **Disadvantages of Decentralization**

- Top-level administration may feel it would decrease their status
- Managers may not permit full and maximum utilization of highly qualified personnel Increased costs. It requires more managers and large staff
- It may lead to overlapping and duplication of effort

Centralization and Decentralization are two opposite ways to transfer decision-making power and to change the organizational structure of organizations accordingly.

There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

### **Unit IV PART A**

#### **1. DEFINE DIRECTION**

Direction may be defined as the process of instructing, guiding and inspiring human factors in the organization to achieve organization objectives.

#### **2. STATE TWO IMPORTANT CHARACTERISTICS OF DIRECTING.**

- Directing is an important managerial function through which the management initiates actions in the organization.
- It is a continuous process and it continues throughout the life of the Organization.

#### **3. LIST OUT THE HUMAN FACTORS IN MANAGING.**

The Human factors in managing include:

- Multiplicity of roles
- Individuality and
- Personal dignity.

#### **4. DEFINE PERSONALITY(MAY2017).**

PERSONALITY is defined as the ability to produce new and useful ideas through the combination of known principles and components in novel and non obvious ways. Creativity exists throughout the population largely independent of age and education.

## 5. WHAT ARE THE ELEMENTS IN Maslow's need hierarchy (NOV2016)

Creativity is defined as the ability to produce new and useful ideas through the combination of known principles and components in novel and non-obvious ways. The steps involved in creative process are:

- Saturation
- Preparation
- Frustration and incubation
- Inspiration or illumination
- Verification

## 5. HOW ARE PROBLEMS SOLVED BY CREATIVE TOOL?

Creativity tools are designed to help you devise creative and imaginative solutions to problems.

## 6. WHAT IS A SCAMPER TOOL?

SCAMPER is a checklist that helps us to think of changes where

- S - Substitute
- C - Combine
- A - Adapt
- M - Modify
- P - Put to another use
- E - Eliminate and
- R - Reverse.

## 7. WHAT IS A MEANT BY JOB ENRICHMENT(NOV17)?

JOB ENRICHMENT is a simple technique that helps to look at business problems from a number of different viewpoints. The approach relies on the fact that different people with different experience approach problems in different experience approach in different ways.

## 8. WHAT ARE THE STEPS INVOLVED IN SIMPLEX TOOL?

Simplex tool is an industrial-strength creativity tool. The steps involved in simplex tool are:-

- Problem finding
- Fact finding
- Problem definition
- Idea finding
- Selection and evaluation
- Planning
- Sell data and
- Action

## 9. DIFFERENTIATE INNOVATION AND INVENTION.

Innovation means the use of creative ideas. It is not only relevant to high-tech enterprises but also crucial for old-line, traditional companies, which may not service without the infusion of innovation.

**Ex: A new product or a service.**

Invention means really finding new things that are not already available. It is mostly applicable in the field of science. **Ex: Invention of radio.**

## **10. HOW CAN BE HARMONIZING OBJECTIVES ACHIEVED?**

Harmonizing objectives can be achieved through:

- Mutual trust
- Cooperation and understanding and
- Workers participation in management.

## **11. DEFINE ORGANIZATIONAL CULTURE.(NOV2015)**

Individuals are not only the productive factor in management Plans. They are members of social system of many organizations.

## **12. WHAT is job enlargement? (May 2015).**

It is the ability and power to develop to develop new ideas.

## **13. DEFINE JOB SATISFACTION (NOV17).**

Proper utilization of human resource possible since it inspires employees to make best possible use of different factors of production. It means a process of stimulating people in action to accomplish desired goals.

## **14. NAME THE STEPS INVOLVED IN MOTIVATION PROCESS.**

Motivation is a behavioral concept that directs human behavior towards certain goals. The steps involved in the motivation process include,

- Analysis of situation
- Preparing, Selecting and applying a set motivating tools.
- Follow-up.

## **15. WHAT ARE THE TYPES OF MOTIVATION?**

Motivation is a complex process which is created because of the nature of needs and the type of behavior that is attempted to satisfy those needs. The types of motivation are:

- Positive motivation
- Negative motivation
- Extrinsic motivation and
- Intrinsic motivation.

## **16. WHAT ARE THE DIFFERENT MOTIVATIONAL THEORIES?**

The different motivational theories include:

- Mc Gregor's Theory X and Theory Y.
- Maslow's need hierarchy theory
- Herzberg theory of motivation.

## **17. LIST OUT THE BASIC NEEDS IN HIERARCHY.**

The basic needs in hierarchy include:

- Physiological needs
- Safety needs
- Social needs
- Self-Esteem needs and
- Self-actualization needs
-

### **18. What is Brainstorming (May18)?**

Leader is one who makes his subordinates to do willingly what he wants. The efforts of subordinates are to be channelized in the right direction by him.

### **19. LEADERSHIP different from management (May 2015).**

Leadership is the process of influencing the behaviour of others towards the accomplishment of goals in givens situations. Leadership is the art of process of influencing people so that they will strive willingly towards the achievement of group goals.

### **20. Define democratic leadership style.(May18)**

It is defined as the ability to produce new and useful ideas through the combination of known principles and components in novel and non-obvious ways.

### **21. EFFECTIVE COMMUNICATION (NOV2016).**

Communications are effective because of the influence on followers' motivation ability to perform and their satisfaction. This path goal is employed because the leader setup clears guidance through which the subordinates can achieve goals.

### **22. NAME THE VARIOUS LEADERSHIP STYLES. (May2016/Nov 2015)**

- Autocratic leadership
- Democratic leadership and
- Laissez-faire leadership.

### **23. WHAT IS LAISSEZ FAIRE? (NOV 2014)**

Complete freedom is given to the subordinate so that they plan motivate control and otherwise be responsible for their own actions.

### **24. WHAT IS NOISE IN COMMUNICATION?(MAY2016)**

It is the transmission of information from one person to another person.

**Ex: Business communication.**

### **25. MENTION THE VARIOUS ELEMENTS IN THE PROCESS OF COMMUNICATION? (Nov 2014)**

The various elements in a communication process:

- Sender
- Communication channels
- Symbols
- Receiver
- Noise and feedback.

### **26. NAME THE VARIOUS TYPES OF COMMUNICATION.**

The various types of communication are:

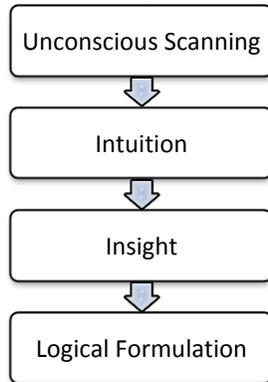
- Downward and Upward communication
- Formal and Informal communication
- Horizontal and Vertical communication.

**UNIT-IV**  
**PART-B**

**1. Job performance influenced by employees attitude. Discuss? (May2017):**

Job performance is often used interchangeably, they should to be considered separate and distinct . Job performance can be described as problem identification and idea generation an innovation is considered as idea selection, development and commercialization. Job performance is creation of new ideas and Innovation is implementation of the new ideas. There cannot be innovation without creativity. There can be creativity without innovation but it has no value.

**Steps involved in Job performance**



**The first phase, unconscious scanning**, is difficult to explain because it is beyond consciousness. This scanning usually requires an absorption in the problem, which may be vague in the mind. Yet managers working under time constraints often make decisions prematurely rather than dealing thoroughly with ambiguous, ill-defined problems.

**The second phase, intuition**, connects the unconscious with the conscious. This stage may involve a combination of factors that may seem contradictory at first. Intuition needs time to work. It requires that people find new combinations and integrate diverse concepts and ideas. Thus, one must think through the problem. Intuitive thinking is promoted by several techniques, such as brainstorming.

Insight, **the third phase of the creative process**, is mostly the result of hard work. For example, many ideas are needed in the development of a usable product, a new service, or a new process. What is interesting is that insight may come at times when the thoughts are not directly focused on the problem at hand. Moreover, new insights may last for only a few minutes, and effective managers may benefit from having paper and pencil ready to make notes of their creative ideas.

**The last phase in the creative process** is logical formulation or verification. Insight needs to be tested through logic or experiment. This may be accomplished by continuing to work on an idea or by inviting critiques from others.

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**2. Explain the qualities of leadership?(May2016)**

**Definition**

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals

- Leaders act to help a group attain objectives through the maximum application of its capabilities.
- Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers

**Importance of Leadership**

1. Aid to authority
2. Motive power to group efforts
3. Basis for co operation
4. Integration of Formal and Informal Organization.

**LEADERSHIP STYLES**

The leadership style we will discuss here are:

- a) Autocratic style
- b) Democratic Style
- c) Laissez Faire Style

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**3. Explain The Motivation Theories? Compare. (MAY/NOV2015)(May2016)(MAY/NOV2017)(May 18)**

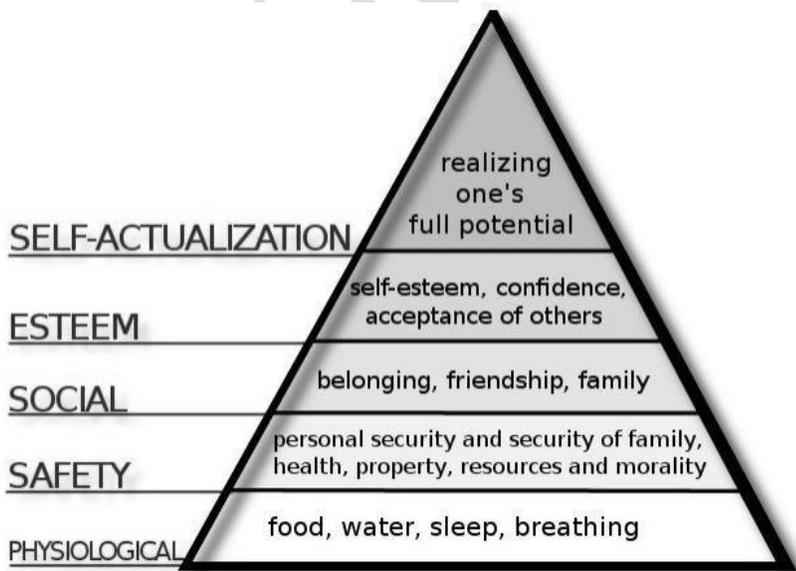
**MOTIVATION THEORIES**

Motivation is the set of processes that moves a person toward a goal. Thus, motivated behaviors are voluntary choices controlled by the individual employee. The supervisor (motivator) wants to influence the factors that motivate employees to higher levels of productivity. Since motivation influences productivity, supervisors need to understand what motivates employees to reach peak performance. It is not an easy task to increase employee motivation because employees respond in different ways to their jobs and their organization’s practices.

Factors that affect work motivation include individual differences, job characteristics, and organizational practices.

*Theories of Motivation*

*Maslow’s Hierarchy of Needs*



Abraham Maslow Identifies five levels of needs, which are best seen as a hierarchy with the most basic need emerging first and the most sophisticated need last. People move up the hierarchy one level at a time. As basic or lower level needs are satisfied, higher-level needs become operative. A satisfied need is not a motivator. The most powerful employee need is the one that has not been satisfied.

**Level I - Physiological needs** are the most basic human needs. They include food, water, and comfort. The organization helps to satisfy employees' physiological needs by a paycheck.

**Level II - Safety needs** are the desires for security and stability, to feel safe from harm. The organization helps to satisfy employees' safety needs by benefits.

**Level III - Social needs** are the desires for affiliation. They include friendship and belonging. The organization helps to satisfy employees' social needs through sports teams, parties, and celebrations. The supervisor can help fulfill social needs by showing direct care and concern for employees.

**Level IV - Esteem needs** are the desires for self-respect and respect or recognition from others. The organization helps to satisfy employees' esteem needs by matching the skills and abilities of the employee to the job. The supervisor can help fulfill esteem needs by showing workers that their work is appreciated.

**Level V - Self-actualization needs** are the desires for self-fulfillment and the realization of the individual's full potential. The supervisor can help fulfill self-actualization needs by assigning tasks that challenge employees' minds while drawing on their aptitude and training.

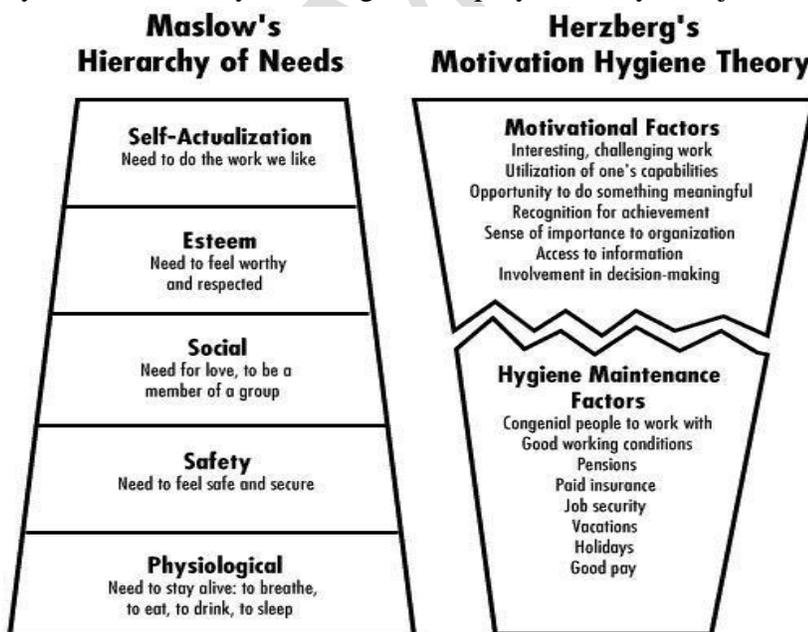
**Herzberg's Two-Factor Theory.....**

He describes needs in terms of satisfaction and dissatisfaction.

Motivating employees is a two-step process. First provide **hygiene** and then **motivators**.

**Motivators** are considered job turn-on. They are necessary for substantial improvements in work performance and move the employee beyond satisfaction to superior performance. Motivators correspond to Maslow's higher-level needs of esteem and self-actualization.

Dissatisfaction occurs when the following hygiene factors, extrinsic or job context, are not present on the job: pay, status, job security, working conditions, company policy, peer relations, and supervision. Herzberg uses the term **hygiene** for these factors because they are preventive in nature. They will not produce motivation, but they can prevent motivation from occurring. Hygiene factors can be considered job stay-on because they encourage an employee to stay on a job.



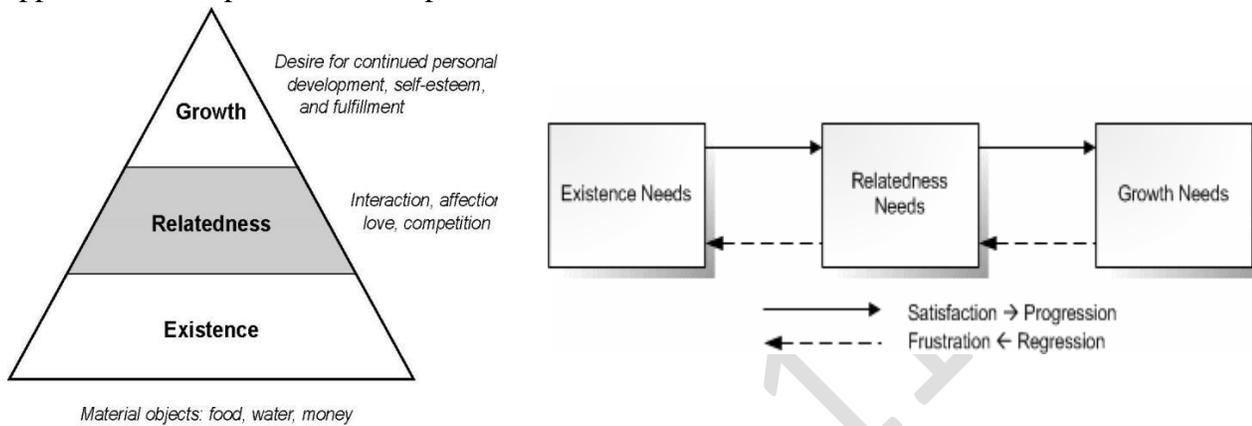
### Alderfer's ERG :

Identified three categories of needs. The most important contribution of the ERG model is the addition of the frustration-regression hypothesis, which holds that when individuals are frustrated in meeting higher level needs, the next lower level needs reemerge.

**Existence** needs are the desires for material and physical well being. These needs are satisfied with food, water, air, shelter, working conditions, pay, and fringe benefits.

**Relatedness** needs are the desires to establish and maintain interpersonal relationships. These needs are satisfied with relationships with family, friends, supervisors, subordinates, and co-workers.

**Growth** needs are the desires to be creative, to make useful and productive contributions and to have opportunities for personal development.



### McClelland's Learned Needs

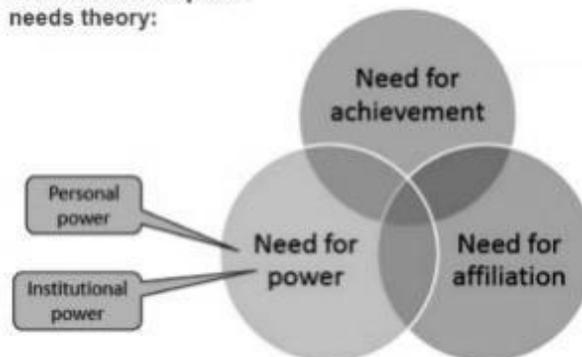
He divides motivation into needs for power, affiliation, and achievement.

**Need for Achievement (nAch):** Achievement motivated people thrive on pursuing and attaining goals. They like to be able to control the situations in which they are involved. They take moderate risks. They like to get immediate feedback on how they have done. They tend to be preoccupied with a task-orientation towards the job to be done.

**Need for Affiliation (nAff):** Affiliation motivated people are usually friendly and like to socialize with others. This may distract them from their performance requirements. They will usually respond to an appeal for cooperation.

**Need for Power (nPow):** Power motivated individuals see almost every situation as an opportunity to seize control or dominate others. They love to influence others. They like to change situations whether or not it is needed. They are willing to assert themselves when a decision needs to be made.

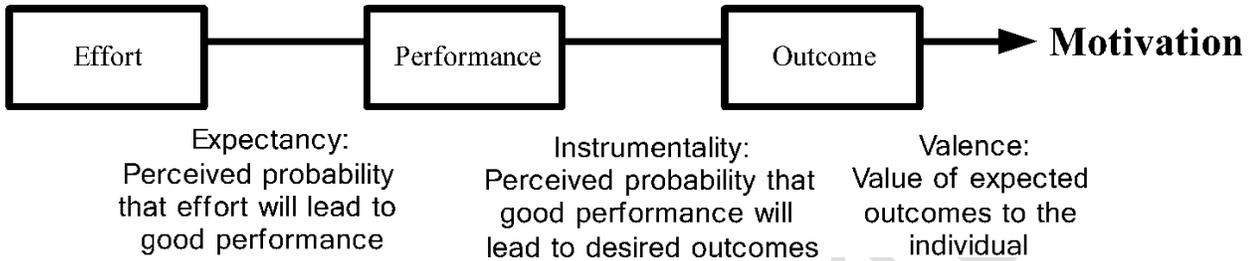
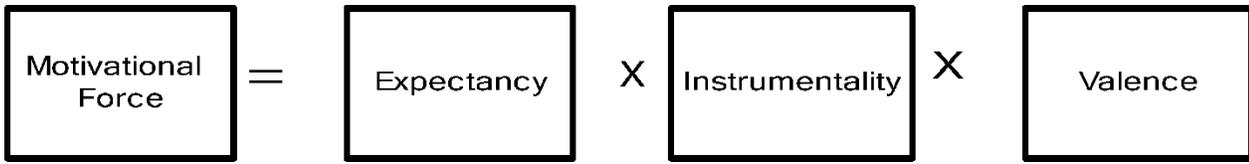
McClelland's acquired needs theory:



**Vroom's Expectancy Model**

suggests that people choose among alternative behaviors because they anticipate that particular behaviors will lead to one or more desired outcomes and that other behaviors will lead to undesirable outcomes.

**Expectancy** is the belief that effort will lead to first-order outcomes, any work related behavior that is the direct result of the effort an employee expends on a job.

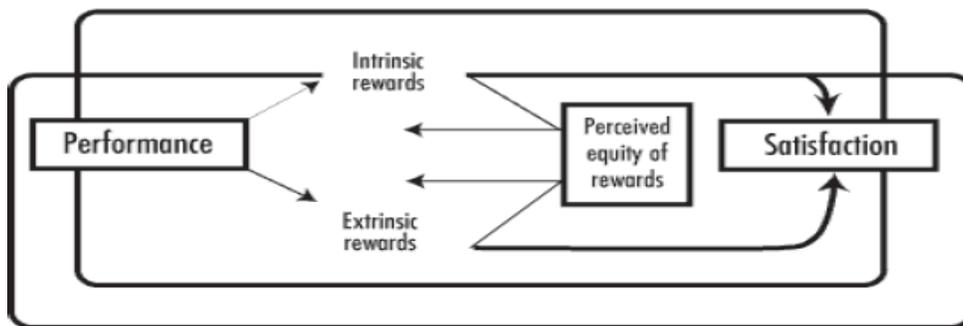


**Equity**

is the perception of fairness involved in rewards given. A fair or equitable situation is one in which people with similar inputs experience similar outcomes.

Employees will compare their rewards with the rewards received by others for their efforts. If employees perceive that an inequity exists, they are likely to withhold some of their contributions, either consciously or unconsciously, to bring a situation into better balance.

**Equity Theory**



For example, if someone thinks he or she is not getting enough pay (output) for his or her work (input), he or she will try to get that pay increased or reduce the amount of work he or she is doing. On the other hand, when a worker thinks he or she is being paid too much for the work he or she is doing, he or she tends to increase the amount of work.

Not only do workers compare their own inputs and outputs; they compare their input/ output ratio with the input/output ratio of other workers. If any input is not balanced with some fair output, the motivation process will be difficult. Supervisors must manage the perception of fairness in the mind of each employee. If subordinates think they are not being treated fairly, it is difficult to motivate

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#### 4. DIFFERENCE BETWEEN THE SATISFACTION& MOTIVATIONAL?(NOV16)

##### **MOTIVATION**

"Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures and influences that trigger, channel, and sustain human behavior. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance.

##### **SATISFACTION:**

If a manager wants to get work done by his employees, he may either hold out a promise of a reward (positive motivation) or he/she may install fear (negative motivation). Both these types are widely used by managements.

##### **a) Positive Motivation:**

This type of motivation is generally based on reward. A positive motivation involves the possibility of increased motive satisfaction. According to Flippo - "Positive motivation is a process of attempting to influence others to do your will through the possibility of gain or reward". Incentive motivation is the "pull" mechanism. The receipt of awards, due recognition and praise for work-well done definitely lead to good team spirit, co-operation and a feeling of happiness.

- Positive motivation include:-
- Praise and credit for work done
- Wages and Salaries
- Appreciation
- A sincere interest in subordinates as individuals
- Delegation of authority and responsibility

##### **b) Negative Motivation:**

This type of motivation is based on force and fear. Fear causes persons to act in a certain way because they fear the consequences. Negative motivation involves the possibility of decreased motive satisfaction. It is a "push" mechanism. The imposition of punishment frequently results in frustration among those punished, leading to the development of maladaptive behavior. It also creates a hostile state of mind and an unfavorable attitude to the job. However, there is no management which has not used the negative motivation at some time or the other.

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#### 5 . Explain how communication is effective through electronic media? (May 2016)

##### **COMMUNICATION**

##### ***Significance of Communication***

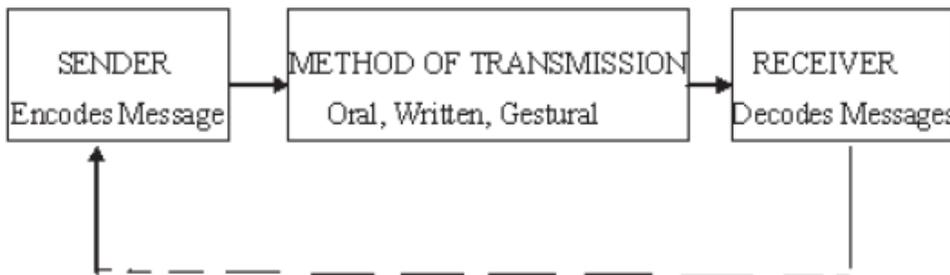
Communication is an indispensable activity in all organizations. No organization can think of its existence without effective communication. Communication is an indispensable process for effective management. The role of communication is summarized in the following points:

- Communication helps the management in making the employees understand the objectives, plans and policies of the enterprise.
- Communication develops understanding between the superiors and the subordinates. It leads to congenial human relations in the organization.

- Communication helps in controlling the performances of different individuals and departments of the enterprise.
- Communication facilitates decision making by providing necessary information in time.
- Communication provides unity of direction to various activities of the enterprise.
- Communication is an effective device for achieving participation by the workers. Management can consult the workers and receive their grievances, complaints and suggestions.
- Communication facilitates change on the part of employees by modifying their behavior.

### Process of Communication

A simple model of the communication process is illustrated in the Fig.. The major elements of the communication process are below:



- (i) Sender      (ii) Encoding or Communication Symbol.      (iii) Message      (iv) Communication Channel  
 (v) Receiver      (vi) Decoding      (vii) Feedback

### Purpose of Communication

The following are the important purposes of communication:

- ✓ To keep employees informed of company's progress.
- ✓ To provide employees with orders and instructions in connection with their duties.
- ✓ To solicit information from the employees, which may aid management.
- ✓ To make each employee interested in his respective job and in the work of company as a whole.
- ✓ To express management's interest in its personnel.
- ✓ To reduce or prevent labor turnover.
- ✓ To indoctrinate employees with the will to work and the benefits derived from their association with the company.
- ✓ To install each employee with personal pride in being a member of the company.

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### 6. Explain the barriers to effective communication and suggested measures for improvement.

(Nov15) (Nov 2016)(MAY2017)(May18)

#### **BARRIERS OR GATEWAYS TO COMMUNICATION**

Barriers or obstacles to communication cause break downs, distortions and inaccurate rumors. Whenever a communication is made, there is always a tendency on the part of the receiver to evaluate the message received and then decide to approve or disapprove the same. Another important barrier to communication lies in the layers and spans of management.

#### **1. Semantic Barriers**

Semantic is the science of meaning. Words seldom mean the same thing to two persons. Symbols or words usually have a variety of meanings. The sender and the receiver have to choose one meaning from among many. If both of them choose the same meaning, the communication will be perfect.

- Words with different meanings
- Un clarified assumptions: This point can be clarified by an illustration. A customer sends a message that he will visit a vendor's plant at a particular time on some particular date. Then he may assume that the vendor will receive him and arrange for his lunch, etc. Whereas vendor may assume that the customer was arriving in the city to attend some personal work and would make a routine call at the plant. This is an unqualified assumption with possible loss of goodwill.
- Poorly Expressed Messages
- Specialist's Language or technical jargons which are difficult to understand

## **2. Psychological or Emotional Barriers:**

Barriers may arise due to emotions of the people or due to the psychological state of the mind.

- ✓ Premature Evaluation
- ✓ Inattention to the opposite person or to the message
- ✓ Distrust of communication
- ✓ Threat and fear about the people at the opposite side

## **3. Barriers due to Organization Structure.**

The breakdown or distortion in communication, sometimes, arises due to:

- ✓ Several layers of management;
- ✓ Long lines of communication;
- ✓ Long distance of subordinates from top management;
- ✓ Lack of instructions for passing information to the subordinates; and
- ✓ Heavy pressure of work on certain levels of authority.

**4. Barriers due to Status and Position - Personal Barriers** The temper and attitude exhibited by the supervisor is sometimes a hurdle in two way communication. One common illustration is non-listening habit. A supervisor may guard information for:

- Consideration of prestige, ego and strategy.
- Under - rating the understanding and intelligence of subordinates.
- Deriving satisfaction in being the store house of information and seeing people dance around him for information.
- ✓ Prejudices among the supervisors and subordinates may stand in the way of free flow of information and understanding.
- ✓ The supervisors particularly at the middle level may sometimes like to be in good books of top management by :
  - not seeking clarification on instructions which are subject to different interpretations; and
  - acting as a screen for passing only such information which may please the boss.

## **Steps to Overcome Barriers to Communication**

The following steps are required to be followed to overcome barriers to effective communication:

- (i) **Clarity of Information.** Subordinates should be kept informed on policy matters that affect them on a regular basis. Clear cut instructions should be issued and follow-up measures should be taken to ensure that the instructions are thoroughly understood and are being implemented.
- (ii) **Prompt Information.** The management should make a practice of passing along the information promptly to everyone concerned so that action, where required, is not delayed.
- (iii) **Creation of Proper Atmosphere.** In particular cases, as for instance, when a boss is talking to his subordinate, the atmosphere must be peaceful so that there is effective communication of instructions and suggestions.
- (iv) **Effective Listening.** The sender must listen to the receiver's words attentively so that the receiver may also listen to the sender at the same time.
- (v) **Feedback.** Communication should be a two way traffic. There should be some system by which the workers should be able to convey their suggestions and grievances to the top management. Two way communication is also necessary for feedback for the purpose of control.
- (vi) **Efficient Channels.** Management should try to cut the root of the rumors. If the communication channel is well maintained, there will be no room for rumors, lies, guesses and misconceptions. Workers should get open doors for any clarification or consideration at all times. This will also increase the morale of the employees.

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## **7. EXPLAIN THE DIFFERENT STYLES OF LEADERSHIP. (May 2015)(Nov2016)**

### **LEADERSHIP**

#### **Definition**

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals

- Leaders act to help a group attain objectives through the maximum application of its capabilities.
- Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers.

#### **Importance of Leadership**

1. Aid to authority
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#### **LEADERSHIP STYLES:**

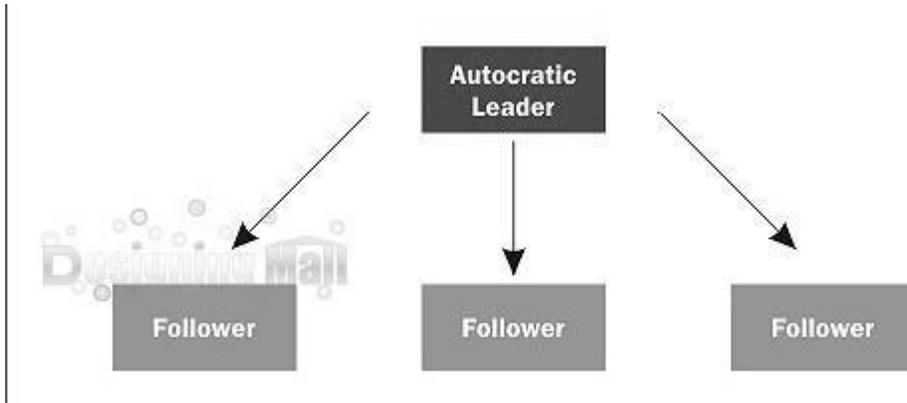
The leadership style we will discuss here are:

- a) Autocratic style
- b) Democratic Style
- c) Laissez Faire Style

#### **a) Autocratic style**

Manager retains as much power and decision-making authority as possible. The manager does not consult employees, nor are they allowed to give any input. Employees are expected to obey orders without

receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments



Autocratic leadership is a classical leadership style with the following characteristics:

- Manager seeks to make as many decisions as possible
- Manager seeks to have the most authority and control in decision making
- Manager seeks to retain responsibility rather than utilize complete delegation
- Consultation with other colleagues in minimal and decision making becomes a solitary process
- Managers are less concerned with investing their own leadership development, and prefer to simply work on the task at hand.

#### **Advantages**

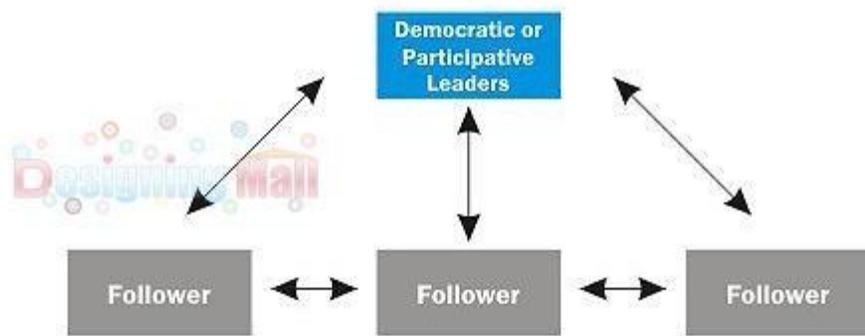
- \_ Reduced stress due to increased control
- \_ A more productive group 'while the leader is watching'
- \_ Improved logistics of operations
- \_ Faster decision making

#### **Disadvantages**

- \_ Short- termistic approach to management.
- \_ Manager perceived as having poor leadership skills
- \_ Increased workload for the manager
- \_ People dislike being ordered around
- \_ Teams become dependent upon their leader

#### **b) Democratic Style**

Democratic Leadership is the leadership style that promotes the sharing of responsibility, the exercise of delegation and continual consultation.



**The style has the following characteristics:**

- Manager seeks consultation on all major issues and decisions.
- Manager effectively delegate tasks to subordinates and give them full control and responsibility for those tasks.
- Manager welcomes feedback on the results of initiatives and the work environment.
- Manager encourages others to become leaders and be involved in leadership development.

**Advantages**

- \_ Positive work environment
- \_ Successful initiatives
- \_ Creative thinking
- \_ Reduction of friction and office politics
- \_ Reduced employee turnover

**Disadvantages**

- \_ Takes long time to take decisions
- \_ Danger of pseudo participation
- \_ Like the other styles, the democratic style is not always appropriate. It is most successful when used with highly skilled or experienced employees or when implementing operational changes or resolving individual or group problems.

**c) Laissez-Faire Style**



This French phrase means “leave it be” and is used to describe a leader who leaves his/her colleagues to get on with their work. The style is largely a "hands off" view that tends to minimize the amount of direction and face time required.

**Advantages**

- No work for the leader
- Frustration may force others into leadership roles
- Allows the visionary worker the opportunity to do what they want, free from interference
- Empowers the group

**Disadvantages**

- \_ It makes employees feel insecure at the unavailability of a manager.
- \_ The manager cannot provide regular feedback to let employees know how well they are doing.
- \_ Managers are unable to thank employees for their good work.
- \_ The manager doesn't understand his or her responsibilities and is hoping the employees can cover for him or her.

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**8. What is communication? Explain the effective communication.**

**COMMUNICATION:**

Communication is an indispensable activity in all organizations. No organization can think of its existence without effective communication. Communication is an indispensable process for effective management.

**DEFINITION**

According to Koontz and O'Donnell, "Communication, is an intercourse by words, letters symbols or messages, and is a way that the organization members shares meaning and understanding with another".

**THE PRINCIPLES OF EFFECTIVE COMMUNICATION:**

**Guidelines for effective Communication**

- (i) Senders of message must clarify in their minds what they want to communicate. Purpose of the message and making a plan to achieve the intended end must be clarified.
- (ii) Encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
- (iii) For the planning of the communication, other people should be consulted and encouraged to participate
- (iv) It is important to consider the needs of the receivers of the information. Whenever appropriate, one should communicate something that is of value to them, in the short run as well as in the more distant future.
- (v) In communication, tone of voice, the choice of language and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
- (vi) Communication is complete only when the message is understood by the receiver. And one never knows whether communication is understood unless the sender gets a feedback.
- (vii) The function of communication is more than transmitting the information. It also deals with emotions that are very important in interpersonal relationships between superiors, subordinates and colleagues in an organization.
- (viii) Effective communicating is the responsibility not only of the sender but also of the receiver of the information.

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**9. EXPLAIN THE VARIOUS COMMUNICATING NETWORKS.**

## Communication Networks

A network of communication represents the pattern of contacts among the members of an organization. It mainly depends upon the nature of channels of communication and the number of persons involved in the communication process. The types of communication networks in the organization are **single chain, wheel, circular and free flow**. The channels are discussed below:

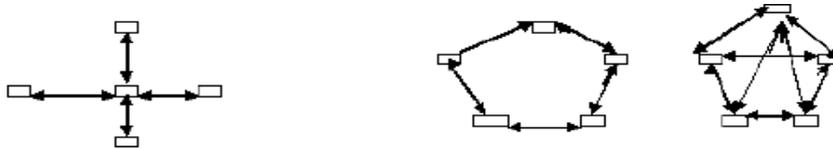


Fig. Networks of Communication

(i) **Single Chain.** The Chain can readily be seen to represent the hierarchical pattern that characterizes strictly formal information flow, "from the top down,"

(ii) **Wheel Communication Network.** It is called a wheel network since all communications pass through the manager who acts as a central authority like the hub of a wheel. All the workers receive instructions and guidance from one person.

(ii) **Circular Communication Network.** In case of circular network, the message moves in a circle. Each person can communicate with his two neighborhood colleagues only. A disadvantage of circular network is that communication is very slow.

(iii) **Free Flow Communication Network.** Under such an organizational design, there is no restriction on the flow of communication. Every one is free to communicate with anyone and everyone in the organization. However, this network is rarely followed in formal organizations.

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## 10. EXPLAIN THE TYPES OF COMMUNICATION.

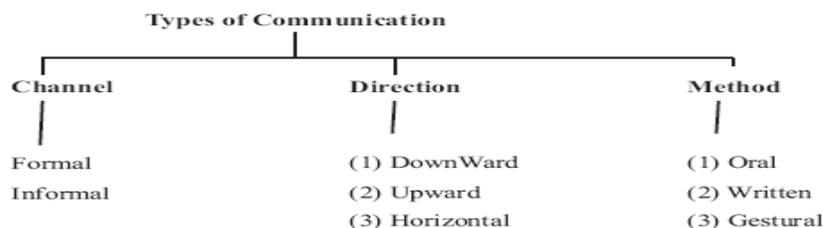
### COMMUNICATION:

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### DEFINITION

According to Koontz and O'Donnell, "Communication, is an intercourse by words, letters symbols or messages, and is a way that the organization members shares meaning and understanding with another"

### THE TYPES OF COMMUNICATION



## Channels of Communication

A channel of communication is a path through which messages are transmitted from the sender to the receiver. Channels of communication may be either formal or informal. These are discussed below:  
Chennai

### Formal Communication (May 2015)

The paths of communication, which are institutionally determined by the management, are called formal channels of communication. They are associated with the status or position of the communicator and the receiver. Formal communication enforces a relationship between different positions. It derives its support from scalar chain of organization.

**Downward communication** is used for giving orders and instructions, providing information, or for influencing attitudes and behavior of the subordinates.

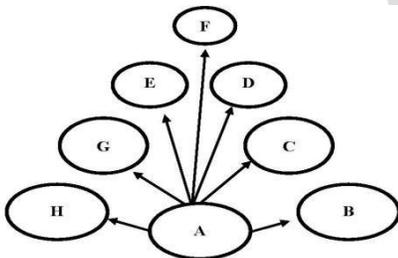
**Upward communication** is used for reporting, informing, requesting and suggesting. It is also used to influence decisions and to protest against certain actions or decisions of the management.

**Horizontal channels** are used for informing and coordinating.

### Informal Communication

The managers may resort to such informal channels when they find that it is not possible to gather information through the established channels in the formal communication system of the organization. It, as a matter of fact, fills in the gaps existing in the formal communication system. If it does not exist in the organization, the ability of a manager to build team work, motivate people and create identification with the organization would be severely restricted.

**Grapevine** generally operates like a cluster chain. For instance, A tells three or four selected persons. Only one or two of these receivers will then pass on the information and, again, they will usually tell more than one person. As the information becomes older and the number of those knowing it grows larger, and it gradually dies out because those who receive it do not repeat it. This process is called a cluster chain because each link in the chain tends to inform a cluster of other people instead of only one person.



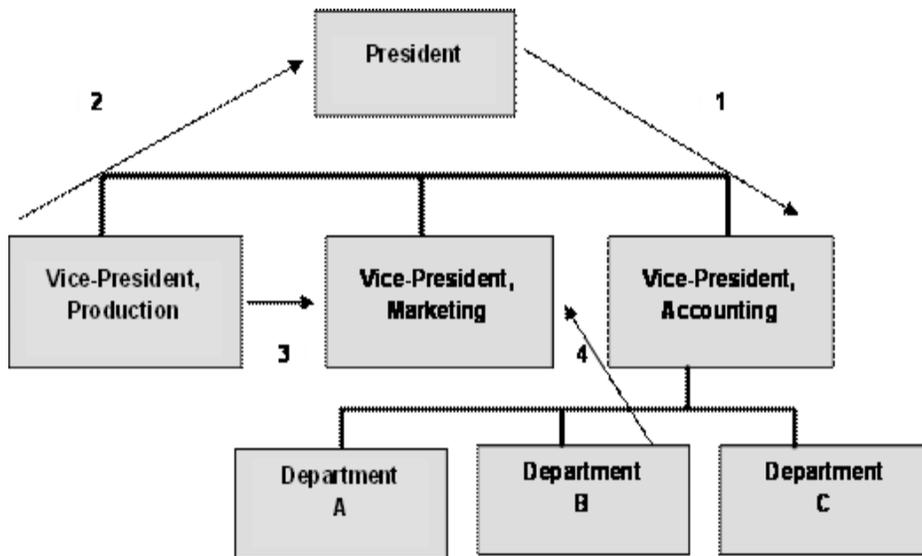
### Rumor

It is the most undesirable feature of the grapevine and it has given the grapevine a bad reputation. Rumor is grapevine information, which is communicated without authentic standards of evidence being present. It is thus an untrue part of grapevine. It can by chance be correct, but generally is incorrect; so it is presumed to be undesirable.

The rumor gets twisted and distorted when it passes from one mouth to another. The message gets its own head, tail and wings on its journey and swells un-proportionately to an exaggerated shape.

### Direction of Communication

From the point of view of direction, communication may be either vertical or horizontal. Vertical communication may move both downward as well as upward. Horizontal communication is also known as sideward communication.



**Downward (1)** communication involves communication from higher to lower levels so that leadership can communicate goals, strategies or role expectations.

**Upward (2)** communication flows from lower levels to higher levels of the organisation, for example, when there is a need to communicate problems, results or suggestions.

**Horizontal (3)** communication occurs across the same level and involves for example, coordination of activities with peers (teams, committees), dissemination of useful information from one department to another.

**Diagonal (4)** channels may potentially cause conflict as they involve communication between the lower level of one department to a higher level in another. In the diagram above, this may cause friction between the employee in accounting department C and the Vice-President (VP) of Accounting as the employee has gone around his or her own superior. Nevertheless this type of communication may be useful as it may simply be information relevant to the Marketing Department and the VP Accounting does not need to be involved.

### **Methods of Expression**

#### **Oral Communication**

1. Communication is expressed through spoken words.
2. It may not be precise.
3. Oral communication may not be complete. It may be difficult to understand it.
4. It is generally informal in nature.
5. It may not be taken seriously.
6. Oral message may not be verifiable.

#### **Written Communication**

1. Communication is expressed in writing.
2. It can be very precise.
3. It is not difficult to understand written communication if it is expressed in unambiguous terms.
4. It is generally formal in nature.
5. It is generally taken seriously.
6. Written message is verifiable from the records.

#### **Gestural Communication**

Communication through gestures or postures is often used as a means to supplement verbal communication. If there is a face-to-face conversation between two persons, they can better understand the feelings, attitudes and emotions of each other. Gestural communication is very much helpful to motivate the subordinates, as for instance, handshake with the subordinate or a pat on the back of the subordinate. Similarly, gestures taken by the listeners can help the communicator to know their reactions.

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## **11. EXPLAIN THE DIFFERENT THEORIES OF LEADERSH**

### **LEADERSHIP THEORIES**

The various leadership theories are

#### **a) Great Man Theory:**

##### **Assumptions**

- Leaders are born and not made
- Great leaders will arise when there is a great need.

##### **Description**

Early research on leadership was based on the study of people who were already great leaders. These people were often from the aristocracy, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding. The idea of the Great Man also strayed into the mythic domain, with notions that in times of need, a Great Man would arise, almost by magic. This was easy to verify, by pointing to people such as Eisenhower and Churchill, let alone those further back along the timeline, even to Jesus, Moses, Mohammed and the Buddha.

##### **Discussion**

Gender issues were not on the table when the 'Great Man' theory was proposed. Most leaders were male and the thought of a Great Woman was generally in areas other than leadership. Most researchers were also male, and concerns about andocentric bias were a long way from being realized.

#### **b) Trait Theory:**

##### **Assumptions**

- People are born with inherited traits.
- Some traits are particularly suited to leadership.
- People who make good leaders have the right (or sufficient) combination of traits.

##### **Description**

Early research on leadership was based on the psychological focus of the day, which was of people having inherited characteristics or traits. Attention was thus put on discovering these traits, often by studying successful leaders, but with the underlying assumption that if other people could also be found with these traits, then they, too, could also become great leaders.

McCall and Lombardo (1983) researched both success and failure identified four primary traits by which leaders could succeed or 'derail':

Emotional stability and composure: Calm, confident and predictable, particularly when under stress.

Admitting error: Owning up to mistakes, rather than putting energy into covering up.

Good interpersonal skills: able to communicate and persuade others without resort to negative or coercive tactics.

Intellectual breadth: Able to understand a wide range of areas, rather than having a narrow (and narrow-minded) area of expertise.

#### **c) Behavioral Theory:**

### **Assumptions**

- Leaders can be made, rather than are born.
- Successful leadership is based in definable, learnable behavior.
- 

### **Description**

Behavioral theories of leadership do not seek inborn traits or capabilities. Rather, they look at what leaders actually do.

If success can be defined in terms of describable actions, then it should be relatively easy for other people to act in the same way. This is easier to teach and learn than to adopt the more ephemeral 'traits' or 'capabilities'.

### **d) Participative Leadership:**

#### **Assumptions**

- Involvement in decision-making improves the understanding of the issues involved by those who must carry out the decisions.
- People are more committed to actions where they have involved in the relevant decision-making.
- People are less competitive and more collaborative when they are working on joint goals.
  - When people make decisions together, the social commitment to one another is greater and thus increases their commitment to the decision.
  - Several people deciding together make better decisions than one person alone.

#### **Description**

A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Often, however, as it is within the managers' whim to give or deny control to his or her subordinates, most participative activity is within the immediate team. The question of how much influence others are given thus may vary on the manager's preferences and beliefs, and a whole spectrum of participation is possible

### **e) Situational Leadership:**

#### **Assumptions**

- The best action of the leader depends on a range of situational factors.
- 

#### **Description**

When a decision is needed, an effective leader does not just fall into a single preferred style. In practice, as they say, things are not that simple.

Factors that affect situational decisions include motivation and capability of followers. This, in turn, is affected by factors within the particular situation. The relationship between followers and the leader may be another factor that affects leader behavior as much as it does follower behavior.

The leaders' perception of the follower and the situation will affect what they do rather than the truth of the situation. The leader's perception of themselves and other factors such as stress and mood will also modify the leaders' behavior.

### **f) Contingency Theory:**

#### **Assumptions**

- The leader's ability to lead is contingent upon various situational factors, including the leader's preferred style, the capabilities and behaviors of followers and also various other situational factors.

#### **Description**

Contingency theories are a class of behavioral theory that contend that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others.

An effect of this is that leaders who are very effective at one place and time may become unsuccessful either when transplanted to another situation or when the factors around them change.

Contingency theory is similar to situational theory in that there is an assumption of no simple one right way. The main difference is that situational theory tends to focus more on the behaviors that the leader should adopt, given situational factors (often about follower behavior), whereas contingency theory takes a broader view that includes contingent factors about leader capability and other variables within the situation.

### **g) Transactional Leadership:**

#### **Assumptions**

- People are motivated by reward and punishment.
- Social systems work best with a clear chain of command.
- When people have agreed to do a job, a part of the deal is that they cede all authority to their manager.
- The prime purpose of a subordinate is to do what their manager tells them to do.

#### **Description**

The transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders. Punishments are not always mentioned, but they are also well-understood and formal systems of discipline are usually in place.

The early stage of Transactional Leadership is in negotiating the contract whereby the subordinate is given a salary and other benefits, and the company (and by implication the subordinate's manager) gets authority over the subordinate.

When the Transactional Leader allocates work to a subordinate, they are considered to be fully responsible for it, whether or not they have the resources or capability to carry it out. When things go wrong, then the subordinate is considered to be personally at fault, and is punished for their failure (just as they are rewarded for succeeding).

### **h) Transformational Leadership:**

#### **Assumptions**

- People will follow a person who inspires them.
- A person with vision and passion can achieve great things.
- The way to get things done is by injecting enthusiasm and energy.

#### **Description**

Working for a Transformational Leader can be a wonderful and uplifting experience. They put passion and energy into everything. They care about you and want you to succeed.

Transformational Leaders are often charismatic, but are not as narcissistic as pure Charismatic Leaders, who succeed through a belief in themselves rather than a belief in others.

One of the traps of Transformational Leadership is that passion and confidence can easily be mistaken for truth and reality.

Transformational Leaders, by definition, seek to transform. When the organization does not need transforming and people are happy as they are, then such a leader will be frustrated. Like wartime leaders, however, given the right situation they come into their own and can be personally responsible for saving entire companies.

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## **12. Explain the types, issues of Organisational Culture (Nov 2015) (MAY 2017)**

### **Organizational Culture**

Organizational culture is an idea in the field of organizational studies and management which describes the psychology, attitudes, experiences, beliefs and values (personal and cultural values) of an organization. It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization."

### **Elements of Organizational Culture**

Johnson and Scholes described a cultural web, identifying a number of elements that can be used to describe or influence Organizational Culture:

The six elements are:

- a) **Stories:** The past events and people talked about inside and outside the company. Who and what the company chooses to immortalize says a great deal about what it values, and perceives as great behavior.
- b) **Rituals and Routines:** The daily behavior and actions of people that signal acceptable behavior. This determines what is expected to happen in given situations, and what is valued by management.
- c) **Symbols:** The visual representations of the company including logos, how plush the offices are, and the formal or informal dress codes.
- d) **Organizational Structure:** This includes both the structure defined by the organization chart, and the unwritten lines of power and influence that indicate whose contributions are most valued.
- e) **Control Systems:** The ways that the organization is controlled. These include financial systems, quality systems, and rewards (including the way they are measured and distributed within the organization.)
- f) **Power Structures:** The pockets of real power in the company. This may involve one or two key senior executives, a whole group of executives, or even a department. The key is that these people have the greatest amount of influence on decisions, operations, and strategic direction.

### **Types of Organizational Culture**

Deal and Kennedy argue organizational culture is based on based on two elements:

1. **Feedback Speed:** How quickly are feedback and rewards provided (through which the people are told they are doing a good or a bad job).
2. **Degree of Risk:** The level of risk taking (degree of uncertainty).

The combination of these two elements results in four types of corporate cultures:

a) **Tough-Guy Culture or Macho Culture (Fast feedback and reward, high risk):**

- Stress results from the high risk and the high potential decrease or increase of the reward.
- Focus on now, individualism prevails over teamwork.
- Typical examples: advertising, brokerage, sports.

The most important aspect of this kind of culture is big rewards and quick feedback. This kind of culture is mostly associated with quick financial activities like brokerage and currency trading. It can also be related with activities, like a sports team or branding of an athlete, and also the police team. This kind of culture is considered to carry along, a high amount of stress, and people working within the organization are expected to possess a strong mentality, for survival in the organization.

b) **Work Hard/Play Hard (Fast feedback and reward, low risk):**

- Stress results from quantity of work rather than uncertainty.
- Focus on high-speed action, high levels of energy.
- Typical examples: sales, restaurants, software companies.

This type of organization does not involve much risk, as the organizations already consist of a firm base along with a strong client relationship. This kind of culture is mostly opted by large organizations which

have strong customer service. The organization with this kind of culture is equipped with specialized jargons and is qualified with multiple team meetings.

c) Bet Your Company Culture (Slow feedback and reward, high risk):

- Stress results from high risk and delay before knowing if actions have paid off.
- Focus on long-term, preparation and planning.
- Typical examples: pharmaceutical companies, aircraft manufacturers, oil prospecting companies.

In this kind of culture, the company makes big and important decisions over high stakes endeavors. It takes time to see the consequence of these decisions. Companies that postulate experimental projects and researches as their core business, adopt this kind of culture. This kind of culture can be adopted by a company designing experimental military weapons for example.

d) Process Culture (Slow feedback and reward, low risk):

- Stress is generally low, but may come from internal politics and stupidity of the system.
- Focus on details and process excellence.
- Typical examples: bureaucracies, banks, insurance companies, public services.

This type of culture does not include the process of feedback. In this kind of culture, the organization is extremely cautious about the adherence to laws and prefer to abide by them. This culture provides consistency to the organization and is good for public services.

One of the most difficult tasks to undertake in an organization, is to change its work culture. An organizational culture change requires an organization to make amendments to its policies, its workplace ethics and its management system. It needs to start right from its base functions which includes support functions, operations and the production floor, which finally affects the overall output of the organization. It requires a complete overhaul of the entire system, and not many organizations prefer it as the process is a long and tedious one, which requires patience and endurance. However, when an organization succeeds in making a change on such a massive level, the results are almost always positive and fruitful. The different types of organizational cultures mentioned above must have surely helped you to understand them. You can also adopt one of them for your own organization, however, persistence and patience is ultimately of the essence.

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## UNIT V

### PART A

#### 1. WHAT IS CONTROL?

Control is a process that guides activity towards some predetermined goals.

#### 2. DEFINE CONTROL.

According to Koontz, “Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished”.

#### 3. WHAT ARE THE CHARACTERISTICS OF CONTROL FUNCTION (MAY18)?

- Universal
- Continuous process
- Action-based and
- Looking Back.

#### **4. WHY NEED OF CONTROL IS IMPORTANT (MAY2017)?**

- Control can minimize the mistakes
- It discovers the deviation in the management and
- It minimizes dishonest behavior of employees

#### **5. WHAT ARE THE IMPORTANCE OF CONTROLLING?**

- Control helps to review, revise and update the policy of the organization
- The sound control system inspires employees to work hard and give better performance.
- Control helps to increase the coordination of the subordinates in the organization
- Proper control ensures organization effectiveness and efficiency.

#### **6. WHAT ARE THE DISADVANTAGES OF CONTROL?**

- Control is expensive and time consuming process
- Human behavior and employee morale cannot be measured.

#### **7. WHAT ARE THE INTERRELATIONSHIP BETWEEN PLANNING AND CONTROL?**

The management process begins with planning and ends with control. Planning determines standards for performance, control helps in achieving them.

#### **8. GIVE SOME CRITICAL POINT STANDARDS OF CONTROL.**

- Cost Standards
- Revenue standards
- Goal standards
- Program standards

#### **9. WHAT ARE THE TYPES OF CONTROL? (May 2015)**

- Feedback control
- Concurrent control
- Feed forward control

#### **10. WHAT IS PREVENTIVE CONTROL?(MAY2017)**

PREVENTIVE control is the process of adjusting future action on the basis of information about the past performance.

#### **11. WHAT IS QUALITY CONTROL?(NOV2015)**

This control measures for taking corrective action while any programme meets any obstacle in the activities.

#### **12. WHAT IS FEED FORWARD CONTROL?**

Feed forward control is preventive in nature. This control involves evaluation of inputs and taking corrective action before a particular operation is completed.

#### **13. LIST THE DIFFERENCES BETWEEN FEEDBACK CONTROL AND FEED FORWARD TECHNIQUE.**

##### **Feed Back & Feed Forward**

- i. Feedback Control measures only output of the process & Forward Technique measures input of the process
- i. Feedback Control is submissive approach & Forward Technique is an aggressive approach.
- ii. Feedback Control is Less benefit & Forward Technique has More benefits

#### **14. WHAT ARE THE REQUIREMENTS FOR EFFECTIVE CONTROL?**

- The control should be economical.
- It must be simple.
- It should be flexible.
- It should have clear objectives.

#### **15. WHAT IS MANAGEMENT BY EXCEPTION (MBE)?**

Management By Exception (MBE) is the method of management in which subordinates report to an organizational manager only exceptional events or deviations from a plan that might call for decision making by the manager.

#### **16. WHAT ARE THE TRADITIONAL TECHNIQUES OF CONTROL?**

- Personal observation
- Break Even Analysis
- Statistical Report and
- Budgetary control.

#### **17. WHAT ARE THE HR CONTROL TECHNIQUES(MAY2016)?**

The modern techniques of control:

- Management Audit
- Return on Investment
- PERT & CPM and
- MIS.

#### **18. DEFINE BUDGET.**

According to Jfred Meston "A budget is the expression of a firm's plan in financial form for a period of time in to the future".

#### **19. DEFINE BUDGETARY CONTROL. (Nov 2017)**

According to J.Batty, "A system uses budgets as a means of planning and controlling all aspects of producing and selling commodities and services\".

#### **20. WHAT ARE THE THREE POTENTIAL PITFALLS OF BUDGET? (May 2015)**

- Functional classification
- Time classification
- Activity level.

#### **21. CLASSIFY BUDGETS ON THE BASIS OF TIME.**

- Short term Budget
- Current Budget
- Long term Budget

#### **22. WHAT DATA IS REQUIRED FOR PREPARATION OF SALES BUDGET**

- Past Sales data
- Plant capacity
- Financial resources available
- Raw materials available

#### **23. WHAT ARE ZBB PROCESS?(NOV15)**

- Decision package
- Ranking and
- Allocation of resources.

#### **24. DEFINE PRODUCTIVITY (NOV17).**

An enterprise that owns or controls production or service facilities outside the country in which they are based.

#### **25. WHAT ARE THE PRODUCTIVITY PROBLEMS (NOV2016)?**

- Ethnocentric
- Polycentric
- Geocentric

#### **26. WHAT IS PERFORMANCE APPRAISAL (MAY18)?**

It is orientation and activities, operations was based on that of the Allocation of resources. Small company entering international market operates with minimal risk and commitment.

#### **27. WHAT IS POLYCENTRIC?**

Polycentric attitude, manager orientation was host country orientation. Company establishes a foreign subsidiary company. Decentralizes all the operations, formulates the policy, strategies and designs the product based on the host country.

#### **28. WHAT IS GEOCENTRIC?**

This type of managers is trained to balance central, local and global objectives. Company adopts global strategy but allows value addition to the customer of a domestic country.

#### **30. WHAT ARE THE FACTORS INFLUENCING MNC?**

- Political factor
- Legal factor
- Economic factor
- Socio-cultural factor

#### **31. USE OF COMPUTERS IN HANDLING INFORMATION? (MAY 2016)(NOV16)**

A system of obtaining, abstracting, storing and analyzing the data to produce information and to use in planning, controlling and decision-making by managers at the time they can most effectively use it.

## UNIT-V

**1. Explain The difference Of Control& management . Discuss The steps in Process Of Control. What Are The Requirements Of An successful Control System? (May 2015/Nov 2015)(May18)**

### DEFINITION

Control is the process through which managers assure that actual activities conform to planned activities.

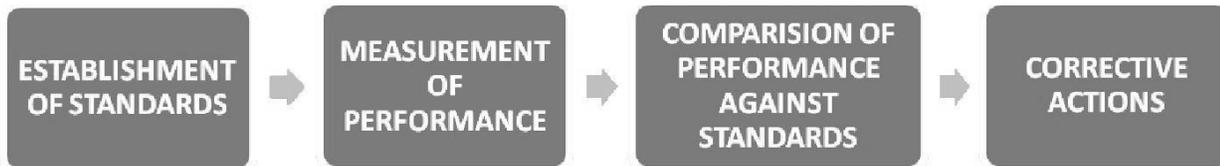
In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

### THE IMPORTANCE OF CONTROL:

- Control is an essential function of management
- Control is an ongoing process
- Control is forward – working because pas cannot be controlled
- Control involves measurement
- The essence of control is action
- Control is an integrated system.
- 

### CONTROL PROCESS

The basic control process involves mainly these steps as shown in Figure



#### **The Establishment of Standards:**

Because plans are the yardsticks against which controls must be revised, it follows logically that the first step in the control process would be to accomplish plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations.

#### **Examples for the standards**

- Profitability standards: In general, these standards indicate how much the company would like to make as profit over a given time period- that is, its return on investment.
- Market position standards: These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.
- Productivity standards: How much that various segments of the organization should produce is the focus of these standards.
- Product leadership standards: These indicate what must be done to attain such a position.
- Employee attitude standards: These standards indicate what types of attitudes the company managers should strive to indicate in the company's employees.
- Social responsibility standards: Such as making contribution to the society.
- Standards reflecting the relative balance between short and long range goals.

**2. Explain the tools for organization performance(May18)**

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions. The degree of difficulty in measuring various types of organizational performance, of course, is determined primarily by the activity being measured. For example, it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

### **3 Comparing Measured Performance to Stated Standards:**

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individuals working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

### **4 Taking Corrective Actions:**

After actual performance has been measured compared with established performance standards, the next step in the controlling process is to take corrective action, if necessary. Corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards. In other words, corrective action focuses on correcting organizational mistakes that hinder organizational performance. Before taking any corrective action, however, managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable.

At first glance, it seems a fairly simple proposition that managers should take corrective action to eliminate problems - the factors within an organization that are barriers to organizational goal attainment. In practice, however, it is often difficult to pinpoint the problem causing some undesirable organizational effect.

## **THE PRODUCTIVITY CONTROL IMPACT IN IT INDUSTRY AND PROBLEMS (MAY/NOV16)(MAY/NOV2017):**

### **PRODUCTIVITY CONTROL**

The requirements for effective control are

- a) **Control should be tailored to plans and positions.** This means that, all control techniques and systems should reflect the plans they are designed to follow. This is because every plan and every kind and phase of an operation has its unique characteristics.
- b) **Control must be tailored to individual managers and their responsibilities.** This means that controls must be tailored to the personality of individual managers. This because control systems and information are intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.
- c) **Control should point up exceptions as critical points.** This is because by concentration on exceptions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required and should be given. However, it is not enough to look at exceptions, because some deviations from standards have little meaning and others have a great deal of significance.
- d) **Control should be objective.** This is because when controls are subjective, a manager's personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

e) **Control should be flexible.** This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or oversight failures. Much flexibility in control can be provided by having alternative plans for various probable situations.

f) **Control should be economical.** This means that control must worth their cost. Although this requirement is simple, its practice is often complex. This is because a manager may find it difficult to know what a particular system is worth, or to know what it costs.

g) **Control should lead to corrective actions.** This is because a control system will be of little benefit if it does not lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing, and leading.

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## 5. WHAT IS A BUDGET? EXPLAIN BUDGETING AS TOOLS OF CONTROL (May 2015)

### BUDGETARY CONTROL

**Definition:** Budgetary Control is defined as "the establishment of budgets, relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a base for its revision.

#### Salient features:

**a. Objectives:** Determining the objectives to be achieved, over the budget period, and the policy(ies) that might be adopted for the achievement of these ends.

**b. Activities:** Determining the variety of activities that should be undertaken for achievement of the objectives.

**c. Plans:** Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period and its parts.

**d. Performance Evaluation:** Laying out a system of comparison of actual performance by each person section or department with the relevant budget and determination of causes for the discrepancies, if any.

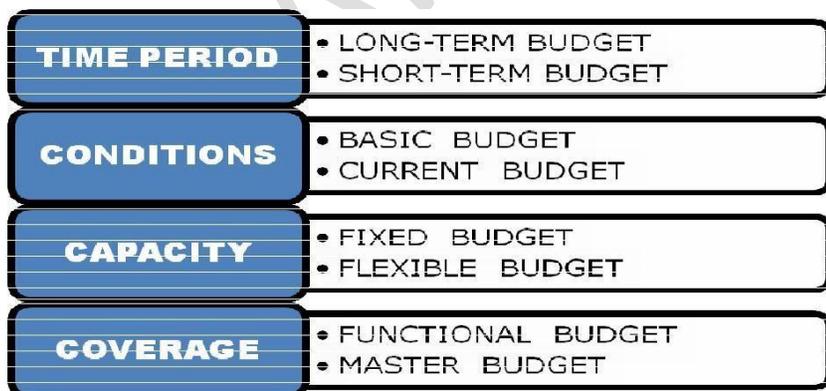
**e. Control Action:** Ensuring that when the plans are not achieved, corrective actions are taken; and when corrective actions are not possible, ensuring that the plans are revised and objective achieved

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## 3. EXPLAIN THE CLASSIFICATIONS OF BUDGET

### CLASSIFICATION OF BUDGETS

Budgets may be classified on the following bases –



#### a) BASED ON TIME PERIOD:

##### (i) Long Term Budget

Budgets which are prepared for periods longer than a year are called Long Term Budgets. Such Budgets are helpful in business forecasting and forward planning. Egs: Capital Expenditure Budget and R&D Budget.

**(ii) Short Term Budget**

Budgets which are prepared for periods less than a year are known as Short Term Budgets. Such Budgets are prepared in cases where a specific action has to be immediately taken to bring any variation under control. Egs: Cash Budget.

**b) BASED ON CONDITION:**

**(i) Basic Budget**

A Budget, which remains unaltered over a long period of time, is called Basic Budget.

**(ii) Current Budget**

A Budget, which is established for use over a short period of time and is related to the current conditions, is called Current Budget.

**c) BASED ON CAPACITY:**

**(iii) Fixed Budget**

It is a Budget designed to remain unchanged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.

**(iv) Flexible Budget**

It is a Budget, which by recognizing the difference between fixed, semi variable and variable costs is designed to change in relation to level of activity attained. It consists of various budgets for different levels of activity

**d) BASED ON COVERAGE:**

**(v) Functional Budget**

Budgets, which relate to the individual functions in an organization, are known as Functional Budgets, e.g. purchase Budget, Sales Budget, Production Budget, plant Utilization Budget and Cash Budget.

**(vi) Master Budget**

It is a consolidated summary of the various functional budgets. It serves as the basis upon which budgeted Profit & Loss Account and forecasted Balance Sheet are built up.

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**4. EXPLAIN THE MAIN FEATURES OF ZERO BASE BUDGETING. (NOV 2015)**

**Zero Based Budget:**

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

**FEATURES:**

- Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.
- Promotes coordination and communication.
- Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.
- Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
- Enables remedial action to be taken as variances emerge.
- Motivates employees by participating in the setting of budgets.
- Improves the allocation of scarce resources.
- Economizes management time by using the management by exception principle.

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**5. WHAT ARE THE EFFECTIVE STEPS FOR DIRECT CONTROL AND PREVENTIVE CONTROL? (May 2016)**

**The effective steps for preventive control:**

Prevention means the act or practice of stopping something bad from happening. it means the avoidance of the risk or hazard at work. In contrast to prevention, control is the term to describe mitigation activities where the risk cannot be prevented.

- Prevention of risks,
- Protection of safety and health, assessments of risks,
- Elimination of risks and accidents,
- The informing, consultation, balanced participation in accordance with national laws and or practices
- Training of workers and their representatives,
- General guidelines for the implementation of the said principles.
- Obligations of employers, employees and other groups.

**THE EFFECTIVE STEPS FOR DIRECT CONTROL / Types of Control (Nov 2015)**

<b>Control Proactivity</b>	<b>Behavioral control</b>	<b>Outcome control</b>
Feed forward control	Organizational culture	Market demand or economic forecasts
Concurrent control	Hands-on management supervision during a project	The real-time speed of a production line
Feedback control	Qualitative measures of customer satisfaction	Financial measures such as profitability, sales growth

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**6. EXPLAIN BRIEFLY THE CONTROL TECHNIQUES. (Nov 2016/NOV17)**

- ♣ **BUDGETARY CONTROL TECHNIQUES**
- ♣ **NON-BUDGETARY CONTROL TECHNIQUES**

## **BUDGETARY CONTROL TECHNIQUES**

### **i) Revenue and Expense Budgets:**

The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

### **ii) Time, Space, Material, and Product Budgets:**

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated, and units produced.

The Rupee cost would not accurately measure the resources used or the results intended.

### **iii) Capital Expenditure Budgets:**

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise. Since a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should usually be tied in with fairly long-range planning.

### **iv) Cash Budgets:**

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets.

### **v) Variable Budget:**

The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output.

Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts); and, by statistical studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output.

### **vi) Zero Based Budget:**

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

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## **7. NON-BUDGETARY CONTROL TECHNIQUES (Nov 2015/2016)**

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are: statistical

data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

**i) Statistical data:**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

**ii) Break- even point analysis:**

An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

**iii) Operational audit:**

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

**iv) Personal observation:**

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

**v) PERT:**

The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

**vi) GANTT CHART:**

A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

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**8. PROCESS OF CONTROL(MAY2017).**

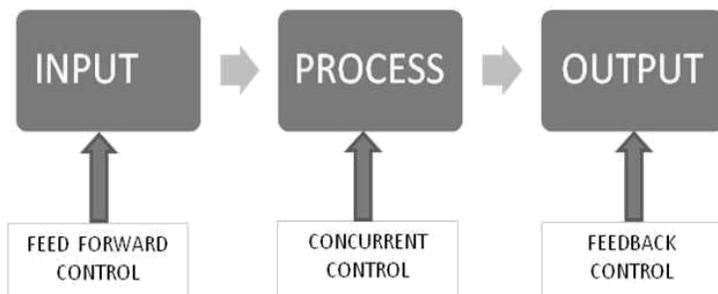
**DEFINITION**

Control is the process through which managers assure that actual activities conform to planned activities.

In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

**PROCESS OF CONTROL SYSTEMS**

The control systems process can be classified into three types namely feed forward, concurrent and feedback control systems



**a) Feed forward controls:** They are preventive controls that try to anticipate problems and take corrective action before they occur. Example – a team leader checks the quality, completeness and reliability of their tools prior to going to the site.

**b) Concurrent controls:** They (sometimes called screening controls) occur while an activity is taking place. Example – the team leader checks the quality or performance of his members while performing.

**c) Feedback controls:** They measure activities that have already been completed. Thus corrections can take place after performance is over. Example – feedback from facilities engineers regarding the completed job.

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## **9. EXPLAIN THE CHARACTERISTIC OF AN MIS(MAY2016)**

### **1. Accuracy:**

Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.

### **2. Timeliness:**

There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

### **3. Flexibility:**

The business and economic environment is highly dynamic in nature. Technological changes occur very fast. A rigid control system would not be suitable for a changing environment. These changes highlight the need for flexibility in planning as well as in control.

Strategic planning must allow for adjustments for unanticipated threats and opportunities. Similarly, managers must make modifications in controlling methods, techniques and systems as they become necessary. An effective control system is one that can be updated quickly as the need arises.

### **4. Acceptability:**

Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.

### **5. Integration:**

When the controls are consistent with corporate values and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and thus become effective.

### **6. Economic feasibility:**

The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate. For example, a high security system to safeguard nuclear secrets may be justified but the same system to safeguard office supplies in a store would not be economically justified. Accordingly the benefits received must outweigh the cost of implementing a control system.

### 7. Strategic placement:

Effective controls should be placed and emphasized at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest.

### 8. Corrective action:

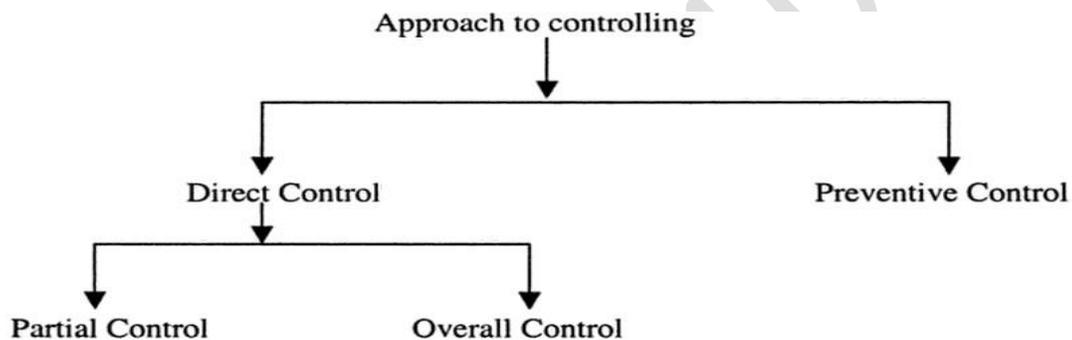
An effective control system not only checks for and identifies deviation but also is programmed to suggest solutions to correct such a deviation. For example, a computer keeping a record of inventories can be programmed to establish “if-then” guidelines. For example, if inventory of a particular item drops below five percent of maximum inventory at hand, then the computer will signal for replenishment for such items.

### 9. Emphasis on exception:

A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management, In other words, management does not have to bother with activities that are running smoothly. This will ensure that managerial attention is directed towards error and not towards conformity. This would eliminate unnecessary and uneconomic supervision, marginally beneficial reporting and a waste of managerial time.

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### 10. LIST DOWN THE CONCEPT, PROCESS & TYPES OF CONTROL TECHNIQUES.(NOV15)



Direct controls are based on feedback, by measuring deviations from standards analyzing the causes of deviations and taking the necessary corrective steps to bring performance on the right track.

Direct controls may be partial in nature, designed for specific things like policies, wages / salaries, cash, cost, capital expenditure etc.

Overall controls are designed to measure the success of organization as a whole, against organizational objectives.

Preventive controls are based on the philosophy of preventing undesirable deviations from occurring, by developing and maintaining a highly qualified managerial staff.

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### 11. Describe the Steps for Implementation of a Budgetary Control System

Important steps for successful implementation of a budgetary control system are: 1. budgetary objectives 2. budgetary organization 3. budget centres 4. budget manual 5. budget controller 6. budget committee and 7. budget period

#### 1. Budgetary objectives:

Budgets are a means to certain ends. Therefore, the objectives to be attained during a particular period of time should be described clearly and precisely before making budgets.

Those who prepare and execute budgets must understand fully the objectives and policies of the enterprise.

## **2. Budgetary organization:**

The proper organisation is essential for the successful preparation, maintenance and administration of budgets. A budgetary committee is formed which comprises the departmental heads of different departments. Departmental managers are given the authority to prepare functional budgets. The chief executive is responsible for the co-ordination of different budgets.

## **3. Budget centres:**

A budget centre is that part of the organisation for which the budget is prepared. A budget centre may be department, section of a department, or any other part of the department. The establishment of budget centre is necessary covering all parts of the organisation. The budget centres are also necessary for cost control purposes.

## **4. Budget manual:**

A budget manual is a document which spells out the duties and also the responsibilities of the various executives concerned with the budgets. It specifies the relation among the various functionaries. It lays down the budgetary procedures, organizational structure, fixation of responsibilities and budget time table.

This document:

- charts the organisation
- details the budget procedures
- contains account codes for items of expenditure and revenue
- timetables the process
- clearly defines the responsibility of persons involved in the budgeting system.

## **5. Budget controller:**

A special officer is appointed for the administration of budgets. He gives useful advice and helps in the construction, implementation, coordination and revision of business budgets. He also provides timely warning of variations from the budgeted performance. The job involves:

- liaising between the budget committee and managers responsible for budget preparation
- dealing with budgetary control problems
- ensuring that deadlines are met
- educating people about budgetary control.

## **6. Budget committee:**

A budget committee consisting of different executives is formed to assist the budget controller. The chief executive acts as the chairman of the budget committee. The budget committee approves the functional budgets or sends them for revision to the department heads. The budget committee facilitates in securing participation of personnel in the preparation and administration of budgets.

Every part of the organisation should be represented on the committee, so there should be a representative from sales, production, marketing and so on. Functions of the budget committee include:

- Coordination of the preparation of budgets, including the issue of a manual
- Issuing of timetables for preparation of budgets
- Provision of information to assist budget preparations
- Comparison of actual results with budget and investigation of variances.

## **7. Budget period:**

A budget period is the length of time for which the budget is prepared and employed. The period or duration should be determined according to the circumstances of the organisation. The budget period should correspond with the natural cycle of business. The nature of business and the control factor influence the budget period.

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## 12. Discuss the Break-Event analysis Point (May/Nov 2015)

Break-even point analysis is a measurement system that calculates the margin of safety by comparing the amount of revenues or units that must be sold to cover fixed and variable costs associated with making the sales. In other words, it's a way to calculate when a project will be profitable by equating its total revenues with its total expenses. There are several different uses for the equation, but all of them deal with managerial accounting and cost management.

The main thing to understand in managerial accounting is the difference between revenues and profits. Not all revenues result in profits for the company. Many products cost more to make than the revenues they generate. Since the expenses are greater than the revenues, these products great a loss—not a profit.

The purpose of the break-even analysis formula is to calculate the amount of sales that equates revenues to expenses and the amount of excess revenues, also known as profits, after the fixed and variable costs are met. There are many different ways to use this concept. Let's take a look at a few of them as well as an example of how to calculate break-even point.

### Formula

The break-even point formula is calculated by dividing the total fixed costs of production by the price per unit less the variable costs to produce the product.

#### Break Even Point

$$\text{Break Even Point in Units} = \frac{\text{Fixed Costs}}{\text{Sales Price per Unit} - \text{Variable Cost per Unit}}$$

Since the price per unit minus the variable costs of product is the definition of the contribution margin per unit, you can simply rephrase the equation by dividing the fixed costs by the contribution margin.

#### Break Even Point

$$\text{Break Even Point in Units} = \frac{\text{Fixed Costs}}{\text{Contribution Margin per Unit}}$$

This computes the total number of units that must be sold in order for the company to generate enough revenues to cover all of its expenses. Now we can take that concept and translate it into sales dollars.

The break-even formula in sales dollars is calculated by multiplying the price of each unit by the answer from our first equation.

#### Break Even Point

$$\text{Break Even Point in Dollars} = \text{Sales Price per Unit} \times \text{Break Even Point in Units}$$

This will give us the total dollar amount in sales that will we need to achieve in order to have zero loss and zero profit. Now we can take this concept a step further and compute the total number of units that need to be sold in order to achieve a certain level profitability with out break-even calculator.

First we take the desired dollar amount of profit and divide it by the contribution margin per unit. The computes the number of units we need to sell in order to produce the profit without taking in consideration the fixed costs. Now we must add back in the break-even point number of units. Here's what it looks like.

### Break Even Analysis

$$\text{\# of Units To Produce the Desired Profit} = \frac{\text{Desired Profit in Dollars}}{\text{Contribution Margin per Unit}} + \text{Break Even \# of Units}$$

### Example

Let's take a look at an example of each of these formulas. Barbara is the managerial accountant in charge of a large furniture factory's production lines and supply chains. She isn't sure the current year's couch models are going to turn a profit and what to measure the number of units they will have to produce and sell in order to cover their expenses and make at \$500,000 in profit. Here are the production stats.

- Total fixed costs: \$500,000
- Variable costs per unit: \$300
- Sale price per unit: \$500
- Desired profits: \$200,000

First we need to calculate the break-even point per unit, so we will divide the \$500,000 of fixed costs by the \$200 contribution margin per unit (\$500 - \$300).

### Break Even Point

$$2500 \text{ Units} = \frac{\$500,000}{\$500 - \$300}$$

As you can see, the Barbara's factory will have to sell at least 2,500 units in order to cover its fixed and variable costs. Anything it sells after the 2,500 mark will go straight to the CM since the fixed costs are already covered.

Next, Barbara can translate the number of units into total sales dollars by multiplying the 2,500 units by the total sales price for each unit of \$500.

### Break Even Point

$$\$1,250,000 = 2,500 \text{ units} \times \$500 \text{ per unit}$$

Now Barbara can go back to the board and say that the company must sell at least 2,500 units or the equivalent of \$1,250,000 in sales before any profits are realized. She can also take it a step further and use a break-even point calculator to compute the total number of units that must be produced in order to meet her \$200,000 profitability goal by dividing the \$200,000 desired profit by the contribution margin then adding the total number of break-even point units.

### Break Even Analysis

$$3,500 \text{ Units} = \frac{\$200,000}{\$500 - \$300} + 2,500 \text{ Units}$$

These are just examples of the break-even point. You can use these as a template for your business or course work.

### Analysis

For instance, if management decided to increase the sales price of the couches in our example by \$50, it would have a drastic impact on the number of units required to sell before profitability. They can also change the variable costs for each unit by adding more automation to the production process. Lower variable costs equate to greater profits per unit and reduce the total number that must be produced. Outsourcing can also change the cost structure.

One of the most important concepts here is the margin of safety. That's the difference between the number of units required to meet a profit goal and the required units that must be sold to cover the expenses. In our example, Barbara had to produce and sell 2,500 units to cover the factory expenditures and had to produce 3,500 units in order to meet her profit objectives. This 1,000-unit spread is the margin of safety. It's the amount of sales the company can afford to lose but still cover its expenditures.

It's also important to keep in mind that all of these models reflect non-cash expense like depreciation. A more advanced break-even analysis calculator would subtract out non-cash expenses from the fixed costs to compute the break-even point cash flow level.

13. Modern manufacturing company has been using a budgetary control system for the next three years. When asked to explain the system Mr. John MD of the company observed, we are pretty flexible in our system, every manager is given a budget to be spent for the upcoming year, we don't care how long it is used as the total isn't exceeded and objectives are achieved. (NOV17)

1. Discuss the company merits and demerits.

Merits:

Promotes coordination and communication.

Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.

Demerits:

Designed to remain unchanged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.

3. Do you agree with company's approach.

Yes, it is essential for the successful preparation, maintenance and administration of budgets.