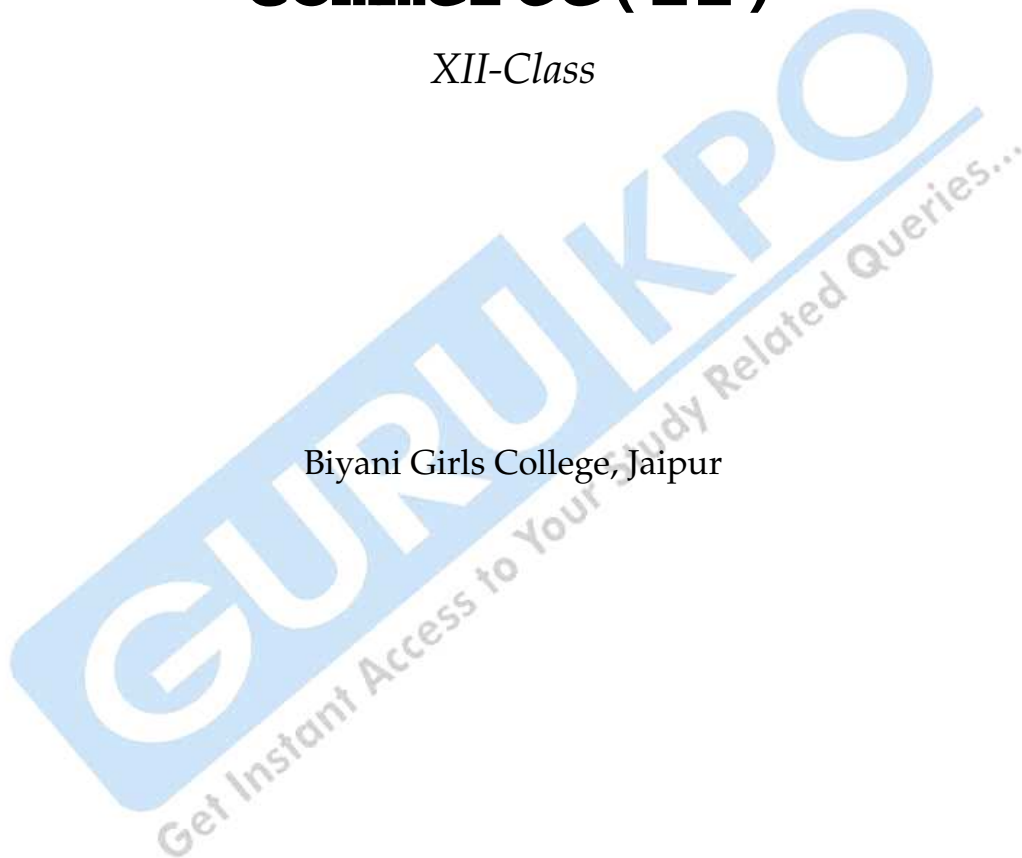


Biyani's Think Tank
Concept based notes

Business -Studies
Commerce (12)

XII-Class

Biyani Girls College, Jaipur



Chapter 1 Nature & significance of Management

Q.1 Explain the term 'management'?

Ans. Management is the process of working with and through others to achieve organizational goals effectively & efficiently.

Q.2 Enumerate the characteristics / features of management.

Ans. Management in general, has the following features:-

1. Achieving organizational goals.
2. It is pervasive.
3. It's a group activity
4. It's an intangible fore.
5. It's a continuous process.
6. It's a distinct & dynamic function.
7. It's multidimensional.
8. It influences behavior.
9. Composite process.
10. Working with & through others.
11. Balancing effectiveness & efficiency.
12. It's a dynamic discipline.

Q.3 Success of an organization largely depends upon its management. Give few reasons.

Ans. Success of an organization largely depends upon its management. The five reasons is like that:

1. Achieving organizational goals.
2. It is pervasive.
3. It's a group activity
4. It's an intangible fore.

5. It's a continuous process.

Q.3 What are the various management objectives? Explain briefly.

Ans. Objectives are the ends towards which the activities of an organization are directed & the standards against which the performance is assessed.

Three major types of management objectives are:-

1. Organizational objectives:

- Survival
- Growth
- Profit

2. Social objectives:

- Supply of quality products at reasonable price.
- Contribution towards Social welfare activities.
- Generate employment opportunities.
- Generate economic wealth.
- Education, Health & vocational training programs.

3. Personal Objectives:

- Financial needs like competitive salaries, incentives & other benefits.
- Social needs like recognition in the organization.
- Higher level need which include personal growth & development.

Q.4 “Management as a group has the responsibility of managing an enterprise”.

Explain.

Ans. The term ‘management as a group’ refers to the term of managers, e.g. board of directors, supervisors, chief executive’s etc. these are the persons who are assigned the task of policy formulation guiding & controlling the work of others & hence responsible for managing the affairs of an enterprise.

Q.5 Why is management an inexact science?

Ans. Management is an inexact science because it deals with human beings. An exact science is based on experimentation, but experimentation is not always possible in

management since human beings cannot be tested in laboratories. An exact Science strictly follows the cause effect relation ship, but human behaviour often violates the basic scientific principles.

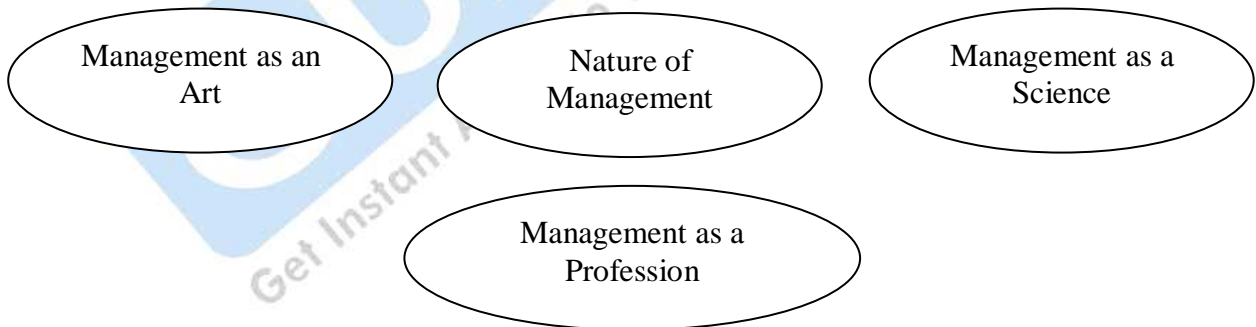
Q.6 Explain the importance of management.

Ans. The following points reveal the importance of management:-

1. It helps in achieving group goals.
2. It provides effectiveness to human efforts.
3. It creates a dynamic organization.
4. It helps in the development of society.
5. Brings order to endeavors.
6. Critical ingredient in nation's growth.
7. Brings harmony in work.
8. Helps in achieving personal objectives.
9. It provides judgment & vision.

Q.7 Discuss the Nature of management.

Ans.



Q.8 What is the meaning of management as an art? Explain any four of its features.

Ans. An art is the system application of a skill or know how to accomplish a desired result.

Management as an art means the application of management principles & personal skills of managers.

Four feature of management as an art are:-

1. Situational
2. Personalized approach
3. Personal Integument.
4. Based on practice & creativity.

Q. Explain management as a Science.

Ans. Science can be defined as a systematic & organized body of knowledge based on logically observed findings, facts & events.

Features of management as a Science:-

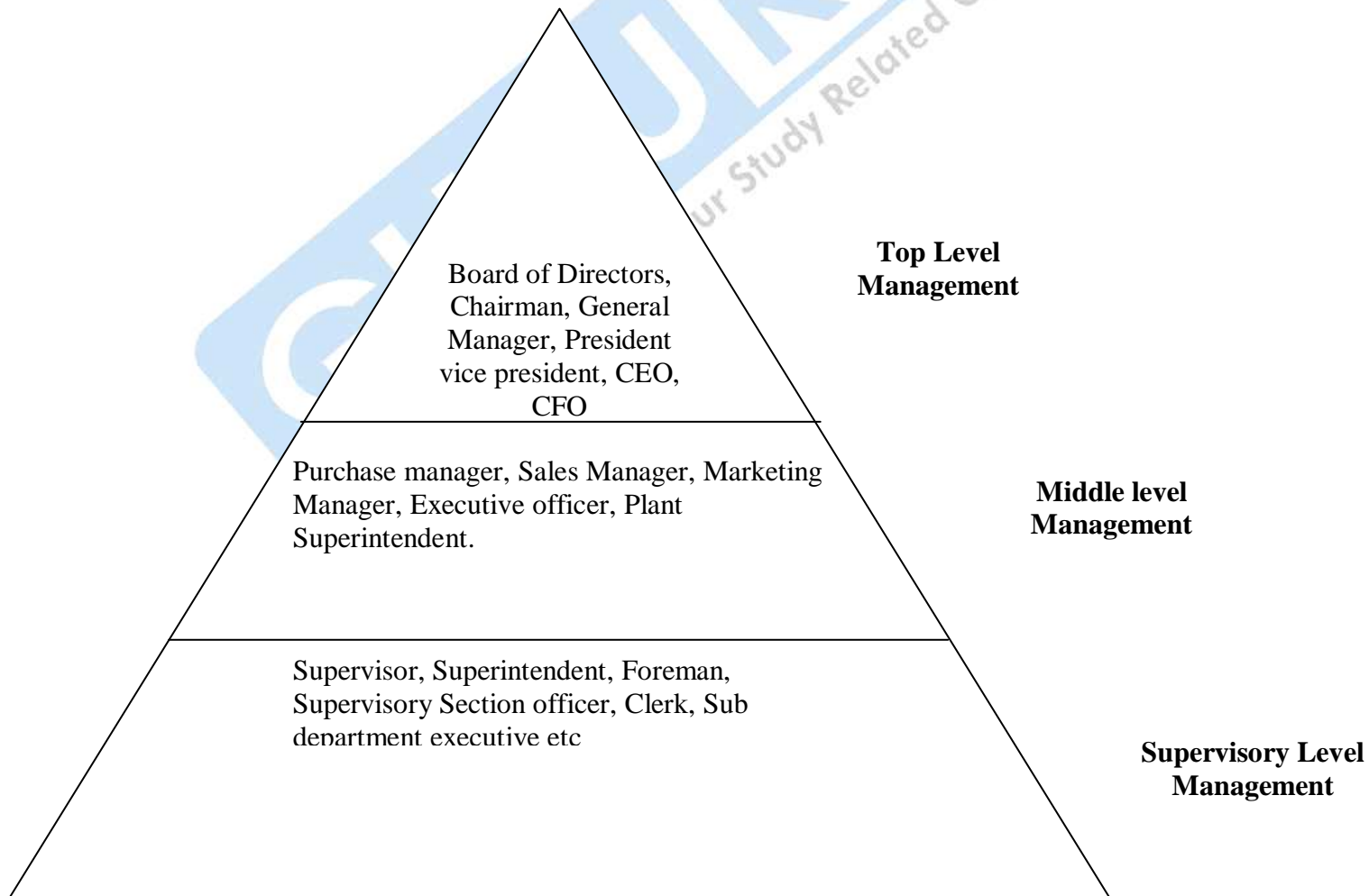
1. Systematic body of knowledge.
2. Principles are based on experiments.
3. Universal validity.

Q.10 Enumerate the various levels of management.

Ans. Levels of management means the hierarchy of organization representing the relationships among managers & subordinates on the basis of their relative, authority, status & responsibility.

There are three levels in the hierarchy of an organization vise:

1. Top level management.
2. Middle level management.
3. Supervisory level, operational or lower level of management.



Q.11 List the functions of various levels of management.

Ans. **Functions of top level management are:-**

1. Determining the objectives of the enterprise.
2. Allocation of resources.
3. Formulation of plans & policies.
4. Controlling the performance of employees.
5. Season with outside world, for e.g. meeting government officials etc.

Functions of Middle level management are:-

1. Interpretation of policies formed by top management to lower level.
2. Organizing the activities of their department for executing the plans & policies.
3. Recruitment & Selection of employees.
4. Motivating the employees.
5. Controlling & instructing the employees.

Functions of operational level management are:-

1. Representing the grievances of workers.
2. Maintaining healthy superior subordinate relationship.
3. Communicating with workers & welcoming their suggestions.
4. Assisting middle level management in recruitment, selection & appointment of workers.
5. Developing quality products.
6. Boosting the morale of workers.
7. Developing team spirit.

Q.12. Discuss the functions of management.

Ans. The five functions of management are as follows:

(i) **Planning:**

Planning is the first function of management & is related to deciding in advance what to do, how to do, when to do & by whom etc. in other words, planning refers to selecting goals in advance & developing a way of achieving them efficiently & effectively.

(ii) Organizing:

It refers to assigning duties, grouping tasks, establishing authority & allocating resources required to carry out a specific plan for the achievement of common goals of an organization.

(iii) Staffing:

Staffing function ensures the availability of quality workmen at various levels of management. It deals with human resource & tricks to provide right person for the right job. This function includes recruitment, selection, placement & training of personal.

(iv) Directing:

It is considered as an important function as it helps to convert plans into actions. It is concerned with instructing, guiding & inspiring subordinates to achieve common group goals.

(v) Controlling:

This function is related to establishing standards of performance, measurement of actual performance, comparison with the standards, finding out deviations & taking corrective & preventive actions to ensure that activities go on according to the plans of the organization towards desired goals.

Q.13 Explain the nature of coordination?

Ans. **Nature of Coordination:** The nature/characteristics of coordination are as follows:

(i) Deliberate of Conscious Activity: Coordination is a conscious managerial activity. Every manager has to take deliberate actions to achieve coordination.

(ii) Integration of Efforts: Coordination is an orderly arrangement of the efforts of all individuals and groups working in the organization. It leads to integration of all activities in the organization.

(iii) Unity of Action: Its purpose is to secure unity of action towards the common objectives.

(iv) Continuous Process: Coordination is a continuous process. The need of coordination is always felt to so long as the organization is engaged in productive operations.

(v) Pervasive Function: Coordination is a pervasive activity. It is needed in all departments and also at all levels of management.

(vi) Essence of Management: Coordination is considered as the essence of management. It is key to other functions of management. In planning, it coordinates (i) overall plan of the organization with the departmental plan (ii) objectives to the available physical and human resources and different functional managers. In organizing, it groups all activities properly and allot them to the right people for completion. In staffing, it brings about a balance between job requirement and the qualities of the personnel to whom different jobs have been assigned. In controlling, it synchronizes measures to control the cause and time of deviation from the desired performance.

Q.14 “Coordination is the essence of management”. Enumerate with suitable examples.

Ans. Coordination is not a separate function of management. It is the very essence of management. This is because:

1. In planning, coordination is required between.
 - a. Overall plan of the organization & the departmental plans.
 - b. Objectives and the available recourses.
2. In organizing, coordination's is required:
 - a. For resourees of an enterprise of the activities to be performed.
 - b. For assigning authority, responsibility & accountability.
3. In staffing, coordination is required-
 - a. Between skills of workers & jobs assigned to them.

- b. Between efficiency of the workers & compensation.
 - c. Between technique of production & training.
4. In directing, coordination is required.
- a. Among orders, instructions & suggestions.
 - b. Between superior & subordinates.
5. In controlling, coordination is required-
- a. Between standards & actual performance.
 - b. Between correction of deviations & achievement of objectives.

Thus, coordination is indispensable in all managerial functions.

Q. Explain the nature of Management Principles?

Ans. **Nature/ Characteristics features of principles of management**

Nature of management principles stands for special features or characteristics of management principles. Following are the important features of the management principles:

Universal application: Principles of management are applied in every situation, where the objectives are attained through group efforts. All organizations such as social, political, cultural or even religious organizations apply for the successful operations of their activities. Every organization must make the best possible use of its available resources by the application of management principles i.e., planning, organizing, staffing, directing and controlling effectively and achieve the desired result.

Flexibility: Management principles are dynamic guidelines and not static rules. management helps the business in multiplying its profit at minimum cost. The business situation and its socio-economic environment is enough to suit the size, nature, needs and situations of the business. Improvement and modification of management principles is a continuing process, so the principles of management is always flexible.

General Statement: Management principles are concerned mostly with human behavior which cannot be tested under controlled conditions i.e., a laboratory. Human behavior is

always unpredictable. So, management principles are not as exact as the principles of physical science. In this way, the management principles are merely statements.

It influences human behavior: Human element is an essential factor of production. It activities and extracts work form other factor also. Every worker is individually different from the other workers as regards his ability, knowledge, skill, socio-economic status, attitudes and ideologies. Management is concerned with the integration of individual efforts and how to decentralize them towards achieving the desired results. so, management principles is said to be a work and group activity. Thus, management principles aim at influencing individual efforts and directing them to the minimization of profit with the minimum wattage and the best possible utilization of available resources.

Cause and effect relationship: The management principles also form cause and effect relationship. It indicates the consequences of its principles, for instance if wages are paid on the basis of piece-rate system the quantity of work will be more, but the quality will suffer. If the principles of unity of command is adopted, the confusion, duplication and overlapping will be avoided. In the same way, other principles also, indicate the relationship between principles, their consequences and results.

Equal importance: There is no inferiority or superiority between the principles no one principle has greater significance than the other. We cannot say the principles of unity of command is more important than the principle of unity of direction. In this way all the principles of management are equally important.

Careful and discreet application: Principles of management cannot be applied blindly, because there principles are relative, not absolute. Thus these principles should be according to organizational needs and situations.

Decision-making: Management in always concerned with decision making factors of production are scarce and they also have alternative uses. So, management has to decide the best possible combination of available resources, and most suitable techniques of production applied. In this way, management principles are therefore the basis of decision making.

Q. Explain the importance/significance of Management Principles?

Ans. Principles of management are very important for the successful management of organisation in its real situations. These are important guidelines to the management. These principles point out the areas where management should concentrate immediate attention. They simplify the process of management, increase the overall efficiency and help in achieving the desired objective of the business. Following factors are summarized below irrespective of significance of management principles:

- **It increases the efficiency of the management:** Principles of management provides guidelines to the manager for handling complex problems more effectively. It also facilitates managers in performing this duties smoothly. Thus the efficiency of the management is increased and the managers adopts systematic and scientific approach towards the solution of the problem.
- **It helps in achieving social objective:** Management develops spirit of co-operation and co-ordination among workers and their employees. It also helps in the optimum utilization of social resources. It eliminates unnecessary wastage of resources. These days, principles of management are directed at maximum profit without loss of social values. Thus, the management must supply commodities at fair price, not including the adulteration and make payment of reasonable wages to their workers.
- **It generates sound understanding:** The management principles generate sound understanding of the difficult problems of business enterprises. The management applies scientific approach for the solution of the complex problem. In this regard, managing the enterprise and incur wastage of resources.
- **It directs the areas of training:** the principles of management identify the present and prospective areas of management. For this managers should be specially trained. Business situations are themselves difficult and they change considerably with the change in social, political and economic situations. So, the

principle of management make significance in finding the areas and impart requisite training program to their executives.

- **It guides to research work in management:** The management principles needed to make guidelines which requires necessary modifications with the changing situations. In order to make management meaningful and practical utility, researchers examine these principles justify this utility and suggest various modification, if necessary.
- **Optimum Utilization of Resources & effective Administration:** Management Principles help in organizing various activities in such a way that results in elimination of unwanted activities & consequent wastage.
- **Fulfilling Social responsibilities:** Principles of Management have been devised in such a way that they help in fulfilling social responsibilities.

Q. Enumerate Fayol's Management Principles?

Ans. **Henry Fayol's Principle of Management**

Following are the fourteen principles of management developed by the Henry Fayol:

Division of Work

According to Henry Fayol under division of work, "The worker always on the same post, the manager always concerned with the same matters, acquire an ability, sureness and accuracy which increases their output. In other words, division of work means specialization. According to this principle, a person is not capable of doing all types of work. Each job and work should be assigned to the specialist of his job. Division of work promotes efficiency because it permits an organizational member to work in a limited area reducing the scope of his responsibility. Fayol wanted the division of work not only at factory but at management levels also.

Authority and Responsibility

Authority and responsibility go together or co-existing. Both authority and responsible are the two sides of a coin. In this way, if anybody is made responsible for any job, he should also have the concerned authority. Fayol's principle of management in this regard

is that an efficient manager makes best possible use of his authority and does not escape from the responsibility. In other words when the authority is exercised the responsibility is automatically generated.

Discipline

According to Henry Fayol discipline means sincerity about the work and enterprise, carrying out orders and instructions of superiors and to have faith in the policies and programmes of the business enterprise, in other sense, discipline in terms of obedience, application, energy and respect to superior. However, Fayol does not advocate warning, fines, suspension and dismissals of worker for maintaining discipline. These punishments are rarely awarded. A well disciplined working force is essential for improving the quality and quantity of the production.

Unity of Command

A subordinate should take order from only one boss and he should be responsible and accountable to him. Further he claimed that if the unit of command is violated, authority is undermined, discipline in danger, order disturbed and stability threatened. The violation of this principle will face some serious consequences. In this way, the principle of unity of command provides the enterprise disciplined, stable and orderly existence. It creates harmonious relationship between officers and subordinates, congenial atmosphere of work. It is one of the Fayol's important essential principle of management.

Unity of direction

Fayol advocates "One head and one plan" which means that group efforts on a particular plan be led and directed by a single person. This enables effective co-ordination of individual efforts and energy. This fulfils the principles of unity of command and brings uniformity in the work of same nature. In this way the principle of direction create dedication to purpose and loyalty. It emphasizes the attainment of common goal under one head.

Subordination of individual interests to general interests

The interest of the business enterprise ought to come before the interests of the individual workers. In other words, principle of management state that employees should surrender their personal interest before the general interest of the enterprise. Sometimes the employees due to this ignorance, selfishness, laziness, carelessness and emotional pleasure overlook the interest of the organisation. This attitude proves to be very harmful to the enterprise.

Fair Remuneration to employees

According to Fayol wage-rates and method of their payment should be fair, proper and satisfactory. Both employees and ex-employers should agree to it. Logical and appropriate wage-rate and methods of their payment reduces tension and differences between workers and management, create harmonious relationship and a pleasing atmosphere of work. Further Fayol recommends that residential facilities be provided including arrangement of electricity, water and facilities.

Centralization and Decentralization

There should be one central point in the organisation which exercises overall direction and control of all the parts. But the degree of centralization of authority should vary according to the needs of situation. According to Fayol there should be centralization in small units and proper decentralization in big organisation. Further, Fayol does not favor centralization or decentralization of authorities but suggests that these should be proper and effective adjustment between centralization and decentralization in order to achieve maximum objectives of the business. The choice between centralization and decentralization be made after taking into consideration the nature of work and the efficiency, experience and decision-making capacity of the executives.

Scalar chain

The scalar chain is a chain of supervisors from the highest to the lowest rank. It should be short-circuited. An employee should feel the necessity to contact his superior through the scalar chain. The authority and responsibility is communicated through this scalar chain. Fayol defines scalar chain as "the chain of superiors ranging from the ultimate authority

to the lowest rank." The flow of information between management and workers is a must. Business opportunities must be immediately avoided of. so we must make direct contact with the concerned employee. Business problems need immediate solution, so we cannot always depend on the established scalar chain. It requires that direct contact should be established.

Order:

According to Fayol there should be proper, systematic and orderly arrangement of physical and social factors, such as land, raw materials, tools and equipments and employees respectively. As per view, there should be safe, appropriate and specific place for every article and every place to be used effectively for a particular activity and commodity. In other words, principles that every piece of land and every article should be used properly, economically and in the best possible way. Selection and appointment of the most suitable person to every job. There should be specific place for every one and every one should have specific place. This principle also stresses scientific selection and appointment of employees on every job.

Equity

The principle of equality should be followed and applicable at every level of management. There should not be any discrimination as regards caste, sex and religion. An effective management always accords sympathetic and human treatment. The management should be kind, honest and impartial with the employees. In other words, kindness and justice should be exercised by management in dealing with their subordinates. This will create loyalty and devotion among the employees. Thus, workers should be treated at par at every level.

Stability of use of personnel

Principle of stability is linked with long tenure of personnel in the organisation. This means production being a team work, an efficient management always builds a team of good workers. If the members of the team go on changing the entire process of production will be disturbed. It is always in the interest of the enterprise that its trusted, experienced and trained employees do not leave the organisation. Stability of job creates

a sense of belongingness among workers who with this feeling are encouraged to improve the quality and quantity of work.

Initiative

Under this principle, the successful management provides an opportunity to its employees to suggest their new ideas, experiences and more convenient methods of work. The employees, who has been working on the specific job since long discover now, better alternative approach and technique of work. It will be more useful, if initiative to do so is provided to employees. In simple, to ensure success, plans should be well formulated before they are implemented.

Spirit of Co-operation (Spirit de crops)

In order to achieve the best possible results, individual and group effort are to be effectively integrated and coordinated. Production is a team work for which the whole-hearted support and co-operation of the members at all levels is required. Everyone should sacrifice his personal interest and contribute his best energies to achieve the best results. it refers to the spirit of loyalty, faithfulness on the part of the members of the group which can be achieved by strong motivating recognition and importance of the members for their valuable contribution, effective coordination, informal mutual social relationship between members of the group and positive and constructive approach of the management towards workers' welfare.

Q. What were the principles of scientific management given by Taylor?

Ans. Principles of Scientific Management

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. Who was F.W.Taylor?

Ans. Frederick Winslow Taylor (1856-1915) is said to be the father of scientific management, method study and work measurement and incentive payments systems that link work outputs directly to levels of reward.

In the introduction to his book, the Principles of Scientific Management, FWT states “In the past the man has been first; in the future the system must be first.”

His work drew together his experience of an 19organization19n approach (not new to business endeavour) dominated by managerial ideas and actions. He argued that he was applying “scientific” method to practical management problems. His principles which reflect systematic study of work 19rganiza and his views on the direct relationship between incentives and worker efforts are evident today in modern 19rganization19 – even though contradicted by much evidence relating to worker 19rganiza.

Scientific management forms of regulation (piece-work, incentives, and bonuses) are still believed in by managers. Taylor's management devices – particularly work measurement and job organization – have decisively influenced the sub-cultures of work. His models are based on assumptions about an “typical, economically motivated” worker linked to notions of worker-management relations and organization as a social organization. Taylor's diagnosis of industrial ills can be reduced to one theme. Inefficiency is rife – the wastage of resources and time in the workplace is appalling!

Q. Discuss in detail about the techniques of Scientific Management?

Ans. **Techniques of Scientific Management**

1. Time Study

- a. It is a technique which enables the manager to ascertain standard time taken for performing a specified job.
- b. Every job or every part of it is studied in detail.
- c. This technique is based on the study of an average worker having reasonable skill and ability.
- d. Average worker is selected and assigned the job and then with the help of a stop watch, time is ascertained for performing that particular job.
- e. Taylor maintained that Fair day's work should be determined through observations, experiment and analysis by keeping in view an average worker.

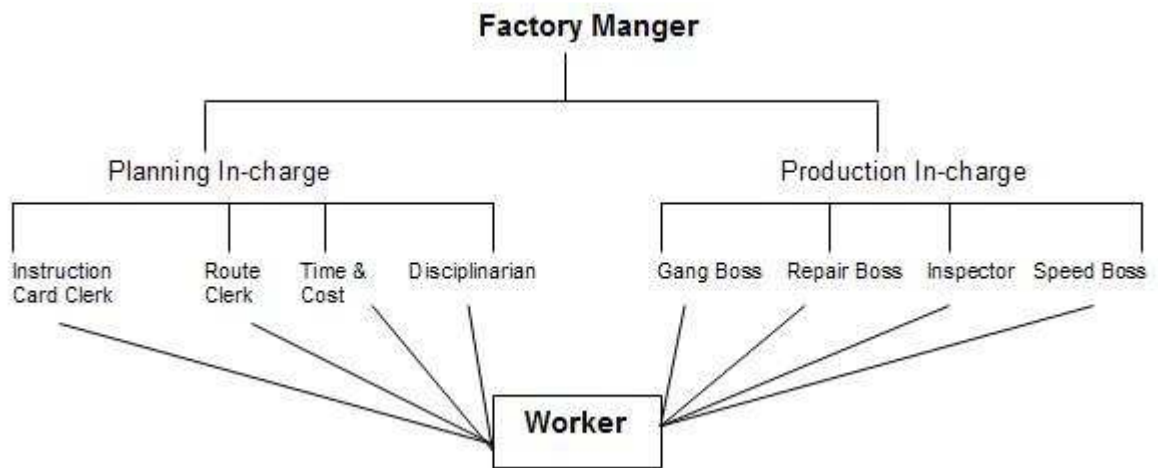
$$\text{Standard Time} \times \text{Working Hours} = \text{Fair Day's Work}$$

2. Motion Study

- a. In this study, movement of body and limbs required to perform a job are closely observed.
- b. In other words, it refers to the study of movement of an operator on machine involved in a particular task.
- c. The purpose of motion study is to eliminate useless motions and determine the best way of doing the job.

- d. By undertaking motion study an attempt is made to know whether some elements of a job can be eliminated combined or their sequence can be changed to achieve necessary rhythm.
- e. Motion study increases the efficiency and productivity of workers by cutting down all wasteful motions.

3. Functional Foremanship



- a. Taylor advocated functional foremanship for achieving ultimate specification.
- b. This technique was developed to improve the quality of work as single supervisor may not be an expert in all the aspects of the work.
- c. Therefore workers are to be supervised by specialist foreman.
- d. The scheme of functional foremanship is an extension of principle pf specialization at the supervisory level.
- e. Taylor advocated appointment of 8 foramen, 4 at the planning level & other 4 at implementation level.
- f. The names & function of these specialist foremen are: -
 - Instruction card clerk concerned with tagging down of instructions according to which workers are required to perform their job
 - Time & cost clerk is concerned with setting a time table for doing a job & specifying the material and labor cost involved in it.

- Route clerk determines the route through which raw materials has to be passed.
- Shop Disciplinarians are concerned with making rules and regulations to ensure discipline in the organization.
- Gang boss makes the arrangement of workers, machines, tools, workers etc.
- Speed boss concerned with maintaining the speed and to remove delays in the production process.
- Repair boss concerned with maintenance of machine, tools and equipments.
- Inspector is concerned with maintaining the quality of product.

4. Standardization

- a. It implies the physical attitude of products should be such that it meets the requirements & needs of customers.
- b. Taylor advocated that tools & equipments as well as working conditions should be standardized to achieve standard output from workers.
- c. Standardization is a means of achieving economics of production.
- d. It seems to ensure –
 - The line of product is restricted to predetermined type, form, design, size, weight, quality. Etc
 - There is manufacture of identical parts and components.
 - Quality & standards have been maintained.
 - Standard of performance are established for workers at all levels.

5. Differential Piece Wage Plan

- a. This tech of wage payment is based on efficiency of worker.
- b. The efficient workers are paid more wages than inefficient one.
- c. On the other hand, those workers who produce less than standard no. of pieces are paid wages at lower rate than prevailing rate i.e. worker is penalized for his inefficiency.
- d. This system is a source of incentive to workers who improving their efficiency in order to get more wages.

- e. It also encourages inefficient workers to improve their performance and achieve their standards.
- f. It leads to mass production which minimizes cost and maximizes profits.

6. Other Techniques

- a. Various other techniques have been developed to create ordeal relationship between management and workers and also to create better understanding on part of works.
- b. Those includes use of instruction cards, strict rules & regulations, graphs, slides, charts etc, so as to increase efficiency of workers.

Chapter-3 Business Environment

Q. What do you mean by Business Environment? Explain the key Components of Business Environment?

Ans. Environment refers to all external forces, which have a bearing on the functioning of business. Environment factors “are largely if not totally, external and beyond the control of individual industrial enterprises and their managements. The business environment poses threats to a firm or offers immense opportunities for potential market exploitation.

EXTERNAL ENVIRONMENT

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

Micro Environment

The micro environment is also known as the task environment and operating environment

because the micro environmental forces have a direct bearing on the operations of the firm.

“The micro environment consist of the actors in the company’s immediate environment that affect the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public”

The micro environmental factors are more intimately linked with the company than the macro factors. The micro forces need not necessarily affect all the firms in a particular industry in the same way. Some of the micro factors may be particular to a firm. When the competing firms in an industry have the same micro elements, the relative success of the firms depends on their relative effectiveness in dealing with these elements

Suppliers

An important force in the micro environment of a company is the suppliers, i.e., those who supply the inputs like raw materials and components to the company. The importance of reliable source/sources of supply to the smooth functioning of the business is obvious.

Customer

The major task of a business is to create and sustain customers. A business exists only because of its customers. The choice of customer segments should be made by considering a number of factors including the relative profitability, dependability, stability of demand, growth prospects and the extent of competition.

Competition not only include the other firms that produce same product but also those firms which compete for the income of the consumers the competition here among these products may be said as desire competition as the primary task here is to fulfill the desire

of the customers. The competition that satisfies a particular category desire then it is called generic competition.

Marketing Intermediaries

The marketing intermediaries include middlemen such as agents and merchants that help the company find customers or close sales with them. The marketing intermediaries are vital links between the company and the final consumers .

Financiers

The financiers are also important factors of internal environment. Along with financing capabilities of the company their policies and strategies, attitudes towards risk , ability to provide non-financial assistance etc. are very important.

Public

Public can be said as any group that has an actual or potential interest in or on an organization's ability to achieve its interest. Public include media and citizens. Growth of consumer public is an important development affecting business.

Macro Environment

Macro environment is also known as General environment and remote environment. Macro factors are generally more uncontrollable than micro environment factors. When the macro factors become uncontrollable , the success of company depends upon its adaptability to the environment. Some of the macro environment factors are discussed below:

Economic Environment

Economic environment refers to the aggregate of the nature of economic system of the country, business cycles, the socio-economic infrastructure etc. The successful businessman visualizes the external factors affecting the business, anticipating prospective market situations and makes suitable to get the maximum with minimize cost.

Social Environment

The social dimension or environment of a nation determines the value system of the society which, in turn affects the functioning of the business. Sociological factors such as costs structure, customs and conventions, mobility of labour etc. have far-reaching impact on the business. These factors determine the work culture and mobility of labour, work groups etc.

Political Environment

The political environment of a country is influenced by the political organisations such as philosophy of political parties, ideology of government or party in power, nature and extent of bureaucracy influence of primary groups etc. . The political environment of the country influences the business to a great extent.

Legal Environment

Legal environment includes flexibility and adaptability of law and other legal rules governing the business. It may include the exact rulings and decision of the courts. These affect the business and its managers to a great extent.

Technical Environment

The business in a country is greatly influenced by the technological development.

The technology adopted by the industries determines the type and quality of goods and services to be produced and the type and quality of plant and equipment to be used.

Technological environment influences the business in terms of investment in technology, consistent application of technology and the effects of technology on markets.

Demographic Environment

It includes the study of human populations in terms of size, density, location, age, sex, race, occupation, and other statistical information.

The main demographic force that marketers monitor is population, because people make up markets. Marketers are keenly interested in the size and growth rate of population in cities, regions; and nations; age distribution; educational levels; household patterns; and regional characteristics and movements.

Q. Explain the main feature of business environment?

Features of business environment

1.Totality of external forces: Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.

2.Specific and general forces: Business environment includes both specific and general forces. Specific forces affect individual enterprises directly and immediately in their day-to-day working. General forces have impact on all business enterprises and thus may affect an individual firm only indirectly.

3.Dynamic nature: Business environment is dynamic in that it keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.

4.Uncertainty: Business environment is largely uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.

5.Relativity: Business environment is a relative concept since it differs from country to country and even region to region. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for sarees may be fairly high in India whereas it may be almost non-existent in France.

Q. Explain the benefits of understanding business environment?

Ans.

Importance of Business Environment

- **firm to identify opportunities and getting the first mover advantage:** Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors. For example, Maruti Udyog became the leader in the small car market because it was the first to recognize the need for small cars in India.
- **firm to identify threats and early warning signals:** If an Indian firm finds that a foreign multinational is entering the Indian market it should give a warning signal and Indian firms can meet the threat by adopting by improving the quality of the product, reducing cost of the production, engaging in aggressive advertising, and so on.
- **Coping with rapid changes:** All sizes and all types of enterprises are facing increasingly dynamic environment. In order to effectively cope with these significant changes, managers must understand and examine the environment and develop suitable courses of action.

- **Improving performance:** the enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period.

Q. What are the components of Internal Environment?

Ans. **INTERNAL ENVIRONMENT**

The internal environment is the environment that has a direct impact on the business. Here there are some internal factors which are generally controllable because the company has control over these factors. It can alter or modify such factors as its personnel, physical facilities, and organization and functional means, like marketing, to suit the environment.

The important internal factors which have a bearing on the strategy and other decisions of internal organization are discussed below.

Value system

The value system of the founders and those at the helm of affairs has important bearing on the choice of business, the mission and the objectives of the organization, business policies and practices.

Mission and vision and objectives

Vision means the ability to think about the future with imagination and wisdom. Vision is an important factor in achieving the objectives of the organization. The mission is the medium through which the objectives are achieved.

Management structure and nature

The structure of the organization also influences the business decisions. The organizational structure like the composition of board of directors , influences the decisions of business as they are internal factors . The structure and style of the organization may delay a decision making or some other helps in making quick decisions.

Internal power relationships

The relationship among the three levels of the organization also influences on the business. The mutual co-ordination among those three is a an important need for a business. The relationship among the people working in the three levels of the organization should be cordial.

Human resource

The human resource is the important factor for any organization as it contributes to the strength and weakness of any organization , the human resource in any organization must have characteristics like skills, quality, high morale, commitment towards the work , attitude, etc. T he involvement and initiative of the people in an organization at different levels may vary from organization to organization. The organizational culture and overall environment have bearing on them.

Company image and brand equity

The image of the company in the outside market has the impact on the internal environment of the company. It helps in raising the finance , making joint ventures , other alliances, expansions and acquisitions , entering sale and purchase contracts , launching new products, etc. Brand equity also helps the company in same way.

Q. Explain Economic Environment in India & its components?

Ans. Economic Environment refers to all those economic factors which have a bearing on the functioning of a business. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods.

Economic Environment

- Economic Systems
- Economic Planning
- Economic Parameters
- Economic Policies

Economic System

Basic Units of an Economic Systems

- Household
- Firm
- Industry
- Government

Characteristics Of an Economic System

- National Entity
- Institutional
- Interdependence
- Scarcity of Resources
- Need Satisfaction
- Dynamic
- Functions of an Economic System

- What to Produce
- How to Produce
- For whom to produce
- Choice between Current need & Future Needs
- Economic Growth
- Types of Economic System
- Capitalism
- Socialism
- Mixed Economy

Economic Planning

Objectives:

- Increase in National Income
- Full Employment
- Reduction In Inequalities of Income & wealth
- Social Justice
- Other Objectives

Failures of Economic Planning In India

- Problem of Poverty
- Unemployment Problem
- Economic Inequalities
- Black Money

Economic Parameters

- Gross Domestic Product
- Per Capita Income

Population & Economic Development

Economic Policies

- 1.) Industrial Policy
- 2.) Monetary Or Credit Policy
- 3.) Fiscal Policy
- 4.) Foreign Trade Policy

Q. List the Changes initiated by India government since 1991?

Ans.

1. New Industrial Policy
2. New Trade Policy
3. Fiscal Reforms
4. Monetary Policy
5. Capital market reforms
6. Phasing out of subsidies and price controls

Q. Explain the term Privatization? List down the benefits of Privatization.

Ans.

PRIVATISATION

Privatization, which has become a universal trend, means transfer of ownership and/or management of an enterprise from the public sector to the private sector. It also means the withdrawal of the state from an industry or sector, partially or fully. Another dimension of privatization is opening up of an industry that has been reserved for the public sector to the private sector.

Privatization is an inevitable historical reaction to the indiscriminate expansion of the state sector and the associated problems. Even in the 'communist' countries it became a vital measure of economic rejuvenation.

BENEFITS

The benefits of privatization may be listed down as follows:

- It reduces the fiscal burden of the state by relieving it of the losses of the SOEs and reducing the size of the bureaucracy.
- Privatization of SOEs enables the government to mop up funds.
- Privatization helps the state to trim the size of the administrative machinery.
- It enables the government to concentrate more on the essential state

Functions

Privatization helps accelerate the pace of economic developments as it attracts more resources from the private sector for development.

- It may result in better management of the enterprises.
- Privatization may also encourage entrepreneurship.
- Privatization may increase the number of workers and common man who are shareholders. This could make the enterprises subject to more public vigilance.

Q. define the term Globalization? List down its objects?

Ans. Globalization may be defined as “ the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology”. Globalization may be considered at two levels .Viz, at the macro level (i.e., globalization of the world economy) and at the micro level (i.e., globalization of the business and the firm).

Globalization of the world economy is achieved, quite obviously, by globalising the national economies. Globalization of the economies and globalization of business are very much interdependent.

FEATURES

The following are the features of the current phase of globalization:

New markets

- Growing global markets in services – banking, insurance, transport.

- New financial markets - deregulated, globally linked, working around the clock, with action at a distance in real time, with new instruments such as derivatives.
- Deregulation of anti-trust laws and proliferation of mergers and acquisitions.
- Global consumer markets with global brands.

New actors

- Multinational corporations integrating their production and marketing, dominating food production
- The World Trade Organization - the first multilateral organization with authority to enforce national governments compliance with rule
- An international criminal court system in the making
- A booming international network of NGOs
- Regional blocs proliferating and gaining importance – European Union, Association of South- East Asian Nations, Mercosur, North American Free Trade Association, Southern African Development Community, among many others
- More policy coordination groups – G-7, G40, G22, G77, OECD

New rules and Norms

- Market economic policies spreading around the world, with greater privatization and liberalization than in earlier decades
- Widespread adoption of democracy as the choice of political regime
- Human rights conventions and instruments building up in both coverage and number of signatories – and growing awareness among people around the world
- Consensus goals and action agenda for development
- Conventions and agreements on the global environment – biodiversity, ozone layer, disposal of hazardous wastes, desertification, climate change

- Multilateral agreements in trade, taking on such new agendas as environmental and social conditions
- New multilateral agreements- for services, intellectual property, communications – more binding on national governments than any previous agreements
- The multilateral agreements on investment under debate

New Tools of communication

- Internet and electronic communications linking many people simultaneously
- Cellular phones
- Fax machines
- Faster and cheaper transport by air, rail and road
- Computer-aided design

Chapter – 4 PLANNING

Q. What do you understand by Planning? Discuss the steps in Planning?

Ans. **Planning** means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action. It is rightly said “**Well plan is half done**”. Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

Steps in Planning Function

Planning function of management involves following steps:-

1. Establishment of objectives

For more detail :- <http://www.gurukpo.com>

- 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 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 likely 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 avoids 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 expediate 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 :-
 1. Subordinates may feel motivated since they are involved in decision making process.
 2. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.

3. 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. Enumerate the characteristics of Planning?

Ans.

Characteristics of Planning

1. Planning is goal-oriented.

- a. Planning is made to achieve desired objective of business.
- b. The goals established should have 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 Udyog 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. How is planning beneficial in an Organization?

Ans.

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.

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.

Q. What are the drawbacks of planning?

Disadvantages 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, it's 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. Explain the different types of plans?

The various types of plans are as follows:

1. Objectives: Objective can be defined as a position where the management wants to reach in the future. These are the ends which an organization wants to achieve through its operations. They are measurable in quantitative terms.

2. Strategy: A strategy is a comprehensive plan to achieve organizational objectives. Strategy includes following three dimensions:

(a) Determining long term objectives of an organization.

(b) Adopting a suitable course of action.

(c) Allocating the resources which are considered essential for achieving the objectives.

3. Policies: A policy can be defined as a general statement that provides guidelines for thinking. They act as a guide for managerial actions and decisions in implementing strategy. A well defined policy helps in solving the complex problems easily. For example, an organization may have a credit policy, pricing policy on the basis of which objectives are decided and decisions are made.

4. Procedures: Procedures are routine steps framed to carry out activities. These are plans which determine the order of any work performance. Procedures are generally meant for insiders and define the chronological sequence of doing any work for attaining predetermined objectives.

5. Methods: Methods signify the manner of doing things as prescribed by the related procedures. They simplify various steps of work. They are more specific and limited in nature.

6. Rules: Rules can be defined as statements that tell us what is to be done & what is not to be done. Deviations from rules are not permitted unless a policy decision is taken. They enforce rigidity and there is fine or penalty if they are not followed. For example, prohibition on sale of tobacco within a certain radius of an educational institution is a rule to be followed by all.

7. Programmes: Programmes are a solid combination of goals, policies, procedures, rules, tasks, assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action.

8. Budget: Budget is a plan in numerical terms which quantifies desired facts & figures. It is a statement of expected results expressed in quantitative terms.

Chapter – 5 ORGANISING

Q. What is Organising? Explain the process of organising?

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 help 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. List down the importance of organising?

Ans.

Importance of Organising

- **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.
- **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.
- **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 do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.
- **Co-ordination** - Organization is a means of creating co- ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure 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- responsibility 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.

