

FOUNDATION EXAMINATION

(SYLLABUS 2008)

SUGGESTED ANSWERS TO QUESTIONS

JUNE 2012

Paper-1 : ORGANIZATION & MANAGEMENT FUNDAMENTALS

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.

SECTION - I

Answer Question No. 1 which is compulsory and *any one* question from the rest of Section I.

Q. 1. (a) Do you agree with the following statements? Write 'Yes' or 'No' giving proper reasoning in support of your answer. No mark will be awarded for just mentioning 'Yes' or 'No'. : [2×6]

- (i) In Formal Organizations, grapevine supplements official communication.
- (ii) A Management, believing in Theory Y, will tend to have a mechanical structure with close control.
- (iii) Anthropology is concerned with social behaviour of people.
- (iv) Henry Fayol is regarded as the father of bureaucracy.
- (v) Co-optation is a combination of two or more organizations, who, without losing their respective identities, work for a common purpose.
- (vi) According to Peter Drucker, exclusive emphasis on profit may be dangerous to sound management.

(b) Match the following :

[1×12]

Column I

Column II

- | | |
|---|--|
| (i) Organization Structure | A. Division of labour |
| (ii) Disadvantages of Line Organization | B. Pioneered by Elton Mayo |
| (iii) F.W. Taylor | C. the right to act, to issue orders and extract obedience from others |
| (iv) More often than not, Conflict | D. suitable for large organizations |
| (v) Organizational Culture | E. a happy marriage between Theory & Practice |
| (vi) Authority is | F. the skills or capabilities of a person |
| (vii) Line & Staff Organization | G. is the fundamental & unique purpose of a business firm |
| (viii) Ability means | H. is primarily concerned with allocation of tasks |
| (ix) Human Relations movement | I. Mutual Problem Solving |
| (x) The mission of a business | J. represents a common perception held by the organization's members |
| (xi) Conflict handling mode | K. leads to certain positive outcomes |
| (xii) Contingency Theory is | L. is lack of specialization |

Answer 1. (a)

- (i) No. In Informal Organizations, grapevine supplements official communication.
- (ii) No. A Management, believing in Theory X, will tend to have a mechanical structure with close control.
- (iii) No. Sociology is concerned with social behaviour of people.
- (iv) No. Max Weber is regarded as the father of bureaucracy.
- (v) No. Coalition is a combination of two or more organizations, who, without losing their respective identities, work for a common purpose.
- (vi) Yes. It is very true that, exclusive emphasis on profit may be dangerous to sound management

Answer 1. (b)

- | | |
|---------|----------|
| (i) H | (vii) D |
| (ii) L | (viii) F |
| (iii) A | (ix) B |
| (iv) K | (x) G |
| (v) J | (xi) I |
| (vi) C | (xii) E |

Q. 2. Explain the following :

[2×3]

- (a) Matrix Organization
- (b) Concept of Organizational Behaviour
- (c) Environmental Influence over Organizational goals.

Answer 2. (a)

Matrix Organization : is a combination of two or more organisation structures. For example, Functional Organisation and Project Organisation.

The organisation is divided into different functions, e.g. Purchase, Production, R & D, etc. Each function has a Functional (Departmental) Manager, e.g. Purchase Manager, Production Manager, etc.

The organisation is also divided on the basis of projects e.g. Project A, Project B, etc. Each project has a Project Manager e.g. Project A Manager, Project B Manager, etc.

The employee has to work under two authorities (bosses). The authority of the Functional Manager flows downwards while the authority of the Project Manager flows across (side wards). So, the authority flows downwards and across. Therefore, it is called “**Matrix Organisation**”.

Answer 2. (b)

Organizational Behaviour is concerned with the study of what people do in an organization and how their behaviour affect the performance of the organizations.

An understanding of organizational behaviour is valuable for improving human behaviour in positive direction, on the one hand and the total organization climate, on the other hand. It tries to promote our understanding of the process of human behaviour and the changes that takes place in the goals, roles, values and interests of the organization members during the course of their association with organizations.

Answer 2. (c)

Environmental Influence over Organizational goals : No organization functions in isolation. It has a large number of other organizations in its environment. As organizations and their environments interact, one is likely to influence the other. The influence of environment over organizational goals is considerable. Goals are outcome of interactions between organisation and its environment.

Q. 3. (a) State the common conflicts between ‘Line’ and ‘Staff’.

[2]

(b) What are the basic factors that shape the personality of an individual.

[2]

(c) Why are formal objectives necessary for an Organization?

[2]

Answer 3. (a)

The common conflicts between ‘Line’ and ‘Staff’ :

The Line Managers make the following complaints against the Staff personnel :

- (i) The Staff do not confine themselves to their advisory role and interfere in the work of Line Managers.
- (ii) Staff often does not give fully considered, well-balanced and sound advice.
- (iii) Staff steals credit for the success.
- (iv) Staff experts fail to see the whole picture objectively.

The Staff personnel usually make the following complaints against the line managers :

- (i) Line Managers often resist new ideas provided by the Staff.
- (ii) Line does not provide Staff sufficient authority.
- (iii) Line Managers do not make proper use of the Staffs.

Answer 3. (b)

The following are the basic factors that shape the personality of an individual :

- (i) Biological factors like Heredity, Brain and Physical features.
- (ii) Family and social factors.
- (iii) Cultural factors.
- (iv) Situational factors both restraints and push to personality formation.

Answer 3. (c)

Formal Objectives are necessary for Organizations, as they define the future state of affairs, which the organization strives to realize. The objectives also constitute a source of legitimacy, which justifies the activities and the existence of the organization. Further the set of objectives defines the domain of the organization. Infact the objectives are very rationale of what the organization does. Besides, the formal objectives govern the behaviour of employees. It also serves to govern decision-making.

SECTION - II

Answer Question No. 4 which is compulsory and *any three* questions from the rest of Section-II.

Q. 4. (a) Match the following :

[1×12=12]

<i>Column I</i>	<i>Column II</i>
(i) Human Resource Management	A. is the process of choosing the most suitable candidates from amongst the applicants
(ii) Charge Sheet	B. Provides an integrated approach to Planning & Control
(iii) Mental Revolution	C. the dynamics of management
(iv) Planning	D. Ego defensiveness
(v) Management by Objectives	E. Jobs have become routines
(vi) Power is	F. Primary function of management
(vii) Delegation is	G. Scientific Management
(viii) Resistance to change is due to	H. with a service motive
(ix) With growing automation	I. Board for Industrial & Financial Reconstruction
(x) Public Enterprise is generally run	J. an important means to enforce obedience to rules, regulations and decisions of the Organization
(xi) Sick units	K. is written complaint against the employee
(xii) Selection	L. is concerned with the development of potentialities of Human Resources

(b) Fill in the blanks with appropriate word/words : [1×10]

- (i) _____ is the best method of recruiting personnel for skilled workers, clericals and higher staff.
- (ii) Under the Principle of _____ , each group of activities with the same objective must have one head and one plan.
- (iii) _____ equated management with decision-making.
- (iv) _____ is the system of organizing information flow and network within the organization.
- (v) Responsibility cannot be _____ .
- (vi) _____ style of leadership involves complete delegation of authority so that subordinates themselves take decisions.
- (vii) _____ and _____ can be used to change the basic values and attitudes of people.
- (viii) Group Dynamics can be used to overcome resistance to _____ in organizations.
- (ix) Every Public Company must have at least _____ directors.
- (x) Government has set up a _____ fund to be used retraining and redeployment of retrenched labour and to provide compensation to Public Sector employees, seeking voluntary retirement.

(c) Expand the following abbreviations : [1×7]

- (i) VRS
- (ii) GST
- (iii) CPM
- (iv) POSDCORB
- (v) GD
- (vi) OD
- (vii) MOU

(d) Do you agree with the following statements? Write 'Yes' or 'No' giving proper reasoning in support of your answer. No mark will be awarded for just mentioning 'Yes' or 'No' : [2×5]

- (i) Leadership is an act of stimulating employees to accomplish a desired course of action.
- (ii) Time Study involves the study of movements in parts, which are involved in doing a job.
- (iii) Confrontation involves withdrawal of parties from the scene of the conflict.
- (iv) It is natural for human beings to resist change.
- (v) Directors of a company are called trustee as they control the company's property.

(e) Define the following in one sentence each : [1×4]

- (i) Company Secretary
- (ii) Example of Group Dynamics Training
- (iii) Confrontation
- (iv) Induction

Answer 4. (a)

- | | | |
|---------|----------|---------|
| (i) L | (v) B | (ix) E |
| (ii) K | (vi) J | (x) H |
| (iii) G | (vii) C | (xi) I |
| (iv) F | (viii) D | (xii) A |

Answer 4. (b)

- (i) Advertisement is the best method of recruiting personnel for skilled workers, clericals and higher staff.
- (ii) Under the Principle of Unity of Direction, each group of activities with the same objective must have one head and one plan.
- (iii) Herbert A. Simon equated management with decision-making.
- (iv) Management Information System is the system of organizing information flow and network within the organization.
- (v) Responsibility cannot be delegated.
- (vi) Free-rein or Laissez-fair style of leadership involves complete delegation of authority so that subordinates themselves take decisions.
- (vii) Counselling and Training can be used to change the basic values and attitudes of people.
- (viii) Group Dynamics can be used to overcome resistance to change in organizations.
- (ix) Every Public Company must have at least three directors.
- (x) Government has set up a National Renewal fund to be used for retraining and redeployment of retrenched labour and to provide compensation to Public Sector employees, seeking voluntary retirement.

Answer 4. (c)

- (i) VRS : Voluntary Retirement Schemes
- (ii) GST : General System Theory
- (iii) CPM : Critical-Path Method
- (iv) POSDCORB : Planning(P), Organizing(O), Staffing(S), Directing(D), Controlling(CO), Reporting(R), Budgeting(B).
- (v) GD : Group Dynamics
- (vi) OD : Organization Development
- (vii) MOU : Memorandum of Understanding.

Answer 4. (d)

- (i) No. Motivation is an act of stimulating employees to accomplish a desired course of action.
- (ii) No. Motion Study involves the study of movements in parts, which are involved in doing a job.
- (iii) No. Avoidance involves withdrawal of parties from the scene of the conflict.

- (iv) Yes. It is natural for human beings to resist change.
- (v) Yes. Directors of a company are called trustees as they control the company's property.

Answer 4. (e)

- (i) Company Secretary is responsible for the secretarial works of the company and acts as the link between the Board of Directors of the company and the operating organization.
- (ii) Example of Group Dynamics Training : Role playing/T-Group Training/Psycho drama, etc.,
- (iii) Confrontation is a technique in which parties to the conflict are left free to settle their score by mobilizing their strengths and capitalizing on the weakness of others.
- (iv) Induction refers to the activities involved in introducing the new employees to the organization and its policies, procedures, rules and regulations.

- Q. 5. (a) Discuss Taylor's principles of Scientific Management. [5]**
- (b) List the main benefits of Training. [4]**

Answer 5. (a)

Taylor's Principle of Scientific Management :

The following are the basic principles of Taylor's Scientific Management :

- (i) Replacing Rule of Thumb with organized knowledge.
- (ii) Harmony in group action rather than discord.
- (iii) Cooperation rather than chaotic individualism.
- (iv) Continuous increase in Production and Productivity leading in maximum output.
- (v) Development of all workers by imparting appropriate training.

Answer 5. (b)

Benefits of Training :

The main benefits of Training are :

- (i) Increased productivity
- (ii) Job satisfaction
- (iii) Reduction in accidents
- (iv) Better use of resources
- (v) Reduced supervision
- (vi) Greater flexibility
- (vii) Management by exception
- (viii) Long-term stability and growth of the organization.

- Q. 6. (a) Planning suffers from a number of limitations. What are they? [5]**
- (b) What are the basic steps involved in the process of delegation? [4]**

Answer 6. (a)

Limitations of Planning :

Planning suffers from the following limitations :

- (i) Inaccuracy, if data is based on guesswork, hunch or gamble and not on facts and accurate information.
- (ii) Time-consuming as it involves determination of major goals of organisation by mobilisation of different kinds of resources.
- (iii) Rigidity – It stifles employee initiative and freedom of action.
- (iv) Costly – Planning cost are part of overhead and must be paid regardless of organisations productivity levels.
- (v) Attitudes of management – Managers concentrate on immediate problems and ignore planning.
- (vi) Faulty design of planning system.
- (vii) Planning prevents innovation.
- (viii) Lack of orientation and training for managers.
- (ix) Uncertainties represented by Government policies regarding tax structure, interest rates, control of credit; emergencies etc. In such cases plans are totally upset.
- (x) Planning is a mere ritual in a fast changing environment.

Answer 6. (b)

The process of delegation involves the following basic steps :

- (i) Determination of results expected.
- (ii) Assignment of duties.
- (iii) Granting of authority.
- (iv) Creating accountability for performance.

Q. 7.(a) What are the challenges facing the future managers in the light of the environmental changes? [5]

(b) Why do people resist change? [4]

Answer 7. (a)

Challenges facing the future managers :

The following are some of the challenges facing the future managers, in the light of the environmental changes :

- (i) Expansion in the frontiers of organizational activities.
- (ii) Diversification of product lines, mergers and accumulation of vast financial resources.
- (iii) Complicated Organization Structures and dynamic managerial systems.
- (iv) Growing complexity of decisions.
- (v) Obsolescence of Managerial Experience.
- (vi) Inadequacy of Traditional Organization Structures.
- (vii) Involvement in community affairs.

- (viii) Customer Satisfaction.
- (ix) Protection of consumer interests through legal and other measures.
- (x) Changing human values and rapid technological advances.

Answer 7. (b)

People often resist change due to following factors :

- (i) Fear of technological unemployment.
- (ii) Fear of reduced work hours and consequently reduced monetary benefits.
- (iii) Fear of demotion and consequently lesser pay.
- (iv) Reduced Incentive wages.
- (v) Obsolescence of existing knowledge and skills.
- (vi) May disturb their convenience and comforts.
- (vii) It may hurt their ego.
- (viii) May lead to social displacement.

Q. 8. Write short notes on :

[3×3]

- (a) Changing role of the Board of Directors,**
- (b) Problems of Public Sector Enterprises,**
- (c) Difference between a Private Sector and Public Sector.**

Answer 8. (a)

The changing role of the Board of Directors :

Ideally, the Board is created to look after the interests of share-holders. But, in the present-day, the number of shareholders is quite significantly large in big corporations and consequently the role of the Board of Directors, is also changing. The problem is that many shareholders are disinterested in 'who is running the enterprise'. They are interested in 'how the enterprise is being run'. The paradox is that if the shareholders do not get fair return on their investment, they do not make any attempt to change the directors. Instead, they simply sell away their shares. These days it is easy to purchase and sell shares in the stock market. Another associated problem is that the directors cannot have contact with most of the stockholders except the largest ones.

Another fundamental truth, now-a-days, is that the average shareholder is not interested in the running of the affairs of the corporation, rather he is interested only in the rate of return.

In big corporations, the Board of Directors performs tight-rope-walk. The Board is aware that in the long run, the growth of the corporate system depends on the public confidence. The Boards of the larger corporations have become more active and effective.

Answer 8. (b)

Problems of Public Sector Enterprises :

The following are some of the major problems faced by Public Sector Enterprises :

- a. Most of the Public Sector Enterprises are at the mercy of political parties and ministers, who, many a time, are incapable of understanding the management techniques and strategies. Consequently the efficiency of these undertakings is adverse.
- b. There is no autonomy of management, due to the interference into the day-to-day functioning by the ministers and political parties, which hampers the efficiency and effectiveness. There exists 'red-tapeism' and rigidity. Most of the Public Enterprises are infected by the 'Bureau-pathology'.
- c. Poor Project Planning.
- d. Large overhead expenditure.
- e. Over capitalization.
- f. Weak manpower planning.
- g. Lack of incentives.
- h. Pricing Policies, due to Social Objectives and general well-being of the society at large.
- i. Long delays in reporting.

Answer 8. (c)

Difference between a Private Sector and Public Sector :

- (i) Public Sector Undertakings are owned by the Government while Private Sector undertakings are owned by 'private individuals'.
- (ii) Public sector is to promote public welfare and fulfillment of the social objectives while the primary motive of Private Sector is to earn profits.
- (iii) Public Enterprises are subject to strict financial control by the Government but Private Enterprises are not subject to any financial control by Government.
- (iv) Public Enterprises are accountable to the Public & Parliament, where as Private Enterprises are not accountable to public.
- (v) Public Sector Enterprises are managed by bureaucrats and not by professionals. Consequently their management is poor and inefficient. Private Enterprises are managed by professionals and the management is motivated.
- (vi) Public Enterprises helps in the equitable distribution of national income, since the full profits go to the government. But in case of Private Enterprises, there is a danger of concentration of wealth in few hands.