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**Concept based notes**

# **Principles and Practices of Management**

*MBA-(I Sem)*

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## **Preface**

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the “Teach Yourself” style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director (Acad.)* Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this Endeavour. They played an active role in coordinating the various stages of this Endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

**Author**

# Principles & Practices of Management

M-101

## SYLLABUS

### **Objective:**

The objective of this paper is to familiarize the student with basic management concepts and behavioral processes in the organization. The course will be an introduction to the way in which a firm can develop its managerial thinking, mission and strategy.

### **SECTION 'A'**

<b>Unit No.</b>	<b>Particular</b>
1	Management an Overview, Management Defined, Functions of Management, Managerial Roles and responsibilities, System and Contingency Approach for understanding organizations, Management Thought-Classical Perspective, Scientific Management, Administrative Management, Bureaucratic Management, Behavioral Perspective. Managerial processes, functions, skills and rules in an organization, social responsibilities of Business.
2	Fundamentals of Planning - Objectives, Strategies, Policies, Decision making.
3	Fundamentals of Organizing- Nature and purpose, departmentation, Span of Management, Strategic organizing design, line and staff authority and decentralization.
4	Direction-concept, Leadership- Meaning and Importance, transitions in leadership theories, trait theories, behavioral theories, contingency theories, leadership styles and skills, managerial culture and leadership. Coordination.

5	Control- concept, nature and purpose, control technique, control of overall performance, span of control.
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**SECTION-‘B’**

Case Study



# Principles & Practices of Management

MATERIAL IN THE FORM OF QUESTIONS & ANSWERS

## Contents

Unit No.	Unit Name
1	Management an overview
2	Fundamentals of Planning
3	Fundamentals of Organizing
4	Decision Concepts & Leadership
5	Controlling

## Annexure

- I Bibliography
- II Question Paper of last examination (2011 - 2009)

## Unit – 1

# Management an Overview

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**Q.1. Define Management and describe its essential characteristics or nature.**

**Ans.** 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”. According to *F.W. Taylor*, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

1. The act, manner, or practice of managing; handling, supervision, or control: management of a crisis; management of factory workers.
2. The person or persons who control or direct a business or other enterprise.
3. Skill in managing; executive ability.

Management is a purposive activity. It is something that directs group efforts towards the attainment of certain pre – determined goals. It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world. Of course, these goals may vary from one enterprise to another. E.g.: For one enterprise it may be launching of new products by conducting market surveys and for other it may be profit maximization by minimizing cost.

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and

effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc.

Therefore, we can say that good management includes both being effective and efficient. Being effective means doing the appropriate task i.e, fitting the square pegs in square holes and round pegs in round holes. Being efficient means doing the task correctly, at least possible cost with minimum wastage of resources.

**Characteristics or Nature of management can be highlighted as: -**

**Management is Goal-Oriented:** The success of any management activity is accessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfill the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.

**Management integrates Human, Physical and Financial Resources:** In an organization, human beings work with non-human resources like machines.

Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.

**Management is Continuous:** Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.

**Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. When

ever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

**Management is a Group Activity:** Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise

**Organized Activities:** Management is a process of organized activities. Groups of people cannot be involved in the performance of activities without organized activities. Management comes into existence where a group of people are involved in achieving a common objective. The organized activities may take a variety of forms ranging from a tightly structured organization to a loosely-knit organization.

**Existence of Objectives:** The existence of objectives is a basic criterion of every human organization. The organizational objectives are the desired state of affairs which an organization attempts to realize. This realization of objectives is sought through the coordinated efforts of the people constituting an organization.

**Decision-making:** Management process involves decision making at all levels. Decision-making describes the process by which a course of action is selected as the way to deal with a specific problem. If there is only one alternative, the question of decision making does not arise. The quality of alternatives which a manager selects determines the organization's performance, and the future of the organization.

**Relationship among resources:** The essence of management is integration of various organizational resources. Resources include money, machine, materials, and people. Management is concerned with the proper utilization of human resources which, in turn, utilize other resources.

**Working with and through people:** Management involves working with people and getting organizational objectives achieved through them. Working through people is interpreted in terms of assigning activities to subordinates.

**Multidisciplinary:** Management is multidisciplinary because it includes knowledge/information from various disciplines- economics, statistics, maths, psychology, sociology, ecology, operations research, history, etc. Management integrates the ideas and concepts taken from these disciplines and presents newer concepts which can be put into practice for managing the organizations.

**Management is dynamic:** Management has framed certain principles, which are flexible in nature and change with the changes in the environment in which an organization exists.

**Relative, Not Absolute Principles:** Management principles are relative, not absolute, and they should be applied according to the need of the organization. A particular management principle has different strengths in different conditions. Therefore, principles should be applied according to the prevailing conditions.

**Management:** Science or Art: Management likes other practices- whether medicine, music composition, or even accountancy- is an art. It is know-how. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science. Thus, managing as practice is an art; the organized knowledge underlying the practice may be referred to as science.

**Management as Profession:** Management has been regarded as a profession by many while many have suggested that it has not achieved the status of a profession. Schein concluded that by some criteria management is indeed a profession, but by other criteria it is not. Today we can see many signs that management is working towards increased professionalism.

**Management is Universal:** Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation.

**Q.2. Explain Management as a Science and as an Art and as a both****Ans. Management as a Science**

Science is a systematic body of knowledge pertaining 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 acceptance 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.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization – business or non business.

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. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can

be ascertained easily i.e. in effectiveness. Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.

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 test of time. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles. E.g.  $H_2$  &  $O_2$  will always give  $H_2O$ . Principles of management can also be tested for validity. E.g. principle of unity of command can be tested by comparing two persons – one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

It cannot be denied that management has a systematic body of knowledge but it is not as exact as that of other physical sciences like biology, physics, and chemistry etc. The main reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behavior accurately. Since it is a social process, therefore it falls in the area of social sciences. It is a flexible science & that is why its theories and principles may produce different results at different times and therefore it is a behavior science. Ernest Dale has called it as a *Soft Science*.

#### **Management as an Art**

Art implies application of knowledge & skill to trying about 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. E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by

obtaining degree or diploma in management; he must have also known how to apply various principles in real situations by functioning in capacity of manager.

**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. E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.

**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 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 promote 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 moulding the attitude and behavior of people at work towards 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 judicious blend 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.). The old saying that "Manager are Born" has been rejected in favor of "Managers are Made". It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

**Q.3. Explain the various Concepts of Management.****Ans. Meaning of Concept**

Concept is the idea or image or understanding about things, activity or a person that emerges in the mind of a person. There are several different concepts about management.

Economists have treated management as a factor of production; sociologists have treated it as a class or group of persons; practitioners have treated it as a process comprising different activities.

**There are three basic concepts of Management****Management as a Discipline**

Discipline refers to a field of study having well-defined concepts and principles. When we refer to management as a discipline, we include in it the various relevant concepts and principles, the knowledge of which aids in managing

**Management as a Group of People**

We refer to management as a group of people in which we include all those personnel who perform managerial functions in organizations.

We refer to two distinct classes or groups of personnel in the organization. In the first category, we include all those persons who are responsible for managerial functions and in the second category, we include non-managerial personnel.

**Management as a process**

In studying management discipline, we generally refer to management as a process. A process can simply be defined as systematic method of handling activities. However, the management process can be treated as a complex one which can be referred to as an identifiable flow of information through interrelated stages of analysis directed towards the achievement of an objective or set of objectives. It is a concept of dynamic rather than static existence in which events and relationships must be seen as dynamic, continuous, and flexible, and as

such, must be considered as a whole. Thus, management as a process includes various activities and sub activities

The new concept of management

Our Promise

Is to build a long term relationship based on professionalism, communication, integrity and trust!

**Q.4. What do you understand by the term 'Level of Management'? Briefly describe the different levels of management.**

**Ans. Level of management refers to the categories or layers of managerial positions in an organization.** The level of management determines the amount of authority and status of the person occupying the position at that level. **These managerial positions divided into various categories according to their amount of authority and status, they are known as the level of management**

**Managerial Hierarchy consists of-**

**Top Level Management or senior management**

**Middle Level Management**

**Lower Level Management** such as supervisors or team-leaders

**Top-level management**

- Require an extensive knowledge of management roles and skills.
- They have to be very aware of external factors such as markets.
- Their decisions are generally of a long-term nature
- Their decisions are made using analytic, directive, conceptual and/or behavioral/participative processes
- They are responsible for **strategic** decisions.

- They have to chalk out the plan and see that plan may be effective in the future.
- They are executive in nature.

These includes board of Directors, CEO's they comprise small groups but are responsible for overall management they formulate plans, decide objectives & communicate to middle level management.

### **Middle Level of Management**

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

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

### **Lower Level of Management**

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

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

### **Q.5. Explain main Objectives of Management.**

**Ans.** The main objectives of management are:

1. **Getting Maximum Results with Minimum Efforts** – The main objective of management is to secure maximum outputs with minimum efforts & resources.

- Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.
2. **Increasing the Efficiency of factors of Production** – Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.
  3. **Maximum Prosperity for Employer & Employees** – Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.
  4. **Human betterment & Social Justice** – Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.
  5. **It helps in Achieving Group Goals** – It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
  6. **Optimum Utilization of Resources** – Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of

- experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
7. **Reduces Costs** – It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
  8. **Establishes Sound Organization** – No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
  9. **Establishes Equilibrium** – It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
  10. **Essentials for Prosperity of Society** – Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

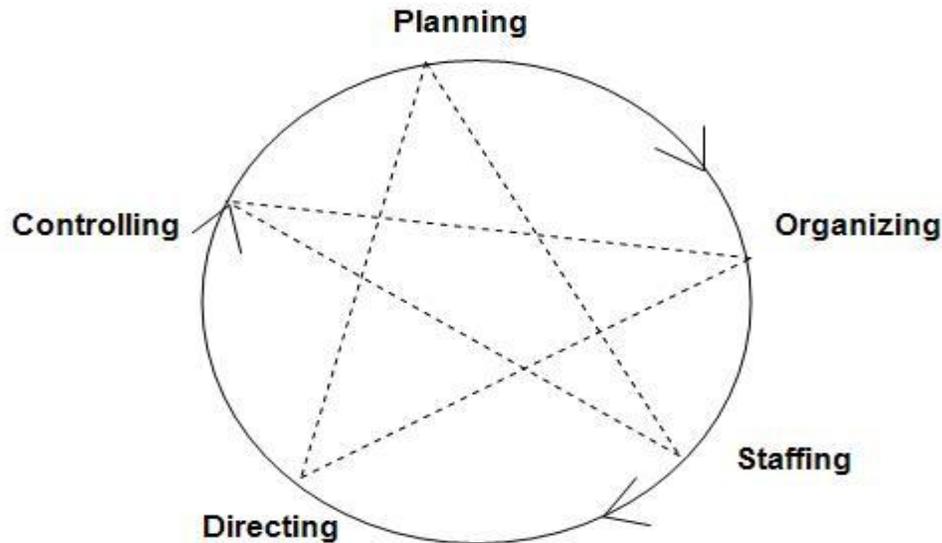
**Q.6. Explain the different function of Management**

Ans. **Managerial Functions:** Various management scholars studied different organizations at different times; they identified the functions of management in their own ways. Henry Fayol, the father of functional or administrative management remarked: “To manage is to forecast and plan, to organize, to command, to coordinate and to control” Thus, **Fayol classified management functions into five categories as follows:**

- (i) to forecast and plan,
- (ii) to organize,
- (iii) to command or to give orders,
- (iv) to co-ordinate, and
- (v) to control

**Luther Gullick** offered a list of administrative functions under the catchword “**PODSCORB**”. Each alphabet of this keyword “**PODSCORB**” stands for the following activities: P for Planning, O for Organization, D for Directing, S for Staffing, Co for Coordinating, R for Reporting, and B for Budgeting.

**According to Koontz and ‘O’ Donnell**, “The most useful method of classifying managerial activities is to group them around the functions of planning, organizing, staffing, directing, and controlling. “ They think that coordination is not a separate function but is the essence of management. Thus, for the sake of analysis of there management process, we can classify the management functions into the following categories:



### 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. According to KOONTZ, “Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

Budgeting Planning involves the following steps.

- (i) Determination of objectives;
- (ii) Forecasting;
- (iii) Formulation of policies and programmes;

- (iv) Preparation of schedules

Planning is a process of seeking answer to some of the following particular questions:

- (i) What is to be done?
- (ii) Why it is to be done?
- (iii) How the work will be done?
- (iv) Who will do the work?
- (v) When the work will be done?
- (vi) Where the work will be done?

Planning pervades at all the levels of organization. But the scope of planning is not the same at each level of organization. Higher the level of organization, the broader the scope of planning. Planning may be long term and short term.

## **2. Organizing**

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

1. Identification of activities.
2. Classification of grouping of activities.
3. Assignment of duties.
4. Delegation of authority and creation of responsibility.
5. 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 i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed the structure". Staffing involves:

1. **Manpower Planning** (estimating man power in terms of searching, choose the person and giving the right place).
2. Recruitment, selection & placement.
3. Training & development.
4. Remuneration.
5. Performance appraisal.
6. Promotions & transfer.

### **4. Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

1. Supervision
2. Motivation
3. Leadership

#### 4. Communication

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

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

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

**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.

**According to Theo Haimann,** “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”.

**According to Koontz & O’Donell** “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.

d. Corrective action.

**Q.7. Discuss the Qualities of a Successful Manager.**

**Ans.** It is easy to find a bad manager, but much harder to find a successful one. So what makes a manager successful? Here are my top ten qualities of a successful manager:

1. **Demonstrates integrity** - A manager should walk the talk. The old saying, "Lead by example" is the first quality that makes a manager stand out.
2. **Deals honestly and diplomatically** - A manager, who owns their mistakes, deals openly, and honestly with others, earns the respect of those they are trying to lead.
3. **Demonstrates flexibility** - A manager who is responsive to the needs of the business AND the needs of employees, is able to keep his team on target and yet achieve the goals of the business.
4. **Shows commitment and reliability** - A manager who delivers their promises shows their team that they are reliable and promotes trust.
5. **Listens effectively** - A manager who 'seeks first to understand, then to be understood' (Dr Steven Covey) is a manager who will always have their finger on the pulse of the business.
6. **A good negotiator** - A manager who comes to the table prepared to give a little that the outcome is a positive one for everyone, will not only earn the respect of his employees but be guaranteed of the opportunity for further negotiations in the future.
7. **A thorough planner** - 'If you fail to plan, you plan to fail.' This saying is especially true for managing. A manager is a coach to their team and the team are looking to them for the game plan.

8. **Is fair** - A manager who doesn't take sides, show favoritism or victimize those they are supervising, will earn their trust and in turn, will have more personal power to influence their team for good.
9. **Knows how to have fun and has a good sense of humor** - A manager who is able to promote a safe and happy work environment where appropriate fun is embraced, will ensure the retention of staff.
10. **Seeks to understand their workers** - A manager who is able to accurately assess the skills, abilities and personalities of their work team, will be able to develop individual managers to maximize their effectiveness and help them reach their potential, whilst focusing their efforts on the goal.

**Q.8. What do you mean by managerial role? Discuss the different roles that managers play in an organization.**

**Ans.** To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups: interpersonal, informational, and decisional.

The *informational roles* link all managerial work together.

The *interpersonal roles* ensure that information is provided.

The *decisional roles* make significant use of the information.

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

**The three interpersonal roles are primarily concerned with interpersonal relationships.**

In the **figurehead role**, the manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group.

In the **liaison role**, the manger interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.

The **leader role** defines the relationships between the manger and employees.

The direct relationships with people in the interpersonal roles place the manager in a unique position to get information.

**Thus, the three informational roles are primarily concerned with the information aspects of managerial work.**

In the **monitor role**, the manager receives and collects information.

In the role of **disseminator**, the manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.

In the role of **spokesperson**, the manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

The unique access to information places the manager at the center of organizational decision making.

**There are four decisional roles.**

- In the **entrepreneur role**, the manager initiates change.
- In the **disturbance handler role**, the manger deals with threats to the organization.

- In the resource allocator role, the manager chooses where the organization will expend its efforts.
- In the negotiator role, the manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook.

Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

**Q.9. What are responsibilities of Managers and discuss the importance of Management.**

**Ans. Responsibilities of a managerial position**

1. Supervise and manage the overall performance of staff in his department.
2. Achieve business and organization goals, visions and objectives.
3. Analyzing, reporting, giving recommendations and developing strategies on how to improve quality and quantity
4. Involved in employee selection, career development, succession planning and periodic training.
5. Working out compensations and rewards
6. Responsible for the growth and increase in the organizations' finances and earnings.

7. Identifying problems, creating choices and providing alternatives courses of actions.

### **Importance of Management**

**It helps in Achieving Group Goals** – It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

**Optimum Utilization of Resources** – Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

**Reduces Costs** – It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

**Establishes Sound Organization** – No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with

right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

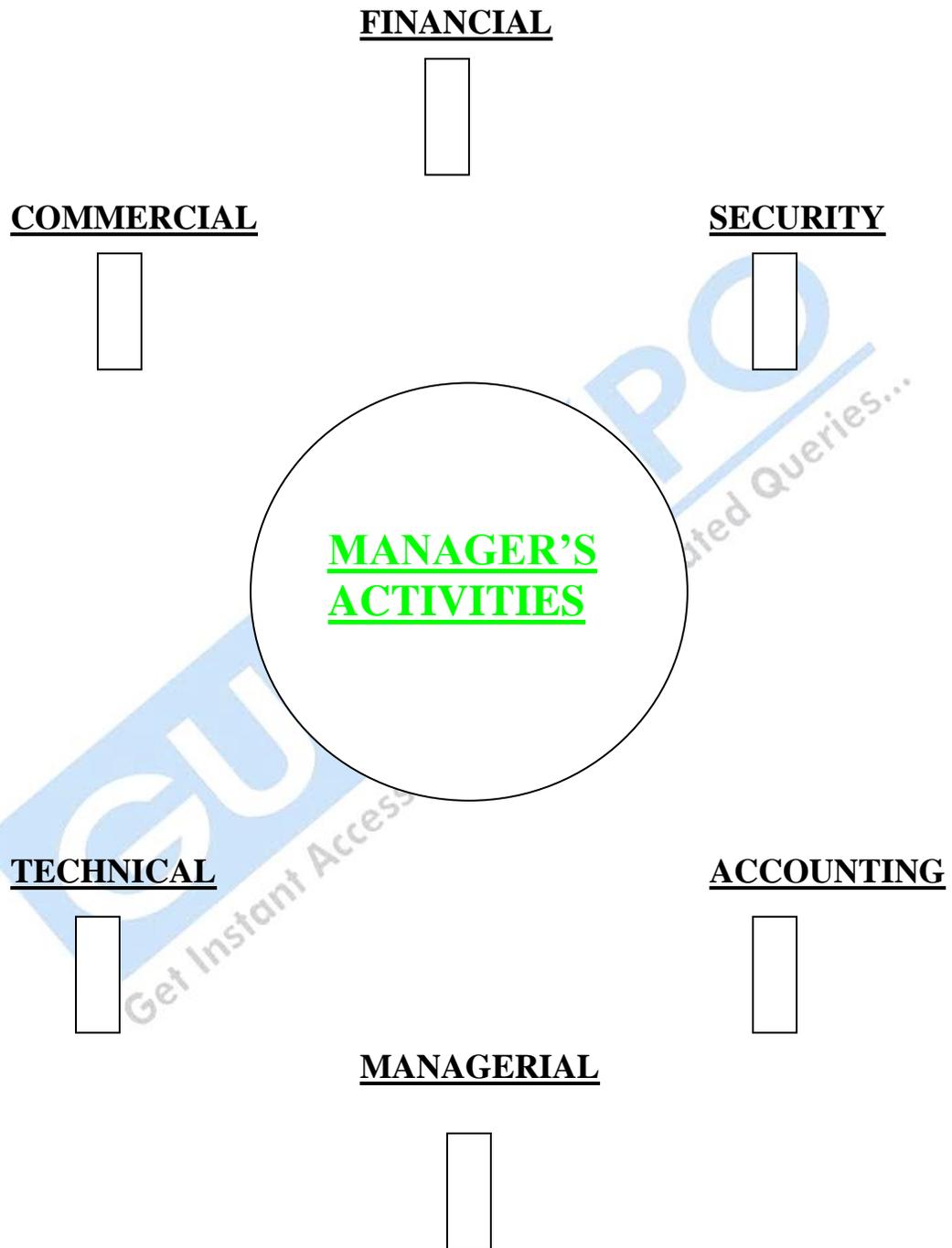
**Establishes Equilibrium** – It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change in external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

**Essentials for Prosperity of Society** – Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society

**Q.10. What do you mean by Principles of management? Explain Principles of Management.**

**Ans.** Management principles are statements of fundamental truth. These principles serve as guidelines for decisions and actions of managers. They are derived through observation and analysis of events which managers have to face in practice

Fayol made his mark as an industrialist with the French coal and iron combine of commentary four chambault where he spent his entire working life. According to Fayol the activities of an industrial organization could be divided into six categories as shown below: -



- TECHNICAL - (Production & Manufacturing)
- COMMERCIAL - (Buying, Selling & Exchange)
- FINANCIAL - (Acquiring & using capital)
- SECURITY - (Protection of Property & Person)
- ACCOUNTING - (Stock taking, Balance sheet, cost & statistics)
- MANAGERIAL - (Planning, Organizing, Command, Control and

### **There are 14 Principles of Management described by Henri Fayol**

#### **1. Division of Work -**

The specialization of the workforce according to the skills a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour. By separating a small part of work, the workers speed and accuracy in its performance increases. This principle is applicable to both technical as well as managerial work.

#### **2. Authority and Responsibility-**

The issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility. They are co-existent and go together, and are two sides of the same coin.

#### **3. Discipline-**

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

#### **4. Unity of Command -**

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from

more than one superior, it is likely to create confusion and conflict. Unity of Command also makes it easier to fix responsibility for mistakes.

#### **5. Unity of Direction -**

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. It seeks to ensure unity of action, focusing of efforts and coordination of strength.

#### **6. Subordination of Individual Interest**

The management must put aside personal considerations and put company objectives first. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

#### **7. Remuneration -**

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

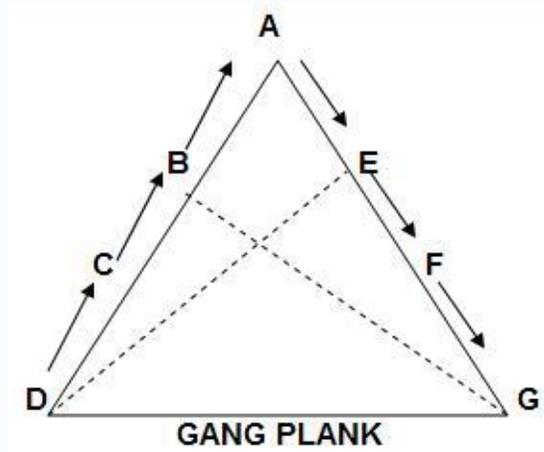
#### **8. The Degree of Centralization -**

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management. Sharing of authority with lower levels is called decentralization. The organization should strive to achieve a proper balance.

#### **9. Scalar Chain -**

Scalar Chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command. It involves a concept called a "**gang plank**" using which a subordinate may contact a superior or his superior in case of an emergency, defying the

hierarchy of control. However the immediate superiors must be informed about the matter



#### 10. Order -

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

#### 11. Equity -

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

#### 12. Stability of Tenure of Personnel -

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

#### 13. Initiative -

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for the organization because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organization.

**14. Esprit de Corps -**

This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding.

These can be used to initiate and aid the processes of change, organization, decision making, skill management and the overall view of the management function

**Q.11. Differentiate between Unity of Command & Unity of Direction.**

Ans.

<b>Basis</b>	<b>Unity of command</b>	<b>Unity of direction</b>
<b>Meaning</b>	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
<b>Nature</b>	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
<b>Necessity</b>	It is necessary for fixing responsibility of each subordinate.	It is necessary for sound organization.
<b>Advantage</b>	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.

<b>Result</b>	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.
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**Q.12. Write short note on Scientific Management.**

**Ans.** *Fredrick Winslow Taylor* commonly known as '**Father of Scientific Management**' started his career as an operator and rose to the position of chief engineer. He conducted various experiments during this process which forms the basis of scientific management. It implies application of scientific principles for studying & identifying management problems.

According to Taylor, "Scientific Management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way". In Taylor's view, if a work is analysed scientifically it will be possible to find *one best way* to do it.

Hence scientific management is a thoughtful, organized, dual approach towards the job of management against hit or miss or Rule of Thumb.

According to *Drucker*, "The cost of scientific management is the organized study of work, the analysis of work into simplest element & systematic management of worker's performance of each element".

**Q.13. Briefly explain the Principles of Scientific Management.**

**Ans.**

1. *Development of Science for each part of men's job (replacement of rule of thumb)*
  - a. This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it.

- b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
- c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

### ***2. Scientific Selection, Training & Development of Workers***

- a. There should be scientifically designed procedure for the selection of workers.
- b. Physical, mental & other requirement should be specified for each and every job.
- c. Workers should be selected & trained to make them fit for the job.
- d. The management has to provide opportunities for development of workers having better capabilities.
- e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

### ***3. Co-operation between Management & workers or Harmony not discord***

- a. Taylor believed in co-operation and not individualism.
- b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
- c. There should be no conflict between managers & workers.
- d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

### ***4. Division of Responsibility***

- a. This principle determines the concrete nature of roles to be played by different level of managers & workers.

- b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.
- c. Thus planning is to be separated from execution.

#### **5. *Mental Revolution***

- a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.
- b. It requires that management should create suitable working condition and solve all problems scientifically.
- c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
- d. Handsome remuneration should be provided to workers to boost up their moral.
- e. It will create a sense of belongingness among worker.
- f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
- g. There will be more production and economical growth at a faster rate.

#### **6. *Maximum Prosperity for Employer & Employees***

- a. The aim of scientific management is to see maximum prosperity for employer and employees.
- b. It is important only when there is opportunity for each worker to attain his highest efficiency.
- c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
- d. There should be maximum output in place of restricted output.
- e. Both managers & workers should be paid handsomely.

**Q.14. Short note on - Criticism of Scientific Management**

**Ans.** Although it is accepted that the scientific management enables the management to put resources to its best possible use and manner, yet it has not been spared of severe criticism.

***Workers Viewpoint***

1. **Unemployment** – Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.
2. **Exploitation** – Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity. Wages do not rise in proportion as rise in production. Wage payment creates uncertainty & insecurity (beyond a standard output, there is no increase in wage rate).
3. **Monotony** – Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in wheel. Jobs become dull. Workers loose interest in jobs and derive little pleasure from work.
4. **Weakening of Trade Union** – To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc. This further weakens trade unions, creates a rift between efficient & in efficient workers according to their wages.
5. **Over speeding** – the scientific management lays standard output, time so they have to rush up and finish the work in time. These have adverse effect on health of workers. The workers speed up to that standard output, so scientific management drives the workers to rush towards output and finish work in standard time.

**Employer's Viewpoint**

1. **Expensive** – Scientific management is a costly system and a huge investment is required in establishment of planning dept., standardization, work study, training of workers. It may be beyond reach of small firms. Heavy food investment leads to increase in overhead costs.
2. **Time Consuming** – Scientific management requires mental revision and complete reorganizing of organization. A lot of time is required for work, study, standardization & specialization. During this overhauling of organization, the work suffers.

**Q.15. Define Administration. In which respect is it different from Management?**

**Ans.** According to *Theo Haimann*, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”.

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups

The difference between Management and Administration can be summarized under 2 categories: -

1. **Functions**
2. **Usage / Applicability**

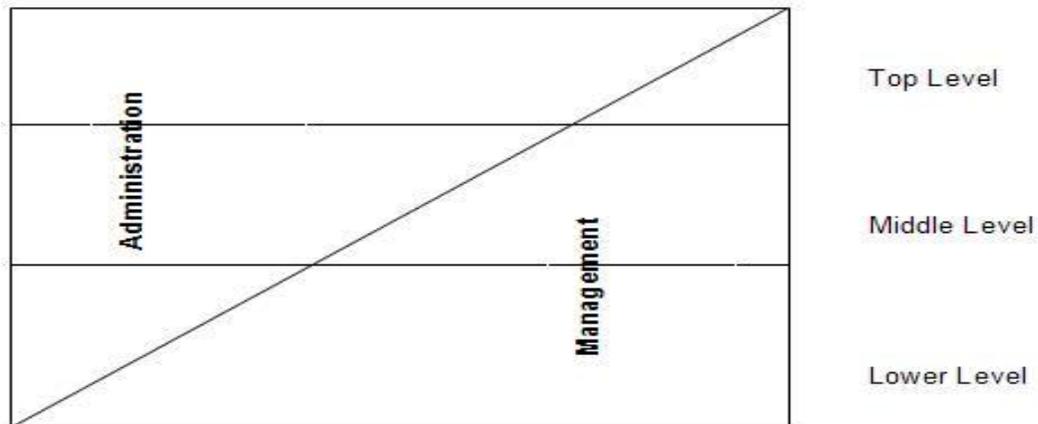
**On the Basis of Functions: -**

<b>Basis</b>	<b>Management</b>	<b>Administration</b>
<b>Meaning</b>	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
<b>Nature</b>	Management is an executing function.	Administration is a decision-making function.
<b>Process</b>	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
<b>Function</b>	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
<b>Skills</b>	Technical and Human skills	Conceptual and Human skills
<b>Level</b>	Middle & lower level function	Top level function

**On the Basis of Usage: -**

<b>Basis</b>	<b>Management</b>	<b>Administration</b>
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Practically, there is no difference between management & administration. Every manager is concerned with both – administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.



The Figure above clearly shows the degree of administration and management performed by the different levels of management

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

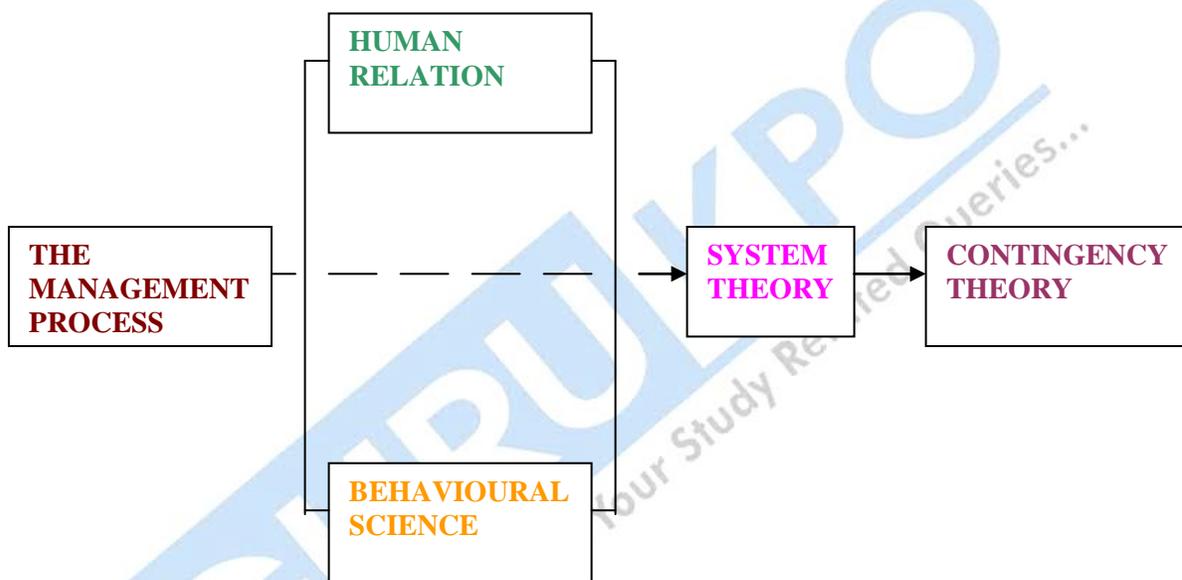
**Q.16. Explain System Approach of Modern Management Theory.**

**Ans.** MODERN MANAGEMENT THEORY

The past thirty years witnessed a “Knowledge Explosion” in the field of managements. During this period management writer have been primarily concerned with integrating the findings of scientific management, principles of management and human relations movements. However two integrating trends have developed throwing adequate light on the dynamic nature of management namely: -

- System Approach
- Contingency Approach

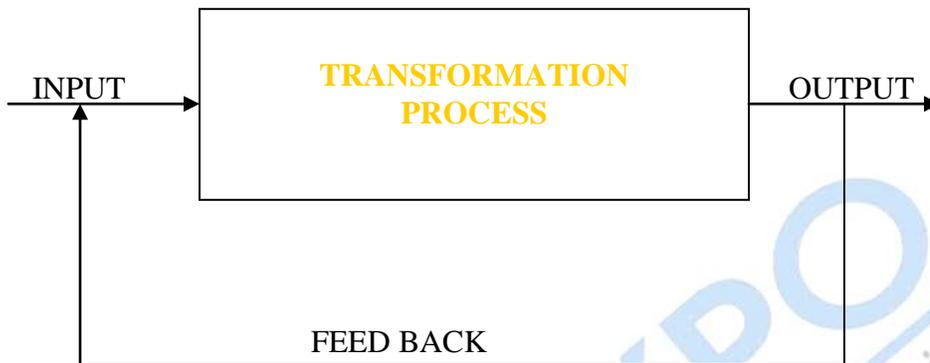
These modern management theories considered all elements the whole organization as well as components parts. The organization is viewed as adaptive systems which must in order to survive adjust to environmental changes. The organization and its environment are seen as interdependent; each depends on the other for resources from scientific management, human relations. It is background that furnishes a foundation for understanding Contemporary management theory and practice.



### **SYSTEM APPROACH: -**

A system in simple terms is a set of interrelated parts. It is a group of interrelated but separate elements working towards a common purpose. The arrangement of elements must be orderly, there must be proper communication facilitating interaction between the elements and finally the interaction should lead to achieve a common goal. The organization transforms input into a variety of outputs and offers the same to the external environment in the form of products good and

services. Sale of the output provides the necessary energy (feedback) to the system cycle.



The system approach provides a unified focus to organizational efforts. A major contribution of the system approach results from its strong emphasis on the interrelatedness or mutuality of the parts of an organization. Another important benefit of system theory lies in its treatment of the organization as an open system. A close system imports something from the environment and exports something into the environment. The system theory of management is characterized by the following: -

- (a) **Dynamic:** - Within the organization the process of interaction between subsystems is dynamic.
- (b) **Multilevel and Multidimensional:** - It is micro within the nation's industrial network and it is macro with respect to its internal units. The modern manager is forced to recognize the importance of parts as well as the whole.
- (c) **Multimotivated:-** Motivation is an extremely complex process and drawing simplistic equation is a futile exercise.
- (d) **Probabilistic:** - Modern theory tends to probabilistic. "Statement in modern theory tends to be qualified with phrases such as "may be", in general" and

usually” because modern theory recognizes that few predictive statement can be made with certainty.

(e) **Multidisciplinary:** - Modern theory of management is enriched by contribution from disciplines like sociology, psychology, economics, anthropology, ecology mathematics, operations research and so on.

(f) **Descriptive:** - Individual are free to select the objectives and the methods to improve organizational effectiveness.

(g) **Multivariable:** - There is no simple cause effect phenomenon in organizational activities. An event may be the product of many factors that are in turn interrelated and interdependent.

(h) **Adaptive:** - An organization and its environment are expected to rearrange their parts. Organization tries to cope with environment changes through the “feed back” mechanism. An organization must produce output acceptable to components in environment.

It is true that “System theory provides a broad Philosophical perspective that bridge academic disciplines and mounts integrated attack on a wide variety of problem”

**Q.17. Explain Contingency approach of Management.**

**Ans. The contingency approach believes that it is impossible to select one way of managing that works best in all situations like promoted by Taylor.** Their approach is to identify the conditions of a task (scientific management school), managerial job (administrative management school) and person (human relations school) as parts of a complete management situation and attempt to integrate them all into a solution which is most appropriate for a specific circumstance. Contingency refers to the immediate (contingent or touching) circumstances.

The manager has to systematically try to identify which technique or approach will be the best solution for a problem which exists in a particular circumstance or context.

The contingency approach seeks to apply to real life situations ideas drawn from various schools of management thought. They claim that no one approach is universally applicable and different problems and situations require different approaches. Managers must try to find the approach that is the best for them in a certain given situation, so they can achieve their goals.

It is important to note that the contingency approach stresses the need for managers to examine the relationship between the internal and external environment of an organization. Critics of the contingency approach have blamed it to lack theoretical foundation and are basically intuitive. Managers today are advised to analyze a situation and use ideas from the various schools of thought to find an appropriate combination of management techniques to meet the needs of the situation.

**Q.18. Explain Bureaucratic Management and its Characteristics.**

**Ans.** Max Weber contributed the theory of bureaucracy to the management thought. He used the word; bureaucracy to the specific kind of administrative organization whose characteristics are given below; Max Weber's main contribution to management is his theory of authority structure and his description of organizations based on the nature of authority relations within them. It was Weber's contention that there are three types of legitimate authority which run as follows:

- **Rational legal authority-** Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.

- **Traditional authority-** People obey a person because he belongs to certain class or occupies a position traditionally recognized as possessing authority, such as a royal family.
- **Charismatic authority-** Obedience is based on the followers' belief that a person has some special power or appeal.

### Characteristics of Bureaucracy

A bureaucratic organization shows the following characteristics:

- **Division of work-** There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work
- **Hierarchy of positions-** There is a hierarchy of authority in the organization. Each lower position is under the control of a higher one. Thus, there is unity of command.
- **Rules and regulations-** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
- **Impersonal conduct-** There is impersonality of relationships among the organizational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure
- **Staffing-** The personal are employed by a construal relationship between the employee and employer. The employees get salary every month which is based on the job they handle and also the length of service.
- **Technical competence-** The bureaucrats and neither elected nor inherited, but they are appointed thorough selection. Promotions in bureaucracies are also based on technical qualifications and performance
- **Official records:** The decisions and activities of the organization are formally recorded and preserved safely for future reference. This is made

possible by extensive filing system. The official records are considered as the encyclopedia of various activities performed by the organization. The filing system makes the organization independent of individuals. The official records serve as the memory of the organization.

**Q.19. Explain Classical perspective of Management and basic principles laid down by Classical School**

**Ans. Classical perspective**

The Empirical School seeks to generalize the nature of management based on the experience of successful managers. The basic theme of this assumption is that if a particular business operation is successful, or if a particular problem was effectively tackled by application of a particular strategy, then the methods of strategies through which success was achieved by the managers could be equally effectively used by others in the case of similar business situations in future.

The basic principles laid down by the Classical School may be summed up as follows:

- **Scalar chain:** It is the fore-runner of the hierarchy principle under which authority flows from the top to the bottom level managerial positions.
- **Unity of command:** It lays down that each individual should only receive orders from one hierarchical superior.
- **Exception:** It emphasizes, maximum delegation of authority such that the superior is required to intervene only in the case of non-routine, exceptional tasks.
- **Span of control :-** It advocates that each superior should only have a manageable number of subordinates to direct and control
- **Specialization:** It emphasizes differentiation of organizational activities based on objectives, processes, location, clients, etc.

- Scientific method: It advocates the use of experimental methods to develop sound organizational and management methods.

**Q.20. Discuss in detail the social responsibility of business towards its different stakeholders.**

**Ans. Responsibility towards Itself:**

**According to Keith Davis, “I feel that the first responsibility of the business is to operate its business effectively.”**

- To operate the business efficiently and effectively
- To ensure the production and distribution of goods and services at a profit. This is necessary for its survival, growth and socially responsible behavior.
- To make policies that ensure achievement of economic and social objectives of the business simultaneously.
- To maintain wealth-producing resources intact by making profits to offset risk of business activities.
- To innovate and expand business by producing new products/ services, by entering into new markets, by using new raw materials etc.
- To make every effort to remain competitive at all times.
- To make every effort to perform all the activities fool proof. Every defect or fault should be corrected without being told or pointed out by others.
- To ensure protection of natural environment for sustainable economic development for future growth and development.

**Responsibility towards Shareholders/Owners**

- To ensure payment of fair and consistent return on their investment.
- To make proper use of their funds within their authority.

- To ensure safety and growth of their investments.
- To make full and proper disclosure of all the facts within the framework of law and regulations
- To hold meetings from time to time and give proper notice of them to all the shareholders.
- To conduct all the meeting as per the law
- To send copies of annual reports and other documents as required any the law.
- To ensure compliance of code of corporate governance framed by the SEBI/ Ministry of corporate affairs.

#### **Responsibility towards Customers**

- To ensure supply of goods/ services of right quality, at right time, at right place and right price.
- To ensure supply of goods/ services to meet the needs of different classes/ categories of customers.
- To enhance product safety.
- To reduce polluting potential of products.
- To improve packaging and labeling through eco- friendly measures
- To innovate and produce energy efficient products
- To adopt fair and ethical practices and not indulge in adulteration, hoarding and black marketing, profiteering practices.

#### **Responsibility towards Employees**

- To employ all the employees at the right job
- To pay fair wages/salaries, bonus etc.
- To ensure healthy and safe working conditions/ work environment

- To provide adequate benefits such as housing, medical facilities, insurance cover, retirement benefits etc.
- To provide reasonable job security.
- To provide opportunities of training, promotions, career development and job satisfaction
- To provide day care facilities for working parents.
- To ensure equal opportunity to all without any discrimination of cost, creed, sex etc.
- To ensure compliance of work place ethics.

#### **Responsibility towards Suppliers**

- To ensure timely payment of all the bills due.
- To bargain for a win- win situation for both
- To make every effort to ensure long-term sound business relations.
- To ensure proper performance of terms of contract.
- To refrain from taking undue advantages of legal loop-holes in the supply contract.
- To ensure adequate secrecy of contract terms.
- To provide opportunities to new suppliers.
- To inform about the market trends and other facts to suppliers

#### **Responsibility towards Competitors**

- To play fair game in competition for encouraging healthy competition
- Not to indulge in monopolistic and restrictive practices that restrains the free and fair competition.

- Avoid misleading advertisements, false or unreasonable product guarantee, tricky pricing that create the barriers to healthy competition.
- Not to indulge in brand assassination activities
- Not to mislead or misrepresent the customers about competitors.
- To ensure free entry of competitors for the healthy growth of trade and economy.

#### **Responsibility towards Government**

- To comply with the laws and regulations of the land
- To pay the taxes and duties honestly within the time
- To actively contribute to the economic development of the country.
- To contribute to the implementation of socio- economic plans and programmes or the government such as family welfare, poverty alleviation etc.
- To respond positively to the government appeals and instructions.
- To restrain from sacking undue favors from government officials and deny bribes and other corrupt practices.
- To donate funds and provide other helps in the times of national calamity.

#### **Responsibility towards Environment**

- To help develop local infrastructure like foot ways, roads, water supply, parks and sanitation facilities, educational institutions, hospitals etc.
- To provide employment opportunities to local people.
- To impart job oriented education and training to unemployed persons.
- To contribute to the upliftment of weaker sections of the community.

- To support minority owned businesses.
- To encourage local trade
- To make efforts to recycle the products to save environment
- To refrain from all kinds of anti social, unfair and unethical activities.

**Q.21. Explain Social Responsibility of Business?**

**Ans. The term SRB/CSR has been defined in more than one ways.**

- Narrow or classical definitions
  - Neo-classical definitions, and
  - Modern eclectic definitions
- **Narrow or classical definitions:** - Classical definitions state SRB/CSR is limited to the share holders only. Noble laureate Milton Friedman has stated that "There is one and only one social responsibility of business i.e. to use its resources in activities designed to increase its profit's so long as it stays within the rules of the game.
  - **Neo- Classical definitions:** - The neo-classical definitions of SRB/CSR state that the responsibility of business goes beyond making profit for shareholders . But to all the stakeholders (customers, workforce, suppliers, competitors, local community, government etc.)

According to H.R. Bowen, Social responsibility of business means, "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

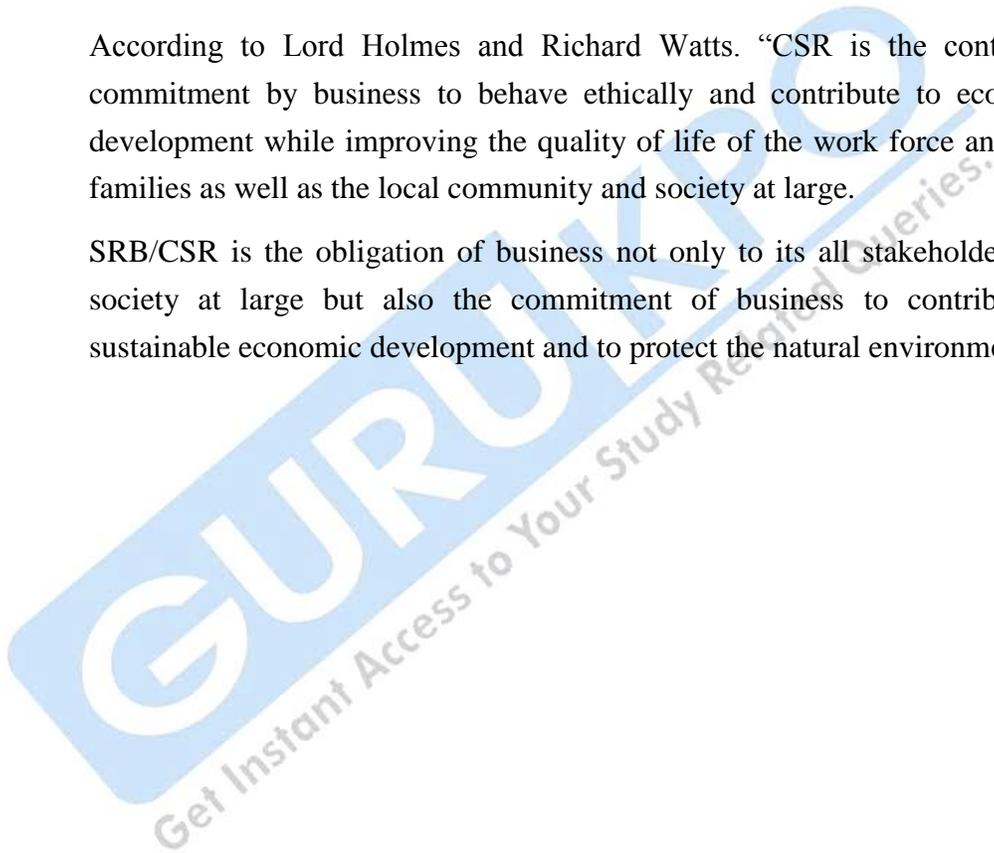
The neo-classical definitions state that SRB/CSR means the obligation of business organizations to make decisions and take actions that will contribute

to the welfare and interests of all its stakeholders as well as the public at large.

- **Modern Eclectic Definitions:** - The modern concept states the business has responsibility towards the various living stakeholders as well as towards the generations to come. Therefore, the modern eclectic concept of social responsibility includes the responsibility of business towards all its stakeholders and natural environment for sustainable economic development.

According to Lord Holmes and Richard Watts. "CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as the local community and society at large.

SRB/CSR is the obligation of business not only to its all stakeholders and society at large but also the commitment of business to contribute to sustainable economic development and to protect the natural environment.



## Case study

You are working as a manager in a steam company xyz ltd. Due to the financial problem in the organization , company is unable to pay the salary from last two month .Due to this crises employees are in major grievance, leaving the job because of insecurity . This type of situation is facing by the company first time so there is no historic data available to solve the major problem. Employees are the asset for any organization , if grievance is not going to handle properly then it will go to harm the organization .

As a manager's work is also to solve the grievance in the organization answer the following

1. What steps should the manager take in this situation .
2. “Here a manager becomes leader “ Comment
3. What are the qualities of a manager?

## Unit II

# Fundamental of Planning

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**Q.1. Define Planning and Explain its characteristics?**

**Ans.** It is the basic function of management. Planning is the process of bridging the gap between where we are and where we want to be in the future. In other words, planning is “looking ahead, relating today’s events with tomorrow’s possibilities.”

**According to KOONTZ**, “Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”.

A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

**Planning is a process of seeking answer to some of the following particular questions:**

- (vii) What is to be done?
- (viii) Why it is to be done?
- (ix) How the work will be done?
- (x) Who will do the work?
- (xi) When the work will be done?

(xii) Where the work will be done?

Planning pervades at all the levels of organization. But the scope of planning is not the same at each level of organization. Higher the level of organization, broader the scope of planning. Planning may be long term and short term.

### **Characteristics of Planning**

#### **1. Planning is goal-oriented.**

- a. Planning is made to achieve desired objective of business.
- b. The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
- c. Planning identifies the action that would lead to desired goals quickly & economically.
- d. It provides sense of direction to various activities. E.g. Maruti Udhyog is trying to capture once again Indian Car Market by launching diesel models.

#### **2. Planning is looking ahead.**

- a. Planning is done for future.
- b. It requires peeping in future, analyzing it and predicting it.
- c. Thus planning is based on forecasting.
- d. A plan is a synthesis of forecast.
- e. It is a mental predisposition for things to happen in future.

#### **3. Planning is an intellectual process.**

- a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.
- b. It is not a mere guesswork but a rotational thinking.

- c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
- d. Planning is always based on goals, facts and considered estimates.

**4. Planning involves choice & decision making.**

- a. Planning essentially involves choice among various alternatives.
- b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
- c. Thus, decision making is an integral part of planning.
- d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

**5. Planning is the primary function of management / Primacy of Planning.**

- a. Planning lays foundation for other functions of management.
- b. It serves as a guide for organizing, staffing, directing and controlling.
- c. All the functions of management are performed within the framework of plans laid out.
- d. Therefore planning is the basic or fundamental function of management.

**6. Planning is a Continuous Process.**

- a. Planning is a never ending function due to the dynamic business environment.
- b. Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
- c. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

**7. Planning is all Pervasive.**

- a. It is required at all levels of management and in all departments of enterprise.
- b. Of course, the scope of planning may differ from one level to another.
- c. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

**8. Planning is designed for efficiency.**

- a. Planning leads to accomplishment of objectives at the minimum possible cost.
- b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.
- c. A plan is worthless or useless if it does not value the cost incurred on it.
- d. Therefore planning must lead to saving of time, effort and money.
- e. Planning leads to proper utilization of men, money, materials, methods and machines.

**9. Planning is Flexible.**

- a. Planning is done for the future.
- b. Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, govt. policies etc.
- c. Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

**Q.2. Explain briefly the steps involved in planning process.**

**Ans. Steps in Planning Function**

Planning function of management involves following steps:-

**1. Establishment of objectives**

- a. Planning requires a systematic approach.
- b. Planning starts with the setting of goals and objectives to be achieved.
- c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- d. Moreover objectives focus the attention of managers on the end results to be achieved.
- e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men is working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- g. Such goals should be specified in qualitative terms.
- h. Hence objectives should be practical, acceptable, workable and achievable.

**2. Establishment of Planning Premises**

- a. Planning premises are the assumptions about the lively shape of events in future.

- b. They serve as a basis of planning.
- c. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- d. It is to find out what obstacles are there in the way of business during the course of operations.
- e. Establishment of planning premises is concerned to take such steps that avoid these obstacles to a great extent.
- f. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
- g. Internal premises are controllable whereas external are non-controllable.

### ***3. Choice of alternative course of action***

- a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- b. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- c. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- d. After objective and scientific evaluation, the best alternative is chosen.
- e. The planners should take help of various quantitative techniques to judge the stability of an alternative.

#### **4. Formulation of derivative plans**

- a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- b. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.

#### **5. Securing Co-operation**

- a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
- b. The purposes behind taking them into confidence are :-
  - a. Subordinates may feel motivated since they are involved in decision making process.
  - b. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
  - c. Also the employees will be more interested in the execution of these plans.

#### **6. Follow up/Appraisal of plans**

- a. After choosing a particular course of action, it is put into action.
- b. After the selected plan is implemented, it is important to appraise its effectiveness.

- c. This is done on the basis of feedback or information received from departments or persons concerned.
- d. This enables the management to correct deviations or modify the plan.
- e. This step establishes a link between planning and controlling function.
- f. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

**Q.3. Discuss Merits and Demerits of Planning.**

**Ans. Advantages of Planning**

***1. Planning facilitates management by objectives.***

- a. Planning begins with determination of objectives.
- b. It highlights the purposes for which various activities are to be undertaken.
- c. In fact, it makes objectives more clear and specific.
- d. Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
- e. Without planning an organization has no guide.
- f. Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
- g. Therefore, planning brings order and rationality into the organization.
- h.

***2. Planning minimizes uncertainties.***

- a. Business is full of uncertainties.
- b. There are risks of various types due to uncertainties.

- c. Planning helps in reducing uncertainties of future as it involves anticipation of future events.
- d. Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
- e. Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

**3. *Planning facilitates co-ordination.***

- a. Planning revolves around organizational goals.
- b. All activities are directed towards common goals.
- c. There is an integrated effort throughout the enterprise in various departments and groups.
- d. It avoids duplication of efforts. In other words, it leads to better co-ordination.
- e. It helps in finding out problems of work performance and aims at rectifying the same.

**4. *Planning improves employee's moral.***

- a. Planning creates an atmosphere of order and discipline in organization.
- b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.
- c. This encourages employees to show their best and also earn reward for the same.
- d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

**5. *Planning helps in achieving economies.***

- a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.
- b. It also facilitates optimum utilization of resources which brings economy in operations.
- c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

**6. *Planning facilitates controlling.***

- a. Planning facilitates existence of certain planned goals and standard of performance.
- b. It provides basis of controlling.
- c. We cannot think of an effective system of controlling without existence of well thought out plans.
- d. Planning provides pre-determined goals against which actual performance is compared.
- e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

**7. *Planning provides competitive edge.***

- a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.

- b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
- c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

**8. Planning encourages innovations.**

- a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
- b. Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

**Disadvantage of Planning**

**Internal Limitations**

There are several limitations of planning. Some of them are inherit in the process of planning like rigidity and other arise due to shortcoming of the techniques of planning and in the planners themselves.

**1. Rigidity**

- a. Planning has tendency to make administration inflexible.
- b. Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
- c. There is no scope for individual freedom.
- d. The development of employees is highly doubted because of which management might have faced lot of difficulties in future.
- e. Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

## ***2. Misdirected Planning***

- a. Planning may be used to serve individual interests rather than the interest of the enterprise.
- b. Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit ones own requirement rather than that of whole organization.
- c. Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

## ***3. Time consuming***

- a. Planning is a time consuming process because it involves collection of information, its analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.
- b. Therefore planning is not suitable during emergency or crisis when quick decisions are required.

## ***4. Probability in planning***

- a. Planning is based on forecasts which are mere estimates about future.
- b. These estimates may prove to be inexact due to the uncertainty of future.
- c. Any change in the anticipated situation may render plans ineffective.
- d. Plans do not always reflect real situations inspite of the sophisticated techniques of forecasting because future is unpredictable.
- e. Thus, excessive reliance on plans may prove to be fatal.

### **5. False sense of security**

- a. Elaborate planning may create a false sense of security to the effect that everything is taken for granted.
- b. Managers assume that as long as they work as per plans, it is satisfactory.
- c. Therefore they fail to take up timely actions and an opportunity is lost.
- d. Employees are more concerned about fulfillment of plan performance rather than any kind of change.

### **6. Expensive**

- a. Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money
- b. According to Koontz and O'Donell, 'Expenses on planning should never exceed the estimated benefits from planning.'

### **External Limitations of Planning**

1. Political Climate- Change of government from Congress to some other political party, etc.
2. Labour Union- Strikes, lockouts, agitations.
3. Technological changes- Modern techniques and equipments, computerization.
4. Policies of competitors- Eg. Policies of Coca Cola and Pepsi.
5. Natural Calamities- Earthquakes and floods.
6. Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

**Q.4 Explain basic significance of planning?****Ans. SIGNIFICANCE OF PLANNING**

In a complex business situation, planning helps managers meet the challenges posed by the environment, while at the same time minimizing the risks associated with them. Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world.

Planning is very important in all types of organizations. It forces organizations to look ahead and decide their future course of action so as to improve their profitability. Organizations that plan in advance are more likely to succeed than those which fail to plan for the future.

Planning is the first step in the management process. It ensures that the employees of an organization carry out their work in a systematic and methodical manner. It also helps coordinate and control various tasks and makes sure that resources are used optimally.

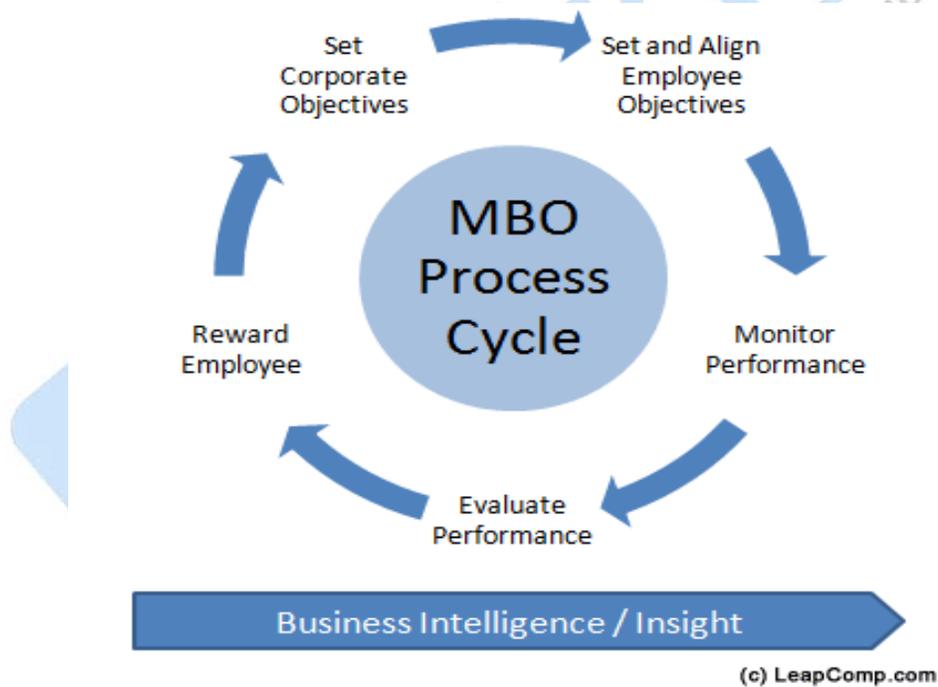
1. Focuses Attention on Objectives
2. Offsets Uncertainty and Risk
3. Provides Sense of Direction
4. Provides Guidelines for Decision-making
5. Increases Organizational Effectiveness
6. Provides Efficiency in Operations
7. Ensures Better Coordination
8. Facilitates Control
9. Encourages Innovation and Creativity
10. Facilitates Delegation

**Q.5. What is meant by Management by Objectives? Discuss its Advantage & Limitations.**

Ans. **Management by Objectives** (MBO) is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization.

The term "management by objectives" was first popularized by Peter Drucker in his 1954 book 'The Practice of Management'

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.



### Features and Advantages

The principle behind Management by Objectives (MBO) is basically for employees to have clarity of the roles and responsibilities expected of them. They then understand the objectives they must do and the over all achievement of the organization. They also help with the personal goals of each employee.

Some of the important features and advantages of MBO are:

1. Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.
2. Better communication and Coordination – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.
3. Clarity of goals
4. Subordinates have a higher commitment to objectives that they set themselves than those imposed on them by their managers.
5. Managers can ensure that objectives of the subordinates are linked to the organisation's objectives.

### **Limitations**

There are several limitations to the assumptive base underlying the impact of managing by objectives, including:

1. It over-emphasizes the setting of goals over the working of a plan as a driver of outcomes.
2. It underemphasizes
3. Companies evaluated their; from MBO to Deming to Project Management and Beyond

When this approach is not properly set, agreed and managed by organizations, in self-centered thinking employees, it may trigger an unethical behavior of distorting the system of results and financial figures to falsely achieve targets that were set in a short-term, narrow, bottom-line fashion.

The use of MBO needs to be carefully aligned with the culture of the organization. While MBO is not as fashionable as it was before the 'empowerment' fad, it still has its place in management today. The key difference is that rather than 'set' objectives from a cascade process, objectives are discussed and agreed, based upon a more strategic picture being available to employees. Engagement of employees in the objective setting process is seen as a strategic advantage by many.

A saying around MBO and critical success factor's, or CSF's -- "What gets measured gets done" -- is perhaps the most famous aphorism of performance measurement; therefore, to avoid potential problems SMART and SMARTER objectives need to be agreed upon in the true sense rather than set.

**Q.6. Describe the process of Management by Objective?**

**Ans. THE PROCESS OF MANAGEMENT BY OBJECTIVES**

**Setting Preliminary Objectives at the top:--** The goals set by the superior are preliminary, based on an analysis and judgement as to what can and should be accomplished by the organization within a certain period. This requires taking into account the company's strengths and weakness in light value of available opportunities and threats. These goals must be regarded as tentative and subject to modification while the entire chain of verifiable objectives is worked out by subordinates.

**Clarifying Organizational Roles: -** The relation ship between expected results and the responsibility for attaining them often needs to be clarified. Analysis of an organization's structure often reveals that the responsibility is vague and that

reorganization is needed. Ideally, each and sub-goal should be one particular person's clear responsibility.

**Setting Subordinate's Objectives:--** After making sure that subordinate managers have been informed of pertinent general objectives, strategies and planning premises, the superior can then proceed to work with subordinates in setting their objectives. Superior must be patient counselors, helping their subordinates develop consistent and supportive objectives and being careful not to set goals that are impossible to achieve. The superior's judgement and final approval must be based on what is reasonably attainable, what is fully supportive of upper-level objectives, what is consistent with the goals of other managers in other functions, and what is consistent with the longer-run objectives of the department of the company.

One of the major advantages of carefully setting up a network of verifiable goals is tying in the need of capital, materials and human resources at the same time. By relating these resources to the goals themselves, superiors can better see the most effective and economical way of allocating them.

**Recycling Objectives:** - -Setting objectives is not only a joint process but also an interactive one. Objectives can hardly be set by starting at the top and dividing them up among subordinates. Nor should they be started from the bottom. A degree of recycling is required. Top management may have some idea of what their subordinate's objectives should be-but they will almost certainly change these preconceived goals as the contributions of the subordinates come into focus.

**Q. 7. Explain Decision Making and its types?**

**Ans.** Decision Making is the cognitive process of reaching a decision. It is a position or opinion or judgment reached after consideration.

Decision Making is the process of mapping the likely consequences of decisions, working out the importance of individual factors, and choosing the best course of action to take.

Decision Making is choosing between alternative courses of action using cognitive processes - memory, thinking, evaluation, etc

The thought process of select a logical choice from among the available options. When trying to make a good decision, a person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

### TYPES OF DECISION-MAKING

#### **Irreversible**

These are those types of decisions, which, if made once cannot be unmade. Whatever is decided would then have its repercussions for a long time to come. It commits one irrevocably when there is no other satisfactory option to the chosen course. A manager should never use it as an all-or-nothing instant escape from general indecision.

#### **Reversible**

This is the decisions that can be changed completely, before, during or after the agreed action begins. Such types of decisions allow one to acknowledge a mistake early in the process rather than perpetuate it. It can be effectively used for changing circumstances where reversal is necessary.

#### **Experimental**

These types of decisions are not final until the first results appear and prove themselves to be satisfactory. It requires positive feedback before one can decide on a course of action. It is useful and effective when correct move is unclear but there is a clarity regarding general direction of action.

#### **Trial and Error**

In this type of decisions, knowledge is derived out of past mistakes. A certain course of action is selected and is tried out, if the results are positive, the action is carried further, if the results appear negative, another course is adopted and so on and so forth a trial is made and an error is occurred. Till the right combination this continues. It allows the manager to adopt and adjust plans continuously before the full and final commitment. It uses both, the positive and negative feedback before selecting one particular course of action.

### **Made in Stages**

Here the decisions are made in steps until the whole action is completed. It allows close monitoring of risks as one accumulates the evidence of outcomes and obstacles at every stage. It permits feedback and further discussion before the next stage of the decision is made.

### **Cautious**

It allows time for contingencies and problems that may crop up later at the time of implementation. The decision-makers hedge their best of efforts to adopt the right course. It helps to limit the risks that are inherent to decision-making. Although this may also limit the final gains. It allows one to scale down those projects which look too risky in the first instance.

### **Conditional**

Such types of decisions can be altered if certain foreseen circumstances arise. It is an 'either / or' kind of decision with all options kept open. It prepares one to react if the competition makes a new move or if the game plan changes radically. It enables one to react quickly to the ever changing circumstances of competitive markets.

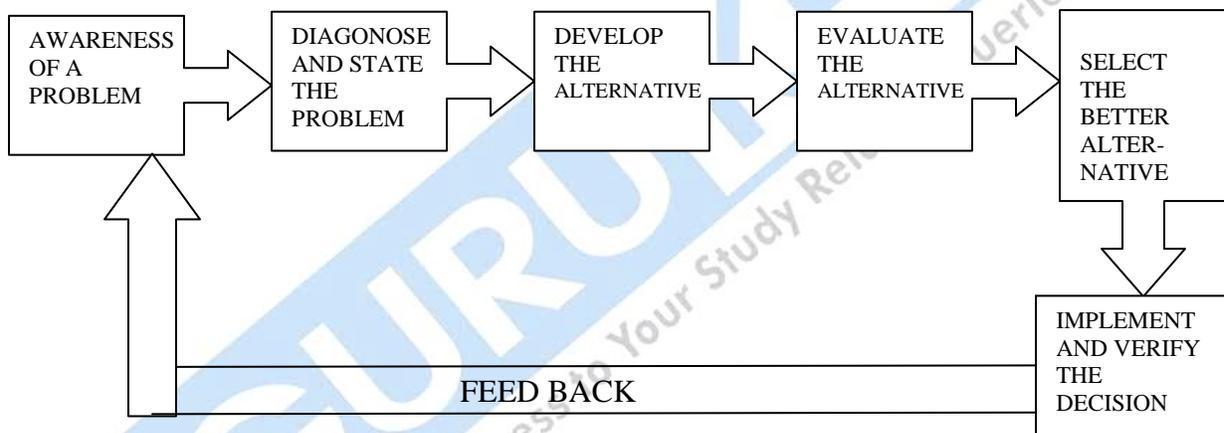
### **Delayed**

Such decisions are put on hold till the decision-makers feel that the time is right. A go-ahead is given only when required elements are in place. It prevents one from making a decision at the wrong time or before all the facts is known. It may, at times result into forgoing of opportunities in the market that needs fast action.

**Q.8. Explain Decision Making & Step involved in Decision Making**

Ans. Decision making is a skill that cuts across every thing managers do. Managers have to decide what to produce, how to produce, how to motivate, how to control and so on. The decision making process describe the elements of an organization that accepts and processes information inputs and transforms them into useful conclusion, making a good decision is a difficult exercise

It is true that theorists have disagreed on the numbers of steps involved in the decision making of steps involved in the decision making process but they have tried forcefully to bring out the importance of a normative decision- making model specifying the following steps of decision making as shown in fig below.



**STEPS IN DECISION MAKING**

(a) **Awareness of a problem:** - The first step in the decision making process is recognizing a problem. The manager must become aware that a problem exists and that it is important enough for managerial action. Finding the real problem and defining them is a difficult job. Managers may have to examine cause effect relationships in the problem situation in a systematic way. A manager is expected to monitor the decision making environment understands the cause and tries to define the real problem carefully.

(b) **Diagnose and state the problem: -** A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of problem he must state the real problem. He must try to solve the problem not the symptoms. “The best diagnostician is not the man who makes the largest number of correct diagnoses, but the man who can spot early and correct right away, his own mistaken diagnosis”. The manager may be required to use judgment and experience before defining the problem in specific measurable terms.

(c) **Developing Alternative :-** The statement of the problem in clear, measurable terms enables executives to develop alternatives “ Developing alternative solutions guarantees adequate focus and alteration on the problem. It helps managers to fully test the soundness of every proposed before it is finally translated into action. The ability to develop alternative is as important as making a right decision among alternatives. The development of alternative is a creative innovative activity.

(d) **Evaluation of Alternative:-** Decision maker tries to outline the advantage and disadvantage of each alternative. The consequences of each alternative would also be considered. The alternative that have been advanced must be genuine that is every one of these alternative should adequately solve the problem. The decision should lie between genuine alternative. The primary objective of evaluation is not to find out one magic solution. The strengths and weakness of each alternative become apparent as they are compared with the criteria and weights established for the purposes.

(e) **Selection of the Best Alternative:-** In this step the decision maker merely selects the alternative that will maximize the results in terms of existing objectives. In a dynamic environment selection process is not as simple as it appears to be the ability to select ht best course of action from several possible alternative separates the successful managers from the less successful ones Peter Drucker has offered the following four critical for making the right choice among available alternatives.

(i) **The risk:** - The manager has to weigh the risks of each course of action against the expected gains.

(ii) **Economy of effort:** - The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one to be selected.

(ii) **Timing:** - If the situation has great urgency the best alternative is one that dramatizes the decision and notice on the organization that something important is happening.

(iv) **Limitation of resources:** - Physical, financial and Human resources impose a limitation on the choice of selection. Of these the most important resource whose limitations have to be considered are the human being who will carry out the decision, if adequate human resource are not currently available the decision should be deferred.

(f) **Implementation and Follow up:** - After making a decision the manager must implement it. He must see whether it has actually worked or not. In other words, he must seek feedback regarding the effectiveness of the implemented solution. Feed back allows managers to become aware of the recent problem associated with the solution. It permits managers to monitor the effects of their acts to gauge their success. They can evaluate their own decision making abilities. The manager should also see whether the subordinates are unwilling or unable to implement allow them to participate in the decision making process at an early stage and provide absolute incentives for satisfactory performance.

**PROGRAMMED DECISION:** - A programmed decision is one that is routine and respective, rules and polices are established well in advance to solve recurring problems quickly. On the basis of pre-established set of alternatives, programmed decisions can be made in a routine way. Since programmed decision are relatively easy and simple of manager to make them free managers for more challenging and difficult problem solving. Programmed decision are usually made by lower level personnel in organization “in which the market and technology are

relatively stable and many routine highly structured problems must be solved. Decisions are highly reutilized and the decision maker simply recognized the problem and implements the pre-determined solution.

**NON PROGRAMMED DECISIONS:** - Non-programmed decision deal with unique/unusual problem. The decision maker has to make decision in a poorly structured situation, one in which there are no preexisting, cut and dried solution. The common feature in these decisions is that they are novel and non-recurring and there are no ready made courses of action to resort to. Because non-programmed decision often involves broad, large range consequence for the organization, they are made by higher level personnel only.

Non-programmed decisions are quite common in such organisation as research and development firms where situation are partly structured and decision being made are non-routine and complex.

## Case Study

The management hired new employee for there newly opened consultancy firm . All the employees are new, as expected they do not know each very well. Unfortunately , the hiring process of the company is not by batch. Sometimes the company will only chose one among the applicant that will pass the examination . In this the sole applicant as always need to adjust with her co-employee. During this period , she is not assured if she is playing her role in developing teamwork in the company . Let us take that for granted the work or transaction happen only in computer. In this working environment , developing teamwork is less possible . All the workers are busy meeting deadlines and don't have to relax . Because of the suitations , workers are not given the time to know each other very well, although they have little communication throught computer.

## Unit III

# Fundamental of Organising

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**Q.1. Define Organization and steps involved in performing Organizational Activity?**

**Ans.** **Organizing** is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to *Chester Barnard*, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co- ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

**A manager performs organizing function with the help of following steps:-**

1. **Identification of activities** - All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.
2. **Departmentally organizing the activities** - In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.
3. **Classifying the authority** - Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The

top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.

4. **Co-ordination between authority and responsibility** - Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

**Q. 2 Discuss the importance of Organizing Function?**

**Ans. Importance of Organizing Function**

1. **Specialization** - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.
2. **Well defined jobs** - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.
3. **Clarifies authority** - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers does not take place. Well defined jobs

and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. **Co-ordination** - Organization is a means of creating co- ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensures mutual co- operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co- ordination between authority- responsibilities is very important. There should be co- ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, "Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective." Therefore, co- ordination of authority- responsibility is very important.

5. **Effective administration** – The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.
6. **Growth and diversification** - A company's growth is totally dependant on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grows. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.
7. **Sense of security** - Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co- ordination is possible. Therefore, clarity of powers helps automatically in increasing mental

satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. **Scope for new changes** - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

**Q.3. Explain main Principles of Organization.**

**Ans. Principles of Organizing Function**

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

**1. Principle of Specialization**

According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

**2. Principle of Functional Definition**

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority- responsibility relationships helps in achieving co- ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly

defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

### 3. *Principles of Span of Control/Supervision*

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

- a. **Wide span of control-** It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-

- a. Less overhead cost of supervision
- b. Prompt response from the employees
- c. Better communication
- d. Better supervision
- e. Better co-ordination
- f. Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

- b. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervise and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-

- a. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
- b. Co-ordination is difficult to be achieved.

- c. Communication gaps can come.
- d. Messages can be distorted.
- e. Specialization work can be achieved.

### ***Factors influencing Span of Control***

**Managerial abilities-** In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

**Competence of subordinates-** Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

**Nature of work-** If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

**Delegation of authority-** When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub-ordinates at one time.

**Degree of decentralization-** Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and sub-ordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

## ***4. Principle of Scalar Chain***

Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized,

communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

#### 5. *Principle of Unity of Command*

It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co- ordination and, therefore, effective organization.

#### Authority Flows from Top to Bottom



According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. This scalar chain of command always flows from top to bottom and it defines the authority positions of different managers at different levels.

#### **Q.4. Explain Classification of Organization and explain its relation also?**

**Ans.** Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

- 1. Formal Organization** - This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.
- 2. Informal Organization** - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

#### **Relationship between formal and informal organizations**

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern. Formal organization can work independently. But informal organization depends totally upon the formal organization. Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co- operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co- operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.

**Q.5 What do you mean by the Line organization its features and its merits and demerits?**

**Ans. Line organization** is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co- ordination taking place.

***Features of Line Organization***

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.

***This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.***

**Merits of Line Organization**

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.

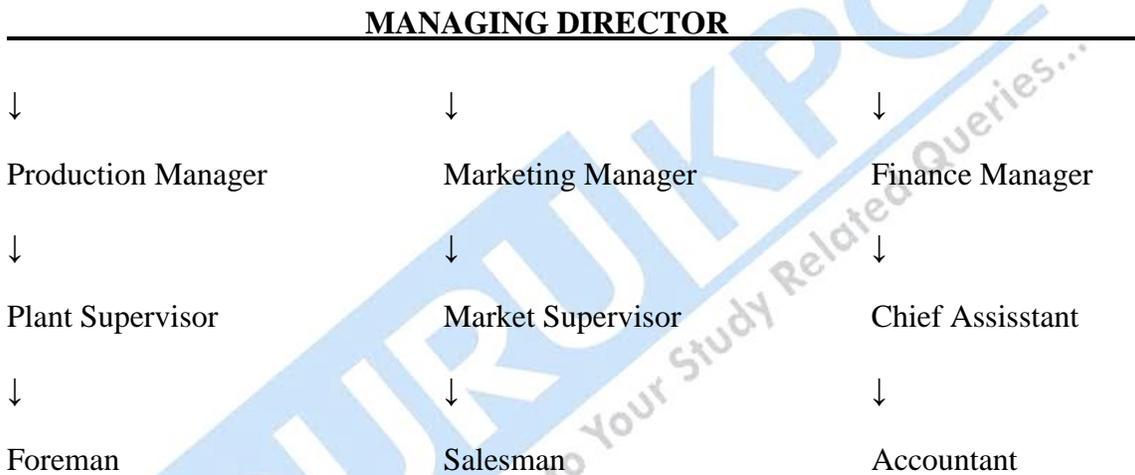
4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

#### **Demerits of Line Organization**

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

**Q.6. What do you mean by Line & Staff organization, explain its features and merits and demerits?**

**Ans.** Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.



***Features of Line and Staff Organization***

1. There are two types of staff :
  - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
  - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.

3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
  - a. Line Authority
  - b. Staff Authority

Power of command remains with the line executive and staff serves only as counselors.

#### ***Merits of Line and Staff Organization***

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.
3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.
4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few

hands. This feature helps in bringing co- ordination in work as every official is concentrating in their own area.

5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, and the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.
6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.
7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co- ordination. This relationship automatically ends up the line official to take better and balanced decision.
8. **Unity of action-** Unity of action is a result of unified control. Control and its effectively take place when co- ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

#### ***Demerits of Line and Staff Organization***

1. **Lack of understanding-** In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.
2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provides wrong decisions which the line executives have to consider. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co- ordination which hampers a concern's working.
4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.
5. **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.
6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

**Q.7. What do you mean by Functional organization, explain its features and merits and demerits?**

**Ans. Functional organization** has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise. The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

### ***Features of Functional Organization***

1. The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
2. Complex form of administrative organization compared to the other two.
3. Three authorities exist- Line, staff and function.
4. Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
5. Principle of unity of command does not apply to such organization as it is present in line organization.

### ***Merits of Functional Organization***

1. **Specialization-** Better division of labour takes place which results in specialization of function and it's consequent benefit.
2. **Effective Control-** Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
3. **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.
4. **Economy-** Specialization compiled with standardization facilitates maximum production and economical costs.
5. **Expansion-** Expert knowledge of functional manager facilitates better control and supervision.

### ***Demerits of Functional Organization***

1. **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.

2. **Lack of Co- ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
3. **Difficulty in fixing responsibility-** Because of multiple authority, it is difficult to fix responsibility.
4. **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
5. **Costly-** Maintenance of specialist's staff of the highest order is expensive for a concern.

**Q.8. Explain Delegation of Authority and its elements?**

**Ans.** 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 must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. 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. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. 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. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not 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. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

**Q.9. Discuss the steps perform by the manager in Delegation of Authority.**

**Ans.** For achieving delegation, a manager has to work in a system and has to perform following steps:

1. Assignment of tasks and duties
2. Granting of authority

### 3. Creating responsibility and accountability

**Delegation of authority** is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment 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. **Creating 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. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the other 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.

Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegate's role which means his responsibility and accountability is attached with the authority over to here.

**Q.10. Distinguish between 'Authority and Responsibility?'**

**Ans. Relationship between Authority and Responsibility**

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance. Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

**Differences between Authority and Responsibility**

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the	Responsibility arises out of superior-subordinate

position of a superior in concern.	relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

**Q.11. Explain the Importance of Delegation?**

**Ans.** Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by –

1. Through delegation, a manager is able to divide the work and allocate it to the subordinates. This helps in reducing his work load so that he can work on important areas such as - planning, business analysis etc.
2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectivity helps a manager to prove his ability and skills in the best manner.
3. Delegation of authority is the ground on which the superior-subordinate relationship stands. An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior-

subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.

4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient. Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and in a way they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the leadership traits are flourished. Therefore it is only through delegation, a manager can be tested on his traits.
5. Delegation of authority is help to both superior and subordinates. This ,in a way, gives stability to a concern's working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern's stability.

**Q.12. Explain the Principles of Delegation of Authority**

**Ans** There are a few guidelines in form of principles which can be a help to the manager to process of delegation. The **principles of delegation** are as follows: -

1. **Principle of result excepted-** suggests that every manager before delegating the powers to the subordinate should be able to clearly define the goals as well as

- results expected from them. The goals and targets should be completely and clearly defined and the standards of performance should also be notified clearly. For example, a marketing manager explains the salesmen regarding the units of sale to take place in a particular day, say ten units a day have to be the target sales. While a marketing manager provides these guidelines of sales, mentioning the target sales is very important so that the salesman can perform his duty efficiently with a clear set of mind.
2. **Principle of Parity of Authority and Responsibility-** According to this principle, the manager should keep a balance between authority and responsibility. Both of them should go hand in hand. According to this principle, if a subordinate is given a responsibility to perform a task, then at the same time he should be given enough independence and power to carry out that task effectively. This principle also does not provide excessive authority to the subordinate which at times can be misused by him. The authority should be given in such a way which matches the task given to him. Therefore, there should be no degree of disparity between the two.
  3. **Principle of absolute responsibility-** This says that the authority can be delegated but responsibility cannot be delegated by managers to his subordinates which means responsibility is fixed. The manager at every level, no matter what is his authority, is always responsible to his superior for carrying out his task by delegating the powers. It does not mean that he can escape from his responsibility. He will always remain responsible till the completion of task. Every superior is responsible for the acts of their subordinates and are accountable to their superior therefore the superiors cannot pass the blame to the subordinates even if he has delegated certain powers to subordinates example if the production manager has been given a work and the machine breaks down. If repairmen is not able to get repair work done, production manager will be responsible to CEO if their production is not completed.
  4. **Principle of Authority level-** This principle suggests that a manager should exercise his authority within the jurisdiction / framework given. The manager

should be forced to consult their superiors with those matters of which the authority is not given that means before a manager takes any important decision, he should make sure that he has the authority to do that on the other hand, subordinate should also not frequently go with regards to their complaints as well as suggestions to their superior if they are not asked to do. This principle emphasizes on the degree of authority and the level upto which it has to be maintained.

**Q.13. What do you mean by Centralization & Decentralization?**

**Ans.** **Centralization** is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be:-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, “Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider in scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that “Everything that increases the role of subordinates is decentralization and that decreases the role is centralization”.

Decentralization is wider in scope and the subordinate’s responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

#### ***Implications of Decentralization***

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.

4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and decentralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

**Q.14. Distinguish between Delegation & Decentralization?**

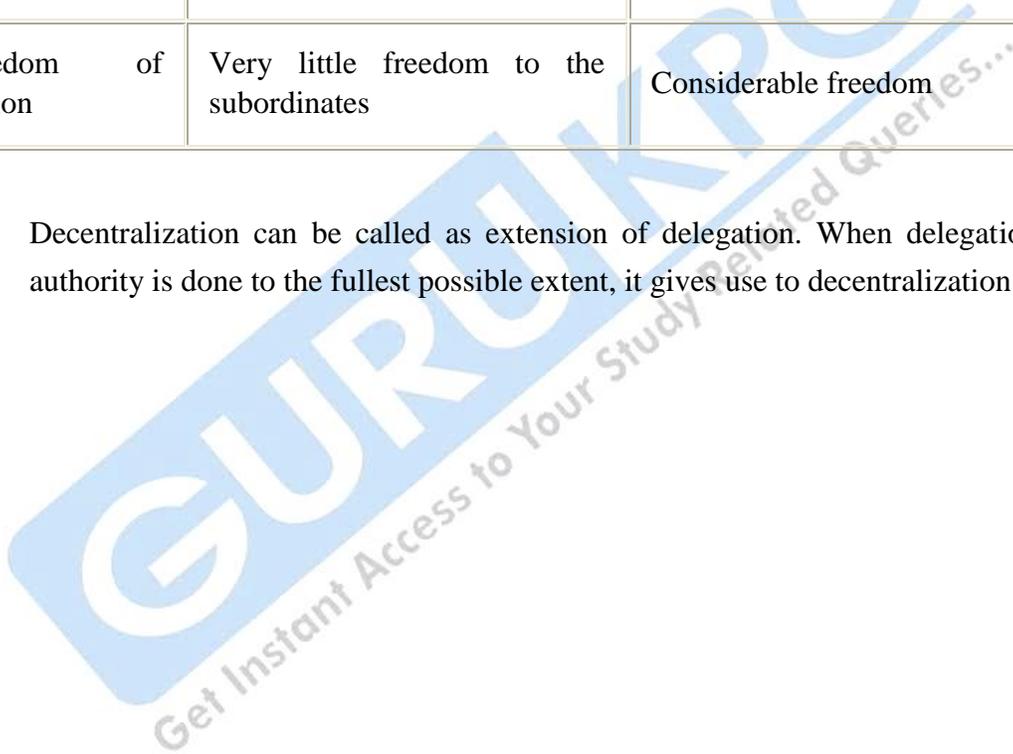
**Ans.**

<b>Basis</b>	<b>Delegation</b>	<b>Decentralization</b>
Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other level of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.

Responsibility	Responsibility remains of the managers and cannot be delegated	Responsibility is also delegated to subordinates.
Freedom of Work	Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function	It is an important decision of an enterprise.
Need on purpose	Delegation is important in all concerns whether big or small. No enterprises can work without delegation.	Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not compulsory.
Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.

Essentiality	Delegation is essential of all kinds of concerns	Decentralization is a decisions function by nature.
Significance	Delegation is essential for creating the organization	Decentralization is an optional policy at the discretion of top management.
Withdrawal	Delegated authority can be taken back.	It is considered as a general policy of top management and is applicable to all departments.
Freedom of Action	Very little freedom to the subordinates	Considerable freedom

Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization.



## Unit 4

# Decisions Concepts and Leadership

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**Q.1. What is Directing function of Management? Briefly discuss its characteristics.**

**Ans.** **DIRECTING** is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned" Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

**Direction has got following characteristics:**

1. **Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
2. **Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of organization.
3. **Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.

4. **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
5. **Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.
6. **Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

**Q.2. Explain Importance of Directing as Managerial function.**

**Ans.** Directing or Direction function is said to be the heart of management of process and therefore, is the central point around which accomplishment of goals take place. A few philosophers call Direction as "*Life spark of an enterprise*". It is also called as an actuating function of management because it is through direction that the operation of an enterprise actually starts. Being the central character of enterprise, it provides many benefits to a concern which are as follows:-

1. **It Initiates Actions** – Direction is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.
2. **It Ingrates Efforts** – Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through

- persuasive leadership and effective communication. Integration of efforts brings effectiveness and stability in a concern.
3. **Means of Motivation** – Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non – monetary, which serves as a “Morale booster” to the subordinates Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.
  4. **Coping up with the changes** – It is a human behaviour that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adoptions and smooth running of an enterprise. For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanization, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.
  5. **It Provides Stability** – Stability and balance in concern becomes very important for long term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function – judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.

6. **Efficient Utilization of Resources** – Direction helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. don't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

From the above discussion, one can justify that direction, surely, is the heart of management process. Heart plays an important role in a human body as it serves the function pumping blood to all parts of body which makes the parts function. In the similar manner, direction helps the subordinates to perform in best of their abilities and that too in a healthy environment. The manager makes use of the four elements of direction here so that work can be accomplished in a proper and right manner. According to Earnest Dale, "Directing is what has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards". Therefore, it is rightly said that direction is essence of management process.

**Q.3. What do you mean by Supervisor, Explain the Role of Supervisor?**

**Ans.** Supervisor has got an important role to play in factory management. Supervision means overseeing the subordinates at work at the factory level. The supervisor is a part of the management team and he holds the designation of first line managers. He is a person who has to perform many functions which helps in achieving productivity. Therefore, supervisor can be called as the only manager who has an important role at execution level. There are certain philosophers who call supervisors as workers. There are yet some more philosophers who call them as managers. But actually he should be called as a manager or operative manager. His primary job is to manage the workers at operative level of management

**A supervisor plays multiplinary role at one time like –**

1. **As a Planner** - A supervisor has to plan the daily work schedules in the factory. At the same time he has to divide the work to various workers according to their abilities.
2. **As a Manager** - It is rightly said that a supervisor is a part of the management team of an enterprise. He is, in fact, an operative manager.
3. **As a Guide and Leader** - A factory supervisor leads the workers by guiding them the way of perform their daily tasks. In fact, he plays a role of an inspirer by telling them.
4. **As a Mediator** - A Supervisor is called a linking pin between management and workers. He is the spokesperson of management as well as worker.
5. **As an Inspector** - An important role of supervisor is to enforce discipline in the factory. For this, the work includes checking progress of work against the time schedule, recording the work performances at regular intervals and reporting the deviations if any from those. He can also frame rules and regulations which have to be followed by workers during their work.
6. **As a Counselor** - A supervisor plays the role of a counselor to the worker's problem. He has to perform this role in order to build good relations and co-operation from workers. This can be done not only by listening to the grievances but also handling the grievances and satisfying the workers.

Therefore, we can say that effective and efficient supervision helps in serving better work performance, building good human relations, creating a congenial and co-operative environment. This all helps in increasing productivity.

**Q.4. Explain the Functions of Supervisors?**

**Ans.** Supervisor, being the manager in a direct contact with the operatives, has got multifarious function to perform. The objective behind performance of these functions is to bring stability and soundness in the organization which can be secured through increase in profits which is an end result of higher productivity. Therefore, a supervisor should be concerned with performing the following functions –

1. **Planning and Organizing** - Supervisor's basic role is to plan the daily work schedule of the workers by guiding them the nature of their work and also dividing the work amongst the workers according to their interests, aptitudes, skills and interests.
2. **Provision of working conditions** - A supervisor plays an important role in the physical setting of the factory and in arranging the physical resources at right place. This involves providing proper sitting place, ventilation, lighting, water facilities etc. to workers. His main responsibility is here to provide healthy and hygienic condition to the workers.
3. **Leadership and Guidance** - A supervisor is the leader of workers under him. He leads the workers and influences them to work their best. He also guides the workers by fixing production targets and by providing them instruction and guidelines to achieve those targets.
4. **Motivation** - A supervisor plays an important role by providing different incentives to workers to perform better. There are different monetary and non-monetary incentives which can inspire the workers to work better.
5. **Controlling** - Controlling is an important function performed by supervisor. This will involve
  - a. Recording the actual performance against the time schedule.
  - b. Checking of progress of work.
  - c. Finding out deviations if any and making solutions

- d. If not independently solved, reporting it to top management.
6. **Linking Pin** - A supervisor proves to be a linking pin between management and workers. He communicates the policies of management to workers also passes instructions to them on behalf of management. On the other hand, he has a close contact with the workers and therefore can interact the problems, complaints, suggestions, etc to the management. In this way, he communicates workers problems and brings it to the notice of management.
  7. **Grievance Handling** - The supervisor can handle the grievances of the workers effectively for this he has to do the following things :-
    - a. He can be in direct touch with workers.
    - b. By winning the confidence of the workers by solving their problems.
    - c. By taking worker problems on humanitarian grounds.
    - d. If he cannot tackle it independently, he can take the help and advice of management to solve it.
  8. **Reporting** - A supervisor has got an important role to report about the cost, quality and any such output which can be responsible for increasing productivity. Factors like cost, output, performance, quality, etc can be reported continually to the management.
  9. **Introducing new work methods** - The supervisor here has to be conscious about the environment of market and competition present. Therefore he can innovate the techniques of production. He can shift the workers into fresh schedules whenever possible. He can also try this best to keep on changing and improving to the physical environment around the workers. This will result in
    - a. Higher productivity,
    - b. High Morale of Workers,
    - c. Satisfying working condition,
    - d. Improving human relations,

- e. Higher Profits, and
- f. High Stability

10. **Enforcing Discipline** - A supervisor can undertake many steps to maintain discipline in the concern by regulating checks and measures, strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the indisciplined workers. All these above steps help in improving the overall discipline of the factory.

**Q.5. What is leadership, explain the characteristics of Leadership?**

**Ans.** *Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.*

Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

#### ***Characteristics of Leadership***

1. It is an inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals.
2. It denotes a few qualities to be present in a person who includes intelligence, maturity and personality.
3. It is a group process. It involves two or more people interacting with each other.

4. A leader is involved in shaping and moulding the behaviour of the group towards accomplishment of organizational goals.
5. Leadership is situation bound. There is no best style of leadership. It all depends upon tackling with the situations.

**Q.6. Discuss Importance of Leadership.**

**Ans.** Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.

6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

**Q.7. What are the roles performed by the Leader?**

**Ans.** Following are the main roles of a leader in an organization:

1. **Required at all levels-** Leadership is a function which is important at all levels of management. In the top level, it is important for getting co-operation in formulation of plans and policies. In the middle and lower level, it is required for interpretation and execution of plans and programmes framed by the top management. Leadership can be exercised through guidance and counseling of the subordinates at the time of execution of plans.
2. **Representative of the organization-** A leader, i.e., a manager is said to be the representative of the enterprise. He has to represent the concern at seminars, conferences, general meetings, etc. His role is to communicate the rationale of the enterprise to outside public. He is also representative of the own department which he leads.
3. **Integrates and reconciles the personal goals with organizational goals-** A leader through leadership traits helps in reconciling/ integrating the personal goals of the employees with the organizational goals. He is trying to co-ordinate the efforts of people towards a common purpose and thereby achieves objectives. This can be done only if he can influence and get willing co-operation and urge to accomplish the objectives.

4. **He solicits support-** A leader is a manager and besides that he is a person who entertains and invites support and co- operation of subordinates. This he can do by his personality, intelligence, maturity and experience which can provide him positive result. In this regard, a leader has to invite suggestions and if possible implement them into plans and programmes of enterprise. This way, he can solicit full support of employees which results in willingness to work and thereby effectiveness in running of a concern.
5. **As a friend, philosopher and guide-** A leader must possess the three dimensional traits in him. He can be a friend by sharing the feelings, opinions and desires with the employees. He can be a philosopher by utilizing his intelligence and experience and thereby guiding the employees as and when time requires. He can be a guide by supervising and communicating the employees the plans and policies of top management and secure their co- operation to achieve the goals of a concern. At times he can also play the role of a counselor by counseling and a problem-solving approach. He can listen to the problems of the employees and try to solve them.

**Q.8. Discuss Qualities of a Leader in an Organization.**

**Ans.** A leader has got multidimensional traits in him who makes him appealing and effective in behavior. The following are the requisites to be present in a good leader:

1. **Physical appearance-** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
2. **Vision and foresight-** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
3. **Intelligence-** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and

then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.

4. **Communicative skills-** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.
5. **Objective-** A leader has to be having a fair outlook which is free from bias and which does not reflect his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.
6. **Knowledge of work-** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.
7. **Sense of responsibility-** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.
8. **Self-confidence and will-power-** Confidence in himself is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power.
9. **Humanist-** This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.
10. **Empathy-** It is an old adage "Stepping into the shoes of others". This is very important because fair judgement and objectivity comes only then. A leader should understand the problems and complaints of employees and should also

have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

**Q.9. Explain Leadership & Management – Relationship and Differences.**

**Ans.** Leadership and management are the terms that are often considered synonymous. It is essential to understand that leadership is an essential part of effective management. As a crucial component of management, remarkable leadership behaviour stresses upon building an environment in which each and every employee develops and excels. Leadership is defined as the potential to influence and drive the group efforts towards the accomplishment of goals. This influence may originate from formal sources, such as that provided by acquisition of managerial position in an organization.

A manager must have traits of a leader, i.e., he must possess leadership qualities. Leaders develop and begin strategies that build and sustain competitive advantage. Organizations require robust leadership and robust management for optimal organizational efficiency.

**Differences between Leadership and Management**

Leadership differs from management in a sense that:

1. While managers lay down the structure and delegates authority and responsibility, leaders provides direction by developing the organizational vision and communicating it to the employees and inspiring them to achieve it.
2. While management includes focus on planning, organizing, staffing, directing and controlling; leadership is mainly a part of directing function of management. Leaders focus on listening, building relationships, teamwork, inspiring, motivating and persuading the followers.
3. While a leader gets his authority from his followers, a manager gets his authority by virtue of his position in the organization.

4. While managers follow the organization's policies and procedure, the leaders follow their own instinct.
5. Management is more of science as the managers are exact, planned, standard, logical and more of mind. Leadership, on the other hand, is an art. In an organization, if the managers are required, then leaders are a must/essential.
6. While management deals with the technical dimension in an organization or the job content; leadership deals with the people aspect in an organization.
7. While management measures/evaluates people by their name, past records, present performance; leadership sees and evaluates individuals as having potential for things that can't be measured, i.e., it deals with future and the performance of people if their potential is fully extracted.
8. If management is reactive, leadership is proactive.
9. Management is based more on written communication, while leadership is based more on verbal communication.

**Q.10. Explain important Leadership Styles.**

**Ans.** All leaders do not possess same attitude or same perspective. As discussed earlier, few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner. Their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

**Some of the important leadership styles are as follows:**

- **Autocratic leadership style:** In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way

of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

- **The Laissez Faire Leadership Style:** Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.
- **Democratic/Participative leadership style:** The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.
- **Bureaucratic leadership:** Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required.

But this leadership style discourages creativity and does not make employees self-contented.

**Q.11 Explain the Trait theory of Leadership and its strength and Limitations.**

**Ans.** The trait model of leadership is based on the characteristics of many leaders – both successful and unsuccessful – and is used to predict leadership effectiveness. The resulting lists of traits are then compared to those of potential leaders to assess their likelihood of success or failure.

Scholars taking the trait approach attempted to identify physiological (appearance, height, and weight), demographic (age, education and socioeconomic background), personality, self-confidence, and aggressiveness), intellective (intelligence, decisiveness, judgment, and knowledge), task-related (achievement drive, initiative, and persistence), and social characteristics (sociability and cooperativeness) with leader emergence and leader effectiveness.

Successful leaders definitely have interests, abilities, and personality traits that are different from those of the less effective leaders. Through many researches conducted in the last three decades of the 20th century, a set of core traits of successful leaders have been identified. These traits are not responsible solely to identify whether a person will be a successful leader or not, but they are essentially seen as preconditions that endow people with leadership potential.

Among the core traits identified are:

- *Achievement drive*: High level of effort, high levels of ambition, energy and initiative
- *Leadership motivation*: an intense desire to lead others to reach shared goals
- *Honesty and integrity*: trustworthy, reliable, and open
- *Self-confidence*: Belief in one's self, ideas, and ability

- *Cognitive ability:* Capable of exercising good judgment, strong analytical abilities, and conceptually skilled
- *Knowledge of business:* Knowledge of industry and other technical matters
- *Emotional Maturity:* well adjusted, does not suffer from severe psychological disorders.
- *Others:* charisma, creativity and flexibility

#### ***Strengths/Advantages of Trait Theory***

- It is naturally pleasing theory.
- It is valid as lot of research has validated the foundation and basis of the theory.
- It serves as a yardstick against which the leadership traits of an individual can be assessed.
- It gives a detailed knowledge and understanding of the leader element in the leadership process.

#### ***Limitations of the Trait Theory***

- There is bound to be some subjective judgment in determining who is regarded as a 'good' or 'successful' leader
- The list of possible traits tends to be very long. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities.
- There is also a disagreement over which traits are the most important for an effective leader
- The model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors. For

example, a minimum weight and height might be necessary to perform the tasks efficiently in a military leadership position. In business organizations, these are not the requirements to be an effective leader.

- The theory is very complex.

**Q. 12. Write Short note on- Behavioral Theories.**

**Ans.** 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'.

**Assumptions**

Leaders can be made, rather than are born.

Successful leadership is based in definable, learnable behavior.

**Discussion**

Behavioral is a big leap from Trait Theory, in that it assumes that leadership capability can be learned, rather than being inherent. This opens the floodgates to leadership development, as opposed to simple psychometric assessment that sorts those with leadership potential from those who will never have the chance.

A behavioral theory is relatively easy to develop, as you simply assess both leadership success and the actions of leaders. With a large enough study, you can then correlate statistically significant behaviors with success. You can also identify behaviors which contribute to failure, thus adding a second layer of understanding.

**Q.13. Write Short note on Role theory.**

**Ans.** We all have internal schemas about the role of leaders, based on what we read, discuss and so on. We subtly send these expectations to our leaders, acting as

*role senders*, for example through the balance of decisions we take upon ourselves and the decisions we leave to the leader.

Leaders are influenced by these signals, particularly if they are sensitive to the people around them, and will generally conform to these, playing the leadership role that is put upon them by others.

Within organizations, there is much formal and informal information about what the leader's role should be, including 'leadership values', culture, training sessions, modeling by senior managers, and so on. These and more (including contextual factors) act to shape expectations and behaviors around leadership.

*Role conflict* can also occur when people have differing expectations of their leaders. It also happens when leaders have different ideas about what they should be doing vs. the expectations that are put upon them.

### **Assumptions**

People define roles for themselves and others based on social learning and reading.

People form expectations about the roles that they and others will play.

People subtly encourage others to act within the role expectations they have for them.

People will act within the roles they adopt.

### **Q.14. Write Short note on Managerial grid.**

**Ans.** Leaders may be concerned for their people and they also must also have some concern for the work to be done. The question is, how much attention to they pay to one or the other? This is a model defined by Blake and Mouton in the early 1960s.

<b>Concern for People</b>	<i>High</i>	Country Club management		Team management
	<i>Medium</i>		Middle of the road management	
	<i>Low</i>	Impoverished management		Authority-compliance
		<i>Low</i>	<i>Medium</i>	<i>High</i>
<b>Concern for Production (Task)</b>				

### **Impoverished management**

Minimum effort to get the work done. A basically lazy approach that avoids as much work as possible.

### **Authority-compliance**

Strong focus on task, but with little concern for people. Focus on efficiency, including the elimination of people wherever possible.

### **Country Club management**

Care and concern for the people, with a comfortable and friendly environment and collegial style. But a low focus on task may give questionable results.

### **Middle of the road management**

A weak balance of focus on both people and the work. Doing enough to get things done, but not pushing the boundaries of what may be possible.

### **Team management**

Firing on all cylinders: people are committed to task and leader is committed to people (as well as task).

The Managerial Grid was the original name. It later changed to the Leadership Grid.

**Q.15. What is Co-ordination? Discuss its importance in Business Enterprises.**

**Ans.** Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management. According to *Mooney and Reelay*, “Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals”. According to *Charles Worth*, “Co-ordination is the integration of several parts into an orderly whole to achieve the purpose of understanding”.

Management seeks to achieve co-ordination through its basic functions of planning, organizing, staffing, directing and controlling. That is why, co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below:

-

- a. **Co-ordination through Planning** – Planning facilitates co-ordination by integrating the various plans through mutual discussion, exchange of ideas. e.g. - co-ordination between finance budget and purchases budget.
- b. **Co-ordination through Organizing** – Mooney considers co-ordination as the very essence of organizing. In fact when a manager groups and assigns various activities to subordinates, and when he creates department’s co-ordination uppermost in his mind.

- c. **Co-ordination through Staffing** – A manager should bear in mind that the right no. of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
- d. **Co-ordination through Directing** – The purpose of giving orders, instructions & guidance to the subordinates is served only when there is a harmony between superiors & subordinates.
- e. **Co-ordination through Controlling** – Manager ensures that there should be co-ordination between actual performance & standard performance to achieve organizational goals.

From above discussion, we can very much affirm that co-ordination is the very much essence of management. It is required in each & every function and at each & every stage & therefore it cannot be separated.

**Q.16. Distinguish between Coordination & Cooperation.**

**Ans.** Co-ordination is an orderly arrangement of efforts to provide unity of action in the fulfillment of common objective whereas co-operation denotes collective efforts of persons working in an enterprise voluntarily for the achievement of a particular purpose. It is the willingness of individuals to help each other.

Co-ordination is an effort to integrate effectively energies of different groups whereas co-operation is sort to achieve general objectives of business.

Though these two are synonymous but they are different as below:

***Differences between Co-ordination and Co-operation***

Basis	Co-ordination	Co-operation
Meaning	It is an orderly arrangement of group efforts in pursuit of	It means mutual help willingly.

	common goals.	
Scope	It is broader than co-operation which includes as well because it harmonizes the group efforts.	It is termed as a part of co-ordination.
Process	The function of co-ordination is performed by top management.	The functions of co-operation are prepared by persons at any level.
Requirements	Co-ordination is required by employees and departments at work irrespective of their work.	Co-operation is emotional in nature because it depends on the willingness of people working together.
Relationship	It establishes formal and informal relationships.	It establishes informal relationship.
Freedom	It is planned and entrusted by the central authority & it is essential.	It depends upon the sweet will of the individuals and therefore it is not necessary.
Support	It seeks wholehearted support from various people working at various levels.	Co-operation without co-ordination is fruitless & therefore it may lead to unbalanced developments.

Therefore, existence of co-operation may prove to be effective condition or requisite for co-ordination. But it does not mean that co-ordination originates automatically from the voluntary efforts of the group of members. It has to be achieved through conscious & deliberate efforts of managers, therefore to

conclude we can say that co-operation without co-ordination has no fruit and co-ordination without co-operation has no root.



## Unit V

# Controlling

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**Q.1. What do you mean by Controlling? Explain the features of Controlling.**

**Ans.** Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

**According to Brech,** “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”

**According to Donnell,** “Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course.”

Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

### ***Features of Controlling Function***

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in conformities with plans.

2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewal methods; changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless.  
*Planning presupposes controlling and controlling succeeds planning.*

**Q.2. Explain the Controlling Process.**

**Ans. Controlling as a management function involves following steps:**

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two-
  - a. Measurable or tangible – Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
  - b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
- a. Attitude of the workers,
  - b. Their morale to work,
  - c. The development in the attitudes regarding the physical environment, and
  - d. Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3. **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored.

Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, "If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a

minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

- a. Erroneous planning,
  - b. Co-ordination loosens,
  - c. Implementation of plans is defective, and
  - d. Supervision and communication is ineffective, etc.
4. **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-
- a. Taking corrective measures for deviations which have occurred; and
  - b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

**Q.3. Explain relation between planning and controlling.**

**Ans.** Planning and controlling are two separate functions of management, yet they are closely related. The scope of activities if both is overlapping to each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In absence of controlling, no purpose can be served by. Therefore, planning and controlling reinforce each other. According to Billy Goetz, "Relationship between the two can be summarized in the following points

1. Planning proceeds controlling and controlling succeeds planning.

2. Planning and controlling are inseparable functions of management.
3. Activities are put on rails by planning and they are kept at right place through controlling.
4. The process of planning and controlling works on Systems Approach which is as follows :

**Planning → Results → Corrective Action**

Planning and controlling are integral parts of an organization as both are important for smooth running of an enterprise.

5. Planning and controlling reinforce each other. Each drives the other function of management.

In the present dynamic environment which affects the organization, the strong relationship between the two is very critical and important. In the present day environment, it is quite likely that planning fails due to some unforeseen events. There controlling comes to the rescue. Once controlling is done effectively, it gives us stimulus to make better plans. Therefore, planning and controlling are inseperate functions of a business enterprise.

**Q.4 Define Span of Control? Explain the factors that may affect span of control.**

**Ans.** Span of control or span of management is a dimension of organizational design measured by the number of subordinates that report directly to a given manager. This concept affects organization design in a variety of ways, including speed of communication flow, employee motivation, reporting relationships, and administrative overhead. Span of management has been part of the historical discussion regarding the most appropriate design and structure of organizations.

**FACTORS THAT MAY AFFECT SPAN OF CONTROL**

While early discussions of span of control often centered on pinpointing the optimal number of subordinates, a number of factors may influence the span of

control most appropriate for a given management position. Assuming that all other aspects of a manager's job are the same, these factors would likely alter the span of management as follows:

1. Job complexity. Subordinate jobs that are complex, ambiguous, dynamic or otherwise complicated will likely require more management involvement and a narrower span of management.
2. Similarity of subordinate jobs. The more similar and routine the tasks that subordinates are performing, the easier it is for a manager to supervise employees and the wider the span of management that will likely be effective.
3. Physical proximity of subordinates. The more geographically dispersed a group of subordinates the more difficult it is for a manager to be in regular contact with them and the fewer employees a manager could reasonably oversee, resulting in a narrower span of management.
4. Abilities of employees. Managers who supervise employees that lack ability, motivation, or confidence will have to spend more time with each employee. The result will be that the manager cannot supervise as many employees and would be most effective with a narrower span of management.
5. Abilities of the manager. Some managers are better organized, better at explaining things to subordinates, and more efficient in performing their jobs. Such managers can function effectively with a wider span of management than a less skilled manager.
6. Technology. Cell phones, email, and other forms of technology that facilitate communication and the exchange of information make it possible for managers to increase their spans of management over managers who do not have access to or who are unable to use the technology.

The trend in recent years has been to move toward wider spans of control to reduce costs, speed decision making, increase flexibility and empower employees.

However, to avoid potential problems of wide spans of control, organizations are having to invest in training managers and employees and in technology enabling the sharing of information and enhancing communication between and among managers and employees.



Roll No. \_\_\_\_\_

**1M6101**

**M.B.A. (Sem.-II) (Main & Back) Examination, January - 2011  
M-101 Principles and Practices of Management**

Time : 3 Hours

Total Marks : 70

Min. Passing Marks: 28

The question paper is divided in **two** sections. There are sections A and B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study/application base 1 question which is **compulsory**. All questions are carrying **equal** marks.

Use of following supporting material is permitted during examination.  
(Mentioned in form No. 205)

1. \_\_\_\_\_ Nil \_\_\_\_\_

2. \_\_\_\_\_ Nil \_\_\_\_\_

### **SECTION-A**

1. Discuss the role of various approaches of management in management theory. Which approach do you think, adequately clears the nature of management.

Ans. Approaches of Management

- 1) Empirical Approach
- 2) Human Behaviour Approach
- 3) Social System Approach
- 4) Decision Theory Approach
- 5) Mathematical Approach
- 6) Socio-Technical Systems Approach
- 7) Systems Approach
- 8) Contingency Approach
- 9) Operational Approach

### 1. HUMAN BEHAVIOUR APPROACH

- **Organisations as people**
  - a) Interpersonal Behaviour Approach -Individual Psychology
  - b) Group Behaviour Approach -Organisation Behaviour
- **Features**
  - Draws heavily from psychology & sociology.
  - Understand human relations.
  - Emphasis on greater productivity through motivation & good human relations
  - Motivation, leadership, participative management & group dynamics are core of this approach.

### 2. EMPIRICAL APPROACH

- Study of managerial experiences and cases(mgt)
- Contributors: Earnest Dale, Mooney & Reiley, urwick.
- **Features**
  - Study of Managerial Experiences
  - Managerial experience passed from participationerto students for continuity in knowledge management.
  - Study of Successful & failure cases help practisingmanagers.
  - Theoretical research combined with practical experiences.
- **Uses**
  - Learning through experience of others

• **Limitations**

- No Contribution for the development of management as a discipline
- Situations of past not the same as present.

### 3. SOCIAL SYSTEM APPROACH

- Understanding the behaviour of groups & individuals.
- **Features**
  1. Social System, a system of cultural relationship
  2. Relationship exist between external and internal environment of the organisation.
  3. Formal Organisation-Cultural relationships of social groups working within the organisation.
  4. Co-operation necessary
  5. Efforts directed -harmony between goals of organisation & goals of groups.

### 4. SOCIO -TECHNICAL SYSTEMS APPROACH

- **Features**
  - Social & technical systems interact. This interaction is important for organisational effectiveness.
  - Organisation-governed by social laws as well as psychological forces.
  - Technical aspects of organisation modified by the social aspects.
- **Contributors**
  - Trist, Bamforth, Emery etc.
- **Uses**
  - Organisation effectiveness depends on looking at people and their interactions and also at the technical environment in which they operate.
  - Change in technology
  - Change in social interactions at work place

2. Write short notes on: (any four)
- (a) Social responsibility of Business
  - (b) Span of Management
  - (c) Decision Making
  - (d) Coordination
  - (e) Direction
  - (f) Span of control

### **A. Social responsibility**

**Social responsibility** is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large. Social responsibility is a duty every individual or organization has to perform so as to maintain a balance between the economy and the ecosystem. A trade-off always exists between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two. It pertains not only to business organizations but also to everyone whose any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

### **B. Coordination provides the following benefits:**

#### **1. Higher Efficiency and Economy:**

Coordination helps to improve the efficiency of operations by avoiding overlapping efforts and duplication of work. Integration and balancing of individual efforts provide a smooth and harmonious team work

#### **2. Good Human Relations:**

Besides promoting the efficiency of operations, coordination improves the morale and job satisfaction of employees. Composite and orderly effort established through team spirit and executive leadership enables employees to derive a sense of security and personal contentment from their job.

### **3. Unity of direction:**

Coordination helps to ensure unity of action in the face of disruptive forces. By welding together different departments and sections into one entity, coordination ensures the stability and growth of an organisation. It enables the executives to see the enterprise as a whole instead of narrow sectional goals. Individual interests are subordinated to the common interest more easily and effectively.

### **4. Quintessence of management:**

Coordination is an all inclusive concepts or the end result of the management process. Management is nothing more than coordination of all activities, efforts and forces that affect the organisation from within and without. Coordination serves as a key to all managerial functions.

### **5. Organizational Effectiveness:**

Coordination fosters loyalty and commitment among employees. This enhances the effectiveness and stability of the organisation. According to McFarland, "if job satisfactions are present, executives will tend to remain longer with the company. They will feel that they have a place in the organisation.

3. **"Planning is an intellectual process, the conscious determination of course of action, the basing of decisions on purpose, facts and considered estimates". Discuss the statement what step are involved in planning process.**

**Ans.** The various stages in the process of planning are as follows:

#### **1. Goal setting:**

Plans are the means to achieve certain ends or objectives. Therefore, establishment of organizational or overall objectives is the first step in planning.

Setting objectives is the most crucial part of planning. The organizational objectives should be set in key areas of operations.

They should be verifiable i.e., they should as far as possible be specified in clear and measurable terms. The objectives are set in the light of the opportunities perceived by managers. Establishment of goals is influenced by the values and beliefs of executives, mission of the organization, organizational resources, etc.

Objectives provide the guidelines (what to do) for the preparation of strategic and procedural plans. One cannot make plans unless one knows what is to be accomplished. Objectives constitute the mission of an organisation. They set the pattern of future course of action.

The objectives must be clear, specific and informative. Major objectives should be broken into departmental, sectional and individual objectives. In order to set realistic objectives, planners must be fully aware of the opportunities and problems that the enterprise is likely to face.

## **2. Developing the planning premises:**

Before plans are prepared, the assumptions and conditions underlying them must be clearly defined these assumptions are called planning premises and they can be identified through accurate forecasting of likely future events.

They are forecast data of a factual nature. Assessment of environment helps to reveal opportunities and constraints. Analysis of internal (controllable and external (uncontrollable) forces is essential for sound planning premises are the critical factors which lay down the bounder for planning.

They are vital to the success of planning as they supply per tenant facts about future. They need revision with changes in the situation. Contingent plans may be prepared for alternate situations.

## **3. Reviewing Limitations:**

In practice, several constraints or limitations affect the ability of an organization to achieve its objectives. These limitations restrict the smooth operation of plans and they must be anticipated and provided for.

The key areas of Imitations are finance," human resources, materials, power and machinery. The strong and weak points of the enterprise should be correctly assessed.

#### **4. Deciding the planning period:**

Once the broad goals, planning premises and limitations are laid down, the next step is to decide the period of planning. The planning period should be long enough to permit the fulfillment of the commitments involved in a decision.

This is known as the principle of commitment. The planning period depends on several factors e.g., future that can be reasonably anticipated, time required to receive capital investments, expected future availability of raw materials, lead time in development and commercialization of a new product, etc.

#### **5. Formulation of policies and strategies:**

After the goals are defined and planning premises are identified, management can formulate policies and strategies for the accomplishment of desired results. The responsibility for laying down policies and strategies lies usually with management. But, the subordinates should be consulted as they are to implement the policies and strategies.

Alternative plans of action should be developed and evaluated carefully so as to select the most appropriate policy for the organization. Imagination, foresight, experience and quantitative techniques are very useful in the development and evaluation of alternatives.

Available alternatives should be evaluated in the light of objectives and planning premises. If the evaluation shows that more than one alternative is equally good, the various alternatives may be combined in action.

#### **6. Preparing operating plans:**

After the formulation of overall operating plans, the derivative or supporting plans are prepared. Several medium range and short-range plans are required to implement policies and strategies.

These plans consist of procedures, programmers, schedules, budgets and rules. Such plans are required for the implementation of basic plans.

Operational plans reflect commitments as to methods, time, money, etc. These plans are helpful in the implementation of long range plans. Along with the supporting, plans, the timing and sequence of activities is determined to ensure continuity in operations.

### **7.Integration of plans:**

Different plans must be properly balanced so that they support one another. Review and revision may be necessary before the plan is put into operation. Moreover, the various plans must be communicated and explained to those responsible for putting them into practice.

The participation and cooperation of subordinates is necessary for successful implementation of plans. Established plans should be reviewed periodically so as to modify and change them whenever necessary.

A system of continuous evaluation and appraisal of plans should be devised to identify any shortcomings or pitfalls of the plans under changing situations.

### **4. What is departmentation? Describe the various bases of departmentation. What scheme of departmentation you will suggest for a large marketing organization operating all over the country and why?**

Ans. The process of grouping of activities into units for the purpose of administration is called departmentation. It can be defined "as the process by which activities or functions of enterprise are grouped homogeneously into different groups."

The collection company department is a subset of organization. An element of company department is a major sub-organization of a business, government, or academic organization. An element of company department is part of the organization to which it belongs, NOT a separate legal entity (such as a partly or wholly owned subsidiary company), and it performs some of the activity of that organization. In the collection company department includes generically what may be called a division, department, office, bureau, ministry, etc., within an actual organization.

- FINANCE DEPARTMENT
- HUMAN RESOURCES DEPARTMENT
- AGRICULTURE DEPARTMENT
- PUBLIC RELATION DEPARTMENT
- INTERNAL CONTROL DEPARTMENT

5. **What are the various theories of leadership? Which theory seems to justify the leadership in democratic countries like India? Give reasons for the answer.**

**Ans Theories of Leadership**

Leadership styles focus on the behaviour pattern exhibited by a leader during supervision of the subordinates. On the other hand, who will emerge an effective leader? Or how effective a leadership style will be? such questions are answered by leadership theories. Simply stated, theories focus on various approaches to successful leadership.

The theories of leadership may be classified into three categories, Trait theories, Behavioural theories and situational theories.

### **1. Trait Leadership Theory**

In its early stage, this theory was called great man theory of leadership, which says that leaders are born and not made. Ancient people thought that certain natural qualities of leadership exist in a person. Ultimately, the great man theory gave way to a more real theory the Trait approach.

Trait theory views leadership as a conglomerate (or a large set) of different traits or qualities. The great man theory believed that traits were inherited. Whereas, trait theory holds that traits are not always inborn but can be acquired through education, training and experience. Trait theory holds that leadership is largely a matter of personality, a function of specific traits. It suggests that there are certain unique qualities or traits clearly identifiable in leaders. The greater the degree of such traits possessed by a person the better and more successful will be proved as a leader. It further suggests that leaders differ from followers with respect to certain key traits and these traits remain unchanged across time. The trait theory attempts to isolate the attributes of successful and unsuccessful leader and using

such a list of traits, it predicts the success or failure of persons as leaders. It is to be noted that these traits are not measurable.

Various thinkers have differed on the package of traits. Many studies of traits have been made. Ralph Stogdill found (1974) that various researchers have identified specific traits related to leadership ability as follows:

**a. Physical Traits**

Five in all, such as energy, appearance and height.

**b. Intelligence and Ability Traits**

Four in all, such as high level of intelligence and judgement.

**c. Personality Traits**

Sixteen in all, such as adaptability, aggressiveness, enthusiasm and self-confidence.

**d. Task-Related Characteristics**

Six in all, such as achievement drive, persistence and initiative

**e. Social Characteristics**

Nine in all, such as cooperativeness, interpersonal skills and administrative ability.

It may be noted that the discussion of the importance of traits still goes on. More recently (1991). Shelly Kirkpatrick and Edwin Locke have identified the following key leadership traits.

**i. Drive**

Including achievement, motivation, energy, ambition, initiative and tenacity (i.e. firmness).

**ii. Leadership Motivation**

The aspiration to lead but not to seek power as such.

**iii. Self-Confidence**

Including emotional stability.

**iv. Cognitive Ability**

The ability of knowing, including consciousness of things and judgement about them.

### v. An Understanding of the Business

According to them, less clear is the impact of creativity, flexibility and charisma (i.e. strong personal charm to attract and influence) on the leadership effectiveness.

In general the study of leaders traits has not been a very fruitful approach to explaining effectiveness of leadership. Not all leaders possess all the traits and many followers (non-leaders) may possess most or all of them. Further, the trait theory does not indicate as to how much of any trait a person should have to be an effective leader. Also, most of these so-called traits are really patterns of behaviour. Furthermore, the list of traits is not uniform. Effective leadership is not a function of some traits only, situation also plays an important role in making someone a successful leader.

## 2. *Behavioural Theories of Leadership*

Dissatisfaction with the results of the trait approach has caused a significant change in the emphasis of leadership research and the focus shifted in the actual behaviour and actions of leaders from the traits or characteristics of leaders. Thus, Behavioural theories attempt to describe leadership in terms of what leaders do rather than what they are. According to Behavioural approach, leadership is the result of effective role behaviour. This approach hold that an effective leader is one who performs these acts which help the group to attain its goals.

The most popular models of leadership based on the behavioural approach may briefly be discussed as follows:

Likert's for systems of management. Rensis Likert has studied the patterns and styles of leaders and manager for three decades (1961). He has developed a continuum of our systems of management or leadership styles as follows:

### a. System 1 Management

It is described as exploitative **authoritative**. Its managers are higher autocratic have little trust in subordinates and motivate people through fear and punishment and only occasionally reward. They engage in downward communication and limit decision making to themselves.

### b. System 2 Management

It is called benevolent – **authoritative**. Its managers have a patronizing confidence and trust in subordinates. They motivate with rewards and some fear and punishment. They permit some upward communication and solicit some ideas

and opinions from subordinates. They allow some delegation of decision making but with close policy control.

**c. System 3 Management**

It is referred to as **Consultative**. Its managers have substantial but not complete confidence and trust in subordinates. They usually try to make use of subordinates ideas and opinions. They use reward for motivation with occasional punishment and some participation.

Q6.

- (a) **“Planning is the basis, delegation is the key, information is the guide and action is the essence of control”. Discuss.**
- (b) **Discuss the various techniques of control.**

**SECTION-B**

6. Read the case carefully and answer the following questions:

Like most steel companies, Bangalore Alloy Steel suffered difficult times in the decade of 1990s. In a companywide attitude survey, in 1995, it was found that, a number of frustrated middle managers felt that the company's unattractive pay structure caused low employee morale. The Chief Executive Officer of the company, Dinesh was not impressed by the survey report and didn't care for the opinion of middle managers. As a result, the executives were disillusioned.

Dinesh had been a financial specialist, and the board of directors assigned him the top job because though this financial experience could improve the financial situation of the company. At first, the move seemed a good one, Dinesh used his financial know-how to arrange creative financing for the company's debt, but that did not solve other serious problems.

Dinesh was a numbers man with few people skills and he proved to be a poor planner. He tried to diversify and re-organize the structure which was not comfortable with face to face communications and he issued periodic memos exhorting employees to increase productivity. All

employees, including both blue-collar and white collar employees blamed Dinesh for the heavy losses of the company. Top management kept middle management at a distance and became isolated and ineffective.

- (a) Which of the management functions does Dinesh perform well?
- (b) Which of the management functions does he perform unsatisfactorily?
- (c) What do you think should be the role of middle management in this situation?
- (d) What do you think Dinesh should have done?

**Ans A. • 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. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

**• Organizing**

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

- Identification of activities.
- Classification of grouping of activities.

- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

- **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 i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donnell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

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

- **Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

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

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

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

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

• **Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donnell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps.

**Ans B. • Controlling**

It Controlling is the function that Dinesh fails to execute

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

Roll No. \_\_\_\_\_

1M6101

**M.B.A. (Sem.-II) (Main & Back) Examination, February - 2010**  
**Principles and Practices of Management**

*Time : 3 Hours*

*Max. Marks.:70*  
*Min. Passing Marks :28*

**Instructions to Candidates:**

The question paper is divided into two sections. Section A contains 6 questions out of which the candidate is required to attempt any four questions. Section B Contains short case study/application based one question which is compulsory. All questions carry equal marks.

**Section – A**

1. **“To effectively cope with the demands of diversifying and expanding responsibilities, as a manager moves up in hierarchy of the managerial positions the manager needs to update his skills to do justice with the changing roles in an organizational set up”. Elaborate this statement and briefly discuss the underlying concepts with examples.**

- Ans.**
1. Responsibilities and roles of a manager
  2. Supervise and manage the overall performance of staff in the department.

3. Analyzing, reporting, giving recommendations and developing strategies on how to improve quality and quantity.
4. Achieve business and organization goals, visions and objectives.
5. Involved in employee selection, career development, succession planning and periodic training.
6. Working out compensations and rewards.
7. Responsible for the growth and increase in the organizations' finances and earnings.
8. Identifying problems, creating choices and providing alternatives courses of actions.

**Q2. Differentiate between individual and group Decision- making. Briefly discuss how the barriers to effective decision making can be overcome.**

(7+7)

**Q3. What are the elements, problems and prerequisites of effective delegation, discuss with suitable example.**

(4+5+5)

**Ans . Problems in delegation**

Many managers always have a dilemma while they decide which job is to be delegated to subordinates and which should be done on their own. Yes this true, according to a survey around 90% of managers' deal with this problem on a regular basis. Delegation of a job to a subordinate means to give him all the powers of decision making related to critical situations on the job. Delegation of jobs is a very common practice when departments are huge in size or projects are executed across departments or different locations. I do not know where the

problem arises, but most of the people do not like sharing decision making powers. Here are few reasons for this:

- 1) Boss may be really insecure and possessive of his position.
- 2) Boss may not have trust on the capabilities of the subordinate.
- 3) Sometimes jobs are so critical that it is best that the job is done by a more experienced person.

### ***Elements of Delegation***

Mainly there are three elements of Delegation. They are:

1. Assignment of task or duties
2. Conferment of powers or authority
3. Creation of obligation, responsibility or accountability

### **Prerequisites delegation**

1. The person to whom the authority is to be given is well aware of the task he should perform.
2. The person must be trust worthy
3. He must be having relevant experience
4. The superior should not feel the fear of competition
5. The subordinate must concern him before taking the decision to avoid errors or wrong decisions.

**Q4. Define 'leadership'. Explain the importance of leadership in management.**

**Ans. Leadership** has been described as “a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

**Q5. What managerial skills are required at different levels of management and why? Briefly discuss the roles of top level executive in an organization**

(7+7)

Ans. Robert Katz identifies three types of skills that are essential for a successful management process:

- Technical,
- Conceptual and
- Human or interpersonal managerial skills.

### **Technical Skills**

As the name of these skills tells us, these are skills about techniques of completion of tasks. These skills are not only for working on machines or other equipment, but also they are skills need to performed sales, marketing and so on. For example, some individual work in a sales department and have skills about sales that were developed through education and experience. This person is perfect for the sales manager because he has great technical skills about sales.

Technical skills are most important for first-level managers, but for the top managers, these skills are not significant requirements. As we go through a hierarchy from the bottom to higher levels, the technical skills lose their signification.

### **Conceptual Skills**

**Conceptual skills** are ability or knowledge of managers for abstract thinking that means to see the whole through analysis and diagnose of different states and to predict the future state of the business as a whole. Why are managers need these skills? Firstly, one business has more business elements or functions as selling, marketing, finance, production... All of these business elements have different goals even completely opposed as marketing and production. These skills help top managers to look outside from the goals of single business elements and make decisions that will satisfy overall business goals.

Conceptual skills are more vital for top managers, little for mid-level managers, and it is not required for first-level managers. As we go from a bottom of the managerial hierarchy to the top, significance of these skills is increasing.

### ***Human or Interpersonal Managerial Skills***

Human or interpersonal managerial skills are knowledge of managers to work with people. One of the most important tasks for managers is to work with people. Without people, there is a not necessary need for management and managers. These skills will enable managers to become leaders, to motivate employees for better completion of their tasks, to make more effective use of human potential in the business... These are most important skills for managers.

The three interpersonal roles are primarily concerned with interpersonal relationships. By assuming these roles, the manager also can perform informational roles, which, in turn, lead directly to the performance of decisional roles.

In the **figurehead role**, the manager represents the organization in all matters of formality. Some examples of the figurehead role include a college dean who hands out diplomas at graduation, a shop supervisor who attends the wedding of a subordinate's daughter, and the CEO who cuts the ribbon on a new office building.

The **leader role** defines the relationships between the manger and employees. It involves directing and coordinating the activities of subordinates. It may involve - hiring, training, motivating, and encouraging employees. First-line managers, in particular, feel that effectiveness in this role is essential for successful job performance.

The **liaison role** involves managers in interpersonal relationships outside of their area of authority. This role may involve contacts both inside and outside the organization. The top-level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.

Q6. Write short notes on any two of the following:-

- Control Technique
- Span of control
- scientific management
- Social responsibilities of Business
- Co-ordination
- Planning

(7+7)

Ans

### Span of control

**Span of control** is the term now used more commonly in business management, particularly human resource management. Span of control refers to the number of subordinates a supervisor has.

In the hierarchical business organization of some time in the past it was not uncommon to see average spans of 1 to 4 or even less. That is, one manager supervised four employees on average. In the 1980s corporate leaders flattened many organizational structures causing average spans to move closer to 1 to 10. That was made possible primarily by the development of inexpensive information technology. As information technology was developed capable of easing many middle manager tasks – tasks like collecting, manipulating and presenting operational information – upper managers found they could hire fewer middle managers to do more work managing more subordinates for less money.

### Planning

**Planning** (also called **forethought**) is the process of thinking about and organizing the activities required to achieve a desired goal. Planning involves the creation and maintenance of a plan. As such, planning is a fundamental property of intelligent behavior. This thought process is essential to the creation and refinement of a plan, or integration of it with other plans; that is, it combines forecasting of developments with the preparation of scenarios of how to react to them. An important, albeit often ignored aspect of planning, is the relationship it

holds with forecasting. Forecasting can be described as predicting what the future will look like, whereas planning predicts what the future should look like.<sup>[1]</sup> The counterpart to planning is spontaneous order.

### Section - B

7. Mr. S.K. Tosaniwal, the newly appointed chairman of L.P. Airlines, observed that the strategies of the company were irrelevant to the trends of the external environment. He thus decided to develop the best strategies to gain competitive advantage for the company.

**What are the different levels of strategies that can be framed by L.P. Airlines to fight the competition?**

(14)

Ans. The focus is on analyzing, harnessing and shaping *airline strategies* in the global competitive context.

All work is carefully tailored to individual client needs.

Provide background on the global industry

Present a regional analysis

Discuss current and future evolution of the industry (trends)

Discuss challenges and strategies impacting the Industry

Discuss the new breed of airlines

Think as a "business" and not an airline

Cost savings

Focus governments on economic benefits the industry brings

Airport privatization issues (failed?)

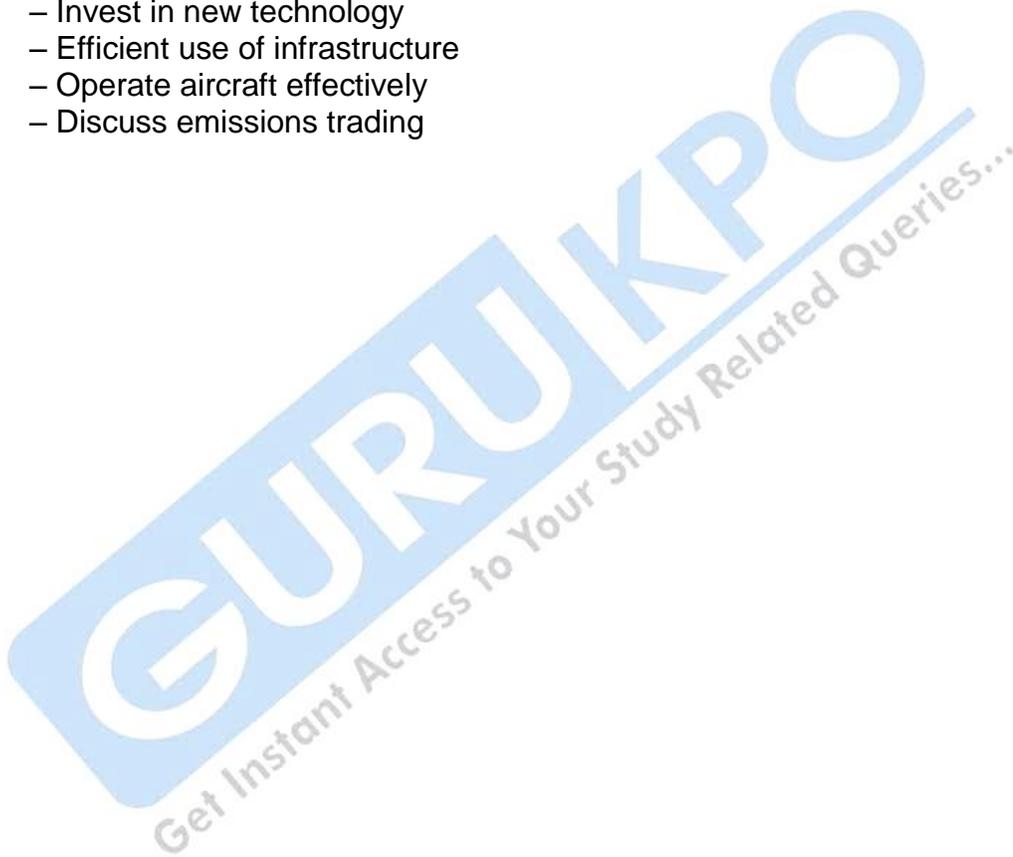
User charges and accounting for money

Taxes and use of proceeds

Safety performance

**Environmental performance**

- Invest in new technology
- Efficient use of infrastructure
- Operate aircraft effectively
- Discuss emissions trading



Roll No. \_\_\_\_\_

1M6101

**M.B.A. (Sem.-II) (Main & Back) Examination, 2009**  
**Principles and Practices of Management**

*Time : 3 Hours*

*Max. Marks.: 70*

*Min. Passing Marks :28*

The question paper is divided into two sections. Section A, contains 6 questions out of which the candidates is required to attempt any four questions. Section B contains short case study/application based one question which is compulsory. All questions carry **equal** marks.

Use of following supporting material is permitted during examination.  
(Mentioned in form No. 205)

**Section-A**

1. Who are managers? What do managers do ? How will you reconcile management functions and managerial roles?

Ans.1

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career.

Managers may direct workers directly or they may direct several supervisors who direct the workers. The manager must be familiar with the work of all the groups

he/she supervises, but does not need to be the best in any or all of the areas. It is more important for the manager to know how to manage the workers than to know how to do their work well.

**Managerial Functions:** Various management scholars studied different organizations at different times; they identified the functions of management in their own ways. Henry Fayol, the father of functional or administrative management remarked: “To manage is to forecast and plan, to organize, to command, to coordinate and to control” Thus, **Fayol classified management functions into five categories as follows:**

- (i) to forecast and plan,
- (ii) to organize,
- (iii) to command or to give orders,
- (iv) to co-ordinate, and
- (v) to control

Management, which is a vital part of an organization, can be defined as the act of running and controlling a business or similar organization, for the purpose of completing a task or activity effectively and efficiently. The two popular approaches to clarify management are the management functions and managerial roles. This essay will argue that the management functions model and the managerial roles model are both useful for understanding management and what managers do. For comparing these two models' similarity and difference, their validities will be evaluated as well as their limitation.

**2. What is Bureaucracy ? Differentiate between scientific approach and Behavioural approach to management. Which approach is more suitable in present scenario?**

**Ans 2.** A bureaucracy is a form of organization in which officeholders have defined positions and (usually) titles. Formal rules specify the duties of the officeholders. Personalistic distinctions are usually discouraged by the rules.

Scientific management is often referred to as Taylorism, as it was created by FW Taylor in the early 20th century. The basic principle is the use of time and motion and efficiency studies to determine how fast a job can be done and monitor how fast and well the workers are doing it. The behavioral approach involves analysing workers' patterns of behaviour to try and establish which actions are the most efficient.

Approach is more suitable in present scenario:

**Scientific management**, also called **Taylorism** was a theory of management that analyzed and synthesized workflows. Its main objective was improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes and to management. Its development began with Frederick Winslow Taylor in the 1880s and 1890s within the manufacturing industries. Its peak of influence came in the 1910s; by the 1920s, it was still influential but had begun an era of competition and syncretism with opposing or complementary ideas. Although scientific management as a distinct theory or school of thought was obsolete by the 1930s, most of its themes are still important parts of industrial engineering and management today. These include analysis; synthesis; logic; rationality; empiricism; work ethic; efficiency and elimination of waste; standardization of best practices; disdain for tradition preserved merely for its own sake or merely to protect the social status of particular workers with particular skill sets; the transformation of craft production into mass production; and knowledge transfer between workers and from workers into tools, processes, and documentation.

**3. Write short notes on:**

- (a) Strategic Planning
- (b) Policies
- (c) Bounded Rationality
- (d)

### Ans Strategic Planning

Clear definition of strategic planning avoids the common confusion with business planning, budgeting, and marketing strategies.

A systematic, formally documented process for deciding what is the handful of key decisions that an organisation, viewed as a corporate whole must get right in order to thrive over the next few years. The process results in the production of a corporate strategic plan.

### (b)Policies

A **policy** is typically described as a principle or rule to guide decisions and achieve rational outcomes. The term is not normally used to denote what is actually done, this is normally referred to as either procedure<sup>l</sup> or protocol. Policies are generally adopted by the Board of or senior governance body within an organization whereas procedures or protocols would be developed and adopted by senior executive officers. Policies can assist in both **subjective** and **objective** decision making. Policies to assist in subjective decision making would usually assist senior management with decisions that must consider the relative merits of a number of factors before making decisions and as a result are often hard to objectively test e.g. work-life balance policy. In contrast policies to assist in objective decision making are usually operational in nature and can be objectively tested e.g. password policy

### Bounded Rationality

Bounded rationality is the idea that in decision making, rationality of individuals is limited by the information they have, the cognitive limitations of their minds,

and the finite amount of time they have to make decisions. It was proposed by Herbert Simon as an alternative basis for the mathematical modeling of decision making, as used in economics and related disciplines; it complements rationality as optimization, which views decision making as a fully rational process of finding an optimal choice given the information available. Another way to look at bounded rationality is that, because decision-makers lack the ability and resources to arrive at the optimal solution, they instead apply their rationality only after having greatly simplified the choices available. Thus the decision-maker is a satisficer, one seeking a satisfactory solution rather than the optimal one. Simon used the analogy of a pair of scissors, where one blade is the "cognitive limitations" of actual humans and the other the "structures of the environment"; minds with limited cognitive resources can thus be successful by exploiting pre-existing structure and regularity in the environment.

4. (i) **'Informal organization is detrimental to the interests of formal organization and, therefore, it is an evil to be nipped in the bud itself.**
- (ii) **"Decentralization is not necessarily good, nor centralization necessarily bad".**

**Ans.** Decentralization is not necessarily good,

1. Lower level managers may make decisions without fully understanding the "big picture." While top level managers typically have less detailed information about local operations than the lower level managers, they usually have more information about the company as a whole and should have a better understanding of the company's strategy.
2. In a truly decentralized organization, there may be a lack of coordination among autonomous managers. This problem can be reduced by clearly defining the company's strategy and communicating it effectively throughout the organization.

3. Lower-level managers may have objectives that are different from the objectives of the entire organization. For example, some managers may be more interested in increasing the sizes of their departments than in increasing the profits of the company. To some degree, this problem can be overcome by designing performance evaluation system that motivate managers to make decisions that are in the best interests of the organization.
4. In a strongly decentralized organization, it may be more difficult to effectively spread innovative ideas. Someone in one part of the organization may have a traffic idea that would benefit other parts of the organizations, but without strong central direction the idea may not be shared with, and adopted by other parts of the organization.

Nor centralization  
necessarily bad”.

The various advantages of Centralisation of Authority are :

- 1. Reduced cost**—The standardised procedure and method helps in considerably reduction of office cost. Office cost is reduced as it does not emphasize on more specialists, and more departmental machines and equipment.
- 2. Uniformity in action** — Uniformity in action is established throughout the organisation because of central administrative control. The same executive supervises the work and same type of office equipments are used which ensure uniform performance of activities.
- 3. Personal leadership**—Centralisation encourages and permit personal leadership. The introduction of personal leadership facilitates quick action, aggressive marketing and attainment of pin-pointed objective or purpose,
- 4. Flexibility** — Centralisation permits flexibility and adaptability of the organisation to the changed circumstances. Occasional pressure of extra clerical work is handled with the existing staff.
- 5. Improved quality of work**—Improved quality of work is possible because of standardised procedure, better supervision and use of improved- machinery.
- 6. Better co-ordination** — Centralisation facilitate better coordination among various operations. Direct control and supervision are facilitated which results in less likelihood of conflict of authority and duplication of work.

**5. What do you understand by “Leadership style” ? Can you explain Leadership styles on a continuum ? If so, how?**

Ans Leadership development can follow many courses, including the acquisition of knowledge, skills and abilities that makes a person the most effective leader. There are things we think of as leadership traits, and there are also many things that effective leaders do, which we consider as leadership behaviors. Some researchers have made an effort to look at the behaviors of leaders and create models to aid in our understanding of these leadership behaviors. These models are often referred to as leadership style.

**Most common Leadership Types**

- Autocratic leadership.
- Bureaucratic leadership.
- Charismatic leadership.
- Democratic leadership or participative leadership.
- Laissez-faire leadership.
  
- People-oriented leadership or relations-oriented leadership.
- Servant leadership.
- Task-oriented leadership.
- Transactional leadership.
- Transformational leadership.

**6. Define control. Explain briefly.**

- (i) Concurrent control
- (ii) Feed forward control
- (iii) Strategic point control and
- (iv) PERT

### Ans Concurrent control

A control group that is observed by the investigators at the same time as the treatment group, where the two groups were not established using randomisation.

### Feed forward control

**Feed-forward** is a term describing an element or pathway within a control system which passes a controlling signal from a source in the control system's external environment, often a command signal from an external operator, to a load elsewhere in its external environment. A control system which has only feed-forward behavior responds to its control signal in a pre-defined way without responding to how the load reacts; it is in contrast with a system that also has feedback, which adjusts the output to take account of how it affects the load, and how the load itself may vary unpredictably; the load is considered to belong to the external environment of the system.

### Strategic point control

This definition refers to the traditional review and feedback stages which constitutes the last step in the strategic management process. Normative models of the strategic management process have depicted it as including three primary stages: strategy formulation, strategy implementation, and strategy evaluation (control).

### PERT

A PERT chart is a project management tool used to schedule, organize, and coordinate tasks within a project. PERT stands for *Program Evaluation Review Technique*, a methodology developed by the U.S. Navy in the 1950s to manage the Polaris submarine missile program. A similar methodology, the *Critical Path Method* (CPM) was developed for project management in the private sector at about the same time.

## Section-B

### “Case Study”

Nitish is 23 years old and will be receiving his professional PG degree in HRM from the university at the end of this semester. He had spent the past two SIP for Age Ins. Co. 9 AIC) filling in on a number of different jobs while employees took their vacations. He has received and accepted an offer to join AIC on a permanent basis upon post graduation, as a supervisor in the policy renewal department.

AIC is a large insurance company. In the HQ office alone, where Nitish will work, they have 5000 employees.

The company believes strongly in the personal development of its employees. This translates into a philosophy, emanating from the top executives offices, of trust and respect for all AIC employees. The job Nitish will be assuming requires him to direct the activities of 25 clerks. Their job require little training and are quite routine in nature. A clerk's responsibility is to ensure that renewal notices are sent on current policies, tabulate any changes in premium from a standardized table, and advise the sales division if a policy is to be cancelled as a result of non-response to renewal notices.

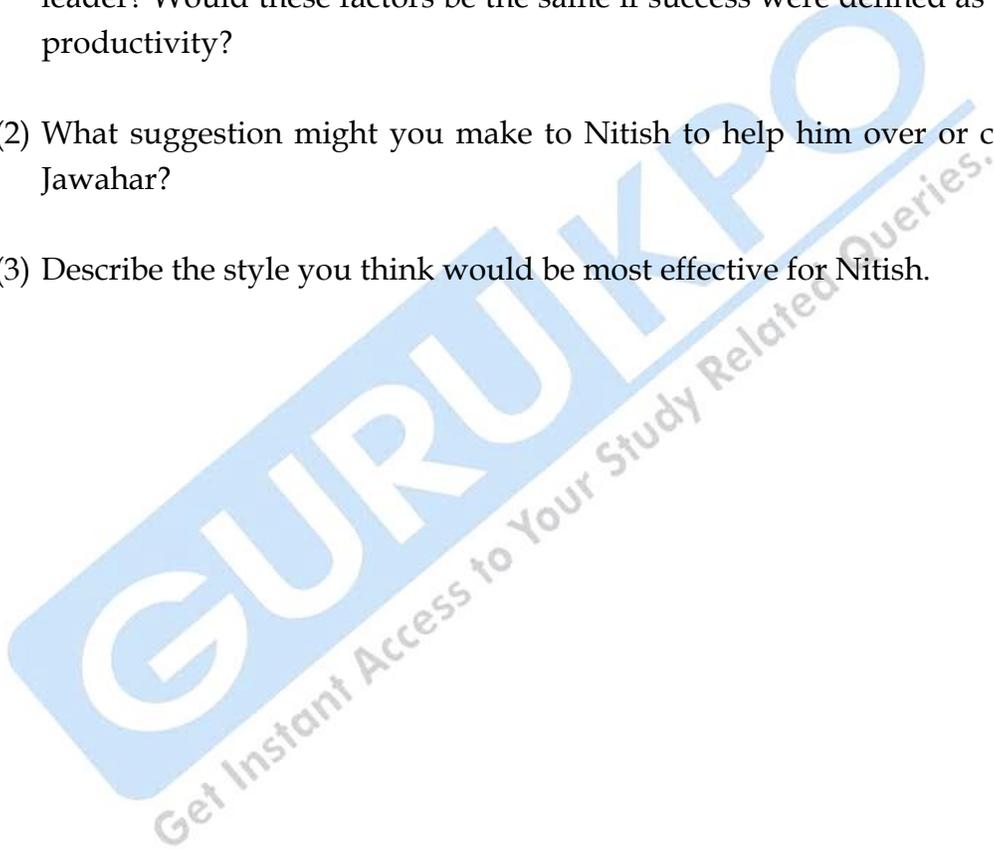
Nitish's group is composed entirely of women, ranging from 19 to 62 years of age, with a median age of 25. For the most part, they are matriculates with little prior working experience. The salary range for policy renewal clerks is Rs. 2,500 to Rs. 3,000 per month. Nitish will be replacing a long time AIC employee, Ajay Ajay is retiring after 35 years with AIC, the last 14 spent as policy renewal supervisor. Since Nitish had spend a few weeks in Ajay's group last summer (SIP), he was familiar with Ajay's style and also knew most of the group members. He anticipated no problems from any of his soon-to-be employees, except possibly for Jawahar. Jawahar was well into his fifties, had been a policy renewal clerk for over a dozon years, and as the grand old man', carried a

lot of weight with group members. Nitish concluded that without Jawahar' support, his job could prove very difficult.

Nitish's is determined to get his career off on the right foot. As a result, he had been doing a lot of thinking about the qualities of an effective Leader.

**Question:**

- (1) What are the critical factors that will influence Nitish's success as a leader? Would these factors be the same if success were defined as group productivity?
- (2) What suggestion might you make to Nitish to help him over or control Jawahar?
- (3) Describe the style you think would be most effective for Nitish.



## Fill in the Blanks

1. \_\_\_\_\_ is the technique which is said to be a ploy or a future course of action (Ans: Strategy)
2. ----- is the ability to make the best use of available resources in the process of achieving goals. (Ans: Efficiency)
3. \_\_\_\_\_ is the most suitable form of communication but if misused, it is the most stupid form, what is it? (Ans: Silence)
4. Under the climate of morale what is the result of broadening the interest of the individual to include the whole group \_\_\_\_\_. (Ans: Team-work)
5. \_\_\_\_\_ is considered as father of industrial psychology. (Ans: Hugo Munsterberg)
6. \_\_\_\_\_ went into effect on January 1, 1994. (Ans: NAFTA)
7. ----- is a serious difficulty requiring immediate action. (Ans: Crisis Problem)
8. Meeting goals can increase \_\_\_\_\_. (Ans: Motivation)
9. The ----- transmits information about the organization to outsiders. (Ans: Spokesperson)
10. Theory X and Theory Y were developed by \_\_\_\_\_. (Ans: Douglas McGregor)
11. The obligation of a business to meet its economic and legal responsibilities is known as \_\_\_\_\_. (Ans: Social Obligation)
12. ----- is the ability of the whole to equal more than the sum of its parts. (Ans: Synergy)
13. ----- is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. (Ans: System)

14. \_\_\_\_\_ thinking is the effort to solve problems by generating new ways of viewing a problem and seeking novel alternatives.(Ans: Divergent thinking)
15. Systems dynamically interact with their environment is known as \_\_\_\_\_.(Ans: Open System)
16. \_\_\_\_\_ forecasting applies a set of mathematical rules to a series of past data to predict outcomes.(Ans: Quantitative forecasting)
17. \_\_\_\_\_ is an explicit statement that tells managers what they ought or ought not to do.(Ans: Rule)
18. \_\_\_\_\_ is an analysis of an organization's strengths, weaknesses, opportunities and threats.(Ans: SWOT)
19. Take \_\_\_\_\_ which is determining how and why performance has deviated and correcting the source of deviation. (Basic Corrective Action)
20. \_\_\_\_\_ occurs as group members attempt to assess the ground rules that will apply to a task and to group interaction.(Ans: Forming)
21. \_\_\_\_\_ is the recording systems which enable senders to leave messages for receivers by telephone.(Ans: Voice Mail)
22. \_\_\_\_\_ leaders tend to make unilateral decisions, dictate work methods, limit worker knowledge about goals to just the next step to be performed, and sometimes give feedback that is punitive.(Ans: Autocratic)

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