FOUNDATON EXAMINATION

(REVISED SYLLABUS - 2008)

Paper - 1 : ORGANIZATION & MANAGEMENT FUNDAMENTALS

Section - I

[Organisation]

Q. 1. **Do you agree with the following statement? Write 'Yes' or 'No', giving proper reasoning in support of your answer.**

  (i) **Staff appraisals reduces absenteeism.**

  (ii) **Principles of unity of command and unity of principle mean the same thing.**

 (iii) **Management is a social process.**

  (iv) **Organization and management mean the same thing.**

  (v) **Written Communication is the transmission of message / information through written words in electronic mails.**

Answer 1.

  (i) **False –** Non-financial incentives reduces absenteeism. Staff appraisals assess the potential for promotion.

  (ii) **False –** Principle of unity of command and unity of principle are different. Principle of unity of command refers to receiving order from one superior.

 (iii) **True –** It is a social process as it utilizes the best combination of human & non-human resources.

  (iv) **False –** Organization is a function Organization and management are different terms.

  (v) **False –** Electronic mail is a tool for written communication. Written communication may be through any media.

Q. 2. (a) Define the term 'organization'.

    (b) Write a short note on organization charts.

Answer 2. (a)

There is need for an organization whenever groups of people work together to reach common goals. Thus, in essence, organization is a group of individuals with a common goal, bound together by a set of authority-responsibility relationships. One of the functions of management is to coordinate available resources of an organization for effective operations.

Thus, organizing is the management function that establishes relationships between activity and authority. It refers to four distinct activities :

  (i) It determines work activities that are to be to done to achieve organizational goals.

  (ii) It classifies the type of work needed in various categories and then groups the work into several managerial work units.

 (iii) It assigns the works to individuals and delegates the appropriate authority.

    (iv) It designs a hierarchy of decision-making roles and relationships. An organization is the end result of the organizing process. Thus an organization is a whole consisting of unified parts (a system) acting in harmony to execute tasks to achieve goals- both effectively and efficiently.

'Organisation' is a broad term. Therefore, study of the organizing process is based on a number of important concepts; such as (1) division of labour, or specialization, (2) use of formal organization charts, (3) chain of command, (4) unity of command, (5) communication channels, (6) departmentation, (7) levels of hierarchy, (8) span of management, (9)use of committees,(10) bureaucracy, and (11) the inevitability of informal groupings.

Answer 2. (b)

Organization charts are an endeavor to record the formal relationships in an organization, showing some of the relationships, the main lines of communication and the downward flow of authority and responsibility through all the levels of the management hierarchy.

- Thought is needed in constructing charts, as this exercise forces executives to think more specifically about organizational relationships.
- Records and charts provide information to people who wish to know about the enterprise and are useful in instructing new personnel on company organization.
- They form a basis for organizational change and, by projection into the future, can aid the evaluation of organizational planning as strengths and weaknesses can be observed.
- They soon become out-of-date.
- Human relationships cannot be shown on paper, even when they can be defined and described.
- They introduce rigidity into relationships, as people tend to keep within their charted area and become too conscious on boundary lines. (This is one reason why the American Chrysler Corporation deferred using orgainsation charts for a long time. They wished to encourage the crossing of lines of authority and to retain flexibility).
- Costs of preparation, storing and studying charts may be more than their benefits are worth.
- They introduce status problems. People may not wish comparisons to be made between themselves and others. (The author recently asked a human resources manager why his company had no organization chart. He replied in one word, 'Politics'.)

If the above disadvantages are considered carefully most of them can be overcome and, if the charts are carefully compiled, kept up-to-date and regarded purely as an aid, they can be of assistance to management.

There are certain conventions which are generally in use in the compilation of charts. Line relationships are shown by a continuous line. A position, function or unit is often enclosed by a 'box'. Sometimes names of personnel occupying positions are also included in the box. Broken or dotted lines are used to denote functional relationships and vertical and horizontal lines link boxes.

Q. 3. (a) What is functional departmentation? What are its advantages and disadvantages?

    (b) What do you mean by committee organization?

Answer 3. (a)

In order to decie upon the method of grouping or division of work, the main objectives of the business must be considered. The grouping of functions or tasks is referred to as departmentation.

This is the most widely used basis of departmentation. Three main categories occur in most enterprises, i.e., production (the creation of, or addition to utility of, a good or service), selling (finding customers for goods and services at a price), and finance (obtaining and expending funds). As types of enterprise vary, department names vary, e.g., a wholesaler does not produce, he buys, and therefore his departments may be buying, selling and finance. Often the amount of money spent may determine the department and the

chief business activity are usually made a separate unit, e.g., the auditing department in an accountancy firm.

Advantages :

  (i) This method is easy and logical to decide and usually effective in practice.

 (ii) It follows the principle of specialization and economies result.

Disadvantages :

  (i) Functions may not be so important as the area covered by the organization, e.g., the territory may be widespread and another grouping (geographical) may be better.

 (ii) Such specialization may invoke narrowness of outlook, i.e., inability to see the business as a whole.

(iii) Management positions need of wide experience and this is not readily available in a rigid department system which affords poor training grounds for managers.

Answer 3. (b)

Committees are a controversial device of organization. They consist of a group of persons to which some matter is committed. Some undertake management functions, e.g., policy making; others do not, e.g., operating committees. Some make decisions, others deliberate but do not decide, some have authority to make recommendations to a superior, others are formed purely to receive information without recommending or deciding.

Ad hoc committees are usually temporary, as they are created for a specific purpose, or to solve short-range problems, rather than for administrative purposes. If they are established as part of the organizational structure, with specifically delegated duties and authority, they are called formal.

Advantages :

  (i) Actions and ideas of related company units are coordinated.

 (ii) Communications are improved.

(iii) Judgement and executive talents are pooled and full use is made of specialization.

 (iv) Responsibilities for decisions are shared, rather than borne by a person.

Disadvantages :

  (i) They are often a waste of time and resources, especially if there are unsatisfactory compromises, or delays by a few members.

 (ii) Executives may hide behind committee decisions and avoid responsibility for their individual actions.

Confusion as to the nature of committees has arisen because of the variation of authority assigned to them. They, therefore, should have a clear purpose and be effectively led.

Comments :

A successful committee should :

- Be representative of all interests;
- Have a chairman (usually now called the chair or chairperson) respected by the group, who can integrate committee deliberation and handle the group firmly and fairly;
- Choose suitable subjects for group action and make precise proposals by agenda; any reports should be circulated prior to the meeting;
- Have clear-cut terms of reference;
- Have minutes circulated and approved;
- Be worth the cost of its operation.

Q. 4. (a) Why do managers often fail to delegate authority?

(b) Compare line organization with staff organization. Is there any link between the two?

Answer 4. (a)

It goes without saying that delegation is crucial to effective management. But in practice, we observe that some managers do fail to delegate and others delegate weakly. Some proximate reasons for these are :

 (i) Managers often develop a feeling that they are more powerful if they retain decision-making privileges for themselves.

 (ii) There is also a feeling among most managers that employees lack the ability to exercise good judgment. A manager often feels that he can perform a task better than his subordinates. Since he considers himself indispensable for a job he is reluctant to delegate.

 (iii) Some managers are also guided by the philosophy that workers would not prefer to have broader decision-making power.

 (iv) Finally, there is an apprehension among some weak-minded managers that employees may out-perform then-they will perform so effectively that the managers will be overshadowed and their own positions will be threatened.

However, the supervisors alone should not be blamed for their failure to delegate. In other words, all the (four) barriers to effective delegation of authority are to be found in managers and their supervisors.

The problem may lie with the employees. In fact, employees themselves may, sometimes, resist accepting delegation of authority. There are three reasons for this:

Firstly, if authority is delegated the employees feel that they are entrusted with added responsibilities. They also feel that delegation adds to their accountability. An employee usually finds it easier to go to his (her) manager to resolve a problem than to make the decision himself (herself).

Secondly, there is always the danger that an employee will exercise his new authority poorly and invite criticism. This is what employees attempt to protect themselves from.

Finally, most employees lack self-confidence and feel that if they are granted greater decision-making authority they are always under pressure.

Answer 4. (b)

Line organization is a type of structure consisting of direct vertical relationships connecting the positions at each level with those above and below. These line relationships are the channels through which authority flows form its source to point of action.

This structure forms a basic framework for the whole organization. The other types of structure are, in effect, modifications of it and must rely on it for authoritative action. It is usually depicted on charts by solid lines connecting the positions.

Line relations or direct or executive relations are those existing between a senior and his subordinates at all levels of command. The senior's instructions are to be complied with as authority is direct.

When organization is small, the leaders can effectively direct and control-line structure is usually adopted. All major functions, therefore, must be performed or supervised by the owner.

As business grows, time must be allocated among many functions and those which the owner prefers are more efficiently performed. The others will sooner or later be given to specialists and their abilities can be included in the organization by applying concepts of (a) staff, or (b) functional structures.

Staff structure occurs in two forms, staff assistant and specialist. Staff assistants perform their work subject to the approval of their superior; they have no formal authority to command the actions of others and act in the name of their superior.

For example, an assistant to the general manager takes over functions the general manager can do least well. The scalar chain is not lengthened, and assistants perform work which is subject to the approval and support of their chief.

Staff specialists are a modification of line structure. The structure consists of departments manned by staff specialists, who assist the line manager, e.g., industrial relations. It is worth nothing that a line manager cannot ignore a superior staff officer, as the staff officer's suggestion will usually result in formal orders being issued by the line manager's superior. The human resources function has often been regarded as staff. In practice, industrial relations departments have often taken over responsibility for hiring, firing, union negotiations and grievance settlements.

Staff relations arise from such appointments. Staff assistants assist the executive to whom they are allocated, but have no executive authority of their own and act on behalf of their superior, often they represent their chief, when they may assume 'representative' authority and responsibility.

Q. 5. (a) What is training? What is the role of an effective training programme?

(b) What is leadership? What are its different types?

Answer 5. (a)

An effective training programme can :

- improve efficiency and morale;
- introduce new techniques;
- provide for succession, enabling qualified replacements to be available;
- raise the standard of unskilled personnel, thus helping over-come labour shortages;
- develop supervisors and decrease the amount of supervision needed;
- lead to a reduction in scrap rates and improve machine utiliza-tion.

Before discussing methods of training, the concept of the *learning curve* can be considered. This curve seeks to present in diagrammatic form the progress of an individual. It ascends quickly, showing increasing profi-ciency, then levels out later. There are various plateaux in the curve, where a person is consolidating and developing his knowledge. Where a group of persons is being trained can be considered as the creation of learning opportunities.

The required needs of managers and supervisors can be said to consist of :

(i) **Knowledge.** Basic knowledge for the job; this usually comes from education early in his work, or before employment. Reading assign-ments, seminar discussions aid the post-experience manager, espe-cially drawing examples from the working environment. A senior colleague could act as tutor, or programmed learning could be used to teach specific techniques.

(ii) **Skill and experience.** These are related closely to the job content. Preparation for new jobs can be made by giving a person assign-ments, case studies, decision-making exercises and management games to simulate real conditions. Group projects and role playing can supplement planned work experience to enable a person to increase his effectiveness.

(iii) **Attitude.** The development and conditioning of attitudes and pat-terns of behavior depend more upon *learning experiences. A* person will, for example, benefit more by experiencing co-operation than reading about it, and a person's ability to adapt t6 change, cooperate with others and be more self-confident, comes partly from the work situation. The development of attitudes can be quickened by organisational development training. These methods, briefly, teach a group to monitor its own performance, identify and agree problems and their resolution. Other business exercises can be operated under condi-tions of stress to improve the effectiveness of the individual, the group and the company.

Managers learn better when they see the relevance of what they are learning in relation to their own jobs. In everyday work, there is no time to conceptualise.

A person should be given an opportunity to try out his ideas in situation as near as possible to real life life conditions and practices. Therefore training that is relevant and provides persons or groups with an oppor-tunity to use the ideas learnt will be preferred.

Answer 5. (b)

Leadership is a means of directing. A leader's actions are devoted to helping a group to attain its objectives. Leadership is the ability of management to induce subordinates to work towards group goals with confidence and keenness. Leadership also implies that the leader accepts responsibility for the achievement of the group objective and it is, there-fore, essential for trust and cooperation from both sides to be in evidence

—   all the time.

It must be noted that leadership is not synonymous with administrative ability and that numerous attempts have been made to analyse the nature of leadership. One is to contrast authoritarian and democratic leadership.

The *authoritarian leader* gets others to do things by giving them little scope to influence decisions. He uses fear, threats, rewards, and his authority and personality to get his way. His policy is the 'stick and carrot' policy

—   as used for mules!

The *democratic leader* seeks to persuade and considers the feelings of persons and encourages their participation in decision-making.

Studies have shown that the democratic method gives followers greater job satisfaction and enables them to cooperate better, but there is doubt as to whether decisions taken, under this sort of leadership are better. Recent studies are more doubtful about democratic leadership because outside influences, *e.g.,* government and consumers, exert pressure and, if a leader becomes too employee-centered, production may suffer and morale fall.

Leadership can be formal *i.e.,* having delegated authority, and can exert great influence. Informal leaders can initiate action, but do not have the same authority. The choice of leader, therefore, should be based on an accurate diagnosis of the environment, *i.e.,* its reality, noticing that effec-tive leadership depends upon many conditions.

Q. 6. (a) Distinguish between Organisation Theory and Organisational Behaviour.

(b) Differentiate between objectives and goals.

Answer 6. (a)

Organization theory is the study of structure and design of organizations. It explains how organizations are designed and how can they be constituted to improve organizational effectiveness. On the other hand organizational behavior is he study of the behavior of the individuals and groups in organizational setting. The main points of difference between organization theory and organizational behavior are as follows :

Nature : Organization theory is descriptive and predictive about a particular state of affairs in the organization. On the contrary, organization behavior provides ways of influencing human behavior in desired direction on the basis of such description and prediction.

Purpose : Organization theory attempts to analyse and improve the design of organizations. Organization behavior attempts to explain and predict the behavior of individuals and group in organizations.

Scope of analysis : Organization theory is a macro analysis of organizations designed to integrate people with the organization. On the other hand, organization behavior deals with micro aspects of the organization, i.e. individual and group behavior in the organization.

Focus : In organization theory focus is on the sociology of organization whereas organization behavior stresses upon applied psychology of organizations.

There is, however, a close interrelationship between organization theory and organization behavior. It is not possible that an organization be structured and designed without regard to the people and their needs, feelings, behavioural process, etc. Similarly, one can rarely study and understand behavior in organizations without understanding the structure within which the behavior takes place.

Answer 6. (b)

Objectives are ends which the organization seeks to achieve by its existence and operation. Objectives may be classified into two categories viz. (i) external institutional objectives, and (ii) Internal objectives.

External institutional objectives are those which define the impact of the organization on its environment. External objectives are those which define how much is expected to be achieved with the available resources.

Goals are targets. Goals emerge from a coalition of interest and individuals who bargain with each other over objectives using money, status and power to press their views. Goal formation is a process wherein individuals seek to expert power to attain acceptable to them.

Q. 7. (a) What is morale? How can it be maintained?

   (b) What is the basis for effective discipline?

Answer 7. (a)

Morale can be a combination of many factors. A simple definition is that it is the state of a person's (or a group's) feelings and attitudes. In a more military sense, it is the quality that exists in a group of people, which arises from faith in their efficiency and discipline, and in the competent and fair way with which they are led. A rather broader meaning is given when it is used in business management — it is the collective attitude of workers towards each other, their work and man-agement.

When morale is high, work is done willingly, and with less supervision; when it is low, work is of poor quality and problems arise, *e.g.,* with a low labour turnover and absenteeism. When groups emerge in industry, each person must sacrifice some part of his individuality, as he, in effect, joins the group to serve the group purpose, thereby (impliedly or other-wise) agreeing to obey those who are in charge. Each group has a particular kind of acceptable behaviour, which is implanted in the mem-ber's thoughts, and this participation tends to give the members a feeling of superiority over non-group members. Craftsmen often adopt this attitude over non-craftsmen.

If a group can constantly work towards the common purpose, morale can be maintained. The purpose of the group, *e.g.,* to win a race, or to produce an article, becomes accepted as the purpose of the individual. Individual interests, though, must be subordinated to the group interest and, if this can be done, morale will be high. If morale is good, team spirit should be good as this arises where all members of the group know every member is working to achieve the group goal and obeys internal author-ity. But, if some members are aware that others are more interested in personal success, morale will be low and team spirit will be low.

In industry, for example, the manufacturing department may not achieve its target because of lack of material, and the planning department may be blamed. Many similar cases occur daily, in business — morale may be high (as everyone is trying to achieve the desired goal), but team spirit may be low because people (rightly or wrongly) are aware that some members are not pulling their weight.

The remedy for lack of team spirit is to give the staff better education and knowledge of the other person's or section's problems and to make them aware of the fundamental interrelations between department.

Answer 7. (b)

A basis for effective discipline is good motivation and sound, clearly-given instructions. It is essential for good communications to be used in order to let staff know what they are required to do.

Ideally, discipline should be based upon cooperation and a high morale, which will ensure that rules and conditions are obeyed willingly. By virtue of his position, a superior has the right to command and enforce obedience, if necessary. This gives him the right to punish, because of the harm which may be done to the group's purpose.

Discipline can be obtained by rewards as well as by punishment, but, usually, punishment is expected if accepted norms of behavior are not upheld. Disciplinary action should contribute towards improved behavior, but certain matters must be noted :

- behavior expected must be *made known* and this is best done in the period of induction;

- discipline should be exercised *fairly,* with no favoritism or excessive penalties and as soon *after* the breach as possible. (Some methods of disciplining are by reprimand, downgrad-ing, suspension, refusing a wage increase, transfer or dismissal).

- management should not *break rules itself.* A good example is essential;

- the quality of discipline can vary with the type of leadership and the understanding of the common purpose of the organization.

Q. 8. (a) What is the importance of control?

   (b) What is the difference between coordination and cooperation?

Answer 8. (a)

Planning, both at management level and at operational level, looks to the future and lays down what has to be achieved: control checks whether the plans are being realised and puts into effect corrective measures where deviation or shortfall is occurring.

Without effective controls an enterprise will be at the mercy of all the internal and external forces that can disrupt its efficiency and will be unaware of, and therefore unable to combat such forces.

Control is exercised over every aspect of an organisation's functions— from management performance to the activities carried on at every stage right down to the shop-floor.

Effective control ensures that efforts produced at all levels are commen-surate with those required to achieve the goals and objectives of manage-ment and of the different functions throughout the organization.

Answer 8. (b)

Sometimes the two terms 'coordination' and 'cooperation' are used interchangeably. But a close look reveals that these two terms do not imply the same thing. There is, in fact, a considerable difference between the two. Cooperation signifies the desire or willingness of people within the organisation to help one another. It is largely the result of voluntary attitudes and spirit of fellow-feeling on the part of organis-ational people or groups of people. By contrast, coordination cannot be achieved voluntarily by the participation of *a* group of people within the organisation. It requires something more than the willingness or the desire of the persons extending cooperation to one another. Nobel Lau-reate Herbert Simon writes: "Cooperation will be ineffective — will not reach its goal, whatever the intention of the participants — in the absence of coordination".

D. McFarland has pointed out the difference between coordination and co-operation thus :

"Cooperation is far. More inclusive term embaracing the idea of coopera-tion. Cooperation is mere willingness of individuals to help each other. It cannot be a satisfactory substitute for coordination.

Cooperation is for the most part the result of voluntary attitudes on the part of people in an Coordination, on the other hand, cannot be voluntarily ensured by a number of cooperating persons. Coordination is a state of affairs which an executive brings about through deliberate action on his part. Cooperation is a valuable element in coordination but cannot substitute for it."

Q. 9. (a) Suggest measures for improving the quality of managerial decisions.

(b) What is meant by the structure of an organization?

Answer 9. (a)

In order to improve the quality of decisions it is important to evaluate them at the time of deciding. One approach, advocated by Norman Maier, is to decide.

(i) What is the objective quality of the decision? Was the full process of decision-making adopted, i.e., diagnosing all facts, evaluating them, developing alternatives; it so, the decision should be high-quality. The more technical the problem, the more a quality decision will solve it.

(ii) What is the amount of acceptance of the decision by subordinates? Difficulty would ensue if quality considerations conflicted with acceptance. Subordinates may resist a decision they thought was made with insufficient facts or inaccurate logic. A manager can, of course, compel or persuade subordinates to accept the decision. The more people are involved in a problem, the less likely a decision based on 'quality' would be sufficient.

Maier suggested managers should evaluate each problem to see how they can increase the effectiveness of decisions by seeing how important it was to have quality and/or acceptance :

• Where high quality is important, not high (in financial areas, for example, acceptance is not so important);

• Where acceptance is more important than quality (group decisions help here to ensure a solution is made to work);

• Where both high quality and acceptance is needed, e.g., a change in the wage payment system. This could be solved by management stating its views, but a better (more acceptable) way would be to lead group discussions to reach an acceptable solution.

Answer 9. (b)

The organization structure is the basic framework within which the executive's decision-making behaviour occurs. The quality and nature of the decisions made are influenced by the nature of the structure. Organization, as an element of management, is concerned with the grouping of activities in such a manner that enterprise objectives are attained- the assignment of these activities to appropriate departments and the provision for authority, delegation and coordination. It is important to note that, in order to accomplish goals, activities must be grouped logically and authority should be granted so that conflicts do not occur.

Section - II
[Management]

Q. 10. (a) Match the following :

Column A	Column B
Delegation of authority	Where we want to go
Top line	Hierarchy Theory
Development	Is an important part of organization process
Vision	Growth of the individual
Maslow	Sales

(b) Write the full form of the following abbreviation :

   (i) OD

  (ii) SOBC Model

 (iii) CSF

 (iv) NRF

  (v) OJT

Answer 10. (a)

Column A	Column B
Delegation of authority	Is an important part of organization process
Top line	Sales
Development	Growth of the individual
Vision	Where we want to go
Maslow	Hierarchy Theory

Answer 10. (b)

  (i) **OD –** Organization Development

 (ii) **SOBC Model –** Stimulus – Organism – Behaviour – Consequence Model

(iii) **CSF –** Critical Success Factor

(iv) **NRF –** National Renewal Fund

 (v) **OJT –** On-the-job training

Q. 11. (a) Define, in just a sentence, the following :

   (i) **Loyalty**

  (ii) **Scalar chain**

 (iii) **Group Dynamics**

 (iv) **Unfreezing**

  (v) **Span of control**

Q. 11. (b) Fill in the blanks with appropriate word/words :

     (i) P _____ is the end result of delegation.

    (ii) T-Group training is also known as _____ .

   (iii) MIS is the system of organizing the _____ Flow network within the organization.

   (iv) Need hierarchy theory is a general theory of _____ developed by Maslow.

    (v) In the area of inventory control _____ is an example of critical point control.

Answer 11. (a)

  (i) **Loyalty –** Loyalty implies the faithful dedication of a person to the firm, colleagues and duty without manipulation of second intentions.

 (ii) **Scalar Chain –** It suggests that each communication going up or coming down must follow through control of the employer.

(iii) **Group Dynamics –** When people are joined together in a group, 'synergy' will come into play and this strength of the group will not be a mere arithmetical addition but many more i.e. 1+1 will not be 2 but much more. Group dynamics refers to the forces operating in the group.

(iv) **Unfreezing –** It involves discarding the conventional methods and orthodox behavior patterns.

 (v) **Span of control –** It refers to the limit of number of employees that a superior can effectively manage at a specific time.

Answer 11. (b)

  (i) Decentralization

 (ii) Sensitivity Training

(iii) Information

(iv) Motivation

 (v) ABC Analysis

Q. 12. (a) Difference between Personnel Management and Human Resource Management.

     (b) What are the different methods of selection?

Answer 12. (a)

According to the National Institute of Personnel Management, "Personnel Management, Labour Management or Staff Management means quite simply the task of dealing with human relationships within an organisation. Academically, the three aspects of Personnel Management are :

  (i) The welfare aspect concerned with working conditions and amenities such as canteens, crèches, housing, personal problems of workers, schools and recreation;

 (ii) The labour or personnel aspect concerned with recruitment, placement of employees, remuneration, promotion, incentives, productivity, etc.

(iii) The industrial relations aspects concerned with trade union negotiation, settlement of industrial disputes, joint consultation and collective bargaining. All these aspects are concerned with the human element in industry as distinct from the mechanical."

The difference between Personnel Management and Human Resource Management may be highlighted as follows :

Personnel Management	Human Resource Management
1. Personnel management is the management of people.	1. HRM is the management of employees' skills, knowledge, abilities, talents, aptitude, and creative abilities.
2. Personnel management views man as economic person.	2. HRM views man not only as economic person but looks at him as a full person-taking social and psychological factors in views.
3. Employee is treated as cost centre and hence controls cost of "Personnel" in the organisation.	3. Employees are treated as profit centre and hence they invest in Human Resource Development – and future accrues from this resource.
4. Employee is viewed as a tool or equipment, which can be purchased and used.	4. Employee is treated as a resource.
5. Employees are utilised for organisational benefit.	5. Employees are utilised for mutual benefit-both for the organisation and employees' own.

Answer 12. (b)

There are a variety of methods of selection. An organization must choose the option(s), which it feels, suits its particular needs. The methods of selection may be analysed as follows :

(i) Employing anyone who applies (possibly with the qualification that they meet simple defined criteria): It must be acknowledged that in certain occupations at certain times the selection method need not to be too sophisticated.

(ii) Past experience or past education only: Sometimes the organization need not pursue an expensive formal selection process. The application form (properly verified) may constitute sufficient evidence to employ an individual. As long as the person has sufficient experience and/ or education he or she may be deemed suitable to do the job. Under such circumstances they may decide to attract that one person to apply for the job.

(iii) Head hunting: There is a limited number of cases where the normal procedure is radically altered. A person may be "head hunted". That is, the organization feel they know not just the type of person to do a job but the very person they think is best suited to the job. Under such circumstances they may decide to attract that one person to apply for the job.

(iv) I.Q. test: It may be that the intelligence of a person is deemed to be sufficient evidence to justify employment. Under such circumstances as assessment of level of intelligence alone will constitute sufficient authority to employ. It is more likely that this will form only part of the selection method; it is commonly used as a complement to, not a substitute for, other methods.

(v) Aptitude tests: In some cases the successful holder of a job may need certain abilities or aptitudes. For instance, the person working in a computer department may need to have an aptitude for computers.

(vi) Personality test: In most jobs the personality of the person is a major constituent feature in predicting occupational success. In such cases it will be necessary to assess the personality of the applicant. Formal personality tests may be considered to be a more reliable assessment of an individual's personality than will be judgement by, for instance, an interviewer. Unfortunately there is no one universally accepted authority on the assessment of an individual's personality.

(vii) Scenarios: In some cases the work situation can be modelled in some way: an example might be a

hypothetical management problem. Individuals can be observed and assessed on their ability to cope with the resolution of these problems. They are often used where group discussion and the ability to communicate with others is being assessed.

(viii) Presentations: It might be that, under certain circumstances, the presentation of a topic of concern to the organization affords some extra source of information as to the qualities of individual, short-listed candidates. This form of selection would help isolate those candidates who have useful ideas, which the organization can use. Similarly, if communication skills are considered to be an important factor of the job, this form of selection provides extra information from which an informed choice can be made.

(ix) The selection interview: This is the most commonly used of all selection methods. A panel could conduct the interview or an individual could conduct it. The candidate might have one, or more than one, interview. It presents one of the most obviously useful ways of assessing an individual's capabilities.

(x) Other methods: There are a number of less frequently used selection methods. They include telephone interview, complete application forms in their own handwritings, accompany recent photograph with the application forms and etc.

Q. 13. Distinguish between administration and management.

Answer 13.

Administration usually refers to the activities of the higher level of the management group who determine major aims and policies. This can be called the broader use of the term which is often used in government departments (e.g., the Civil Services). It is also used in the narrower sense of controlling the day-to-day running of the enterprise.

An administrator can also be a manager; this occurs when the administrator is concerned with implementing policy in dealings with employees to whom responsibilities have been delegated.

Brech defines *administration* as : 'That part of the management process concerned with the institution and carrying out of procedures by which the programme is laid down and communicated, and the progress of activities is regulated and checked against targets and plans. ' Management has even more meanings than administration. Management can mean :

(i) A process by which scarce resources are combined to achieve given ends. This describes an activity which can be better described by the word managing;

(ii) The management referring to those people carrying out the activity. This should really be the managers;

(iii) The body of knowledge about the activity of managing, regarded here as a special field of study, i.e., a profession.

Of these three, the first is preferable, management referring to the process of management. A useful approach is to consider management to be a process whereby a suitable environment is created for effort to be organized to accomplish desired goals.

Brech defines management as :

A social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise, in fulfillment of a given purpose or task, such responsibility involving.

(i) judgment and decision in determining plans, and the development of data procedures to assist control of performance and progress against plans; and

(ii) the guidance, integration, motivation and supervision of the personnel composing the enterprise and carrying out its operations

It can be seen from the above that the process as a whole is called management- administration being part of it. Students are advised to define the terms in the manner they intend to use them.

The term top management usually refers to management above departmental level and is loosely applied to directors.

The word executive is correctly used when referring to a person who carries and policy. The phrase top executive is used especially in the U.S.A., for people of a high status, who in fact do no executive work at all, as they spend their time formulating policy. (They are of course responsible for executive action done under their jurisdiction.) Where words are associated with status rather than function, precision is impossible.

Q. 14. What is the importance of forecasting in planning? What are the limitations to forecasting?

Answer 14.

Economic forecasting is basic to planning. Forecasting precedes the preparation of a budget and is concerned with probable events. The future is uncertain and numerous techniques have been evolved to try and limit the amount of uncertainty. Probability theory is one statistical method used widely. A newer development is econometrics forecasting. This is done through the construction of mathematical models in which various factors of the economy are given mathematical values and their effect upon each other ascertained through the solution of equations. The level of a country's economy is, of course, a vital factor upon which a company's sales and revenue plans are based.

Such a forecast enables a premise to be made from which plans can be developed and enables the right objectives to be selected. It is, in effect, a special tool of planning and Fayol considered it so important as to state it was the essence of management. He used the word purveyance, or foresight, and referred to plans as syntheses of forecasts and recommended annual forecasts and ten-yearly projections, which were revised every five years or less, depending upon trends.

Sales forecasts are affected by many factors which include trends relating to the general economy, political, international and industrial trends, the strength of competitor and manufacturing cost trends.

Forecasts make management think ahead and gibe a singleness of purpose to planning by concentrating attention on the future.

Sales forecast

The sales forecast, which shows the number of units to be sold and the price expected, will enable the budget of revenue to be calculated. Then the budgeted production costs for this level of sales, plus expected administration costs, can be deducted from the expected revenue to give a budgeted profit figure, which will then show the amounts available for appropriation. Budgets for total resources needed to finance the level of expected production can be drawn up.

Other chapters will show the place of the other activities in more detail, i.e., production, sales, distribution, and how control is effected over the entire cycle of business activity.

In forecasting it is important to stress the need to examine the economic environment and possible fluctuations in company profits and relationships to possible cycles of business activity.

In planning for longer periods, a forecast of technological changes is vital, especially for those companies which are in areas of rapidly advancing technology, e.g., electronic machinery.

From an organizational point of view, some companies have separated the basic day-to-day marketing activity from strategic planning for the future. Most organizations today, though, use the sales forecast as the starting point in the planning exercise.

Limitations to forecasting

- **Reliability of past data.** Although p0ast events are analyzed as a guide to the future, a question is raised as to the accuracy of these recorded events.

- **Accurate judgment** is needed to identify key factors entering the forecast, interpreting data and selecting methods of analysis and applying them to problems.
- **Measurement of forecasts** must have a consistent base and single figure forecasts may be unsatisfactory, as there is a need for probability to be attached, thereby evaluating the likelihood of the event occurring.

Q. 15. How would you define the term 'authority'? What are its different sources?

Answer 15.

Definition : All managers in an organization have some sort of authority. But the degree of authority differs depending on the levels of management they occupy in the organization structure. Authority is one of the most important tools of a manager. It is the right to command others, to act or not to act in order to reach certain specific objectives. It can be described as the right to commit resources (that is, to make decisions that commit resources of an organization) or the legal (legitimate) right to give order (to instruct someone to do or not to do something). For instance, in 1978, Henry, Ford, Chairman of Ford Motor Company, fired Lee Iacocca as its President. Ford's authority was derived form the company's board of directors, which acquired its power from the shareholders.

Authority is the 'glue' that holds the organization together. It provides the means of command. It results from the delegation or shifting of power from upper to lower positions in the organization. Now the question is: How does a manager acquire authority?

Sources of Authority : There are two contradictory views regarding the source of authority on the basis of which two theories have developed, viz., the formal theory and the acceptance theory.

Formal view of authority : According to this theory authority is conferred; authority exists because it was granted to someone. This theory seeks to trace the origin of authority upward to its ultimate source, which, for business organizations, is the owners or stockholders. As Plunkett and Attner have rightly commented: "authority is rested in a manager because of the position he or she occupies in the organization. Thus authority is defined in each manager's job description or job charter. The person who occupies the position has its formal authority as long as he or she remains in the position. As the job changes in scope and complexity, so should the amount and kind of formal authority possessed."

Acceptance view of authority : Even though a manager has formal or legitimate authority, the key to effective management is the willingness of employees to accept such legitimate authority. The acceptance theory of authority focuses on the employee as the key to the manager's use of authority. It disputes that authority can be conferred. According to this theory, a manager's authority originates only when it has been accepted by the group or individual over whom it is being exercised. As Chester Barnard put it.

"If a directive communication is accepted by one to whom it is addressed, the authority for him is confirmed or established." This implies that acceptance of the directive becomes the basis of action. In other words, disobedience of such a communication by an employee is a denial of its authority for him (or her).

In short, the acceptance theory suggests that a manager's authority does not exist until it is accepted and acted on. However, in practice, it is interaction of formal authority with employee acceptance that produces positive results. According to the formal theory, authority is a right that has been granted to a manager by the organization. However, the acceptance theorists often tend to confuse authority with power or leadership, which involves the ability of a manager to influence subordinates to the point at which his (her) authority is accepted. But these theorists (known as behaviorists) make the important point that, to be effective, managers are certainly very dependent on acceptance of their authority. This makes enormous goods sense.

Q. 16. What is meant by change? Why employees resist change?

Answer 16.

Change involves alteration of the status quo or modification of the existing situation. Changes can be of three types – evolutionary, revolutionary and planned. Evolutionary changes take place gradually or slowly. They are not visible and face no resistance. Revolutionary changes are sudden and may be violent. Therefore, such changes are often resisted, planned change implies deliberate alteration in the existing organizational system to achieve some desired results, e.g. profitability, employee satisfaction, improvement in the image of the organization, etc. The change may involve alteration in the structural relationship and in the role of people in the organization.

Causes of resistance to change are :

   (i) Fear of economic loss

  (ii) Obsolescence of skills

 (iii) Status quo

  (iv) Fear of unknown

   (v) Ego defensiveness

  (vi) Social displacement

 (vii) Peer pressure

(viii) Organization structure

  (ix) Resource constraints

   (x) Threat to power and influence

  (xi) Sunk costs

The above causes of resistance to change are discussed below :

   (i) **Fear of economic loss :** People resist change when they perceive that they will lose some economic benefits, such as technological unemployment, reduced monetary benefits, demotion, reduced incentive wages etc.

  (ii) **Obsolescence of skills :** Change may render the existing knowledge and skills obsolete and it might affect the pay and position of the employees in the organization. So they resist change.

 (iii) **Status quo :** People attach great importance to the status quo. Change may disturb their convenience, comfort, habit or custom. Moreover, change requires some adjustments on the part of employees. Thus there is a natural tendency of people to oppose change.

  (iv) **Fear of unknown :** Change causes uncertainty and risk. The unknown poses a constant threat to people because the impact of change is unknown. For instance, an employee may resist transfer to a remote branch because of the anxiety of an unfamiliar place.

   (v) **Ego defensiveness :** Sometimes people resist change because it hurts their ego.

  (vi) **Social displacement :** Introduction of change often causes social displacement of people by breaking informal groups and relationship, such as friendship. This is an emotional resistance to change.

 (vii) **Peer pressure :** People may resist change because the group to which they belong opposes the change. Every group has its own norms and puts pressure on its members to resist change which violets the group norms.

(viii) **Organizational structure :** Some organizational structures have built mechanism for resisting change. For instance, a typically bureaucratic structure wherein jobs are narrowly defined, lines of authority are clearly spelt out and the flow of information is stressed from top to bottom, new ideas rarely travel down the hierarchy. Innovation are not suitable and changes are often resisted.

(ix) **Resource constraints :** Some organizations resist change due to scarcity of resources. An organization may resist change because change will require huge investment.

(x) **Threat to power and influence :** Change may disrupt the power relationships and produce a new power equilibrium which, in turn, may reduce the power and prestige of some top executives. So they resist change.

(xi) **Sunk costs :** An organization may also resist change because it has invested in fixed assets and human resources. These costs cannot be recovered unless the assets and resources are put to productive use. When change is introduced, many of these costs become useless.

Q. 17. **What is decision-making? What are its different types?**

Answer 17.

A decision is a choice where by a person forms a conclusion about a situation. This represents a course of behavior about what must or must not be done. It is the point at which plans, policies and objectives are translated into concrete actions. Planning leads to decisions. However, any decision guided by company policies and objectives implies the selection from alternative objectives, policies, procedures and programmes. The purpose of decision-making is to direct human behavior towards a future goal. If there were no alternatives, there would be no need for a decision.

A brief comment on some of the ways decisions can be distinguished is all that is needed at this stage. Drucker distinguishes between 'tactical' and 'strategic' decisions.

Strategy can be defined as the behaviour of management in trying to achieve success for company goals in an environment of competition. It is based upon the action, or possible action, of others. Strategies are solely calculated to implement plans and objectives, bearing in mind all manner of uncertainties, so that an advantageous position is attained over an opponent.

'Tactical' decisions are routine- they usually contain few alternatives and relate to the economic use of resources.

'Strategic' decisions are made by management and involve 'either finding out what the situations or changing it; either finding out what the resources are, or what they should be.' These include decisions upon basic objectives and may affect the productivity, organization or operation of the business.

Other classifications include a division between organizational and personal decisions :

(i) Organizational decisions are those made in the role of an official of the company and reflect company policy.

(ii) Personal decisions refer to those made by a manager as an individual and cannot be delegated.

Another classification is between basic and routine decisions :

(i) **Basic** decisions are long-range in scope, e.g., the location of factory in a Development Area, or deciding what product to make. Wrong decisions on these matters can be costly.

(ii) **Routine** decisions are those which are made repetitively and need little thought.

A final, similar, classification by H.A. Simon distinguishes between programmed and unprogrammed decisions :

(i) Programmed decisions are those which are routine and repetitive and have procedures set up to deal with them. Risks involved are not high and they, therefore, can be more easily delegated. Assessment can often be made in quantitative terms and can, therefore, more easily be programmed into a computer.

(ii) Unprogrammed decisions are new and non-repetitive, where risks involved are high and they cannot easily be assessed in quantitative terms. There are many courses of action possible and decisions made will mean a greater expenditure of resources.

Q. 18. Distinguish between :

    (i) Oral and written communication

    (ii) Formal and Informal organization

Answer 18.

  (i) Difference between Oral and Written Communication

Basis of difference	Oral communication	Written communication
1. Expression	It is always expressed through spoken words.	It is expressed in writing.
2. Length	It may not be precise.	It can be very precise.
3. Understanding	It may not be complete. It may be difficult to understand it.	It is not difficult to understand written communication, if it is expressed in unambiguous terms.
4. Nature	It is generally informal in nature.	It is generally formal in nature.
5. Seriousness	It may not be taken seriously.	It is generally taken seriously.
6. Verification	Oral messages may not be verifiable.	Written messages are verifiable from the records.
7. Time	It is consuming less time.	It is a more time consuming process.
8. Feedback	It helps in getting the immediate feedback.	Feedback is not received immediately.
9. Distortion	More chances of distortion in the future.	No chance of distortion as it acts as a legal evidence for the future.

   (ii) Formal and Informal organization

Formal organization	Informal organization
Formal organization is created deliberately by the management.	Informal organization emerges spontaneously on account of social forces.
It is created for achieving legitimate objectives of the organization.	It is formed to fulfill social personal satisfaction.
It may be quite large in number.	It will be in smaller groups
It is bound together by hierarchical structure with flow of authority from top to bottom.	All members are equal, though some may command more authority by virtue of their personal qualities.
Members are governed by structured rules and regulations.	The behaviour of members is governed by norms, belief and values of the group.
Free interactions among members may not be possible because of cadre difference.	More interaction among members is possible.
Communication normally flows through the prescribed chain of command.	Communications pass through the informal channels.
Leadership is vested in managers.	Leadership is not associated with managership.
It is built around jobs.	It is built around people and their roles.
Management can abolish formal groups at any time.	Management has no control over informal groups which are the creation of natural desire of human beings to interact.

Q. 19. What are the requirements of a good system of motivation?

Answer 19.

Some requirements of a good system are :

- subordinates must be *induced to work* and produce more;

- a good system must be *comprehensive* in providing for the satisfaction of all needs;

- the system must be *flexible* in order to account for varying requirements of people who need different stimuli, *e.g.,* some would work harder for more pay; others for status only;

- Provision must be made for financial *opportunities* — particu-larly those giving more personal freedom, *e.g.,* shares in the company; *security* is a vital element. It means more than the promise of a job and a wage. A recent survey showed that if people knew the situation in their industry, *i.e.,* where they stood in relation to the firm, and if more information were made available by managers, morale would be higher.

The confidence of workers must be won by management and one impor-tant factor is the right environment to create the right physiological climate, *e.g.,* equitable arrangement of workflow, rest periods, heating, lighting and ventilating, etc.

Government regulations have helped in this respect *(e.g.,* Factory and Offices, Shops and Railway Premises Acts), and have also, to a large extent, ensured that the primary needs are catered for *(e.g.,* contracts of employment and redundancy payments). The working environment is now safer and a person's livelihood is safeguarded to some extent. People now are more interested in secondary needs *(e.g.,* a worthwhile job, good conditions and promotion) and this may be seen in trade-union negotiations.

The desire for social relationships is often a neglected consideration. The need of a job which gives a person a respected position in society and enables social relationships to develop is very important and must be recognised by managers.

Basic needs can be attained only if the job is secure; this, coupled with a good level of wages, is needed. Other needs, *e.g.,* self-respect, group participation, can then be developed. In this context, job descriptions (reflecting status), *e.g.,* rodent inspector not rat catcher; all have a part to play. Self-esteem is helped by letting subordinates participate in the work and decisions of the superior. Status can be shown be extra holidays, job title, method of payment (monthly or weekly) *(Note* — there is a trend towards 'staff status for manual workers, e.g., 'sub-staff for 'bearer'), provision of a company car, parking and travel facilities.

The problem of motivation is a strictly human problem. It is very com-plex and the results of positive attempts to motivate are rarely predict-able. What motivates one worker may have no effect at all on another, or may even cause antagonism. Workers in a group will react differently from the individual worker to any particular stimulus. Further, the group is less likely to be reasonable and may be more intransigent than the individual. It is also true that what motivates positively on one occasion may fail entirely on another, even with the same worker or group of workers.

In consequence, the theories propounded in this chapter must be viewed with caution and applied only in conjunction with previous experience of the worker or workers concerned. It must also be remembered that most of the research studies into motivation have been carried out on workers at shop-floor level and so some of the findings cannot be transferred uncritically to the problems involved in motivating manag-ers and supervisors.

Finally, for any scheme to improve motivation to be successful it must be continually monitored. Consequently, some form of appraisal must be put in place — otherwise it will gradually become ineffective.

Q. 20. (a) What is meant by degree of delegation?

(b) State five barriers of communication.

Answer 20. (a)

There are different degrees of delegation depending on the following functions:

Cost of decision. The more costly the action to be decided upon, the more probable it is that the decision will be made higher up. For example, a decision to purchase a computer will be made higher up the scale of authority than a decision to buy a storage box for floppies.

  (i) **Need for uniformity of policy.** The greater the need for uniformity, the greater the amount of centralization. For example, there often is a need to treat all customers alike. But too much uniformity means local knowledge is not used and initiative is stifled.

 (ii) **History of the organization.** This could be an important factor as there is a tendency to retain decentralized authority, particularly at first when a business amalgamates and consolidates with other businesses, whereas, if an organization has grown up from a small group, there is a tendency to centralize. The philosophy of management is also important. For example, Henry Ford (senior), the American motor-can manufacturer, was very keen on centralization and, wherever possible, made every major decision himself.

(iii) **Availability of capable managers.** If there are few managers of quality there will be less decentralization of authority. The solution here lies in efficient training and decentralization is a good method of obtaining management experience.

 (iv) **Size of organization.** The larger the organization the more complex it is, and the greater the difficulty in coordination. Decisions are more slowly reached and, therefore, more costly; decentralization can reduce this problem.

  (v) **Controls available.** If control techniques are good, management will be keener to delegate authority. If subordinates can be controlled easily, a manager is more likely to delegate authority to them.

Answer 20. (b)

Communication problems are often symptoms of more deeply rooted problems. Barriers can existing the sender, in the transmission of the message, in the receiver, or in the feedback. Specific communication barriers are discussed below.

  (i) Lack of Planning
 (ii) Unclarified Assumption
(iii) Semantic Distortion
 (iv) Poor Expression
  (v) In the international environment
 (vi) Loss by transmission and poor retention.
(vii) Impersonal Communication
(viii) Distrust, threat and fear undermine communication
 (ix) Poor listening and premature evaluation
  (x) Insufficient period for adjustment to change
 (xi) Information overload
(xii) Status barriers
(xiii) Organizational barriers
(xiv) Physical barriers
 (xv) Language barriers
(xvi) Other barriers

(i) **Lack of Planning:** Too often people start talking and writing without first thinking, planning and stating the purpose of the message. This causes a tremendous setback in the process of communication.

(ii) **Unclarified Assumptions:** If the messages are not clear it may result in a pandemonium. The unclassified assumptions on the part of both sender and receiver may result in confusion and the loss of goodwill.

(iii) **Semantic Distortion:** It arises from the limitations of the symbolic system itself. This type of distortion may be deliberate or accidental. The same symbol may have different meanings to different groups.

An advertisement that states "We sell for less" is deliberately ambiguous; it raises the question : Less than what? Words may evoke different responses.

(iv) **Poor expression:** The communication may be marked by poorly chosen words, omissions, lack of coherence, poor organization of ideas, awkward sentence structure, platitudes, unnecessary jargon and a failure to clarify the implications of the message.

(v) **In the International Environment:** Communication becomes even more difficult because of different languages, cultures and etiquette beyond the national boundaries.

Colours have different meanings in various cultures. Black is often associated with death in many Western countries, while in the Far East white is the colour of mourning.

Professors are referred to by their first name in USA while last name in India.

Thump up sign is good everywhere except in Australia.

(vi) **Loss by transmission and poor retention:** In the process of transmission from one person to the other, the message becomes less and less accurate. Poor retention of message is another serious problem.

(vii) **Impersonal Communication:** Informal gatherings, without status trappings or a formal authority base, may be threatening to a top executive.

(viii) **Distrust, threat and fear undermine communication:** In such an environment containing their forces, any message will be viewed with skepticism. Distrust arises out of past experience or inconsistent behaviour by the superior. In threats – people tend to fight-up, become defensive and distort information.

(ix) **Poor listening and premature evaluation:** Listening with empathy can reduce some of the daily frustrations in organizes life and result in better communication. There are many talkers, but few listeners. People participate in a discussion with comments that have no relation to the topic. They are pondering their own problems instead of listening to the conversation.

(x) **Sufficient period for adjustment to change:** For maximum efficiency from the employees, it is important to allow them sufficient time period before a change is implemented so that they can adjust to its implications.

(xi) **Information overload:** People respond to information over load in various ways.

(a) Disregard certain information.

(b) By making errors in processing the information.

(c) Delay in processing the information.

(d) Filtering the information.

(e) Escaping from the task of communication.

(xii) **Status barriers:** Barriers to communication arises due to differences in status and power between the sender and the receiver of communication.

(xiii) **Organizational barriers:** Information has to pass through several levels in the organization hierarchy, it tends to be distorted.

(xiv) **Physical barriers:** The physical distance between the sender and the receiver of the message be an obstacle to effective communication.

(xv) **Language barriers:** The differences in language used for communicating a message may be an obstacle to effective communication.

(xvi) **Other barriers:** Attitude, wrong choice of medium, emotions and psychological barriers, are also obstacles to effective communication.

Q. 21. (a) What is the difference between direction and delegation?

(b) Mention the qualities of a good leadership.

Answer 21. (a)

Direction is aided by delegation of authority. Orders may be issued formally or informally, and may be general or specific. They should all be enforceable by the employment of sanctions. Delegation can be regarded as a more general form of direction than issuing orders. In some cases detailed authority may be granted (e.g., to do a specific job); in others it may be broad (e.g., to discipline subordinates). It will, of course, be broader at the top of the pyramid of organization and more detailed towards the bottom.

Answer 21. (b)

No two persons would ever agree on the desired qualities, as almost every human strength or virtue will be quoted. The elements of persuasion, compulsion and example may be considered to be essential to effect leadership. It has also been said that a leader should make it his job to be known to all and that it is more important to be recognised than to be popular.

Lord Montgomery, in his book *Path to Leardership,* described a leader as :

'...one who can be looked up to, whose personal judgement is trusted, who can inspire and warm the hearts of those he leads, gaining their trust and confidence and explaining what is needed in language which can be understood.'

Chester Barnard in *Functions of an Executive* considers a leader should have the following attributes — skill, technology, perception, knowl-edge, physique, memory, imagination, determination, endurance and courage.

It must be carefully noted that the leadership qualities that are needed in a particular situation are not usually found in any one individual. There-fore, if a particular vacancy has to be filled, the strengths and weaknesses of the person being appointed should be considered, along with his peers.

The successful leader therefore can be considered to be perceptible and flexible and able to act appropriately, *i.e.,* in one situation he is strong, in another he is permissive. It is worth noting also that the formal status of an individual does not indicate the ability he has to influence others, as such ability is rather a combination of his position and his personality.

Q. 22. (a) "Coordination is regarded as the essence of management rather than a separate function of a manager." Do you agree with this statement? Give reasons.

(b) What is the basis for effective discipline?

Answer 22. (a)

The need and importance of coordination have become very great in recent times. Day by day organizational complications are increasing. Changes in market conditions and technology of production, importance of human relations etc are some of the factors which contribute towards increasing importance of coordination. It is needed to avoid all conflicts and splintering efforts and to remove all inconsistencies and deficiencies. Human efforts are constantly modified by the dynamic environments in which the organization exists. Terry has said " Coordination tends to strengthen some efforts, weaken others, and

frequently creates new and eliminates old forces, controversial issues disappear, points of differences crumble, and compromises are reached by means of coordination..."

Coordination attempts to remove these evils and tries to maintain a balance among unequals and a unity of diversities. Coordination is directly related to every other function of management. It is often described as key to other functions. In an enterprise there is an overall plan followed by derivative plans. A coordination or integration of all of them is vitally necessary. The importance of coordination in organizing does not require any explanation. Similarly, the functions of directing or commanding or motivating or actuating is absolutely clear because the main purpose of these functions is to lead to achievement of common goal. Lastly, controlling and coordination are said to be interdependent.

Without coordination no group work is possible. Coordination brings together individual efforts together but the group result is something more than the sum total of individual results working separately. In the words of Terry, " within one group, coordination makes possible a total accomplishment in excess of the sum of the individual parts making up that total."

Answer 22. (b)

A basis for effective discipline is good motivation and sound, clearly-given instructions. It is essential for good communications to be used in order to let staff know what they are required to do.

Ideally, discipline should be based upon cooperation and a high morale, which will ensure that rules and conditions are obeyed willingly. By virtue of his position, a superior has the right to command and enforce obedience, if necessary. This gives him the right to punish, because of the harm which may be done to the group's purpose.

Discipline can be obtained by rewards as well as by punishment, but, usually, punishment is expected if accepted norms of behavior are not upheld. Disciplinary action should contribute towards improved behavior, but certain matters must be noted :

- behavior expected must be *made known* and this is best done in the period of induction;
- discipline should be exercised *fairly,* with no favoritism or excessive penalties and as soon *after* the breach as possible. (Some methods of disciplining are by reprimand, downgrad-ing, suspension, refusing a wage increase, transfer or dismissal).
- management should not *break rules itself.* A good example is essential;
- the quality of discipline can vary with the type of leadership and the understanding of the common purpose of the organization.

Q. 23. "Management may be understood as a discipline, a group or process". Explain the statement.

Answer 23.

Management may be viewed from different dimensions. They may :

(i) **Management as a process :** "Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources." – George R. Terry.

(ii) **Management as an activity :** Management as an activity means what the managers perform in the process of management. Thus, it is the activity of getting things done through the efforts of other people.

(iii) **Management as a group :** As a group, management refers to all those persons who unitedly perform the managerial activities. They include persons in the different levels of management and are collectively termed as Management.

(iv) **Management as a discipline :** It is a specialised body of knowledge and a separate field of study. It is now recognised as a formal discipline having an organised body of knowledge which can be learnt through instructions and training.

(v) Management as a factor of production : The different factors of production are efficiently and effectively utilised to achieve the organizational goals. Thus, management is also considered as a factor of production.

(vi) Management is a distinct process : " Management is a distinct process performed to determine and accomplish stated objectives by the use of human beings and other resources."

(vii) Management is universal : Management is applicable in all types of organizations. Wherever there is a human activity, management is present.

Q. 24. Why people join groups ? State the features of a group?

Answer 24.

People join groups because of several reasons. Some of the reasons are under mentioned :

(i) The desire for need satisfaction is a strong motivating force for the formation of groups. More specifically, the security, social, esteem and self-actualisation needs of some employees can be satisfied only when they join groups.

(ii) Groups provide some degree of warmth and support for individuals. Quite expectedly, aloneness leads to a degree of insecurity. Groups provide security to the members.

(iii) People join groups because of economic considerations also. For example, individuals working at different points on and assembly line may be paid on a group incentive basis if the production of the groups determines the wages of every individual member. Further, workers join groups to exert pressure on the management to revise the wage rate.

(iv) Another reason for the people to group themselves is the proximity and attraction.

(v) Individuals may be attracted to join groups by virtue of the group goals. Organizational tasks, more often than not, expect cooperative effort of a group of people . the formal (or informal) groups can be extremely useful in solving specific work problems in organizations.

Features of a Group

- Groups are inevitable in all organizations and the managers should tryt heir maximum to understand the groups and see that they contribute to organizational performance.
- Groups perform at least three functions which are essential for the success of an enterprise viz. Socializing new employees, getting the job done, and decision making.
- Socialising the new employees
- Getting the work done
- Help in implementation of decisions taken by the organization.
- Groups help in establishing the standards of control and taking necessary corrective actions whenever serious deviations exist in actual work performance.

Characteristics of a group include the following :

(i) **Structure :** Every group has a structure (though not formally defined)

(ii) **Roles :** Each position in the group structure has a specific role to play.

(iii) **Norms :** Norms are said to be the 'oughts' of the behaviour. Norms are the prescription for acceptable behaviour determined by the group.

(iv) **Informal managerial roles :** Managers perform three types of roles viz. Interpersonal roles, informational roles, and decisional roles.

(v) **Informal communication system :** Informal communication system is known as grapevine. But, unfortunately, the term grapevine is equated with rumour. The informal communication system is equated with rumour and rumour is viewed as being bad for the organization though it is agreed

upon that informal communication system is often misused and misinterpreted. The importance of informal communication system cannot be underestimated. It should be remembered that grapevine can be accurate and fast and can carry much information that is needed to supplement the formal system of communication in an organization. The present day managers are fully aware of this fact and hence manage the informal system fruitfully to attain the organizational objectives.

Q. 25. (a) What is the importance of coordination in a modern organisation?

(b) What are the principles of coordination?

Answer 25. (a)

Coordination and leadership are intimately bound, as each affects the other. One cannot achieve coordination without effective leadership: together they ensure that all efforts are channelled effectively towards the right goal.

Some writers regard coordination as the first principle of organisation. Koontz and O'Donnell regard it as the essence of management and regard each of the managerial functions as an exercise in coordination.

No matter how a firm is organized, its functions must be effectively coordinated.

Coordination is the process whereby the effort of a group is synchronized so that the desired goal is obtained. Responsibility for coordination rests mainly with the board of directors and the chief executive. The need for a common purpose or goal is imperative as, if there is more than one purpose in people's minds, coordination of effort is not possible.

As people cannot be compelled to cooperate, the right environment for the exchange of information is required. There are many conflicts which can arise between management and workers. These must be smoothed out and, if, to use Fayol's phrase, *esprit de corps* can be attained, problems can be more easily overcome. Often departmental interests and goals are regarded as ends in themselves, *e.g.,* deliveries required to be made by the marketing department may be considered secondary to the produc-tion manager's production programme.

Answer 25. (b)

In order to be successful, coordination must not be directed in an autocratic manner, but rather encouraged in a democratic manner, eve-ryone participating in a unified way. It operates vertically as well as horizontally and should be effected at the most appropriate time. In addition to these points, Mary Parker Follett suggested three more factors of effective coordination :

- by *direct contact* between the persons immediately concerned;
- it must commence at the *earliest stages* of planning and policy-making;
- it must be a *continuous* process.

It is apparent that everyone is influenced by their colleagues and by the total environment; coordination will be easier to achieve if they under-stand each other's jobs and they will compromise more if information is exchanged. The ideal is for arrangements for coordination to be such that problems can be anticipated and therefore more easily prevented.

It may be noted that coordination exists horizontally and vertically, and it is essential for authority and responsibility to be clearly delegated so that department heads know the limits of permissible behavior. It can be appreciated that as more functions are self-contained the number of organisational relationships will be reduced and less cooperation will be required.

If authority overlaps, coordination generally will be more difficult; but this may be permissible in some cases especially if the objectives of each department concerned were different.

Q. 26. (a) "Directing is the heart of the management process." Do you agree with this statement? Give any three reasons in support of your answer.

    (b) Explain the Supervisory techniques of direction.

Answer 26. (a)

Any organization may be set up with proper planning but it will not have any practical value unless it is set to action. Carlyle said ' the end of man is action'. It is equally true to an organization. The term direction means, in the language of Copeland, "forceful driving" of the organization. It is the process through which life is breathed in to an organizational body. To have an organization without direction is like sitting in a car without driving the engine. Koontz and O'Donnell have defined direction as the "executive function of direction embraces those activities which are related to guiding and supervising subordinates….it is the duty of the superior-manager to inculcate in his subordinates a keen appreciation of the enterprise traditions, history, objectives and policies." Actually the work is to be done by the subordinates. They have to be taught to do work because man hardly works with his own volition and wish. The fact that the subordinates can do the work is not enough. They have to be encouraged to do it. Of course, they may work for the fear of losing the job, " but fear it is not a very good motivation" (Dale).

In simple language Dale and Michelon define direction as " telling people what to do and seeing that they do it I to the best of their ability."

Henri Fayol used the term command to mean direction.

William Given has compared direction in an organization with teaching in a college. Like a teacher a superior manager has to mould the mind and attitude of his subordinates. Direction therefore is intimately connected with human behaviour.

Herbert Simon comments, "The behaviour of individuals is the tool with which organization achieves its purposes."

The attitude of and behavourial patterns of the subordinates may be quite opposite to the objectives of the organization. By proper direction they have to be reformed.

Marry Follett pointed that such reform was possible provided the following considerations were taken into account- (i) building up new attitudes (ii) releasing the attitudes and (iii) developing those attitudes.

Answer 26. (b)

It is the secondary function of direction and there are three techniques for doing it.

  (i) **Autocratic :** The manager assumes full command over all actions of the subordinates and cannot think that the subordinates can be trusted to act independently.

 (ii) **Consultative :** Supervising is done through formal and informal conferences with the subordinates. In informal conferences they meet with the mutual trust and the conference is held when there is a need. Formal conferences are held when there is a need. Formal conferences are held with due notice and for specific purposes. In such conferences the subordinates can meet their superiors and so better relationship develops. But there are chances of misuse.

(iii) **Free-reign :** It encourages the initiative of the subordinates and they are allowed to learn by mistakes. As more and more authority is delegated the subordinates can show more and more of their abilities. There are more generalised instructions issued through open-door communication (it means the superior always keeps him available to the subordinates) and reference to past decisions of the subordinates. This technique is very suitable where educated subordinates are employed. But mistakes by subordinates must not be allowed to be many.

Which of these three techniques will be better depends upon the two points— (i) they are not mutually exclusive (ii) the personality of the superior.

Q. 27. Define attitude. Discuss the popular techniques used to measure attitudes.

Answer 27.

Attitude means a predisposition to respond in a positive or negative way to someone or something in the environment. It represents the way a person feels about someone or something. According to Allport, "Attitude is a mental state of readiness, organized through experience, exerting a specific influence upon a person's response to people, object and situations with which it is related."

Some of the popular techniques used to measure attitudes are :

  (i) Thurstone attitude scale

  (ii) Likert's scale

 (iii) Opinion survey

 (iv) Interviews

Brief explanations of the above techniques are given below :

  (i) **Thurstone attitude scale :** In this scale, a large number of statements relating to the are in which attitudes are to be measured are collected. The statements both favourable and unfavourable are placed into eleven piles. I representing the most favourable and II representing the most unfavourable. Individuals are then asked to check those statements with which they agree. The average of the scale values which they agreed is calculated. If the average is low, this means high degree of favourableness in attitudes. If the average happens to be high, this indicates low degree of favourableness in attitudes.

  (ii) **Likert's Scale :** It consists of five boxes ranging from strongly agree to strongly disagree. For each statement, the respondent is required to check one of the five boxes. All the ratings are then summed up. The sum measures the intensity of one's attitude.

 (iii) **Opinion survey :** Attitude scales help to measure the attitudes of employees by summarizing the data. Such scales are useful to measure employee morale. It provides information about specific factors such as company policies and facilities, working conditions, etc. A questionnaire is used in opinion surveys. Generally a single response in the form of "Yes" or "No" is obtained to each question. It is possible to develop questionnaire that can serve both the purposes of obtaining opinions of employees and measuring their attitudes.

 (iv) **Interviews :** A consultant of academician may conduct interviews to judge the attitudes of employees in the company. In a guided interview, a series of questions are asked in such a way that these can be answered by a simple "Yes" or "No'. In the unguided interview, employees are allowed to express their views about specific matters such as job involvement, job satisfaction, etc.

Q. 28. (a) Highlight the steps in the staffing process.

     (b) State two reasons why staffing is identified as a separate managerial function.

Answer 28. (a)

The organizations staffing process is conducted not in a vacuum but in an environment mindful of and responsive to organizational needs. It is thus the obtaining of the right people. It is a vital part of the total management task. It is a two-sided process; it is essential not just that the organization wants the people but that the people want the organization.

The process whereby the organization seeks to obtain the right type of employee can be examined in a number of inter-linked stages.

- To establish the existence of a vacancy for the potential recruit to occupy.
- Manpower or human resource plan.

- Assessment of current numbers and skills.
- Job description.
- Personnel or person specification.
- Advertisement.
- Assembly of appropriate documentation.
- Short listing.
- Choice of selection method.
- Conducting the selection process.
- Offer and acceptance procedures.
- Monitoring and review.

Answer 28. (b)

Staffing is identified as a separate managerial function for the following reasons:

(i) The staffing of organizational roles includes knowledge and approaches not usually recognized by practicing managers, who often think of organizing as just setting up a structure of roles and give little attention to filling these roles.

(ii) Making staffing a separate function facilitates placing an even greater emphasis on the human element in selection, appraisal, career planning, and manager development.

Q. 29. (a) State the objectives of controlling.

(b) State the techniques of coordination.

(c) Mention the conditions for achieving effective coordination.

Answer 29. (a)

Controlling has the following objectives :

(i) determines the actual performance

(ii) checking deviations from the standard

(iii) identifying and analyzing the causes of such deviations

(iv) taking corrective actions

(v) minimization of losses

Answer 29. (b)

The various techniques of coordination may be discussed as :

(i) Managerial hierarchy

(ii) Standing plans

(iii) Information and communication systems

(iv) Horizontal coordination

(v) Committees

(vi) Staff groups

(vii) Special coordinators

(viii) Informal coordination

(ix) More effective than formal means

Answer 29. (c)

In today's dynamic world characterised by technological progress and structural changes within the organisation the task of co-ordination is becoming more and more complex. Coordination cannot be achieved by force or imposed by authority. It can only be achieved through person-to-person or side-by-side relationships. Coordination will be effective when it is done at all phases of management. It can be effectively achieved if the following ten fundamental conditions are fulfilled :

  (i) Clearly defined objectives
  (ii) Precise and well-understood plans
 (iii) Clear lines of authority and responsibility
 (iv) Proper organisational structure
  (v) Effective channels of communication
 (vi) Use of common terms
 (vii) Voluntary teamwork
(viii) Real commonality of interest
 (ix) Proper leadership
  (x) Proper timing

Q. 30. Write short notes on :
    (i) Single user plan
    (ii) Disinvestment policy
   (iii) Contingency Approach
   (iv) Steps of planning
    (v) Psychological incentives

Answer 30.

  (i) Single user plan – Organizational plans for handling non-repetitive, novel and unique problems are known as single use plans. They are tailored to fit specific situations and they become obsolete once their purposes are achieved. Organizational objectives, strategies, programmes and budgets are generally categorized as single use plans. There are two categories of single use plans, viz. objectives and strategies, which are discussed as follows :

    (a) Objectives

    (b) Multiplicity of objectives

    (c) Hierarchy as a means-end chain

    (d) Goal displacement

    (e) Strategies

  (ii) Disinvestment Policy – Selling a part of the shares of the PSU by the Government to public to mobilize funds for budgetary resources is known as disinvestment policy. This will not affect the status of public sector undertaking or unit. The major plank of the privatization programme in India has been the disinvestment of Government equity in a selected number of profit-making public enterprises. The main rationale behind this policy is to raise non-inflationary form of finance for the budget and to reduce budget deficit. The disinvestment policy was started in 1991-92 when the Government announced its new economic policy. But the disinvestment programme was launched without creating the required conditions for its take-off. It did not get public enterprises listed on the stock exchange. Adequate efforts were not made to build up the much needed linkage

between the public enterprises on the one hand and the capital market on the other. Moreover, suitable methods to oversee the disinvestment of public sector shareholdings were not resorted to.

(iii) Contingency Approach – It is related to the systems approach and also known as situational approach. Its basic theme is that there is no single best way of managing applicable in all situations. The best solution is the one that is responsive to the peculiarities of the given situation. The effectiveness of any technique is contingent on the given situation. This approach should be a match or 'fit' between the situational variables and management variables. It rejects universally of management concept and appeals to common sense.

(iv) Steps in planning -
   (i) Identification of problems
   (ii) Establishment of objectives
   (iii) Developing planning premises
   (iv) Determining and evaluating alternative courses and selecting a course
   (v) Developing alternatives plans.

(v) Psychological incentives – These incentives or amenities or facilities do not offer cash reward to employee but create a psychological effect by making the working condition and terms of employment lucrative enough to induce the employee to increase his efforts.

Psychological incentives are as follows :
   (a) Fabourable working conditions
   (b) Medical facilities for the individual and his family
   (c) Education facilities
   (d) Welfare measures.