

Biyani's Think Tank

**Concept based notes**

# **Business and Management**

*(B.Com. Part-II)*

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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**

# Syllabus

## B.Com. Part-II

### Business and Management

*The pattern of question paper shall be as under :*

*There shall be 7 questions in all. Question No. 1 and 2 will be compulsory.*

*Question No. 1 – 20 marks : 10 very short answer type questions of 2 marks each. (upto 50 words).*

*Question No. 2 – 20 marks : 5 short answer type questions of 4 marks each. (up to 100 words).*

*There shall be 5 essay type/numerical questions. Candidates shall be required to attempt any 3 questions. Each question shall be of 20marks.*

*Case study related questions may be asked wherever necessary.*

**Business & Management** : Features and Scope of Business. Elementary knowledge of Trade, Industry and Commerce, Types of Industries, Forms of ownership – Sole trading, Partnership, Company, Cooperatives, Joint Sector, Public Enterprises.

Concept of management, nature and scope of management. Management Functions, Functional areas of Management (elementary knowledge only), Principles of Management, Schools of Management Thought.

**Planning** : Nature and components of planning. Types of plans, Process of planning, Effective planning, MBO.

**Decision-making** : Process and Techniques of decision-making.

**Organisation** : Definition, Principles of organisation, forms of structure, Formal and informal Organisation, Delegation of authority.

**Leadership** : Functions and Theories of Leadership, Leadership Styles.

**Coordination** : Principles and Techniques of coordination, Effective coordination.

**Motivation** : Human needs, Techniques of motivation, Sound motivation system, Theories of motivation (suggested by Maslow, Herzberg, McGregor, Victor Vroom).

**Control** : Nature and process of control, Techniques of control elementary knowledge only, Effective control system.

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# Chapter-1

## Business

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**Q.1** Discuss the different concepts of Business that have emerged so far in the World. Also distinguish between the Traditional and Modern Concept of Business?

**Ans.:** Business activity has been conceptualized by many business persons, business managers and academicians in the field of business management, ever since business emerged as an organised activity. Therefore the concept of business has changed over the years of history of business. So far, the following concept of business has emerged:-

- (i) Profit Oriented Concept of Business
- (ii) Customer Oriented Concept of Business
- (iii) Social or Modern Eclectic Concept of Business

**Profit Oriented Concept of Business :** In the early age of the business, it was conceived to be a profit making economic activity. Any human activity directed towards the acquisition of wealth or earning profit through production or exchange of goods was treated to be a business. The profit oriented concept is also known as traditional concept of business.

When people started doing business by forming organisations, business was conceived as an organisation, organised and operated to produce and provide goods and services to society under the motive of private gain or profit.

**Assumptions :**

- (i) The sole objective of the business is to earn profit by production and distribution of goods.

- (ii) Customers will buy the products that are available in the market at the most competitive rates.
- (iii) There is hardly any need to think for customer service and satisfaction for running a business.

**Customer Oriented Concept of Business:** This concepts came into existence around 1950's and gained momentum during the 1960's and 1970's. The business organisation began to think that business should earn profits through service and satisfaction of the customers. Organisation were forced to regard customer as the king of the market.

**Assumptions:**

- (i) Business organisations should produce and provide the goods and services that are needed by the customers.
- (ii) The products and services provided by the business should satisfy the needs of the customers.
- (iii) The business should earn the profits through the service and satisfaction of the customer.

**Distinction between Traditional and Modern Concept :**

S. No.	Basis of Distinction	Traditional Concept	Modern Concept
1.	Meaning	Business is the production and distribution of products for personal gain.	Business organisation should determine the needs of the customers and deliver them the desired products.
2.	Orientation	Profit-oriented.	Customer and society oriented.
3.	Origin	Need of the producer to sell his excess production to earn profit.	Competitive market conditions, legal framework of business, consumer-profit.
4.	Consumer Preference	No role.	This is the basis of modern concept.



5.	Assumption	Customer will buy those products which are available at cheaper rates in the market.	Business will survive only when product/services satisfy the customer needs and protect the society's interest.
6.	Ownership and Management	Business is managed by the family members, friends and relatives.	Business is widely held by public and is managed by professional managers.
7.	Geographical Scope	Limited to the local area.	Extent to the global area.

**Q.2 What do you mean by Business. Explain clearly the role of Business in the Modern World.**

**Ans.:** The literal meaning of the term business is the 'state of being busy' or busyness. But when the term is used in relation to the business world, it means much more specific. All the definition to business may be classified under the following three categories:

**Traditional Definitions:** Traditionally, business was regarded as the institution organised for production and distribution of goods and services for earning profit.

**'Haney'**- "Business is a human activity directed towards producing or acquiring wealth, through buying and selling of goods."

**Customer Oriented Definitions:** Businessmen began to think about earning profits through customer service and satisfaction. Hence the academicians and professional defined the term business as:

**'Hopkins and Duff'**- "Business is the organised activities designed to satisfy people's wants for goods and services."



**'Urwick and Hunt'** - "Business is any enterprise which makes, distributes or provides any article or service which other members of the community head and are able and willing to pay."

**Social Definitions/Modern Eclectic Definitions:** A few such modern definitions from social point of view are reproduced as follows:-

**'Buskirk, Green and Rodgers'** - "Business is a system created to satisfy societies, need and desires."

**'Keith Davis and Blomstorm'** - "The term business refers to both private and public institutions which develop and process economic values in a society."

**Significance/ Role of Business:** The role or significance may be discussed under the following heads: -

- (i) Significance for Business Persons/ Institutions
- (ii) Significance for Consumers
- (iii) Significance for the Society
- (iv) Significance for the Economy
- (i) **Significance for Business Persons:**
  - It helps in accomplishing their objectives.
  - It helps in acquiring the knowledge and skills of business.
  - It helps to get knowledge and feedback from the middlemen & customers, through which innovation and development of new products can be done..
  - It helps to create and maintain better relation with wholesalers, dealers, retailers and other merchantile intermediaries.
  - Optimum utilization of resources in the most effective and efficient manner..
  - Enjoy a very high societal status.
- (ii) **Significance for Customers :**

- Helps them to get the right product, at the right place, at the right time, at a right price.
- Ensures satisfaction of the needs of consumers.
- Ensures better facilities, better deal and after –sale services.
- Customers also get benefits under loyal customer schemes.
- Customers gets better products and services at lower costs.
- Customer also gets the joy of larger choice.

**(iii) Significance for the Society :**

- Members of society get better products and services at reasonable rates.
- Employment Opportunities are generated.
- Better standard of living and quality of life.
- Security and welfare of old age and raising days.
- Helps to eradicate poverty, disease, ignorance, social evils through social welfare programmes.

**(iv) Significance for the Economy :**

- Planned development of the economy.
- Efficient and effective utilization of national resources.
- Ensures regular process of production and distribution of goods and services.
- Helps in increasing national productivity.
- Helps in balanced Regional Development.
- Helps to increase and provide employment opportunities.
- Contributes to the foreign exchange reserves by way of exports of goods and services.

**Q.3 What are the forms of Business Ownership? State the main features of all of them.**

**Ans.:** The various forms of ownership of business organisation are as follows :-

- (1) **Private Sector** : In private sector, the following forms of ownership/organisation are available:
- (a) Sole Proprietorship
  - (b) Partnership
  - (c) Joint Hindu Family Business firm
  - (d) Company
  - (e) Cooperative Society
- (2) **Public Sector** : In public sector, the following are the main forms of ownership of business organisation :-
- (a) Departmental Organisation
  - (b) Corporations
  - (c) Government Company

(3) Joint Sector

**(1) Private Sector :**

- (i) **Sole Proprietorship** : Sole proprietorship is a form of business organisation which is established, owned controlled and usually operated by an individual and that individual also assumes all the risks of the business and entitled to all the profits made from it.

**Characteristics :**

- The oldest form of ownership
- Sole ownership
- Unlimited liability
- Proprietor entitled to all profits
- No separate legal existence of the business from the sole proprietor.
- Free from legal formalities
- Sole decisions and control
- Limited scope of operations

- (ii) **Partnership** : A partnership is an association of two or more persons who agree to carry on business for earning and sharing profit among them.

**Characteristics :**

- At least two persons to form a partnership.
- Maximum number of partners - (Banking sector - 10 persons, Any other sector - 20 persons)
- Void Agreement
- Formed for carrying business.
- Sharing of profit is must
- Mutual agency between the partners.
- Unlimited liability of partners
- Founded upon mutual trust and confidence among partners.
- No separate legal existence of the firm from its partners.
- Registration not compulsory in India.
- Works on Unanimous decisions of all partners.

- (iii) **Hindu Undivided Family** : When a Joint Hindu Family carries on a business, it is called Joint Hindu Family Firm. The members of such firm are called co-parceners. Joint Hindu family consist of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters. There are two schools of Hindu law namely 'Dayabhaga' and Mitakshra'. According to 'Dayabhaga' school of Hindu law, each son acquires an interest in the ancestral property only after the death of his father. According to Mitakshra school a son acquires such interest by birth or by adoption.

- (iv) **Company** : A company is a voluntary association of persons formed and registered under the present Companies Act, or under any previous laws. In the eyes of the law, it is an artificial persons having separate entity from its members, with perpetual succession

and a common seal. The capital of the company is divided into transferable shares and shareholders are called members.

**Characteristics :**

- Registered voluntary association
- At least seven persons in case of public company and two in case of a private company.
- Maximum number of members in a private company may be 50. No limit in case of public company
- Company is an artificial person
- It has a separate legal entity
- Perpetual succession, it never dies.
- Limited Liability limited by shares and limited by guarantee.
- Minimum paid up capital of Rs. 5 lakh in case of public company and Rs. 1 lakh in case of private company
- Governance by majority
- A company is not a citizen and has no fundamental rights
- Managed by Board of Directors
- Share of a company are transferable.

(v) **Co-operative Organisations :** A co-operative society or organisation is one which has been voluntarily formed by some persons for the promotion of their common economic interest.

**Characteristics :**

- Voluntary organisation/association
- Registered under the Co-operative Societies Act.
- Separate Legal existence from its members.
- Limited liability of its members to the nominate value of shares hold by them.
- Perpetual existence
- Every member contributes in its capitals

- Non transferable shares.
- One member has right to one vote
- Democratic management
- Equitable distribution of profits among its members.
- Service motives is the prime objective.
- It is based on the principles of equality, justice and mutual benefits.

**(2) Public Enterprises :** A public enterprise refers to an industrial, commercial or service enterprise which is owned and controlled by the government or by public authority/ government organisation for providing goods and services to the public.

- (i) **Departmental Organisation :** Departmental form of organisation is the oldest form of organising public enterprises. Under this form of organisation, an enterprise is put under the control of a department. Such department is led by the concerned manager. Example:- Railway Department.

**Characteristics :**

- Managed controlled and operated by the government.
- Minister-in-charge of the department has the direct control.
- Financed by annual appropriations.
- Wholly owned and financed by the government.
- Accountable to the Lok Sabha, Rajya Sabha & Vidhan Sabha
- Employees are civil servants.

- (ii) **Public or Statutory Corporation :** A public or statutory corporation is a body corporate incorporated under a special Act of the Parliament or state legislature for the purpose of carrying on certain industrial or commercial activities or rendering specific type of services.

**Characteristics :**



- Incorporated body under a statute enacted by a parliament or state legislature.
  - Artificial person having all the rights of a person but not of a individual.
  - Separate legal existence from the government.
  - It can sue and be sued by the government.
  - Wholly owned by the central and/ or state government.
  - When ownership is shared by private entrepreneurs it is said to be a mixed corporation.
  - It can enjoy independence in the matters of its financial management.
  - Employees are not civil servants.
  - Autonomy in its operation.
  - Accountable to the parliament and/or state legislature.
- (iv) **Government Company** : Government Company is one in which not less than 51% of the paid-up capital is held by the central or state government; and/or by the government company and/or by any public corporation, authorities.

**Characteristics :**

- It is registered or an incorporated body under the Indian companies Act.
- Majority of shares held by the central government or by the state government or by any public corporation/authority or government company.
- A Government company may be private limited or public limited.
- A company may be fully owned by the Government, but it has a separate entity.
- It can sue and be sued by the government.
- It is accountable to Parliament or State Legislature.
- It is managed by a Board of Directors.



- (3) **Joint Sector:** A joint sector enterprise is one which is established in the partnership of the public sector and the private sector. It is jointly owned by the Government and private sector and controlled by a Board of Directors, having representatives of both the sectors but its day-to-day operations are in the hands of the private sector entrepreneur.

**Characteristics:**

- A joint sector enterprise is a partnership of public and private sector.
- It holds contribution from both the public and private sector.
- It is managed and controlled by a Board of Directors appointed by both the sectors.
- Day-to-day operations are conducted by the managing Director to the CEO.
- This form of enterprise is not accountable to the public i.e. Parliament or state Legislature.
- These are organized in company form of organization.

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## Chapter-2

# Management

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**Q.1 Discuss the nature of Management.**

**Ans.:** The nature of management can be discussed as follows :-

- (1) **Multidisciplinary** : Management draws knowledge and concepts from various disciplines. It draws ideas and concepts from such disciplines such as psychology, sociology, anthropology, economics, ecology, statistics, operation research, history etc. Management integrates the idea and present newer concepts which can be put into practice for managing the organisations.
- (2) **Dynamic Nature of Principles** : Based on integration and supported by practical evidences. Management has framed certain principles which are dynamic in nature and change with the environment at changes in which an organisation exists.
- (3) **Relative, not Absolute Principles** : All management principles have different applicability in different situations. Therefore principles of management should be applied in the light of prevailing conditions. Allowance must be made for changing environment.
- (4) **Management - Science or Art** : Management is both a science and an art. The process of scientific theory construction and confirmation is used in the process of management which is concerned with applications of facts and knowledge. Also, it is an art of skillfully managing the people for getting things done. This is important in management because creativity and adroitness in

applying the managerial efforts are necessary to achieve the desired goals.

- (5) **Management as Projection** : Management is advancing towards professionalism as it is not a full- fledged professionalize. Though, the management thinkers opines that an attempt to professionalize access to people thereby damaging the society.
- (6) **Universality of Management** : Management is a universal concept as it is applicable in every sphere of life. Through, the management principles are not applicable in all organizations but are modified according to the needs of the situation.

**Q.2 What do you mean by principles of Management? Discuss the important principles of Management.**

**Ans.:** Management principles are those fundamental truths or statements of facts which serve as guide to managers in thinking and doing their job of managing.

Management principles may be derived in any of the following ways :-

- (i) By observation and analysis of managerial practices.
- (ii) By conducting studies through system inquiry, collection and analysis and testing of facts.

**Some Important Principles of Management** : F. W. Taylor, Henry Fayol, Mary Parkeer Follett, Urwick, Koontz O' Donnel, George R. Terry etc. are the leading thinkers who have listed and described management principles :-

- (1) **Fayol's Principles of Management** : Henri Fayol, who is recognized as the father of modern theory of management formulated a set of 14 principles.
  - (i) **Division of Work** : Division of work states that the total work should be subdivided into small components / parts and each part of the work should be allocated to the worker who specializes in that part of the work.
  - (ii) **Authority and Responsibility** : Authority creates responsibility Whenever a person exercises authority,

responsibility arises. Responsibility is the essential counter part of authority. Therefore, this principle states that authority and responsibility must go together.

- (iii) **Discipline** : According to Fayol, discipline is absolutely essential for the smooth running of business. Without it no business can prosper.
- (iv) **Unity of Command** : The principle of unity of command states that each subordinate should receive orders from only one boss or superior, to avoid confusion and ambiguity and faster effective working..
- (v) **Unity of Direction** : The principle of unity of direction states that there should be “one head and one plan” for a group of similar activities having the same objective. In other words, the activities that have same objective should be directed by only one manager under one plan, to ensure unity of action and sound organization structure.
- (vi) **Subordination of individual interest to general interest** : Interest of organisation as a whole must prevail over the individual interest. Wherever, individual interest and the common interest differs, efforts must be made to reconcile them.
- (vii) **Remuneration** : Fayol stressed on the thought that the remuneration or compensation for work done should be fair to both employees and the firm. It should neither be low nor high.
- (viii) **Centralization** : Decreasing the role of subordinates in decision making is centralization of authority and increasing their role in it is decentralization of authority. Fayol believed that managers should retain final responsibility but should at the same time give their subordinates enough authority to do their job properly.
- (ix) **Scalar chain or hierarchy of authority** : Scalar chain or hierarchy of authority refers to the unbroken chain or line of authority running from the top management to the lowest

levels of the organisation. This chain is normally followed for giving orders and receiving reports.

- (x) **Order** : The principle of order states that there should be a place for everything and for every person. Material and people should be in the right place at the right time. People should be assigned the jobs that are best suited to them.
- (xi) **Equity** : According to this principle, the manager must install equity in the organisation. To ensure this, manager should be friendly, fair and kind in dealing with their subordinates.
- (xii) **Stability of Personnel** : This principle states that there should be reasonable stability of the tenure of personnel in the firm. No employee must be removed from his position within a short period of time. However, incompetent employees should be sacked immediately.
- (xiii) **Initiative** : This principle states that subordinates should be given the freedom to develop and carry out their plans. But managers should do so within the limits of authority and discipline. This freedom encourages the subordinates to initiate new things and hence fasters growth and development.
- (xiv) **Esprit de Corps** : This principle states that managers should promote esprit de corps or team spirit and a sense of unity among the employees, for achieving greater efficiency and attaining organizational.

**Other Important Principles :**

- (xv) **Principle of objective** : Koontz and O'Donnel suggested that "The organisation as a whole and every part of it must contribute to the attainment of enterprise objectives."
- (xvi) **Principle of planning** : The principle of planning states that good planning is a prerequisite for good management. Therefore managers should accurately plan the activities of their organisation keeping in view the environmental factors.

- (xvii) **Principle of span of control** : Span of control means the number of subordinates under the direct supervision of the superior. According to this principle, a superior should supervise only that number of subordinates which he can properly supervise directly under his control.
- (xviii) **Principle of balance** : This principle states that different parts or units of an organisation should be in balance. This is essential in order to ensure proper development of business and its efficiency.
- (xix) **Principle of coordination** : This principle states that human efforts and other resources should be co-ordinated in order to achieve organisational goals effectively.
- (xx) **Principle of exception** : The principle of exception states that every superior should set the objectives and plan for their subordinates and delegate them appropriate amount of authority to take all decisions to carry out the plans.
- (xxi) **Principle of participation** : This principle states that managers must encourage participation of their subordinates in taking decisions on matters directly affecting them.

**Q.3 Discuss the major functional areas of management.**

**Ans.:** An acceptable and practical classification includes four broad functional areas :-

- (i) **Production** : This area is normally kept under the control of a production manager who is responsible for the performance of entire production related activities. This area may further be classified into major sub-activities :-
- Purchasing
  - Material Management
  - Research and Development
- (ii) **Marketing** : This area involves the distribution of organisation's product to the buyers. This can be divided into following sub-areas :-



- Advertising
  - Marketing Research
  - Sales Management
  - **Finance and Accounting** : This area deals with the record keeping of various transactions and management of financial resources. This may further be divided into:
    - Financial Accounting
    - Management Accounting
    - Costing
    - Investment Management
    - Taxation
- (iii) **Personnel** : This aspect deals with the management of human resources in the organisation. It includes the following areas :-
- Recruitment and Selection
  - Training and Development
  - Wages and Salary Administration
  - Industrial Relations

**Q.4 Discuss the major functions of management.**

**Ans.:** A function is a group of similar activities. However, there is a divergence of views on what functions are undertaken by managers in organisations. But the major management functions suggested by most of the authors are as follows :-

- (i) **Planning** : Planning is the conscious determination of future course of action. This involves what is to be done? Why it is to be done? How it is to be done? When it is to be done? Where it is to be done? By whom it is to be done?. Thus, planning includes determination of specific objectives, projects, programmes, setting policies, strategies, rules procedures and preparing budgets.



- (ii) **Organising** : Organising is a process of dividing work into convenient task or duties, grouping of such duties in the form of positions, grouping of various positions into department and sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned.
- (iii) **Staffing** : Staffing involves manning the various positions created by the organising process. It includes preparing inventory of personnel available and identifying the gap between manpower required and manpower available, identifying the sources from where people will be selected, selecting people, training and development, fixing financial compensation, appraising them periodically etc.
- (iv) **Directing** : Directing includes these sub functions (a) communication, (b) motivation and (c) leadership. When people are working in an organisation, they must know what they are expected to do in the organisation. Superior managers fulfill this requirement by communicating to subordinates about their expected role and behaviour. The superiors have a continuous responsibility of guiding and leading them for better work performance and motivating them to work with zeal and enthusiasm.
- (v) **Controlling** : Controlling involves identification of actual results. Comparison of actual results with expected results as set by planning process, identification of deviation between the two, if any and taking of corrective action so that actual result match with expected results. It is the process of measuring, comparing and correcting the performance in order to ensure that things are performed in accordance with the plans.

**Q.5** Classify the various approaches of the Management thought along with the origination period and the major contributors.

**Ans.:** The various approaches to management can be divided into the following major schools :-

- (A) **The Classical Approach :**
- (i) **Scientific Management Approach :** F.W. Taylor(1900 – 1930)
  - (ii) **Administrative or Functional Approach :** Henry Fayol (1916 – 1940).
  - (iii) **Organisational Theory Approach :** Max Weber, C. I. Bernard, H. A. Simon.
- (B) **Neo Classical Approach :**
- (i) **Human Relations Approach :** George Elton Mayo (1924 - 1932).
  - (ii) **Behavioural Science Approach :** Herzberg, Fred Fiedler, Mclelland, Likert etc. (1950 -1970)
- (C) **Modern Approach :**
- (i) **Quantitative or Management Science Approach :** (1950 - 1960).
  - (ii) **System Approach :** Ludwig Von Bertalanffy (1960 onwards).
  - (iii) **Contingency Approach :** Tosi and Hammer (1970 onwards).
  - (iv) **Management Roles Approach:** Henry Mintzberg.
  - (v) **Excellent Companies Approach:** Peter and Waterman.

**Q.6 Assess the contribution of Scientific Management to the development of Management thought.**

**Ans.:** Scientific management approach is also known as the productivity or efficiency approach. The credit for pioneering and developing scientific management approach is primarily given to F. W. Taylor. He is recognised as the father of scientific management. The other individuals who contributed to this school of management thought are Frank Gilbreth, Lillian Gilbreth, Henry Gantt and Harrington Emerson.

Scientific management school concentrates on the process of finding one best way of doing a thing in order to achieve maximum production and efficiency.

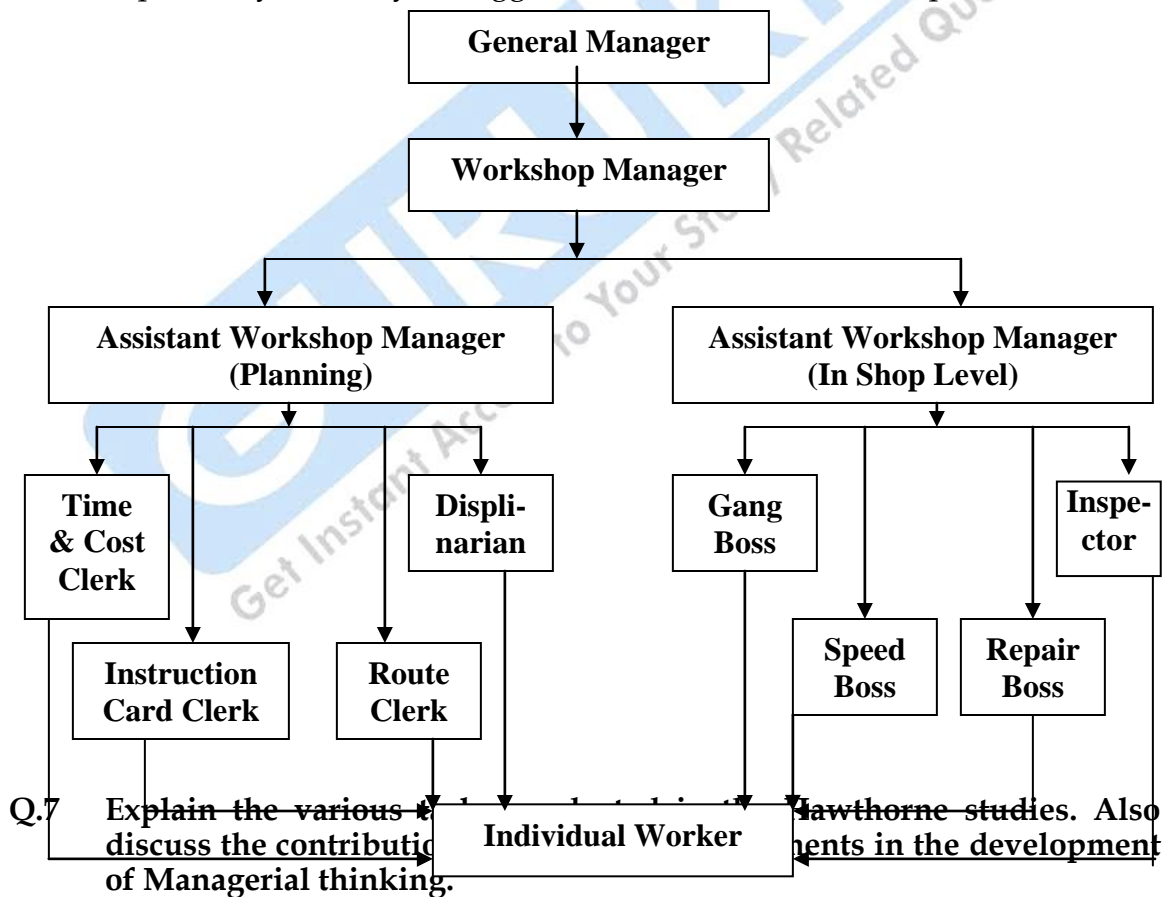
**Philosophy and Principles of Taylor :**

- Develop a science to replace rule of thumb
- Labour – Management Cooperation
- Maximization of output or production
- Equal division of responsibility
- Job specialization
- Scientific selection, training and development of workers.
- Planning and scheduling of work
- Standardisation
- Wage incentives
- Mental Revolution

**Mechanism of Scientific Management :** In order to blend philosophy and principles of scientific management into practice, Taylor developed the following techniques or mechanism :-

- (1) **Scientific Task Setting :** The task of every worker for everyday should be determined through scientific investigation.
- (2) **Experimentation or Work Study :** Work Study means organised systematic and objective analysis and assessment of the operational efficiency of all the elements connected with the work. The main areas of work study are as follows :-
  - (i) **Method Study :** Survey of production process.
  - (ii) **Motion Study :** The study of movement of a worker or a machine in doing a job.
  - (iii) **Time Study :** Find out a standard time for doing the job.
  - (iv) **Fatigue Study :** Fatigue study is the study of the reduction of human energy in doing his job.
- (3) **Planning :** Planning function should be separated from the doing function.
- (4) Scientific Selection and Training of Worker.

- (5) **Specialization** : Allocate the task according to their specialization.
- (6) **Standardisation** : Taylor advocated for standardisation of material, tools equipment, method etc..
- (7) **Efficient Costing System** : To control cost of production and pricing.
- (8) **Incentive Wage Plan** : Worker is to receive a bonus in addition to his wages if he completed his jobs before the standard fixed time.
- (9) **Congenial Atmosphere of Work** : The environment must also be cheerful and psychologically satisfactory.
- (10) **Functional Foremanship**: In order to ensure specialization at supervisory level Taylor suggested functional foreman ship.



**Ans.:** Harvard University research team conducted a series of studies. George Elton Mayo, F. I. Roethlisberger, W. J. Dickson and others were the members of the team. The studies were conducted at Hawthorne plant of the western electric company, Chicago (USA) between 1924 and 1932.

Four studies were conducted at the Hawthorne Plant :-

- (1) **Illumination or Test Room Study :** The illumination study was conducted to determine the relationship between light intensity and productivity of efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity. They concluded that lighting was a minor factor affecting the productivity of workers.
- (2) **The Relay Assembly Test Room Study :** The relay assembly test room study was conducted to ascertain the factors other than the light intensity affecting the productivity. During the test researcher changed working conditions and they concluded that most likely cause of higher productivity was the change in social situation in the work group.
- (3) **Mass Interviewing Study :** The third study was the mass interviewing programme. Under this programme over 21,000 employees were interviewed. They were asked some direct and indirect questions and the researchers reached the conclusion that work performance and the individual status in the organisation are determined not by the person himself but by the group members, and peers Also their personal problems effect the feeling about the job.
- (4) **Bank Wiring Observation Room Study :** In order to observe informal group behaviour more accurately, bank wiring observation room study was undertaken. The following conclusions were drawn by the researchers :-
  - (i) The group was restricting output by enforcing the norms or standards set by the group.
  - (ii) There existed internal cliques or groups which are not formed on the basis of occupation.

**Conclusions / Contribution of Hawthorne Studies :**

- (i) Work is a group activity.

- (ii) Workers form internal informal groups.
- (iii) Social groups influence the productivity.
- (iv) Social groups determines informal norms.
- (v) Group cooperation is planned.
- (vi) Worker is not only a rational economic being.
- (vii) Supervisor behaviour affects the behaviour of workers.
- (viii) Free flows of communication affects the attitude of workers towards work.
- (ix) Complaints may not be statement of facts.
- (x) Gave birth to human relation movement..

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## Chapter-3

# Planning

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**Q.1** What do you meant by Planning? Discuss its nature.

**Ans.:** Planning means deciding future course of action i.e. making plans for attaining organisation's objectives. Planning is the process of determination of organisation's objectives and selecting the course of action i.e. plans for attaining them.

According to Wehrich and Koontz - "Planning involves selecting mission and objectives and actions to achieve them. It requires decision making i.e. choosing from among alternative future courses of action.

According to Robert Albanese, "Planning is the process or activity of determining in advance specifically what should be done in order to achieve particular goals, how it should be done, when or where it should be done and who should do it."

### **Nature of Planning :**

- (1) **Primary or basic function :** It is a primary function because it is the foundation on which all other managerial function rest.
- (2) **Pervasive function :** Each and every manager has to perform this function regardless of his level and area of specialization.
- (3) **Purposeful :** Planning begins with some goals or objective that an organisation wishes to achieve.
- (4) **Interdependent activity :** Planning in one department is dependent on the planning of other department.



- (5) **A process** : Planning is a process in which managers anticipate future by analysing environmental factors, set goals or objectives.
- (6) **Planning is a path finder process** : It is the process by which answers to questions like where, when, how etc. are discovered.
- (7) It is a continuous and never ending process.
- (8) It is a dynamic process.
- (9) It is an intellectual process because it requires managers to think intelligently and rationally before doing.
- (10) **Futuristic** : Every plan is prepared to face and win over the future challenges and threats.
- (11) **Time Bound** : It is always time bound. It may be of short/ medium/ long range.
- (12) **Planning involves decision making** : It is a process of selecting one best course of action out of the available alternatives.
- (13) **Planning and action are twins** : Planning alone cannot serve any purpose. Planning presupposes necessary action for its implementation. Both must go hand in hand.
- (14) **Planning and controlling are inseparable** : Plans furnish the standards against which actual performance is measured and controlled.
- (15) **Forecasting is the basis of planning** : Future course of action are decided on the basis of information and knowledge provided by forecasting.

## Q.2 What are the essential elements of planning?

**Ans.:** The main components or elements of planning are as follows :-

- (1) **Objectives** : Objectives are the desired results that an organisation wants to achieve within a specified time period.
- (2) **Strategies** : Strategy means the long range approach for dealing with the organisation's competitive environment with a view to win over competitors in business.

- (3) **Policies** : Policies are the guidelines set to provide direction in decision making. These set the boundaries around which decisions are made.
- (4) **Procedures** : Procedures are the chronological sequence of steps or actions to be taken to accomplish a specific task or job.
- (5) **Method** : A method is a prescribed way of completing a step in a procedure.
- (6) **Rules** : Rules are guiding statements that direct action or behaviour of individuals in a given situation.
- (7) **Standards** : Standard is a measure against which the level of performance is measured or evaluated.
- (8) **Programmes** : A programme is a sequence of action steps arranged in the priority necessary to accomplish an objective.
- (9) **Schedules** : A Schedule is a plan which indicate the time of
  - (i) commencement of task.
  - (ii) passing through the different stages or processes.
  - (iii) Finalizing the task.
- (10) **Budgets** : A budget is a numerical plan containing expected results in quantitative or numerical terms.
- (11) **Projects** : A project is a programme with less significant objectives, generally a shorter period of time and usually less detail.

**Q.3** What are the steps involved in the planning process?

**Ans.: Steps in Planning :**

- (i) Environment scanning
- (ii) Setting objectives
- (iii) Establishing planning Premises
- (iv) Searching alternatives
- (v) Evaluating the alternatives

- (vi) Selecting the most appropriate alternative or plan
- (vii) Formulating derivative plans
- (viii) Budgeting i.e. committing resources
- (ix) Implementing the plans
- (x) Follow-up action

**Q.4 Write the essentials of an effective planning.**

**Ans.:** Planning can be effective if the following factors are taken into consideration :-

- (i) Well defined objectives
- (ii) Simple and easy to understand
- (iii) Comprehensive (cover each and every aspect)
- (iv) Flexible (capable of being modified)
- (v) Balanced (balance between objectives and resources)
- (vi) Economical
- (vii) Stable
- (viii) Continuity
- (ix) Unity (operate under one overall plan)
- (x) Consistency
- (xi) Written
- (xii) Practicable
- (xiii) Logical and rational
- (xiv) Accountability for implementation

**Q.5 What is MBO? Explain its characteristics and objectives.**

**Ans.:** **MBO** : The modern model of objective setting is known as "Management by objectives" or "MBO". This model was first offered by Peter Drucker in 1954 in his book - "The Practice of Management".

**Meaning and Definition of MBO :** MBO is a process where by both superior and subordinate managers jointly identify their common goals or their work unit and define each employee major areas of responsibility and goals with his active participation.

**Carlisle** - "Management by objective is a process by which the members of a work unit individually meet with their superior to establish performance related goals."

**Boone and Koontz** - "MBO is a programme designed to improve employee's motivation by having them participate in setting their own goals, letting them know in advance precisely how they will be evaluated."

**Characteristics of MBO :**

- A philosophy of management
- Goal oriented approach
- An interactive approach
- A comprehensive approach
- A system approach
- Applies to total management system
- Aims at optimum results
- Simple universal approach
- Multiple uses
- Participation and involvement
- Common objectives and individual goals

**Assumptions :**

- Mutual understanding between superior and subordinate.
- Employees know their expected efforts and their contribution in overall performance.
- Employees participate in formulation of the plan.
- Employees know the results of their efforts.
- Employees want to be fairly rewarded for their performance.

**Objectives of MBO :**

- (i) To set organisational unit and individual goals by active participation of the all concerned.
- (ii) To set verifiable and measurable goals.
- (iii) To measure and judge performance.
- (iv) To relate individual performance to organisational goals.
- (v) To clarify both the job to be done and the expectations of accomplishment.
- (vi) To foster the increasing competence and growth of the subordinates.
- (vii) To enhance communications between superiors and subordinates.
- (viii) To serve as a basis for judgment about salary and promotion.
- (ix) To stimulate the subordinates motivation.
- (x) To serve as device for organisational control.

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## Chapter-4

# Decision Making

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**Q.1 Define Decision making and give its characteristics.**

**Ans.:** Decision making is the process of choosing or selecting any one option out of several options to achieve some objectives.

**Glueck** - "Decision making is the process of thought and deliberation that leads to a decision."

**Allen** - "Decision making is the work a manager performs to arrive at a conclusion or judgment".

Thus, decision is a process of selecting a course of action from among the available alternatives in order to achieve a desired goal in a given situation.

**Characteristics/Nature of Decision making :**

- (i) Decision making is a sequential process that involves the searching, evaluating and choosing a course of action.
- (ii) It is an intellectual and logical process.
- (iii) It takes place in the human mind.
- (iv) It is a human and social process.
- (v) It is largely an intuitive process but can be formally structured.
- (vi) Existence of alternatives.
- (vii) Ascertainment of choice.



- (viii) Aims at attaining some objectives.
- (ix) Decision is directed to solve some problem.
- (x) It involves commitment.
- (xi) It is influenced by environmental conditions.
- (xii) It is the essence of management.

**Q.2 Discuss in brief the various techniques of Decision Making.**

**Ans.:** The important techniques of decision making are as follows :-

- (1) **Experience or judgment** : In this technique, a manager makes decision on the basis of his knowledge and experience gained through working in a particular position over the years.
- (2) **Intuition** : Intuition or hunch is a knowledge based on instant inner feelings or spiritual perception rather than reasoning. It is based on faith.
- (3) **Habits** : Established habits can be used as a technique of decision making. Managers try to solve repetitive and routine problems through their established habits.
- (4) **Standing plans and procedures** : There are standing plans and procedures in every organisation such as policies, rules, procedures, methods etc. They all serve as a technique for decision making.
- (5) **Organisation structure** : Organisation structure make it clear who is responsible for what and to whom. Therefore, it can be used as a decision making technique.
- (6) **Principles of management** : The principles of management can serve as a useful guide in making decisions. But they cannot be called techniques of decision making.
- (7) **Economic and financial techniques** : Marginal analysis, break even analysis, utility analysis etc are some of the most widely used economic techniques of decision making.



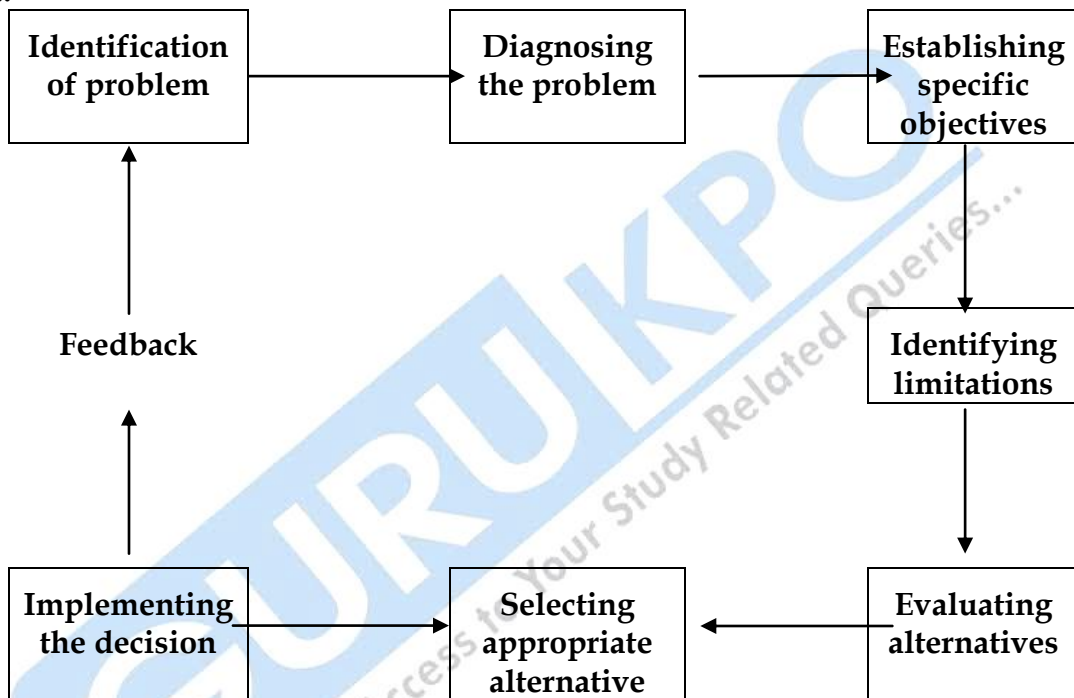
Whereas, pay back analysis, inflow outflow analysis, ratio analysis are some of the financial techniques of decision making.

- (8) **Linear programming** : It is a mathematical technique which helps in making decisions regarding allocation of limited resources, among various competing demands in an optimum way.
- (9) **Game theory** : In this technique, one member chooses one such course of action that frustrates and defeats the action of the competing member and help him in wining the game. This technique is used under competitive and conflicting situations.
- (10) **Waiting line or queuing theory** : This technique is used to decide problem of waiting line in banks, petrol pump etc. With the help of this technique, manager decides optimum rate of flow through service points by balancing the cost of making customers wait against the cost of servicing them more rapidly. This techniques targets at reducing the waiting time of customers.
- (11) **Simulation** : Simulation is a technique for studying and analyzing behaviour of a system under several alternative conditions in an artificial setting. A real life model is created and few variables are manipulated to assess their impact in the system. On the basis of assessment, decision for bringing change in the real system is taken by the managers.
- (12) **Network Techniques** : PERT and CPM are the techniques that helps managers in deciding a logical sequence of activities required for completing a complex project. These techniques help thye managers to minimize the time and cost involved in a project.
- (13) **Heuristic Technique** : It is an trial and error technique of finding solutions to a complex problem by breaking it into small components.

- (14) **Participative Techniques** : It is a technique of making decisions with the participation of the employees. This technique encourages industrial democracy.

**Q.3 Explain process of decision making with the help of a diagram.**

**Ans.:**



**Decision making Process**

## Chapter-5

# Leadership

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**Q.1** What do you understand by leadership? Discuss the functions of leadership.

**Ans.: Keith Davis** - "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds the group together and motivates it towards goals."

**Keys and Case** - "Leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives."

**Wehrich and Koontz** - "Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals."

Thus leadership is the process and the art influencing the behaviour, attitudes, activities of people to work willingly and enthusiastically towards the accomplishment of group goals.

### **Functions of Leadership :**

- Guides, inspires or motivates
- Boosts morale
- Creates confidence and enthusiasm
- Develops team spirit
- Creates vision and initiative
- Facilitates change
- Develops human resource
- Maintains order and discipline
- Resolves conflicts

- Contributes to effective management
- Creates work environment

**Q.2 Explain the various styles of leadership.**

**Ans.:** Leadership style is the general way or pattern of behaviour of a leader towards his followers in order to influence their behaviour to attain a goal.

The main styles of leadership are as follows :-

- (1) **Autocratic and authoritarian leadership** : An autocratic leader is one who centralizes power and make all the decisions himself. He tells his followers what to do and expects to be obeyed without questions. Thus, such a leader imposes his will on his followers.

Autocratic leaders may be of two types :-

- (i) **Pure autocrat or Negative leader** : He is a dictator and makes all decisions himself. He superimposes his decisions on his subordinates. He uses fear of punishment or penalty to carry out his decisions. Thus, it is a negative leadership.
- (ii) **Benevolent autocrat or positive leader** : When an autocrat leader avoids negative coercive power and uses reward power to influence his subordinates, he is called a benevolent autocrat leader. Such a leader shows active concern for the feelings and welfare of his subordinates.
- (2) **Participative/democratic leadership** : Participative leaders decentralize authority. Such leaders involve subordinates in decision making process. The leaders and their group members work as a social unit. They freely exchange their views and express opinions and suggestions.
- (3) **Free rein or laissez faire leadership style** : Such a leader completely delegates his authority to his subordinates and allow them to make their own plans, procedures and decisions. He

simply aids his subordinates in performing their job. He exist as a contact person with the subordinates external environment.

Free rein leadership style is permissive and leader least intervenes his subordinates. The leader remains passive observer but intervenes only during the crisis. Free rein leadership is suitable where subordinates are highly competent and duty- conscious.

- (4) **Paternalistic leadership** : A paternalistic leader is authoritarian by nature. He is work centred but has strong consideration for his subordinates and looks after thereas a faster.. Such a leader helps, guides and encourages his subordinates to work together as a family. The subordinate in turn tend to remain submissive and faithful.

**Q.3 Discuss the different theories of Leadership.**

**Ans.:** Several theories of leadership have been developed by management theoreticians. These theories may be classified into three categories.

- (1) Personality theories
- (2) Behavioural theories
- (3) Situational or contingency theories

- (1) **Personality theories** : Personality theories are theories that focus on the personal qualities or traits of leader. Such theories include the following :-

- (i) Great Man Theory
- (ii) Trait Theory

- (i) **Great man theory of leadership** : Great man theory of leadership claims that "Leaders are born, not made". This theory asserts that leadership qualities are inherited or carried in genes, they cannot be acquired or developed through education or training.

- (ii) **Trait theory of leadership** : This theory states that there are certain unique traits or qualities essential for successful leader. Any person who wants to be a successful leader must possess those traits. This theory emphasizes that those traits need not necessarily be inborn but may be acquired through education, training and practice.
- (2) **Behavioural theory of leadership** : Behavioural theory focuses on what the leaders do i.e. on the actual behaviour of the leader. Behavioural theory is based on the premise that effective leadership is the result of effective behaviour of the leader. Success of leadership depends on the behaviour of the leader and not on his traits.

A particular behaviour pattern of a leader (functional behaviour) makes him a successful leader and its opposite (dysfunctional) would reject him as a leader. The functional dimensions include setting goals, motivating employees towards achievement of goals, making effective communication and interaction, building team spirit etc. The dysfunctional dimensions of leaders behaviour include inability to accept subordinates ideas, poor communication and ineffective interaction, poor human relations etc.

- (3) **Situational / Contingency Approach** : The situational approach of a leadership emphasise that emergence and success of a leader is largely determined by situational factors. This theory stresses that a leadership behaviour which is effective under the particular situation may be ineffective under the other.

There are several different situational models of leadership developed by eminent management scholars, such as Fiedler's contingency model, Path-goal model, Blanchard's model etc.

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## Chapter-6

# Organisation

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**Q.1 What do you mean by Organisation?**

**Ans.:** The term organisation can be understand as :-

- (1) A Group of persons i.e. Institution
- (2) A structure of relationships
- (3) A function or process i.e. organising

**As group of persons :** Organisation is a group of persons i.e. institutions refers to a group of persons contributing their efforts under the direction of a leader in order to accomplish specific goals.

**McFarland -** "An identified group of people contributing their efforts towards the attainment of goals is called organisation."

**As a structure of relationships :** Organisation is a structure of formal authority relationships among individual members of a group formed for accomplishment of some specific purpose.

According to **Wehrich and Koontz -** "Organisation is a structure of relationship by which an enterprise is bound together and the framework in which individual efforts are coordinated."

**As a function or process :** Organising is the process of identification and grouping of activities, assigning duties and delegation of authorities to the managers, allocating necessary resources and establishing coordination among individuals and department of an organisation with a view to attain its objectives.

**According to Ghreck:-** "Organising is the management process by which work is divided up among units and employed and then these units and jobs are linked together to form a unified system."

**Q.2 Discuss the main principles of organisation.**

**Ans.:** According to **Breach**, "If there is a systematic approach to the formulation of organisation structure, there ought to be a body of accepted principles." Thus, the principles of organisation are essential in order to build a sound or ideal organisation.

A few principles of a sound organisation are discussed in the ensuing sub heads :

- (i) Unity of objective
- (ii) Specialization
- (iii) Span of control or management.
- (iv) Clear lines of authority or scalar principle
- (v) Delegation of authority
- (vi) Absoluteness of responsibility
- (vii) Parity of authority and responsibility
- (viii) Unity of command
- (ix) Unity of direction
- (x) Exception
- (xi) Functional definition
- (xii) Balance
- (xiii) Continuity
- (xiv) Coordination
- (xv) Simplicity
- (xvi) Flexibility
- (xvii) Efficiency
- (xviii) Leadership facilitation

**Q.3 Describe the various forms of organisation structure.**

**Ans.:** Following are the main forms or types of organisation structure :-

- (1) Line Organisation
- (2) Line and Staff Organisation
- (3) Functional Organisation
- (4) Project Organisation
- (5) Matrix Organisation
- (6) Committee Organisation

**Line Organisation** : Line organisation structure is one in which authority flow from the top to the bottom vertically in a straight line manner and responsibility and accountability flows in an opposite but equally direct vertical manner.

**Line and Staff Organisation** : A line and staff organisation is one that has line managers with direct, vertical relationships between different levels in the organisation in addition to the specialists responsible for advising and assisting the line managers. Staff specialists/experts are the persons or department who provide technical advise or service to the line managers.

**Functional Organisation** : Functional organisation structure is one in which line authority is channelized through the staff specialists. In such an organisation structure, line authority runs through many functional experts who have authority to issue orders in their respective areas of specialization.

**Project Organisation** : Project Organisation is a temporary structure designed to accomplish a specific task or project with the help of specialists drawn from different functional departments within the organisation.

**Matrix or Grid Organisation** : A matrix organisation is a permanent organisation structure designed to accomplish specific project by using terms of specialists drawn from different functional departments within the organisation.

**Committee Organisation** : A committee is a group of two or more appointed, nominated or elected persons to consider, discuss, decide, recommend or report on some issue or matter assigned to it.

**Q.4 What do you mean by Delegation of Authority?**

**Ans.:** Delegation means dispersing or assigning authority from one manager to another. It is a means of sharing authority with another.

**Wehrich and Koontz** - "Delegation means conferring authority from one manager or organisational unit to another in order to accomplish particular assignment."

Thus, delegation is the process by which a manager assigns his authority to his subordinate to perform certain tasks or activities assigned to them. It involves shifting of decision making authority from one organisational level to another lower level.

**Q.5 Discuss the process of delegation.**

**Ans.:** Delegation process consists of certain essential and interrelated steps. Wehrich and Koontz have stated that this process involves the following four steps :-

- (1) Determining the results expected from a position.
- (2) Assigning tasks to the position.
- (3) Delegating authority for accomplishing these tasks.
- (4) Holding the person in that position responsible for the accomplishment of the task.

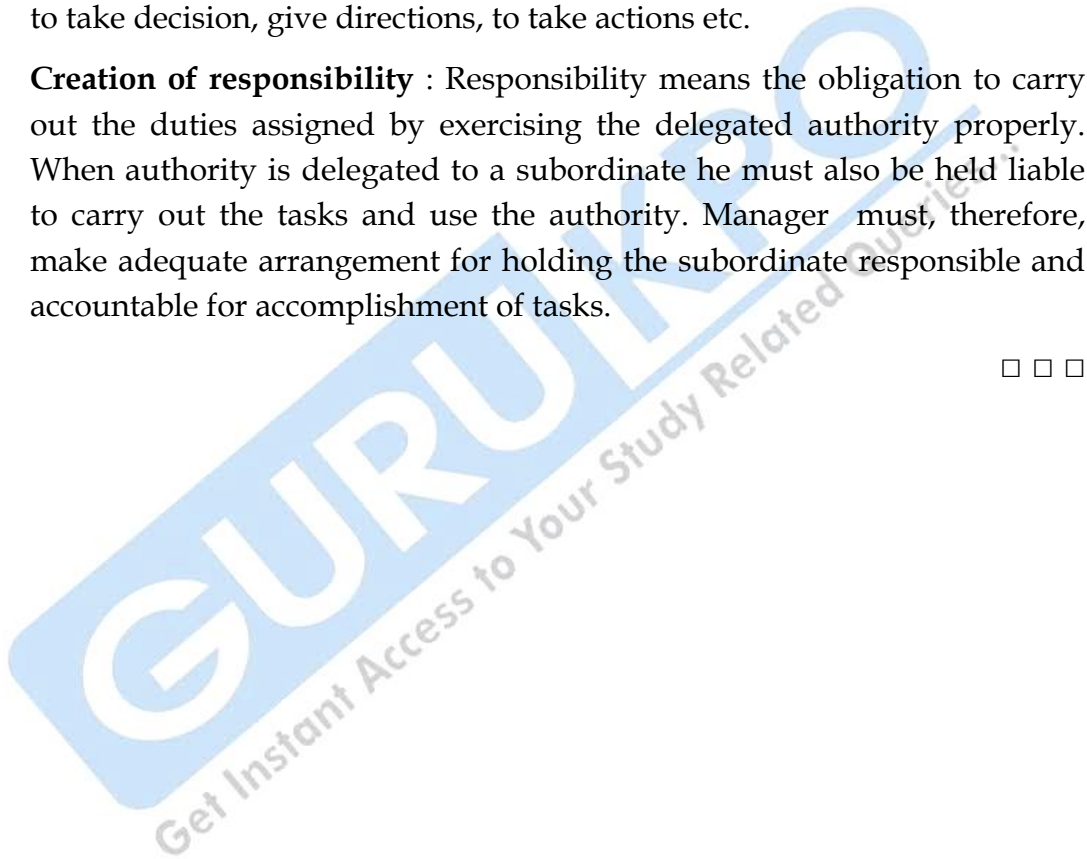
**Determining the result expected** : First step in the process of delegation involves the determination of results expected from a position or subordinate. Assignment of tasks will be meaningful only when the subordinate clearly knows what results he has to achieve.

**Assigning tasks** : The next step in the delegation process consist of assigning duties or functions to the position or subordinate. Duties must be clearly and precisely defined. Duties can be assigned either in terms of activities performed or in terms of results expected.

**Delegating authority** : The next step is the delegating of authority. No subordinate can carry out tasks or duties without appropriate amount of authority. Authority consist of rights and permissions including the rights to take decision, give directions, to take actions etc.

**Creation of responsibility** : Responsibility means the obligation to carry out the duties assigned by exercising the delegated authority properly. When authority is delegated to a subordinate he must also be held liable to carry out the tasks and use the authority. Manager must, therefore, make adequate arrangement for holding the subordinate responsible and accountable for accomplishment of tasks.

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## Chapter-7

# Coordination

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### Q.1 Define Coordination.

**Ans.:** Co-ordination is the process of synchronizing the activities of different individuals and departments of an organisation in order to attain organisational goals.

**James Mooney** - "Co-ordination is the orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purposes."

**Gray and Smetlzar** - "Coordination may be defined as getting the various parts of an organisation to work together towards common goals."

Thus, co-ordination is the process of synchronizing and integrating the efforts of individuals and departments of an organisation with a view to attain the organisation's goals efficiently and effectively.

### Q.2 Explain the various principles of Coordination.

**Ans.:** For achieving effective co-ordination in the organization, managers have to observe certain principles. Observance of these principles facilitates the application of various techniques of co-ordination.

- (1) **Principle of direct contact** : Principle of direct contact states that co-ordination can be achieved by direct contact among people whose activities are to be communicated. Such a contact can be established through the provision of effective communication system. This is based on the concept that co-ordination can be achieved effectively through mutual understanding and not by force, order or coercion.



- (2) **Principle of early stage coordination** : Coordination can be achieved if it is attempted from the planning stage, such as objective setting, strategy and policy formulation
- (3) **Principle of continuity** : Principle of continuity states that coordination should be treated as a continuous process and taken on regular basis. It should be treated as never ceasing and never ending exercise of all managers.
- (4) **Principle of dynamism** : Principle of dynamism states that coordination does not work on the basis of rigid and fixed basis but on dynamic basis. Dynamism is required because changes occur in external factors which necessitate changes in the organisation.
- (5) **Principle of timing** : The Principle stresses on the importance of timely completion of every activity and procedure as delay in completing an activity leads to ineffective coordination .
- (6) **Principle of reciprocal relationship** : Reciprocal relationship exists between two or more persons in which each person working affects the functioning of others. In the organisational context, various departments may have reciprocal relationship.

### Q.3 What are the major techniques of coordination?

**Ans.:** The techniques or means of achieving co-ordination are :-

- (1) **Hierarchy of authority** : Hierarchy of authority shows lines of authority and relations between the persons at various levels in an organization. Superiors at each level exercise authority over their subordinates and ensures coordination.
- (2) **Planning** : A sound planning process ensures coordinated efforts. It presupposes sound and clear cut and objectives and targets for each member and department in an organisation.
- (3) **Standing plans** : Standing plans include objectives, policies, procedures, methods, rules which serve as impersonal techniques of coordination. They provide guidance, direction or criteria for making decisions.

- (4) **Communication system** : Effective communication system in an organisation is key to proper coordination. Both written and oral communication methods ensure proper transmission of the plans, policies, procedures, methods, order, rules , report, and suggestions throughout the organisation.
- (5) **Committees, task forces or teams** : These consists of members representing different departments. The members of committees meet periodically and exchange their views, feelings and information and reach to a common decision. This common decision helps in coordinating the activities in different departments.
- (6) **Conferences** : Conferences are held at regular intervals to achieve coordination. Through conferences members of various department interact freely with each other and find solutions.
- (7) **Staff groups** : Sometimes a specific staff group or a manager is assigned the responsibility of coordination within a department or between two or more departments. Through their experience knowledge and skills they improve the quality of coordination.
- (8) **Informal coordination** : Managers encourage social and unofficial relationships and interactions among the members of the organisation. This results in better understanding and better cooperation among the members.
- (9) **Effective leadership and supervision** : Leaders and supervisors can better guide and motivate their subordinates to the common goals and interests. Therefore the help in developing a common outlook which facilitates coordination.
- (10) **Incentives** : Incentives can as an effective tool to enhance coordination. Group incentives develops team-sprit and cooperative, hence can be used in organization for attain coordination.

- (11) **Liaison departments** : In big organisations, where frequent interaction happens between different departments, a liaison department is created which ensures the coordination between the related and interdependent departments.
- (12) **Induction** : When new employees join the organisation, manager s introduce them with the rules, regulations, procedures, social setting, behavioural norms, organisational values, beliefs and history. This helps to ensure coordination at early stage.
- (13) **Indoctrination and training** : Though indoctrination, manager can develop will to work for a common purpose in his subordinates. On the other hand, training makes the subordinate competent enough to do their job in the best possible manner.
- (14) **Sound decision making process** : A well established decision making process enables managers to coordinate effectively.

**Q.4 What are the essentials of effective coordination?**

**Ans.:** Effective coordination ensures synchronized operations of different units and individuals in an organisation. Following are the essentials of effective coordination:

- Well defined authority and responsibility
- Well defined work procedures
- Effective communication system
- Provision of checking and inspection
- Effective organisation structure
- Proper organisational climate

## Chapter-8

# Motivation

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**Q.1** Explain the meaning of motivation. Explain the important elements of a sound motivation system.

**Ans.:** The term motivation derived from the word 'motive', implies 'action to satisfy a need'. Motivation means the need or reason that makes people do some work or take some work.

According to **Dale S. Beach** - "Motivation can be defined as a willingness to expend energy to achieve a goal or a reward."

**William S Scott** - "Motivation means a process of stimulating people to act to accomplish desired goals. "

**Mefarland** - "Motivation refers to the way in which urges, drives, desires, aspirations, striving needs, direct control or explain the behaviour of human being"

**Essentials of a sound motivation system** : A sound motivation system should have the following essentials :-

- (i) **Purposive** : It should clearly state its objectives.
- (ii) **Productive** : Its should aim at increasing productivity of the organisational resources.
- (iii) **Positive** : It should adopt a positive approach towards employees.
- (iv) **Simple** : It should simple to understand and simple to implement.

- (v) **Challenging** : It should set challenging but attainable goals before employees.
- (vi) **Competitive** : It should be able to create competitive spirit among the employees.
- (vii) **Comprehensive** : A motivation system should consider all the needs of all the employees. It should recognize and consider individual nature, perception, values, needs and abilities.
- (viii) **Flexible and dynamic** : It should be capable of being adopted to changing needs of the employees and environmental situations..
- (ix) **Stable and permanent** : It should be reasonably stable and permanent. Ad-hoc motivation system cannot motivate employees on a continuous basis.
- (x) **Equitable** : It should be equitable to all the employees.
- (xi) **Integration of organisational and individual goals** : It should contribute to the achievement of organisational goals alongwith the individual goals.
- (xii) **Provision for punishment** : It must provide provision of penalty for unacceptable performance and behaviour of the employee.
- (xiii) **Feedback** : There should be adequate and effective mechanism for feedback on the application of motivation system.

**Q.2 Explain Maslow's need hierarchy theory.**

**Ans.:** A.H. Maslow, a psychologist propounded the need hierarchy theory of motivation. According to him, within every human being, there is a hierarchy of five needs which are as follows :-

- (1) Physiological needs
- (2) Safety needs
- (3) Social needs
- (4) Esteem needs
- (5) Self-actualization needs

**Physiological needs :** Physiological needs are concerned with the basic biological functions of the human body. These needs relate to the essentials for survival. These include the need for food, water, clothing, shelter, rest, sexual satisfaction, recreation etc. Physiological needs are the most powerful motivators as no human being can survive without them.

**Safety needs :** Safety needs are concerned with protecting the person from physical and psychological harm as well as the assurance that physiological needs will continue to be met. These include the needs of job security, economic and social security (pension, insurance). Safety needs begin to dominate when the physiological needs of a person are fairly met.

**Social needs :** Social needs relate to the desire to have social interaction, friendship, affection, belongingness with groups, acceptance, affection, support from others and so on. Such needs become motivators when physiological and safety needs have been fairly satisfied.

**Self-esteem or egoistic needs :** According to Maslow, these needs are of two types :-

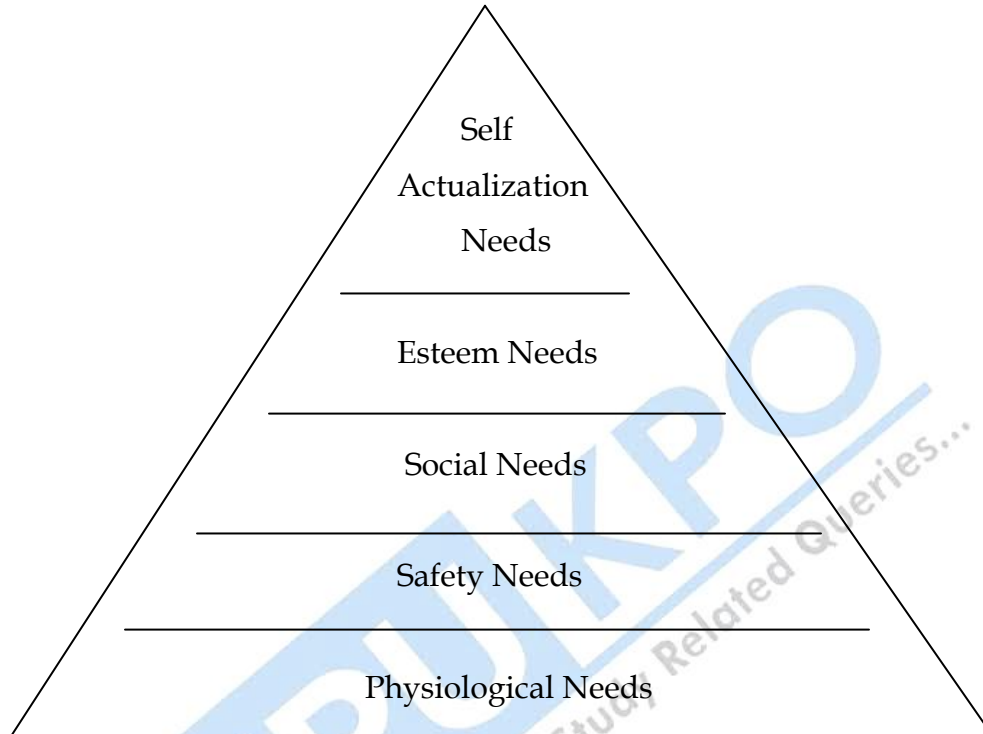
- (i) Need of self respect or self esteem.
- (ii) Needs of esteem from others or public esteem.

**Self respect** means the respect in the eyes of oneself. Self respect needs include the needs for self confidence, for competence, for independence and freedom, for achievement and personal strength. **Esteem from others** includes the needs for prestige, recognition, acceptance, attention status, reputation and appreciation from others

**Self-actualization needs :** Self actualization needs are the needs and aspirations for growth. Such needs motivate people by their presence. Self-actualization needs concern the needs for maximizing the use one's skills, abilities, potential to become everything that one is capable of becoming. Such needs relate to realization of one's full potential for



development, growth and fulfillment.



**Maslow's Need Hierarchy**

**Q.3 State the hygiene factors and motivating factors of Herzberg.**

Ans.: During the late 1950's Fredrick Herzberg, a U.S. behavioural scientist developed two factor theory of motivation. This is also known as the 'Motivation hygiene theory.'

This theory is based on empirical research of job attitudes of 200 engineers and accountants of a company, based on the responses given by them he categorized it into two groups.

**Herzberg:**

**Hygiene Factors**

- Company, policy and administration

**Motivators**

- Achievement

- Working conditions

#### **Hygiene Factors**

- Job Security
- Salary
- Quality of supervision
- Interpersonal relations

- Recognition

#### **Motivators**

- Advancement
- Responsibility
- Personal growth
- Opportunities
- Work itself

**Hygiene Factors or Maintenance Factors :** These factors are related to the job environment. The absence of these factors can cause dissatisfaction. But these factors do not motivate employees.

**Motivators :** According to Herzberg, these factors which make employees satisfied with their job and consequently motivate them. But their absence rarely dissatisfies the employees.

#### **Q.4 Explain the main assumptions of McGregor's Theory X and Theory Y.**

**Ans.:** Prof. Douglas McGregor was a psychologist, management consultant and author. He described two distinct set of assumptions about people at work. McGregor labeled these set of assumptions as theory X and Theory Y.

Theory X presents a pessimistic or negative view of human nature whereas Theory Y reflects an optimistic or positive view of human behaviour.

#### **Assumptions of Theory X :**

- (i) The average human being inherently dislike work and will avoid work, if possible.
- (ii) As they dislike work, they must be forced, controlled or threatened; with punishment to make efforts to achieve objectives.

- (iii) The average human being prefers to be directed.
- (iv) The average human being wishes to avoid responsibility.
- (v) The average human being has relatively little ambition.
- (vi) The average human being wants security above all other factors associated with the work.
- (vii) The average human being by nature, resists change.
- (viii) The average human being is gullible, not very bright.

**Assumptions of Theory Y :**

- (i) The average human being does not inherently dislike work. Employees find that work is as natural as play or rest if organisational conditions are appropriate.
- (ii) Employees will exercise self direction and self control.
- (iii) Commitment to objectives is a function of the rewards associated with their achievement.
- (iv) The average human being can be motivated by higher level needs i.e. esteem and self-actualization needs.
- (v) The average human being learns not only to accept but to seek responsibility.
- (vi) The capacity to exercise imagination and creativity in the solution of problems is widely spread throughout the population. It is not the role province of managers.
- (vii) Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

**Q.5 Name the financial and non-financial incentives or techniques of motivating employees.**

**Ans.: Financial Techniques :** Financial techniques of motivation are those which involves financial expenditure for an organisation and increase money income of its employees. These include :-

- (a) Pay
- (b) Dearness and other allowances
- (c) Bonus
- (d) Profit sharing
- (e) Fringe benefits

**Non-financial Techniques :** Non-financial techniques of motivation are those which are not associated with financial rewards. Such techniques are mainly psychic in nature. These are associated with the work and work environment. They are:

- (a) **Job enlargement :** It means enlarging or adding more and different but simple tasks to a specialized job.
- (b) **Job enrichment :** It is the process of adding several positive inducement and attraction in a job with a view to make the job more interesting, meaningful and challenging..
- (c) **Job rotation :** It is a technique in which employees are provided an opportunity to perform different jobs or functions by rotation.
- (d) Praise and recognition
- (e) Competition or contest
- (f) Promotion/status
- (g) Delegation of authority
- (h) Feeling of accomplishment
- (i) Security of job
- (j) Congenial social environment
- (k) Opportunity for advancement

## Chapter-9

# Controlling

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**Q.1 Define controlling.**

**Ans.:** Control means checking and correcting activities in order to ensure that things occur in accordance with the plans.

**Massie** - "Control is the process that measures current performance and guides it towards some predetermined goals."

**Philip Kotler** - "Control is the process of taking steps to bring actual results and desired results closer together."

**Robert Albaner** - "Managerial controlling is the process of assuring that actions are in line with desired results."

Thus, control is the process by which managers ensure that performance is in conformity with the plans and goals. It involves setting of standards, measuring actual performance and correcting the performance if it deviates from the standards.

**Q.2 Discuss the four main steps in the control process.**

**Ans.:** Control is a continuous or ongoing dynamic process. It may involve many steps. Usually a control process consist of the following steps :-

- (1) Establishment of standards
- (2) Measurement of performance
- (3) Comparison of performance with standards
- (4) Taking corrective action

**Establishment of standards :** Standards are the objectives or plans against which actual performance can be measured. They should be tangible, verifiable and measurable. The performance standards are generally classified into four categories :-

- (i) Productivity standards
- (ii) Time standards
- (iii) Cost standards
- (iv) Quality standards
- (v) Behavioural standards

**Measurement of performance :** Actual performance may be measured through personal observation, samples, reports, accounting statements etc. But Managers should carefully select the methods and time measurement. Measurement methods may be quantitative as well as qualitative or both.

**Comparison of performance against standards :** The third step in the control process is the comparison of actual performance with the standards. In this step, manager finds the degree of variation or deviation between the two. If them manager finds no deviation, no further action is required. If deviation is found, the manager finds the extent of deviation. If the deviation is within the tolerance limits, manager do not bother but if it exceeds the tolerance limit, manager has to take a corrective actions.

**Taking corrective actions :** At this stage, manager has to find out the cause of deviation. If the cause is beyond the control managers can do nothing. But If the cause is controllable, manager may either :-

- (i) Correct actual performance  
or
- (ii) Revise the standards

**Q.3 State the various tools and techniques of control.**

**Ans.:** Few important techniques are as follows :-

- **Traditional Techniques :**



- Personal observation
- Setting examples
- Plans and policies
- Organisational manuals and charts
- Disciplinary system
- Written instructions
- Statistical data
- Special reports and records
- Financial statements
- Operational audits
- Break even analysis
- Standard costing
- Budgets/Budgetary control
- **Modern Techniques :**
  - Return on investment(ROI)
  - Management audit
  - Management Information system(MIS)
  - Network Techniques
  - Zero-base budgeting
  - Responsibility accounting

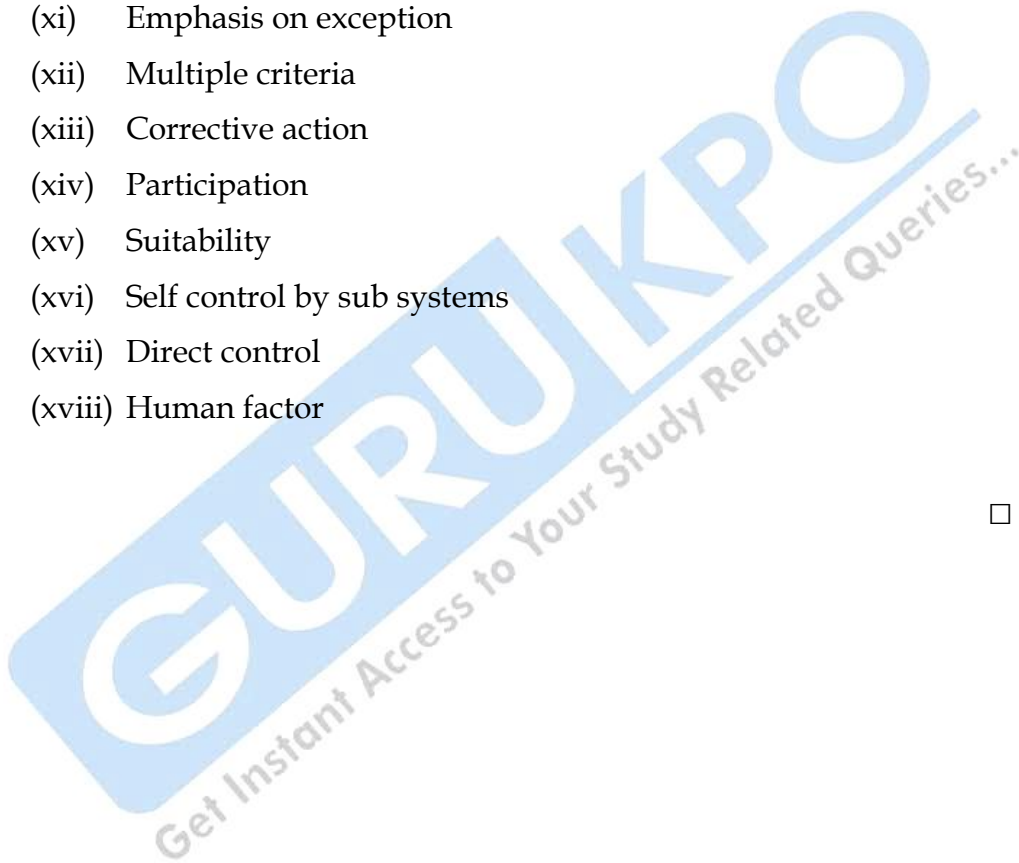
**Q.4 Describe the essential elements of an effective control system?**

**Ans.:** An effective control system should have the following requirements :-

- (i) Goal oriented
- (ii) Accurate
- (iii) Objective
- (iv) Understandable

- (v) Flexible and forward looking
- (vi) Economical
- (vii) Reasonable standards
- (viii) Strategic point control
- (ix) Timeliness
- (x) Consistent to organisation structure
- (xi) Emphasis on exception
- (xii) Multiple criteria
- (xiii) Corrective action
- (xiv) Participation
- (xv) Suitability
- (xvi) Self control by sub systems
- (xvii) Direct control
- (xviii) Human factor

□ □ □



**B. Com (Part-II) Examination, 2011**  
**(10+2+3 Patterns) (Faculty of Commerce)**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks.
  - (i) What do you understand by management?
  - (ii) What is the principle of exception?
  - (iii) What are the Hawthorne Experiments?
  - (iv) What is scientific management?
  - (v) What is coordination?
  - (vi) Define organization.
  - (vii) What is delegation of Authority?
  - (viii) Explain two important principles of direction.
  - (ix) What is motivation?
  - (x) Define controlling.
  
2. Answer each of the following questions in not more than 50 words. Each question carries four marks.
  - i. Differentiate between Management and Administration.
  - ii. Write a note on 'Systems School of Management'.
  - iii. Explain the Vertical Co-ordination.
  - iv. "Administration is primarily a decision-making process." Comment.
  - v. State the advantage of informal organizations.

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each

### Section-A

3. Define management and discuss the important principles of management..
4. Define the term planning. Bring out the importance of planning in management. What are its limitations?

### Section-B

5. What do you mean by communication? Explain the barriers of communication and give suitable suggestions to remove them.
6. Define leadership. Discuss the different theories of leadership.

### Section- C

7. Explain the meaning and importance of motivation. What should be the importance elements of a sound motivation system?

Define control. Describe the essential elements of effective control system.

**B. Com (Part-II) Examination, 2010**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks.
  - (i) How management is universal?
  - (ii) What do you mean by conceptual skill of manager?
  - (iii) What does the 'SWOT' stand for?
  - (iv) What decision-making?
  - (v) What is meant by decentralization of Authority?
  - (vi) What is meant by external environment of business?
  - (vii) What is management of change?
  - (viii) What is organization development?
  - (ix) What is external coordination?
  - (x) Enumerate the levels of control.
  
2. Answer each of the following questions in not more than 50 words. Each question carries four marks.
  - i. Is management a profession? Explain with reason.
  - ii. Write four distinctions between formal and informal organisation.
  - iii. Explain the principles "Span of Control".
  - iv. Discuss four modern techniques of communication.
  - v. "Coordination is the essence of management". Explain

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each

### Section-A

3. What do you mean by "Management by objectives"? Explain the steps in the MBO Process.
4. What is meant by planning? Explain the steps involved in planning process.

### Section-B

5. What do you mean by "Organisational Environment"? State the components of environment of business organisation. How they influence business organisation? Explain.
6. What is leadership? What is the need of leadership? Discuss the different styles of leadership.

### Section- C

7. What do you mean by 'Direction'? Discuss the principles of effective direction.
8. Explain the Maslow's hierarchy theory of motivation. How does it differ from the Herzberg's two-factor theory?



**B. Com (Part-II) Examination, 2009**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks.
  - (i) Is management a profession?
  - (ii) What is human behaviour approach to Management?
  - (iii) What do you understand by M.B.O.?
  - (iv) What is planning?
  - (v) What is management of change?
  - (vi) Define organisation of development.
  - (vii) What do you mean by democratic leadership?
  - (viii) What do you mean by Direction?
  - (ix) What is negative motivation?
  - (x) State the main assumptions of McGregor's 'X' theory.
  
2. Answer each of the following questions is not more than 50 words. Each question carriers four marks.
  - (i) "Management process is an integrated process". Explain?
  - (ii) What do you mean by decentralization of authority?
  - (iii) State the four main qualities of successful leader.
  - (iv) Explain Maslow's theory of motivation.
  - (v) State the main components of direction.

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each.

### Section-A

3. Define Management. Give the importance of management in Indian context.
4. What is decision-making? Explain clearly the process of decision- making.

### Section-B

5. What do you mean by delegation of authority? Why is it necessary? what factors should be kept in mind while delegating authority?
6. Explain the barriers of communication and give suitable suggestions to remove them.

### Section-C

7. "Coordination is the essence of management". Explain this statement and discuss the techniques of Coordination.
8. Define control. Describe various tools and techniques of control.

**B. Com (Part-II) Examination, 2008**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks.
  - i. Define the meaning of term "Top Management".
  - ii. Write the name of management who was the founder of "Scientific Management"
  - iii. Write the name of management scientist who conducted the "Hawthorne Experiment" In management studies.
  - iv. Write the name of author who wrote the book "General and Industrial Management".
  - v. Write and role of management principle "Work-Division" in management.
  - vi. Write the name of management author who originated the "Theory of hierarchy of needs"
  - vii. Define the term "Long Term Planning".
  - viii. Define the meaning of "Work Incentives"
  - ix. Define the meaning of "Group Decisions".
  - x. Define the management control.
  
2. Answer each of the following questions in not more than 50 words. Each question carries four marks.
  - i. Define "Scientific Management"
  - ii. Write any five management functions.
  - iii. Write the importance of 'forecasting in managerial planning.
  - iv. Define the term "Span of control"
  - v. Write any five principles of successful communication.

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each.

### Section- A

3. Define management and explain its nature.
4. Define planning and explain its components.

### Section-B

5. Define organization structure. Explain the importance of good organisation structure.
6. Define leadership. Explain briefly the styles and theories of leadership.

### Section-C

7. Define direction and explain its principles.
8. Define motivation. Explain the "Herzberg's theory of motivation.

**B. Com (Part-II) Examination, 2007**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks.
  - i. How management is a social process?
  - ii. What is scientific management?
  - iii. Who is chief Executive Officer?
  - iv. What is the principle of exception?
  - v. Define decision- making?
  - vi. Explain two important principles of direction.
  - vii. Define line organization.
  - viii. Enumerate the steps of a control process.
  - ix. What is management by authority?
  - x. What is management by authority?
  
2. Answer each of the following questions in not more than 50 words. Each question carries four marks.
  - i. Prove that management is both an Art and a Science.
  - ii. Define " Management by Objective"
  - iii. What is an organization Chart?
  - iv. What do you mean by Decentralization of authority?
  - v. State the four main qualities of a successful leader.

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each.

### Section-A

3. Define management and discuss the important principles of management.
4. Define the term planning. Bring out the importance of planning in management.

### Section-B

5. Explain the barriers of communication and give suitable suggestions to remove them.
6. What are the formal and informal organizations? Clarify the distinction between the two.

### Section-C

7. Define coordination and discuss its importance in management.
8. Explain in details the Maslow's need hierarchy theory of motivation



**B. Com (Part-II) Examination, 2006**  
**Business Administration**  
**Second Paper : Business and Management**

**Time: One Hour**

**Max. Marks: 40**

**OBJECTIVES PART- I**  
**Attempt all questions**

1. Answer each of the following questions in not more than 20 words. Each question carries two marks:
  - i. What is management process?
  - ii. What is the principles of unity of direction?
  - iii. What is planning?
  - iv. What is Policy?
  - v. What do you mean by organization?
  - vi. What is Power?
  - vii. What do you mean by Democratic Leadership?
  - x. Explain two important principles of direction.
  
2. Answer each of the following questions in not more than 50 words. Each question carries four marks.
  - i. Differentiate between management and administration.
  - ii. Explain the main assumption of Scientific Management School.
  - iii. Explain the vertical and horizontal coordination.
  - iv. Explain the principles of span of control.
  - v. Explain the levels of control.

## DESCRIPTIVE PART- II

**Time: Two Hours**

**Max. Marks: 60**

Attempt three questions in all, Selection at least one question from each Section. All questions carry equal marks of 20 each.

### Section-A

3. Write an essay on Importance of Management in modern economy.
4. Management is the development of people, not direction of things. Critically discuss the statement.

### Section-B

5. What do you mean by management of change? What are forces that affect the management of change?
6. Discuss the various theories of leadership.

### Section-C

7. Explain clearly the Maslow's need hierarchy theory. How does it differ from that of the Herzberg's two factor theory?

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